



Missouri State Auditor

[Home](#)

[Reports](#)

[News](#)

[Contact](#)

[About Us](#)

Audit Reports Released in 2009

Audit	Date Issued	Audit Number
Comprehensive Annual Financial Report	12-2009	2009-151
Public Safety / Missouri Gaming Commission	12-2009	2009-150
Review of Independent Audits of Fire Protection Districts in Greene County	12-2009	2009-149
Thirty-Eighth Judicial Circuit / Christian County	12-2009	2009-148
Lewis County - Financial Statements	12-2009	2009-147
Maries County - Financial Statements	12-2009	2009-146
Dunklin County - Financial Statements	12-2009	2009-145
Pemiscot County - Financial Statements	12-2009	2009-144
Holt County - Financial Statements	12-2009	2009-143
Warren County - Financial Statements	12-2009	2009-142
Grundy County - Financial Statements	12-2009	2009-141
Ste. Genevieve County - Financial Statements	12-2009	2009-140
Seventh Judicial Circuit / City of Mosby / Municipal Division	12-2009	2009-139
Ste. Genevieve County	12-2009	2009-138
Texas County	12-2009	2009-137
Crime Victims' Compensation Program	11-2009	2009-136
Gentry County	11-2009	2009-135
Morgan County	11-2009	2009-134
Eight Judicial Circuit / City of Richmond / Municipal Division	11-2009	2009-133
Summary of State and Local Audit Findings - Legislative Impact	11-2009	2009-132
Northeast Ambulance and Fire Protection District	11-2009	2009-131
City of Garden City	11-2009	2009-130
Ninth Judicial Circuit / City of Marceline / Municipal Division	11-2009	2009-129
Moniteau County	11-2009	2009-128
Office of Attorney General / Medicaid Fraud Control Unit	11-2009	2009-127
Cooper County - Financial Statements	11-2009	2009-126
Randolph County - Financial Statements	11-2009	2009-125
Clark County - Financial Statements	11-2009	2009-124
St. Louis Board of Police Commissioners	11-2009	2009-123
City of St. Louis / Department of Public Safety	11-2009	2009-122
City of St. Louis / Lambert-St. Louis International Airport	11-2009	2009-121
City of Pleasant Hope	10-2009	2009-120
Scotland County - Financial Statements	10-2009	2009-119
Pulaski County - Financial Statements	10-2009	2009-118
Nodaway County - Financial Statements	10-2009	2009-117
Mercer County - Financial Statements	10-2009	2009-116

Carroll County - Financial Statements	10-2009	2009-115
Morgan County - Financial Statements	10-2009	2009-114
Conservation / Department of Conservation	10-2009	2009-113
Administration / Information Technology Consolidation	10-2009	2009-112
City of Crystal City	10-2009	2009-111
Dade County	10-2009	2009-110
Seventeenth Judicial Circuit/ City of Garden City/ Municipal Division	10-2009	2009-109
McDonald County	10-2009	2009-108
Bates County	10-2009	2009-107
Henry County - Financial Statements	09-2009	2009-106
Howell County - Financial Statements	09-2009	2009-105
Perry County - Financial Statements	09-2009	2009-104
Corrections / Department of Corrections	09-2009	2009-103
Missouri Statewide Performance Indicators: A National Comparison	09-2009	2009-102
City of Tracy, Missouri	09-2009	2009-101
Village of Truxton	09-2009	2009-100
Caldwell County	09-2009	2009-99
City of Niangua	09-2009	2009-98
Scotland County	09-2009	2009-97
Maries County	09-2009	2009-96
Randolph County	09-2009	2009-95
Crawford County	09-2009	2009-94
City of Iron Mountain Lake and Twenty-Fourth Judicial Circuit / City of Iron Mountain Lake Municipal Division	09-2009	2009-93
Polk County	09-2009	2009-92
General Assembly and Supporting Functions / House of Representatives	09-2009	2009-91
General Assembly and Supporting Functions / Senate	09-2009	2009-90
Texas County - Financial Statements	09-2009	2009-89
Phelps County - Financial Statements	09-2009	2009-88
Moniteau County - Financial Statements	09-2009	2009-87
Madison County - Financial Statements	09-2009	2009-86
Butler County - Financial Statements	09-2009	2009-85
St. Clair County - Financial Statements	09-2009	2009-84
Laclede County - Financial Statements	09-2009	2009-83
Dallas County - Financial Statements	09-2009	2009-82
Dade County - Financial Statements	09-2009	2009-81
Thirtieth Judicial Circuit / City of Pleasant Hope / Municipal Division	08-2009	2009-80
Sixth Judicial Circuit / City of Tracy / Municipal Division	08-2009	2009-79
Vernon County	08-2009	2009-78
Village of La Tour	08-2009	2009-77
Pleasant Hope R-VI School District	08-2009	2009-76
Village of Sibley	07-2009	2009-75
Cooper County	07-2009	2009-74
Jennings School District	07-2009	2009-73
Liberty 53 School District	07-2009	2009-72
Higher Education / Three Rivers Community College	07-2009	2009-71

Knox County	07-2009	2009-70
Sugar Creek Special Road District	07-2009	2009-69
Missouri Investment Trust / Comprehensive Annual Financial Report / Fiscal Year Ended December 31, 2008	07-2009	2009-68
Office of Governor / Period July 1, 2008 to January 12, 2009, and the Year Ended June 30, 2008	06-2009	2009-67
Office of Attorney General / Period July 1, 2008 to January 12, 2009, and the Two Years Ended June 30, 2008	06-2009	2009-66
Missouri Housing Development Commission	06-2009	2009-65
City of St. Louis / Office of License Collector	06-2009	2009-64
City of St. Louis / Department of Streets	06-2009	2009-63
City of St. Louis / Office of Collector of Revenue	06-2009	2009-62
City of St. Louis Department of Human Services	06-2009	2009-61
City of St. Louis Lead Safe St. Louis Program	06-2009	2009-60
City of St. Louis Department of Health	06-2009	2009-59
City of Olympian Village	06-2009	2009-58
City of Hayti Heights	06-2009	2009-57
County Collector / Miller County	06-2009	2009-56
Village of Collins	06-2009	2009-55
Macon County	05-2009	2009-54
Fortieth Judicial Circuit / City of Noel / Municipal Division	05-2009	2009-53
Administration / Expenditures	05-2009	2009-52
Caldwell County - Financial Statements	05-2009	2009-51
Carter County - Financial Statements	05-2009	2009-50
Mississippi County - Financial Statements	05-2009	2009-49
Wright County - Financial Statements	05-2009	2009-48
City of Ozark	05-2009	2009-47
Shelby County - Financial Statements	05-2009	2009-46
Oregon County - Financial Statements	05-2009	2009-45
Macon County - Financial Statements	05-2009	2009-44
Bollinger County - Financial Statements	05-2009	2009-43
Village of Iatan	05-2009	2009-42
City of Rolla	05-2009	2009-41
Carter County	05-2009	2009-40
Social Services / Medicaid Provider Monitoring	04-2009	2009-39
City of St. Louis / Community and Economic Development Offices	04-2009	2009-38
City of St. Louis / Information Technology Services Agency	04-2009	2009-37
Twenty-Third Judicial Circuit / City of Crystal City / Municipal Division	04-2009	2009-36
Administration / Review of Article X, Sections 16 Through 24, Constitution of Missouri / Year Ended June 30, 2008	04-2009	2009-35
Linn County	04-2009	2009-34
Thirty-Fourth Judicial Circuit / City of Hayti Heights / Municipal Division	04-2009	2009-33
Livingston County	04-2009	2009-32
Wright County	04-2009	2009-31
MOSERS / Deferred Compensation Plan	03-2009	2009-30
Office of State Treasurer / Year Ended June 30, 2008	03-2009	2009-29
Office of State Treasurer / Period July 1, 2008 Through January 12, 2009	03-2009	2009-28
Mountain Grove Special Road District	03-2009	2009-27

Social Services / MO HealthNet Division / Program Integrity Unit	03-2009	2009-26
State of Missouri / Single Audit / Year Ended June 30, 2008	03-2009	2009-25
Compilation of 2008 Criminal Activity Forfeiture Act Seizures	02-2009	2009-24
Village of Quitman	02-2009	2009-23
City of St. Joseph	02-2009	2009-22
Twenty-Fourth Judicial Circuit / St. Francois County	02-2009	2009-21
Douglas County Prosecuting Attorney	02-2009	2009-20
Pike County	02-2009	2009-19
Oregon County	02-2009	2009-18
Monroe County - Financial Statements	01-2009	2009-17
Vernon County - Financial Statements	01-2009	2009-16
Andrew County - Financial Statements	01-2009	2009-15
Bates County - Financial Statements	01-2009	2009-14
Pike County - Financial Statements	01-2009	2009-13
Chariton County - Financial Statements	01-2009	2009-12
Gentry County - Financial Statements	01-2009	2009-11
Montgomery County - Financial Statements	01-2009	2009-10
Cedar County - Financial Statements	01-2009	2009-09
Iron County - Financial Statements	01-2009	2009-08
Reynolds County - Financial Statements	01-2009	2009-07
Lincoln County - Financial Statements	01-2009	2009-06
Comprehensive Annual Financial Report	01-2009	2009-05
Transportation / Carrier Express System Data Security	01-2009	2009-04
Wayne County	01-2009	2009-03
Barton County	01-2009	2009-02
Cedar County	01-2009	2009-01



MISSOURI

Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2008

On the Cover:

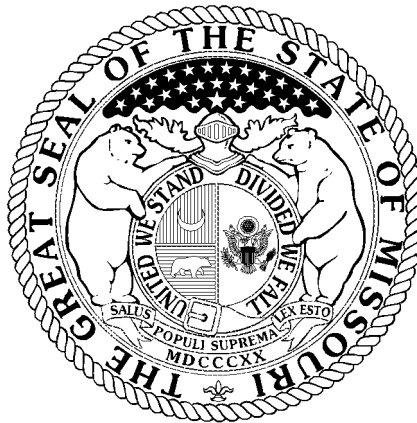
Dogwood Bloom

Courtesy of Ray Jagger, Kirksville

This report can be viewed on the Internet at <http://www.oa.mo.gov/acct/cafrfy2008/index.htm>

STATE OF MISSOURI
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 2008



MATT BLUNT

Governor

LARRY W. SCHEPKER

Commissioner

Office of Administration

THOMAS J. SADOWSKI

Director

Division of Accounting

STATE OF MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	I
Organizational Chart	V
Principal State Officials	VI
 <u>FINANCIAL SECTION</u>	
Auditor's Opinion	i
Management's Discussion and Analysis	1
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
 Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances in Governmental Funds to the Statement of Activities	20
 Proprietary Funds	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23
 Fiduciary Funds	
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
 Component Units	
Statement of Net Assets	26
Statement of Revenues, Expenses, and Changes in Net Assets/ Statement of Activities	27

Notes to the Financial Statements	28
Required Supplementary Information	
Budgetary Comparison Schedule General Fund, Major Special Revenue Funds.....	99
Notes to Required Supplementary Information Budgetary Reporting	101
Supplementary Information	
Budgetary Comparison Schedule Major Capital Projects Fund	102
Combining Fund Statement – General Fund	
Balance Sheet.....	103
Statement of Revenues, Expenditures, and Changes in Fund Balance	104
Combining and Individual Fund Statements and Schedules – Non-Major Funds	
Governmental Funds	
Combining Balance Sheet Non-Major Governmental Funds – by Fund Type.....	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds – by Fund Type.....	106
Special Revenue Funds	
Combining Balance Sheet	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	109
Debt Service Funds	
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	115
Capital Projects Funds	
Combining Balance Sheet	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	118
Permanent Funds	
Combining Balance Sheet	119
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	120
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	121

Proprietary Funds

Enterprise Funds

Combining Statement of Net Assets	124
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	126
Combining Statement of Cash Flows	128

Internal Service Funds

Combining Statement of Net Assets	130
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	132
Combining Statement of Cash Flows	134

Fiduciary Funds

Pension (and Other Employee Benefit) Trust Funds

Combining Statement of Fiduciary Net Assets	136
Combining Statement of Changes in Fiduciary Net Assets	137

Private-Purpose Trust Funds

Combining Statement of Fiduciary Net Assets	138
Combining Statement of Changes in Fiduciary Net Assets	139

Agency Funds

Combining Balance Sheet	140
Combining Statement of Changes in Assets and Liabilities	141

Component Units

Combining Statement of Net Assets	142
Combining Statement of Revenues, Expenses, and Changes in Net Assets	143
Combining Statement of Cash Flows	144

<u>STATISTICAL SECTION</u>	145
---	-----

Acknowledgements	159
------------------------	-----



*The **Introductory Section** includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

Matt Blunt
Governor



Larry W. Schepker
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
Division of Accounting
570 Truman Building, 301 West High Street
Post Office Box 809
Jefferson City, Missouri 65102
(573) 751-2971
INTERNET: <http://www.oa.mo.gov/acct>
E-MAIL: acctmail@oa.mo.gov

Thomas J. Sadowski
Director

January 9, 2009

The Honorable Matt Blunt
The Honorable Members of the Legislature
Citizens of the State of Missouri

In accordance with generally accepted accounting principles, I submit to you the Comprehensive Annual Financial Report of the State of Missouri for the fiscal year ended June 30, 2008. This report was prepared by the Office of Administration, Division of Accounting, whose management is responsible for its contents.

The report is prepared to show the financial position and operating results of the State. The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial activities have been included.

An annual audit of the basic financial statements is completed each year by the State of Missouri Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and her opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audit of State and Local Governments and Non-Profit Organizations."

A narrative introduction, overview, and analysis of the basic financial statements is presented in the *Management's Discussion and Analysis (MD&A)* section of this report. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Missouri was organized as a territory in 1812 and was the second state (after Louisiana) of the Louisiana Purchase to be admitted to the Union. Statehood was granted on August 12, 1821, making Missouri the 24th state. The State encompasses 68,945 square miles.

The State operates under three branches of government: executive, legislative, and judicial. The executive branch consists of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General. The legislative branch consists of 34 members of the Senate, and 163 members of the House of Representatives. The judicial branch is a three-tier court system: the Supreme Court, the State's highest court, has statewide jurisdiction; a court of appeals that consists of districts established by the General Assembly; and a system of circuit courts that has original jurisdiction over all cases and matters, civil and criminal.

The State provides a range of services in the areas of agriculture, education, health and social services, transportation systems, public safety, law enforcement, judicial systems, economic development, conservation and natural resources, labor relations, and general administration.

The State operates on a legally adopted budget in order to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the General Assembly and approved by the Governor prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process that original appropriations are requested. Budgetary control is maintained at the departmental level. Expenditures cannot exceed the appropriation amount at the individual appropriation level. Also, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

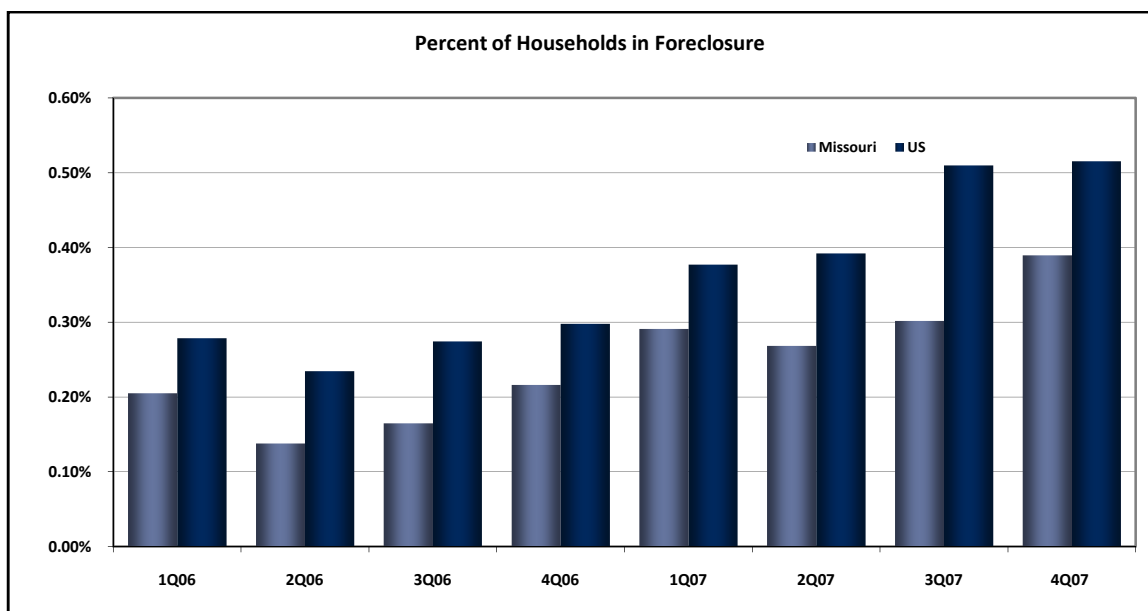
The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

ECONOMIC CONDITION AND OUTLOOK

State Economy

Missouri's economy is diversified and often follows the trends of the U.S. While Missouri's economy was growing in 2007, Missouri and the U.S. have seen an economic slowdown in 2008. Previously Missouri had not experienced the decline in the housing market to the extent of the rest of the nation, however, the troubles in the housing sector have begun to spill over into other industries.

Foreclosure rates in Missouri have been rising similarly to the national rate throughout the housing crisis but remain lower than the U.S. average. In Missouri, there were 32,022 foreclosure filings in 2007, or about one of every 81 households in the state. On average in the U.S., one of every 57 households was in foreclosure last year. Only 1.5 percent of the nation's foreclosures over the year were in Missouri.



Source: Missouri Economic Research and Information Center/RealtyTrac

Missouri's personal income, which directly impacts individual income tax and sales tax, rose at a 5.6% rate during calendar year 2007. Per capita personal income has grown more rapidly than inflation and Missouri ranked 16th in personal income growth in the second quarter of 2008. Along with higher personal income, Missourians also enjoy the fifth lowest cost of living in the United States.

Through the end of June 2008, exports by Missouri companies totaled \$6.5 billion, compared to \$6.8 billion after the second quarter of 2007. This is particularly good news for the State's businesses because Missouri set a record for exports in 2007 with \$13.4 billion in total global sales.

Long-Term Financial Planning

Missouri's funding priorities include education, health care, public safety, and economic development. Continued efforts within State government to provide more efficient and effective customer service while using fewer administrative resources will save money that can be used to improve various State services.

Missouri also has a long-range plan to improve highways and bridges and is exploring options for funding the improvements through fuel tax revenues and sales taxes on motor vehicle sales. The national credit market disruption has forced a change in plans to use private financing to make improvements to 802 bridges in Missouri. The Missouri Highways and Transportation Commission decided to issue its own bonds to pay for the work, which it intends to finish in five years. The repairs are estimated to cost \$700 million. The debt will be repaid with a portion of the federal bridge money received each year.

In March 2008, an agreement was signed to promote trade in Missouri. The agreement was designed as a preliminary step toward turning St. Louis into a trade hub with China. Increasing trade between Missouri and China by 50 percent over the next three years is the target created by the agreement. The increase is aimed mostly toward high-tech manufacturing and agriculture, particularly beef. In 2007, exports to China increased by approximately one-third to more than \$1 billion.

Relevant Financial Policies

Article X of the Missouri Constitution imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total State revenues for each fiscal year and adjusted annually based on a formula which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by 1% or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than 1% of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment adopted by the people or if the General Assembly approves, by a two-thirds vote, an emergency declaration by the Governor. The State has refunded money to income taxpayers for fiscal years 1995 through 1999, but has not exceeded the revenue limit in fiscal years 2000 through 2008. The State does not expect the limit to be exceeded in fiscal year 2009.

Major Initiatives

Missouri will continue to focus on controlling increasing costs through various cost-effective alternatives and streamlining government functions. Funding priorities are focused in the areas of education, health care, public safety, and economic development.

Education. Funding for education remains a top priority for Missouri. A revision of the school funding formula was approved in 2005 and is being phased in over a seven year period, which began in fiscal year 2007. The fiscal year 2009 budget includes a \$121 million increase for public education as part of the revision to the school funding formula. The fiscal year 2009 budget also includes \$5 million to create 100 technologically advanced classrooms and to equip 300 classrooms with advance math, science, and health and wellness curriculum; \$54.2 million increase for Missouri's public two and four year colleges and universities; and \$100 million for the Access Missouri scholarship program for need-based scholarships for Missouri students.

Health. Funding for MO HealthNet for fiscal year 2009 is \$5.8 billion, an increase of \$420.4 million over fiscal year 2008. This increase includes expanded health care coverage for children and low-income women. MO HealthNet provides health care coverage to some of the state's most vulnerable citizens. The number of individuals in Missouri without health care coverage is rising. In Missouri, from 2001 to 2005 the number of employers offering health insurance to their employees declined 10.1 percent, individuals under age 65 with private insurance declined 8.5 percent, and individuals under the age of 65 without any insurance coverage increased by 29.8 percent – the fifth highest increase in the U.S. The Missouri legislature has considered initiatives to help insure uninsured Missourians, but legislation has yet to be passed.

Public Safety. Last year, Missouri led the nation in improved highway safety. The Smooth Roads Initiative (SRI) was completed a year early and an additional \$359 million was made available through the initiative which resulted in significant improvements in pavement conditions. Missouri Department of Transportation (MoDOT) currently reports 78 percent of Missouri's major highways to be in good condition, up 46 percent from the beginning of SRI in 2004. Missourians now travel on smoother, safer roads throughout most of the State. This turnaround fuels job creation, supports tourism and ensures that Missouri families have the transportation system they need. The State has made significant improvements in safety. Traffic deaths in Missouri are down 21.2 percent in 2007 compared to 2005 and the downward trend is continuing.

The fiscal year 2009 budget includes an additional \$483 million for road construction projects. However, in 2010 decreased funding will present a challenge for MoDOT. There is a significant gap between transportation needs and projected funding. The new Better Roads, Brighter Future Initiative will result in 5,600 miles of major roads with smooth pavement; brighter, wider striping; larger signs; rumble strips; and, in most cases, a minimum four-foot paved shoulder by 2012.

Economic Development. September 2007 marked the inaugural Tour of Missouri bicycle race, giving Missouri the opportunity to showcase the State to an international audience. Over six days some of the world's top athletes covered 600 miles of the State. One million dollars was committed to bringing the Tour of Missouri to the State. The race surpassed all expectations and demonstrated its value and benefits, generating an estimated \$26.2 million in new tourism dollars.

In addition to the Tour of Missouri, increased funding for economic development and the environment in fiscal year 2009 included \$5.9 million for life sciences research, \$36 million for improvements to state conservation areas, and \$15 million for incentives to produce biodiesel fuels.

AWARDS

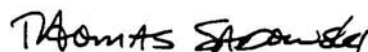
The Missouri Accountability Portal (MAP) is an online database of financial records that can be accessed in real-time. During fiscal year 2008, Missouri's Information Technology Services Division Team won an American Business Award for the development of the MAP site for their achievement in government transparency.

ACKNOWLEDGEMENTS

While the Office of Administration, Division of Accounting, is responsible for the contents of this report, no one division could do it alone. Many people were involved in the compilation of materials necessary to complete the report.

We want to issue a special thanks to all the personnel at the State agencies who provided us with information quickly and accurately so that we could issue the CAFR in a timely manner. We also owe thanks to the professionalism and dedication demonstrated by technical and management personnel within the State Auditor's Office, the State Treasurer's Office, Office of Administration, Information Technology Services Division, and the State Printing Center. We are greatly appreciative to all.

Sincerely,

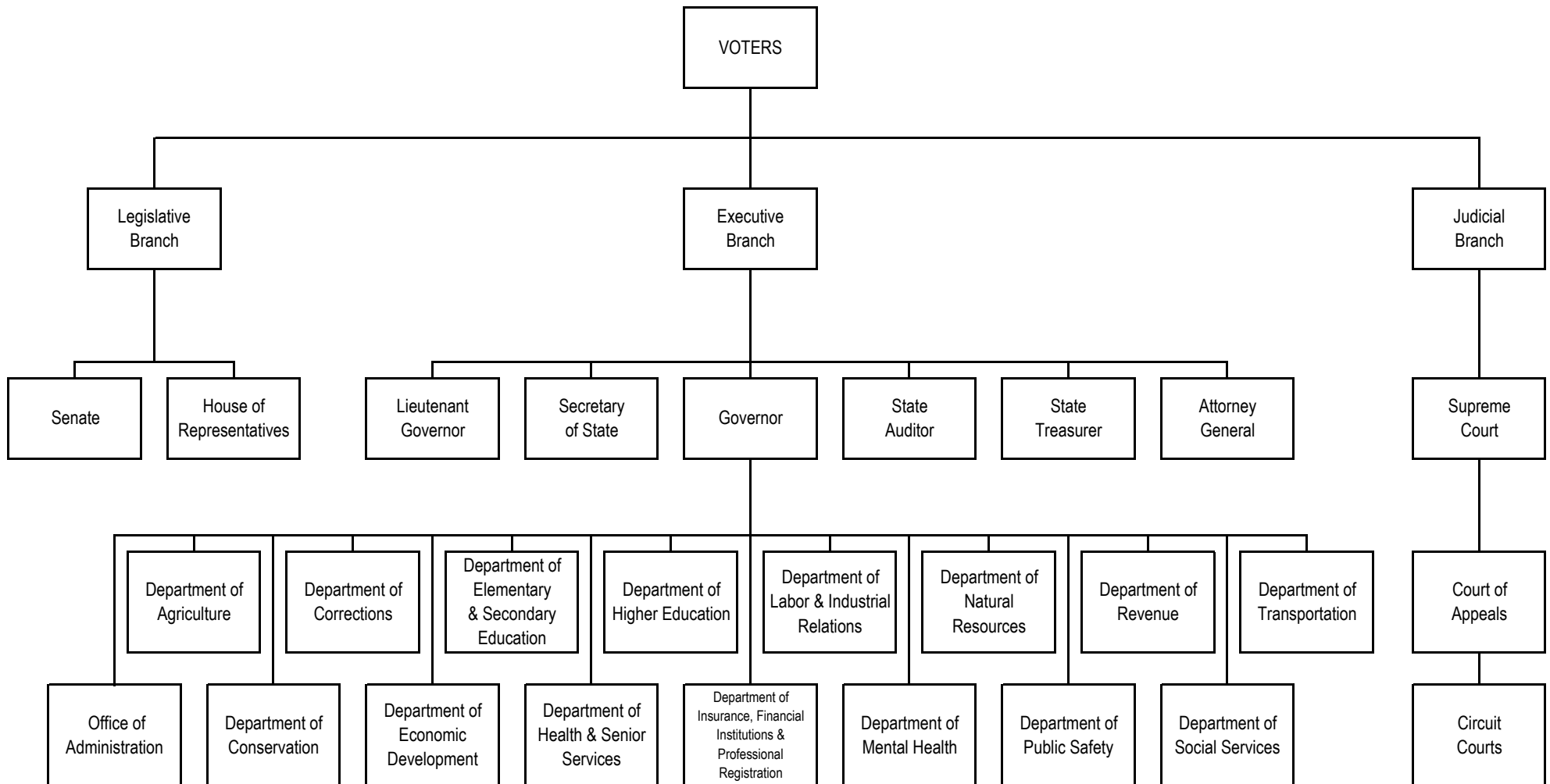


Thomas Sadowski, CGFM, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2008



**STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2008**

EXECUTIVE

Matt Blunt
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Susan Montee, CPA
State Auditor

Sarah Steelman
State Treasurer

Jeremiah W. (Jay) Nixon
Attorney General

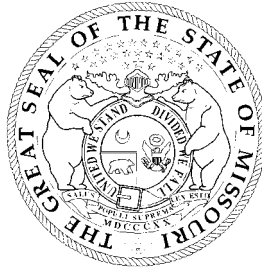
LEGISLATIVE

Michael Gibbons
President Pro Tem of the Senate

Rod Jetton
Speaker of the House of Representatives

JUDICIAL

Laura Denvir Stith
Chief Justice of the Supreme Court



*The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information.*



SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2008, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain entities that comprise the state of Missouri. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to these amounts, are based on the reports of the other auditors. Those entities were:

1. The Missouri Department of Transportation and blended transportation corporations identified in Note 1A., the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 32 percent and 58 percent of the assets and revenues, respectively, of the business-type activities.
3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 95 percent of the assets and additions, respectively, of the fiduciary funds.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, and the Conservation Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues are from this source. We were unable to satisfy ourselves by appropriate audit tests or other means as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, our report on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

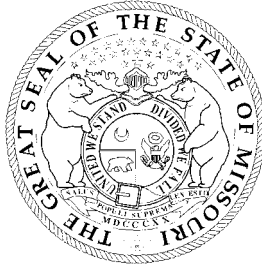
The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matters discussed in paragraph four, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

January 9, 2009



The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State.

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's (the State's) financial activities for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-Wide:

- *Net Assets.* Assets of the State of Missouri exceeded liabilities at the close of fiscal year 2008 by \$29.5 billion. Of the \$29.5 billion, "unrestricted net assets" is reported as a negative \$2.0 billion, offset by \$6.0 billion in "restricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets increased by \$617.6 million in fiscal year 2008. Net assets for governmental activities increased by \$436.9 million. This increase can be attributed to more grants and contributions. Net assets for the business-type activities showed an increase of \$180.7 million. This increase can be explained primarily by a significant increase in cash and cash equivalents in the Unemployment Compensation Fund due to the early repayment of a federal loan in 2007.
- *Excess of Revenues over (under) Expenses.* During fiscal year 2008, the State's total revenues of \$22.9 billion were \$617.6 million more than total expenses (excluding transfers) of \$22.2 billion. Of these expenses, \$12.3 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$10.6 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* As the close of fiscal year 2008, the State's governmental fund assets exceeded liabilities by \$5.3 billion, an increase of \$598.0 million or 12.9% from the prior year. The increase was primarily due to an increase of \$760.7 million in assets of which \$625.3 million was cash and cash equivalents and investments. This was partially due to the sale of a portion of the Missouri Higher Education Loan Authority assets which provided \$238.9 million to fund the Lewis and Clark Discovery Initiative, creating an increase in investments for fiscal year 2008.
- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's general fund reported a balance of \$1.9 billion.

Additional information regarding individual funds begins on Page 9.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable increased \$405.4 million or 12.1% over the prior year. The outstanding bonds payable represents 46.3% of financial assets (cash, receivables, and investments) and 10.1% of total assets. The net increase in bonds payable resulted from decreases of \$169,400,000 due to bond payments and \$1,955,000 due to defeasance as well as increases of \$576,800,000 due to issuances of State Road Bonds and General Obligation Bonds. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X or the Hancock Amendment. Excess revenue of 1% or more must be refunded to the taxpayers each year. During fiscal year 2008, the State did not exceed the revenue limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

Governmental Activities are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

Business-Type Activities are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, insurance coverage, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

Discretely Presented Component Units are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Missouri Agricultural and Small Business Development Authority, and Missouri Transportation Finance Corporation.

Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, transportation and law enforcement, and the Missouri road fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

In order for the user to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, a reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. Non-major enterprise funds are also combined into a single column for aggregated presentation. All internal service funds are combined into a single column in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the general fund and major special revenue funds. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri road fund, non-major special revenue, debt service, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

The State's total net assets increased \$617.6 million or 2.1% during fiscal year 2008. This increase resulted primarily from an increase of \$878.0 million in current and other assets. Net assets invested in capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by \$937.3 million or 3.1%.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at 86.5% or \$25.5 billion. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.

Restricted net assets of the primary government totaled \$6.0 billion or 20.4% of total net assets, vs. 17.5% from the prior year. Net assets are restricted for several reasons including constitutional, legal, enabling legislation, or external requirements. Examples of restricted net assets include lottery proceeds restricted for public education, funds restricted for debt service, and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

The following table displays the current and prior year government-wide condensed Statement of Net Assets.

STATEMENT OF NET ASSETS						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007*	2008	2007*
ASSETS:						
Current and Other Assets	\$ 7,637,879	\$ 6,944,262	\$ 615,983	\$ 431,595	\$ 8,253,862	\$ 7,375,857
Capital Assets, Net	<u>28,960,762</u>	<u>28,419,098</u>	<u>41,755</u>	<u>40,922</u>	<u>29,002,517</u>	<u>28,460,020</u>
<i>Total Assets</i>	36,598,641	35,363,360	657,738	472,517	37,256,379	35,835,877
LIABILITIES:						
Long-Term Liabilities	6,095,681	5,430,523	223,541	221,709	6,319,222	5,652,232
Other Liabilities	<u>1,467,950</u>	<u>1,334,707</u>	<u>17,569</u>	<u>14,916</u>	<u>1,485,519</u>	<u>1,349,623</u>
<i>Total Liabilities</i>	7,563,631	6,765,230	241,110	236,625	7,804,741	7,001,855
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	25,439,971	25,475,504	41,755	40,922	25,481,726	25,516,426
Restricted	5,968,804	5,032,619	45,362	9,517	6,014,166	5,042,136
Unrestricted	<u>(2,373,765)</u>	<u>(1,909,993)</u>	<u>329,511</u>	<u>185,453</u>	<u>(2,044,254)</u>	<u>(1,724,540)</u>
<i>Total Net Assets</i>	<u>\$ 29,035,010</u>	<u>\$ 28,598,130</u>	<u>\$ 416,628</u>	<u>\$ 235,892</u>	<u>\$ 29,451,638</u>	<u>\$ 28,834,022</u>
*Fiscal year 2007 amounts have been restated.						

Changes in Net Assets:

The schedule below reflects how the State's net assets changed during the year. The State earned program revenues of \$12.3 billion and general revenues of \$10.6 billion for total revenues of \$22.9 billion during fiscal year 2008. Expenses for the State during fiscal year 2008 were \$22.2 billion. As a result of the excess of revenues over expenses, the total net assets of the State increased \$617.6 million, net of contributions and transfers.

The following table displays the current and prior year government-wide condensed Statement of Activities.

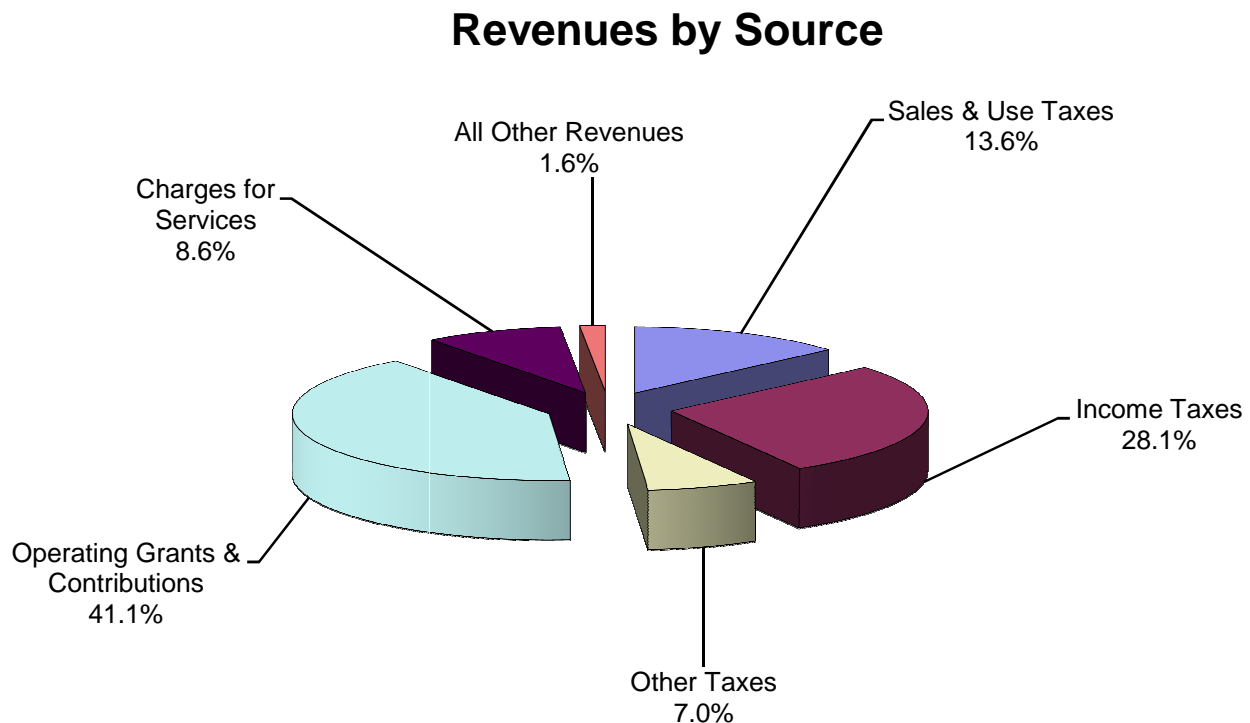
STATEMENT OF ACTIVITIES						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007*	2008	2007*
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,816,377	\$ 1,685,635	\$ 1,106,483	\$ 1,011,407	\$ 2,922,860	\$ 2,697,042
Operating Grants and Contributions	8,669,295	7,828,289	657,534	618,071	9,326,829	8,446,360
Capital Grants and Contributions	387	306	---	---	387	306
General Revenues:						
Sales and Use Taxes	2,871,465	2,929,398	---	---	2,871,465	2,929,398
Income Taxes	5,911,643	5,140,588	---	---	5,911,643	5,140,588
Unemployment and Other Taxes	1,472,829	1,942,185	---	---	1,472,829	1,942,185
Other Revenues	331,173	341,541	15,424	5,684	346,597	347,225
<i>Total Revenues</i>	<u>21,073,169</u>	<u>19,867,942</u>	<u>1,779,441</u>	<u>1,635,162</u>	<u>22,852,610</u>	<u>21,503,104</u>
EXPENSES:						
General Government	1,209,716	1,092,613	---	---	1,209,716	1,092,613
Education	6,379,185	6,042,581	---	---	6,379,185	6,042,581
Natural and Economic Resources	1,006,506	928,873	---	---	1,006,506	928,873
Transportation and Law Enforcement	2,255,196	2,303,272	---	---	2,255,196	2,303,272
Human Services	9,876,119	9,191,994	---	---	9,876,119	9,191,994
State Lottery	---	---	740,279	689,426	740,279	689,426
Unemployment Compensation	---	---	498,318	444,962	498,318	444,962
Petroleum Storage Tank	---	---	21,516	16,249	21,516	16,249
Veterans' Homes	---	---	57,066	53,234	57,066	53,234
All Other Expenses	174,450	149,987	16,643	16,498	191,093	166,485
<i>Total Expenses</i>	<u>20,901,172</u>	<u>19,709,320</u>	<u>1,333,822</u>	<u>1,220,369</u>	<u>22,234,994</u>	<u>20,929,689</u>
Increase (Decrease) in Net Assets before Contributions & Transfers	171,997	158,622	445,619	414,793	617,616	573,415
<i>Transfers</i>	<u>264,883</u>	<u>256,687</u>	<u>(264,883)</u>	<u>(256,687)</u>	<u>---</u>	<u>---</u>
Change in Net Assets	436,880	415,309	180,736	158,106	617,616	573,415
<i>Net Assets - July 1</i>	<u>28,598,130</u>	<u>28,182,821</u>	<u>235,892</u>	<u>77,786</u>	<u>28,834,022</u>	<u>28,260,607</u>
<i>Net Assets - June 30</i>	<u>\$ 29,035,010</u>	<u>\$ 28,598,130</u>	<u>\$ 416,628</u>	<u>\$ 235,892</u>	<u>\$ 29,451,638</u>	<u>\$ 28,834,022</u>
*Fiscal year 2007 amounts have been restated.						

Governmental Activities

The net assets of governmental activities increased \$436.9 million in fiscal year 2008. Revenues for the governmental activities totaled \$21.1 billion, while expenses totaled \$20.9 billion in 2008.

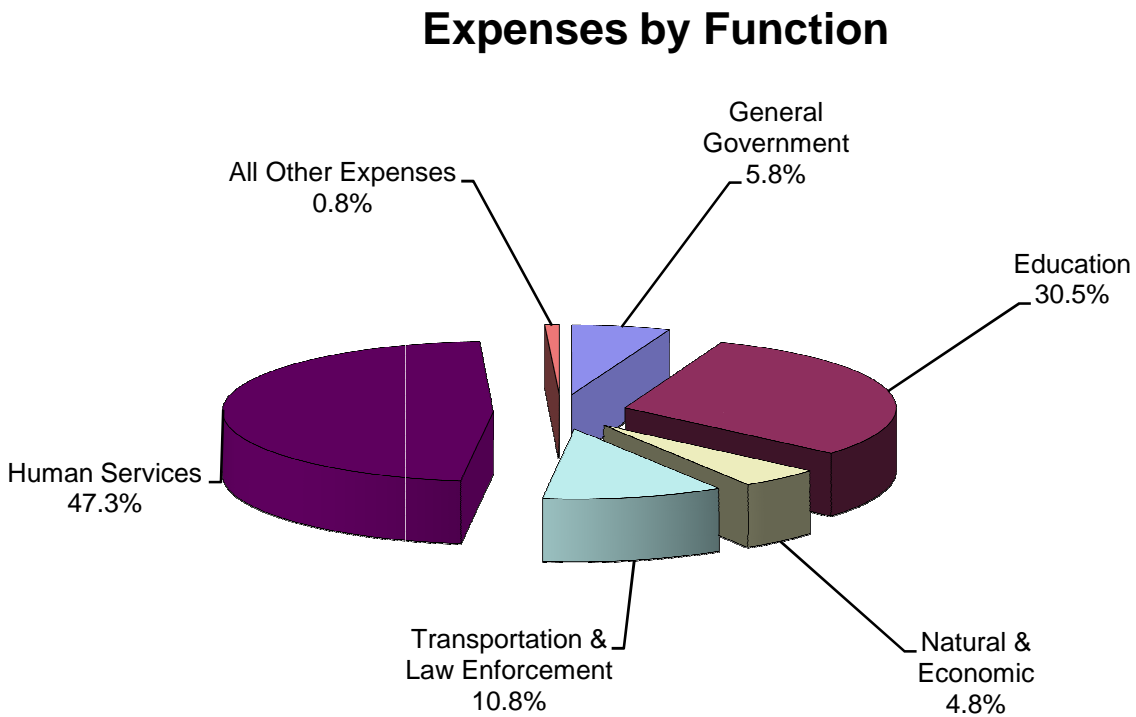
General and program revenues of governmental activities increased \$1.2 billion during the fiscal year. The increase in revenue was due primarily to an increase of \$841.0 million in operating grants and contributions.

As shown in the Revenues by Source chart below, approximately 48.7% of revenues from all sources earned came from taxes. Operating grants and contributions, which represents amounts received from other governments/entities, primarily the federal government, provided 41.1% of total revenue. Charges for services contributed 8.6% and various other revenues provided 1.6% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses increased \$1.2 billion during fiscal year 2008. Transportation and Law Enforcement expenditures decreased \$48.1 million while General Government, Education, Natural and Economic Resources, Human Services, and Other Expenses increased \$1.2 billion.

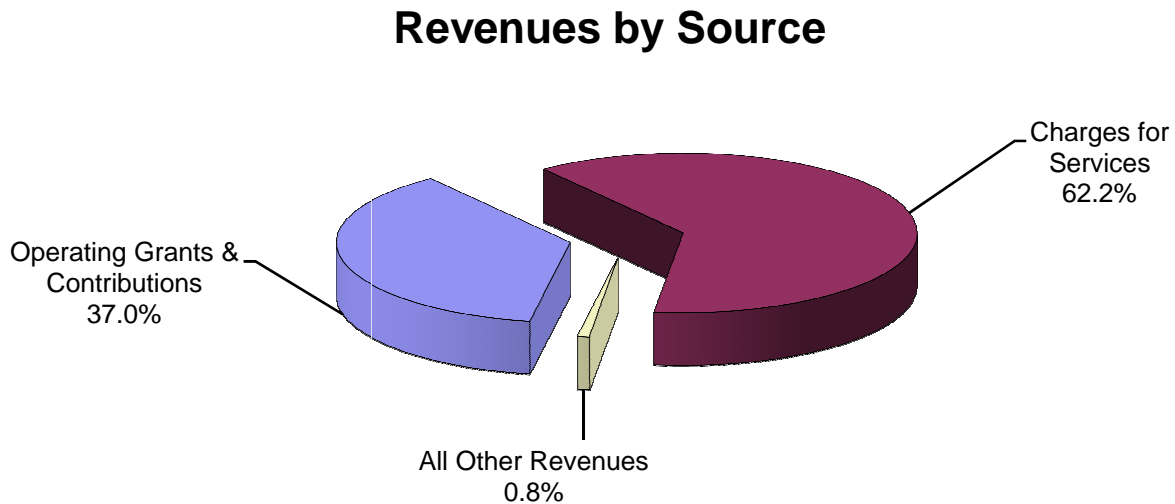
As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 47.3% – of total governmental expenses.



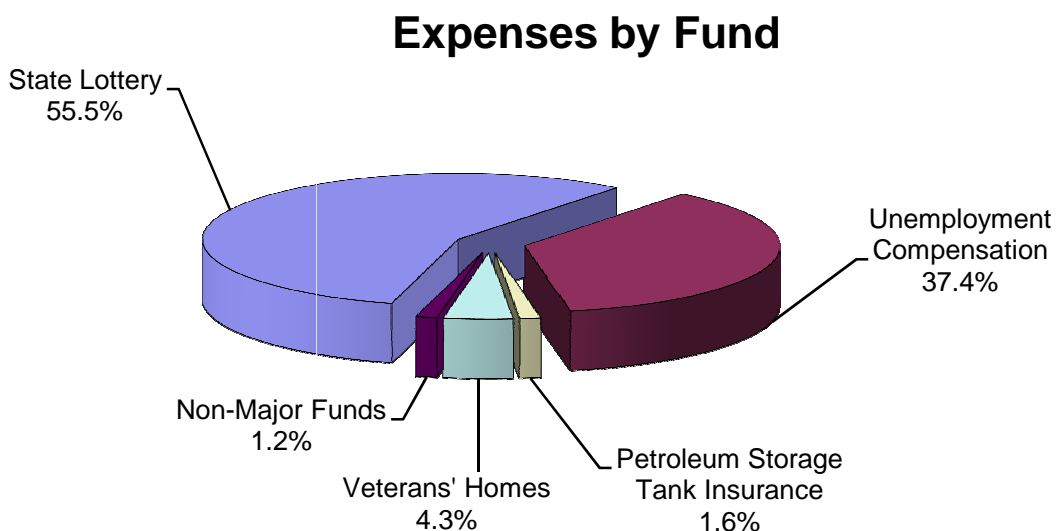
Business-Type Activities

Net assets of the State's business-type activities increased \$180.7 million in fiscal year 2008. Total business-type program revenues increased by \$134.5 million during the current fiscal year. Program expenses of business-type activities increased \$113.5 million from fiscal year 2007 to 2008.

Revenues of business-type activities totaled \$1.8 billion. As shown in the Revenues by Source chart below, 62.2% of the revenues came from charges for services. Operating grants and contributions provided 37.0% of total revenue and all other revenues provided 0.8%.



Expenses of business-type activities totaled \$1.3 billion. As shown in the Expenses by Fund chart below, the State Lottery makes up the largest portion with 55.5% of total business-type expenses. Unemployment compensation comes in second at 37.4%, followed by veterans' homes at 4.3%, petroleum storage tank at 1.6%, and non-major funds at 1.2%.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2008, the State's governmental funds reported combined ending fund balances of \$5.3 billion. Approximately 67.7% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non- Major	Total
Unreserved	\$ 1,335,999	\$ 390,639	\$ 413,104	\$ 198,789	\$ 858,865	\$ 356,281	\$ 3,553,677
Reserved	584,441	42	792,285	8,983	145,744	165,203	1,696,698
Total	\$ 1,920,440	\$ 390,681	\$ 1,205,389	\$ 207,772	\$ 1,004,609	\$ 521,484	\$ 5,250,375

The general fund is the chief operating fund of the State. At the end of fiscal year 2008, the State's general fund reported a total fund balance of \$1.9 billion. The net increase in fund balance during fiscal year 2008 was \$63.5 million. Expenditures of the general fund totaled \$13.0 billion in fiscal year 2008, an increase of \$873.7 million from fiscal year 2007. The major contributing factor to this was an increase in expenditures for human services of \$706.0 million from fiscal year 2007 to fiscal year 2008. The most significant increase was medical assistance payments which increased \$328.4 million.

The public education fund provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance increased by \$87.0 million. Revenues of the public education funds totaled \$1.5 billion in fiscal year 2008, an increase of \$249.5 million from fiscal year 2007. The major factor that contributed to this was an increase of \$245.3 million in the contributions and intergovernmental revenues.

The conservation and environmental protection fund provides for the preservation of the State's wildlife and environment. The fund balance increased by \$74.4 million. Major contributing factors to this were increases of \$23.4 million in licenses, fees, and permits, and \$11.5 million in penalties and unclaimed property.

The transportation and law enforcement fund provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance decreased by \$5.2 million. The major factor contributing to this was an increase in expenses, including a \$50.5 million increase in transfers to the Missouri road fund.

The Missouri road fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance increased by \$346.8 million in fiscal year 2008. Revenues of the Missouri road fund increased during fiscal year 2008 by \$81.3 million primarily due to an increase of \$110.5 million in revenues from contributions and intergovernmental funds.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law." This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses for petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of tanks in the country.

The State Lottery Fund's net assets increased by \$3.1 million. Revenues increased by \$60.5 million during the fiscal year which was partially offset by an increase in expenses for prizes paid. The increase in revenues was mainly due to a \$61.2 million increase in sales. The overall increase in sales was driven by a 8.2% increase in scratcher ticket sales due to an increase in prizes and the introduction of higher priced games.

The Unemployment Compensation Fund's net assets increased by \$130.3 million due primarily to steady growth after the repayment of a federal loan in 2007. This has allowed for an increase in investments, leading to an increase in interest revenue by \$6.7 million. Revenues and expenses remain consistent, with revenues outpacing expenses.

The Petroleum Storage Tank Insurance Fund's net assets increased by \$7.6 million. Expenses increased by \$5.3 million primarily due to increased program expenses. However, revenues continued to outpace expenses during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the first complete appropriated budget that is truly agreed to and finally passed, and signed by the Governor. The final budget includes emergency and supplemental appropriations, transfers, and increases to estimated appropriations.

Budgeted appropriations for fiscal year 2008 from the general fund were \$18.3 billion original budget and \$18.7 billion revised budget. Actual spending was \$17.6 billion. Reasons for the budget variances include:

- Federal grants received were lower than appropriation authority.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.
- Appropriation authority exceeded cash available for expenditures.

Budgeted revenues/transfers in for fiscal year 2008, for the general fund, was \$18.1 billion original budget and \$18.2 billion revised budget. Actual revenue/transfers in was \$17.8 billion. The main cause of the variance is due to federal programs receiving lower awards than anticipated.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 101 for more information on budgetary variances.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, was \$29.0 billion (net of accumulated depreciation). This investment in capital assets includes construction in progress, infrastructure in progress, land, land improvements, buildings and improvements, equipment, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 678,836	\$ 3,134	\$ 681,970
Infrastructure in Progress	2,672,052	---	2,672,052
Land	2,772,245	7,686	2,779,931
Land Improvements	152,845	7,446	160,291
Buildings and Improvements	2,519,312	27,915	2,547,227
Equipment	1,166,544	45,974	1,212,518
Infrastructure	41,257,724	---	41,257,724
<i>Subtotal</i>	51,219,558	92,155	51,311,713
Less Accumulated Depreciation	(22,258,796)	(50,400)	(22,309,196)
<i>Total Capital Assets, Net</i>	\$ 28,960,762	\$ 41,755	\$ 29,002,517

Additional information on capital assets can be found in *Note 5* of this report.

Debt Administration:

At the end of fiscal year 2008, the primary government had total general obligation and other bonded debt outstanding of \$3.8 billion. Of this amount, \$666.2 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2008 were \$68,350,000 for general obligation bonds and \$103,005,000 for other bonds.

The State of Missouri is proud to be one of only seven states to maintain a Triple-A credit rating from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

Outstanding Bonds Payable of the State include (in thousands):

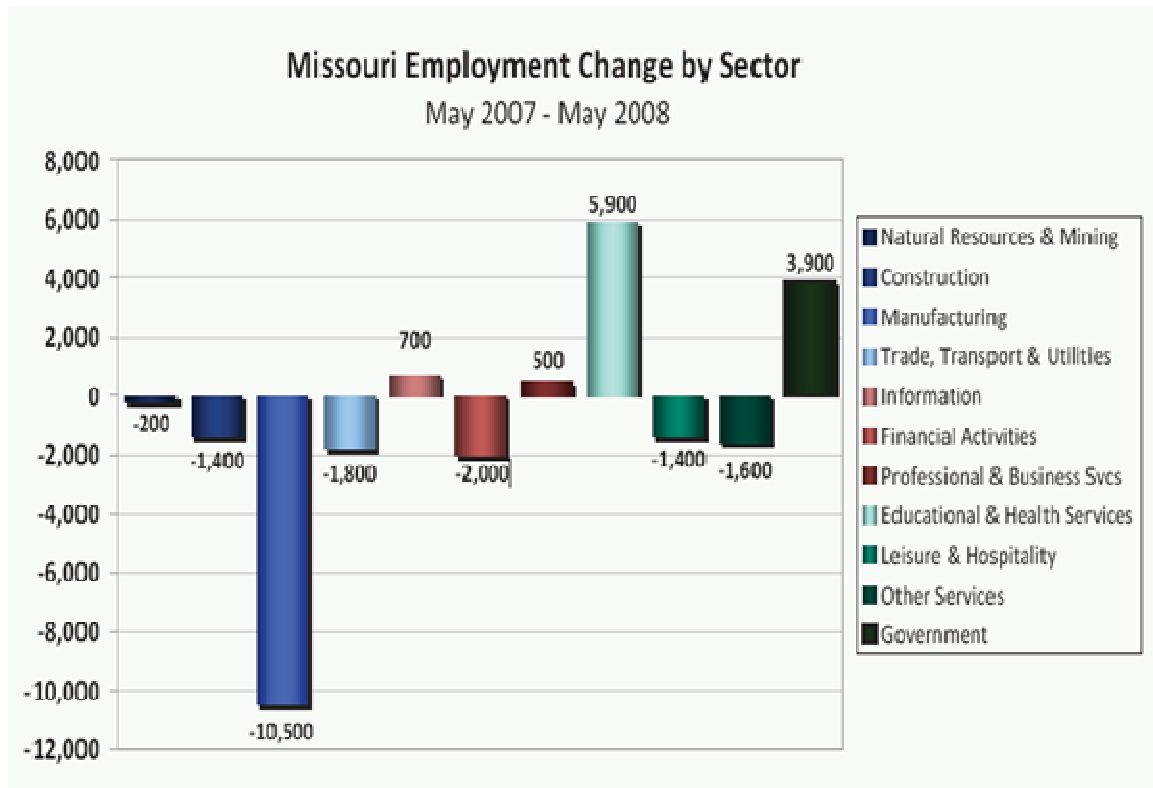
	Governmental Activities	Component Units	Total
General Obligation Bonds	\$ 666,165	\$ ---	\$ 666,165
Other Bonds	3,084,670	1,399,124	4,483,794
<i>Total</i>	\$ 3,750,835	\$ 1,399,124	\$ 5,149,959

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2008 with a balanced budget. Net general revenue collections increased 3.7% from fiscal year 2007 ending with an amount of \$8.0 billion. The approved budget for fiscal year 2009 anticipates an increase of 2.8 % from fiscal year 2008 in general revenue collections. However, worsening economic conditions will make it difficult to achieve the increase in revenues.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The national economy has slowed in 2008; it is not expected to return to growth near average until mid-to-late 2009. The rate of Missouri's employment growth began to slow in 2007. Missouri's unemployment rate increased 0.7% in fiscal year 2008. At June 2008 the unemployment rate was 5.7% compared to the June 2007 unemployment rate of 5.0%. The national unemployment rate was 5.5% in June 2008. The graph below shows the growth and decline in employment by employment sector.



Employment growth by industry identifies the types of jobs being created in the state. On the other side of the ledger, industries with decreasing trend employment indicate those which are becoming less important to the state's economy. Comparing May 2008 to May 2007, several sectors have had employment declines in Missouri. Manufacturing employment declined by 10,500 while financial activities, which has been affected by the housing market, declined by 2,000 over the period. The education and health service industry had the largest growth over the year with employment increasing by 5,900; the health care and social assistance subsector makes up more than 80% of the industry. The government sector has also increased in employment over the year.

Missouri's financial position has been strong, however the growth of general revenue for fiscal year 2009 and beyond remains guarded. This will result in several funding challenges in mandatory programs such as education, health care, and transportation.

Funding remains a challenge for Missouri schools. A revision to the school funding formula was made in 2005 in response to a lawsuit filed by 257 of the 524 Missouri schools against the State in January 2004 over both the equity in funding between schools and the overall adequacy of school funding. The revision in the school funding formula calls for \$800 million to be phased in by the 2012-13 school year. However, an amended lawsuit was filed in November 2005 and went to trial in 2007. The judge ruled in favor of the state but an appeal has been filed with the Missouri Supreme Court. In fiscal year 2009, funding for Missouri Public schools will increase by \$121.2 million from fiscal year 2008 due to a change in the school funding formula.

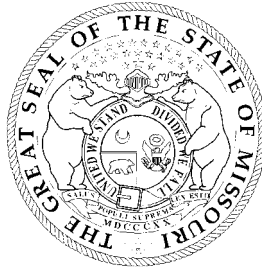
The quality of health care continues to be a priority for Missouri. Missouri Department of Social Services MO HealthNet Division has been awarded a \$1.7 million dollar grant to improve access to medical care for MO HealthNet participants. MO HealthNet was established as a new way to provide health care for low income Missourians and replaces the old Medicaid system.

Missouri will face a significant drop in funding for transportation in 2010 when proceeds from Amendment 3 end. Compounding the problem is rising construction and material costs. Missouri Department of Transportation (MoDOT) has been able to aggressively manage costs by: rebidding projects if they come in too high, closing roads during construction if it saves time and money, asking contractors to use alternate materials, propose innovative design and construction methods and work off-hours, and designing projects to fit specific needs, which has saved \$50 million that will be used to tackle additional highway projects. The 2009–2013 transportation programs currently planned include \$300 million in new construction projects, which is possible because lower than expected interest rates on bond payments has allowed the money received from Amendment 3 to go further. The \$140 million of Amendment 3 money that will be used to pay bond payments, combined with state savings from using Practical Design on projects and local matching funds, allows MoDOT to tackle these new highway projects over the next five years, which includes additional lanes, interchange improvements, and congestion relief.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In fiscal year 2008, Missouri passed Senate Bill 711 which makes changes to the Senior Property Tax Credit and Homestead Tax Credit by preventing burdensome property taxes on low-income seniors. The bill also requires mandatory levy rollbacks. This legislation closed a loophole in the law that allows local governments that are imposing a tax below the approved levy to increase the tax rates by more than inflation. The “Show Me Green Sales Tax Holiday” was created in Senate Bill 1181 making all sales of Energy Star certified new appliances exempt from state sales tax for a seven-day period in April beginning in 2009 and every year thereafter. The bill also requires energy efficiencies in new state building design and construction, and allows for low interest loans for eligible alternative energy operations producing and selling fuel or power from alternative energy sources including solar, hydroelectric, wind, and qualified biomass. Enhancements were authorized to the Quality Jobs program and the Enhanced Enterprise Zone program tax credits through House Bill 2058 and Senate Bill 718. To help protect consumers, House Bill 2188 defines mortgage fraud, foreclosure scams and fraud schemes, and makes mortgage fraud a class C felony.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.



*The **Basic Financial Statements** include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Component Unit Financial Statements, and the accompanying notes to the statements.*

STATE OF MISSOURI
STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands of Dollars)

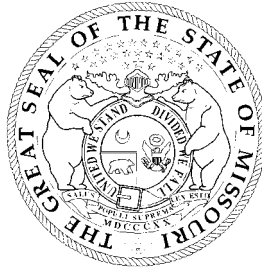
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents (Note 3)	\$ 688,178	\$ 244,298	\$ 932,476	\$ 101,008
Investments (Note 3)	3,857,195	139,152	3,996,347	1,211,274
Receivables, Net (Note 14)	2,799,532	188,218	2,987,750	505,426
Internal Balances	19,377	(19,377)	---	---
Inventories	91,546	1,730	93,276	46,799
Deposits and Prepaid Expenses	99	114	213	26,956
Invested Securities Lending Collateral (Note 3)	---	---	---	106,360
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	46,482	---	46,482	325,295
Investments (Note 3)	68,152	61,733	129,885	1,106,509
Receivables, Net	---	---	---	9,196
Deferred Costs and Other Assets	67,318	---	67,318	17,227
Assets Held for Resale	---	115	115	---
Capital Assets (Note 5):				
Non-depreciable	6,123,133	10,820	6,133,953	466,760
Depreciable, Net	22,837,629	30,935	22,868,564	3,201,803
Total Assets	<u>36,598,641</u>	<u>657,738</u>	<u>37,256,379</u>	<u>7,124,613</u>
Liabilities				
Payables (Note 14)	1,245,530	16,944	1,262,474	522,749
Securities Lending Collateral (Note 3)	---	---	---	106,360
Unearned Revenue (Note 1)	125,382	625	126,007	93,323
Escheat/Unclaimed Property	97,038	---	97,038	---
Long-Term Liabilities (Note 11):				
Due within one year	634,204	66,330	700,534	94,332
Due in more than one year	5,461,477	157,211	5,618,688	1,455,472
Total Liabilities	<u>7,563,631</u>	<u>241,110</u>	<u>7,804,741</u>	<u>2,272,236</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	25,439,971	41,755	25,481,726	2,401,447
Restricted for:				
Budget Reserve	559,206	---	559,206	---
Debt Service	2,578,018	---	2,578,018	---
Grants	210,059	---	210,059	---
Enabling Legislation (Note 1)	1,355,342	36,321	1,391,663	---
Loans Receivable	791,974	---	791,974	---
Permanent Trusts:				
Expendable	116	---	116	---
Non-Expendable	62,919	---	62,919	---
College and Universities:				
Expendable	---	---	---	426,003
Non-Expendable	---	---	---	747,020
Other Purposes	411,170	9,041	420,211	86,342
Unrestricted	(2,373,765)	329,511	(2,044,254)	1,191,565
Total Net Assets	<u>\$ 29,035,010</u>	<u>\$ 416,628</u>	<u>\$ 29,451,638</u>	<u>\$ 4,852,377</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	\$ 1,209,716	\$ 776,380	\$ 90,381	\$ 30	\$ (342,925)	\$ ---	\$ (342,925)	\$ ---
Education	6,379,185	35,532	1,272,045	---	(5,071,608)	---	(5,071,608)	---
Natural and Economic Resources	1,006,506	160,183	326,560	36	(519,727)	---	(519,727)	---
Transportation and Law Enforcement	2,255,196	400,306	1,299,931	74	(554,885)	---	(554,885)	---
Human Services	9,876,119	363,838	5,680,378	247	(3,831,656)	---	(3,831,656)	---
Interest on Debt (Excluding Direct Expense)	174,450	80,138	---	---	(94,312)	---	(94,312)	---
Total Governmental Activities	20,901,172	1,816,377	8,669,295	387	(10,415,113)	---	(10,415,113)	---
Business-Type Activities:								
State Lottery	740,279	1,005,421	---	---	---	265,142	265,142	---
Unemployment Compensation	498,318	---	621,856	---	---	123,538	123,538	---
Petroleum Storage Tank Insurance	21,516	24,694	438	---	---	3,616	3,616	---
Missouri Veterans' Homes	57,066	26,934	32,666	---	---	2,534	2,534	---
Non-Major Funds	16,643	49,434	2,574	---	---	35,365	35,365	---
Total Business-Type Activities	1,333,822	1,106,483	657,534	---	---	430,195	430,195	---
Total Primary Government	\$ 22,234,994	\$ 2,922,860	\$ 9,326,829	\$ 387	(10,415,113)	430,195	(9,984,918)	---
Component Units:								
College and Universities	\$ 3,287,553	\$ 1,935,169	\$ 1,397,726	\$ 86,474	---	---	---	131,816
Non-Major Component Units	18,375	8,084	---	---	---	---	---	(10,291)
Total Component Units	\$ 3,305,928	\$ 1,943,253	\$ 1,397,726	\$ 86,474	---	---	---	121,525
General Revenues:								
Taxes:								
Sales and Use					2,871,465	---	2,871,465	---
Individual Income					5,447,817	---	5,447,817	---
Corporate Income					463,826	---	463,826	---
County Foreign Insurance					186,566	---	186,566	---
Alcoholic Beverage					27,754	---	27,754	---
Corporate Franchise					82,360	---	82,360	---
Inheritance					3,073	---	3,073	---
Miscellaneous Taxes					1,173,076	---	1,173,076	---
Grants and Contributions not Restricted to Specific Programs					196,401	---	196,401	---
Unrestricted Investment Earnings					134,772	15,424	150,196	64,526
Extraordinary Items					---	---	---	293
Transfers					264,883	(264,883)	---	---
Total General Revenues and Transfers					10,851,993	(249,459)	10,602,534	64,819
Change in Net Assets					436,880	180,736	617,616	186,344
Net Assets - Beginning					28,598,130	235,892	28,834,022	4,666,033
Net Assets - Ending					\$ 29,035,010	\$ 416,628	\$ 29,451,638	\$ 4,852,377

The notes to the financial statements are an integral part of this statement.



*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

See the General Fund Combining Statements presented as part of Supplementary Information for listings of all funds included in the General Fund.

Major Special Revenue Funds:

Public Education – Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – Provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Major Capital Projects Fund:

Missouri Road Fund – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component units: Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and the Wentzville Parkway Transportation Corporation.

Non-Major Funds

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

**STATE OF MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands of Dollars)**

	General	Public	Conservation and Environmental	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2008
	Fund	Education	Protection					
ASSETS								
Cash and Cash Equivalents (Note 3)	\$ 174,712	\$ 44,597	\$ 55,439	\$ 19,452	\$ 191,886	\$ 51,578	\$ ---	\$ 537,664
Investments (Note 3)	1,775,705	270,429	340,207	50,368	742,904	490,251	---	3,669,864
Accounts Receivable, Net	1,498,353	122,871	43,250	144,660	90,010	23,675	---	1,922,819
Interest Receivable	15,539	2,635	3,211	437	5,833	2,550	---	30,205
Due from Other Funds (Note 15)	17	17,640	119	72	768	933	(1,870)	17,679
Due from Component Units (Note 15)	---	---	983	---	---	---	---	983
Inventories	20,183	42	515	6,665	42,443	221	---	70,069
Advance to Component Units (Note 15)	---	---	3,851	---	---	---	---	3,851
Loans Receivable	---	---	789,281	2,318	---	375	---	791,974
Restricted Assets:								
Cash and Cash Equivalents (Note 3)	---	---	---	---	19,242	---	---	19,242
Investments (Note 3)	---	---	---	---	67,852	---	---	67,852
Total Assets	<u>\$ 3,484,509</u>	<u>\$ 458,214</u>	<u>\$ 1,236,856</u>	<u>\$ 223,972</u>	<u>\$ 1,160,938</u>	<u>\$ 569,583</u>	<u>\$ (1,870)</u>	<u>\$ 7,132,202</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 883,190	\$ 39,750	\$ 6,781	\$ 4,835	\$ 106,209	\$ 36,771	\$ ---	\$ 1,077,536
Accrued Payroll	60,326	246	5,059	5,869	17,787	3,459	---	92,746
Due to Other Funds (Note 15)	16,141	93	561	290	964	864	(1,870)	17,043
Deferred Revenue (Note 1)	507,325	27,444	19,066	5,206	25,202	7,005	---	591,248
Arbitrage Liability	49	---	---	---	---	---	---	49
Escheat/Unclaimed Property	97,038	---	---	---	---	---	---	97,038
Advance from Component Units (Note 15)	---	---	---	---	6,167	---	---	6,167
Total Liabilities	<u>1,564,069</u>	<u>67,533</u>	<u>31,467</u>	<u>16,200</u>	<u>156,329</u>	<u>48,099</u>	<u>(1,870)</u>	<u>1,881,827</u>
Fund Balances:								
Reserved for:								
Budget Reserve	559,206	---	---	---	---	---	---	559,206
Inventories	20,183	42	515	6,665	42,443	221	---	70,069
Forfeited Assets	797	---	2,489	---	---	---	---	3,286
Taxes	4,255	---	---	---	---	---	---	4,255
Debt Service	---	---	---	---	103,301	101,688	---	204,989
Loans Receivable	---	---	789,281	2,318	---	375	---	791,974
Trust Principal	---	---	---	---	---	62,919	---	62,919
Unreserved, Reported In:								
General Fund	1,335,999	---	---	---	---	---	---	1,335,999
Special Revenue Funds	---	390,639	413,104	198,789	---	287,336	---	1,289,868
Capital Projects Funds	---	---	---	---	858,865	68,829	---	927,694
Permanent Funds	---	---	---	---	---	116	---	116
Total Fund Balances	<u>1,920,440</u>	<u>390,681</u>	<u>1,205,389</u>	<u>207,772</u>	<u>1,004,609</u>	<u>521,484</u>	<u>---</u>	<u>5,250,375</u>
Total Liabilities and Fund Balances	<u>\$ 3,484,509</u>	<u>\$ 458,214</u>	<u>\$ 1,236,856</u>	<u>\$ 223,972</u>	<u>\$ 1,160,938</u>	<u>\$ 569,583</u>	<u>\$ (1,870)</u>	<u>\$ 7,132,202</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands of Dollars)

Total Fund Balances – Governmental Funds \$ 5,250,375

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not financial resources and they are not reported in the funds. These assets consist of (Note 5):

Construction in Progress	449,239	
Infrastructure in Progress	2,672,052	
Land	2,763,770	
Land Improvements	149,693	
Buildings and Improvements	2,213,619	
Equipment	1,075,847	
Infrastructure	41,257,724	
Accumulated Depreciation	(22,020,403)	
		28,561,541

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1). 489,894

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the Statement of Net Assets. 67,318

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):

Due to Other Entities	(36,195)	
General Obligation and Other Bonds Payable	(3,750,835)	
Unamortized Bond Premium	(164,737)	
Accrued Interest on Bonds	(37,099)	
Obligation under Lease Purchases	(228,348)	
Compensated Absences	(171,328)	
Claims Liability	(86,033)	
Contingent Liabilities	(1,288,100)	
Net Other Postemployment Benefit Obligation	(112,644)	
Net Pension Obligation	(109,041)	
		(5,984,360)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Assets. 650,242

Net Assets of Governmental Activities \$ 29,035,010

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

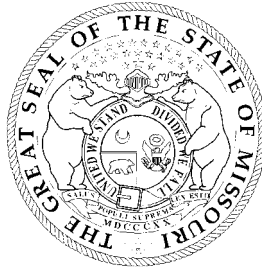
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2008
Revenues:								
Taxes	\$ 7,783,239	\$ 1,140,050	\$ 183,880	\$ 772,206	\$ 207,662	\$ 133,586	\$ ---	\$ 10,220,623
Licenses, Fees, and Permits	76,700	7,610	80,695	198,868	100,090	174,087	---	638,050
Sales	2,269	2	7,864	170	---	1,759	---	12,064
Leases and Rentals	18	---	177	19	---	224	---	438
Services	231,309	---	---	---	---	200	---	231,509
Contributions and Intergovernmental	7,553,832	309,717	69,880	488	909,880	22,314	---	8,866,111
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	5,659	1,093	1,479	159	1,271	(3,489)	---	6,172
Interest	103,942	14,743	18,816	4,517	41,764	20,000	---	203,782
Penalties and Unclaimed Properties	35,529	1,763	12,637	440	---	13,646	---	64,015
Cost Reimbursement/Miscellaneous	181,569	57,505	3,934	723	78,950	185,008	---	507,689
Total Revenues	15,974,066	1,532,483	379,362	977,590	1,339,617	547,335	---	20,750,453
Expenditures:								
Current:								
General Government	755,197	2,366	3,138	214,232	---	46,656	---	1,021,589
Education	1,882,108	4,484,428	38	13	---	7,084	---	6,373,671
Natural and Economic Resources	301,559	29,627	291,195	4	---	231,487	---	853,872
Transportation and Law Enforcement	389,478	156	824	199,234	791,171	48,239	---	1,429,102
Human Services	9,602,916	21,540	1,827	60	---	208,766	---	9,835,109
Capital Outlay:								
Transportation and Law Enforcement	---	---	---	---	1,143,494	677	---	1,144,171
Human Services	---	---	---	---	---	3,133	---	3,133
Debt Service:								
Principal	47,847	---	967	149	78,638	69,068	---	196,669
Interest	45,828	---	191	62	107,722	32,629	---	186,432
Bond Issuance Costs	---	---	---	---	2,631	63	---	2,694
Underwriter's Discount	---	---	---	---	170	220	---	390
Total Expenditures	13,024,933	4,538,117	298,180	413,754	2,123,826	648,022	---	21,046,832
Excess Revenues (Expenditures)	2,949,133	(3,005,634)	81,182	563,836	(784,209)	(100,687)	---	(296,379)
Other Financing Sources (Uses):								
Proceeds from Capital Leases	28,349	---	---	---	23,748	148	---	52,245
Capital Lease Termination Payment	---	---	---	---	(22,559)	---	---	(22,559)
Debt Issuance	---	---	---	---	526,800	50,000	---	576,800
Swap Termination Payment	---	---	---	---	(11,118)	---	---	(11,118)
Bond Premium	---	---	---	---	27,808	553	---	28,361
Proceeds from Capital Asset Sale	299	---	---	4,162	8,681	---	---	13,142
Transfers In (Note 16)	55,574	3,095,190	683	2,838	577,646	177,671	(3,643,339)	266,263
Transfers Out (Note 16)	(2,965,995)	(2,500)	(7,165)	(577,870)	---	(96,285)	3,643,339	(6,476)
Total Other Financing Sources (Uses)	(2,881,773)	3,092,690	(6,482)	(570,870)	1,131,006	132,087	---	896,658
Net Change in Fund Balances	67,360	87,056	74,700	(7,034)	346,797	31,400	---	600,279
Fund Balances – Beginning (Note 17)	1,856,913	303,667	1,130,998	212,964	657,812	490,071	---	4,652,425
Increase (Decrease) in Reserve for Inventory	(3,833)	(42)	(309)	1,842	---	13	---	(2,329)
Fund Balances – Ending	\$ 1,920,440	\$ 390,681	\$ 1,205,389	\$ 207,772	\$ 1,004,609	\$ 521,484	\$ ---	\$ 5,250,375

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES IN
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

Net Change in Fund Balances – Total Governmental Funds		\$ 600,279
Amounts reported for governmental activities in the Statement of Activities are different because:		
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change the Increase in Reserve for Inventories on the fund statement has been reclassified as a functional expense on the government-wide statement		(2,329)
Governmental funds report capital outlays as expenditures. In the Statement of Activities however, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays of \$1,313,159 exceeds depreciation of \$860,713 in the current period.		452,446
The net effect of the donation of capital assets increased net assets		1,392
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		30,979
Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Notes 11 and 12).		
Bonds Issued	(576,800)	
Bond Premiums, Issuance, and Refunding Cost:	(14,548)	
Bond Principal Payment:	171,355	
Capital Leases Issued	(52,245)	
Capital Lease Termination Payment:	22,559	
Capital Lease Payment:	22,487	
	<u>(427,192)</u>	
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds (Notes 11 and 12)		
Amortization of Bond Premiums, Issuance, and Refunding Cost:	11,536	
Increase in Accrued Interest:	(2,505)	
Increase in Due to Other Entities:	(5,562)	
Increase in Compensated Absence:	(3,890)	
Increase in Contingent Liabilities:	(93,155)	
Increase in Claims Liability:	(490)	
Increase in Net Other Postemployment Benefit Obligation:	(112,644)	
Increase in Net Pension Obligation:	(2,656)	
	<u>(209,366)</u>	
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue and expense of internal service funds are reported with governmental activities.		(9,329)
Change in Net Assets of Governmental Activities		<u>\$ 436,880</u>

The notes to the financial statements are an integral part of this statement.



*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

Proprietary Fund Financial Statements

Major Funds

State Lottery – Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – Accounts for contributions and payments collected under the provisions of the “Unemployment Compensation Law” to pay benefits.

Petroleum Storage Tank Insurance – Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

Non-Major Funds

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

**STATE OF MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2008	
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 20,059	\$ 213,294	\$ 7,006	\$ 3,939	\$ 244,298	\$ 150,514
Investments (Note 3)	11,603	---	79,700	47,849	139,152	187,331
Accounts Receivable, Net	39,759	142,801	3,806	450	186,816	49,081
Interest Receivable	164	---	602	102	868	620
Due from Other Funds (Note 15)	---	---	---	120	120	17,501
Inventories	---	---	---	1,730	1,730	21,477
Prepaid Items	92	---	---	22	114	99
Loans Receivable	---	---	---	534	534	---
Non-Current Assets:						
Restricted:						
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	27,240
Investments (Note 3)	61,733	---	---	---	61,733	300
Assets Held for Resale	---	---	---	115	115	---
Capital Assets (Note 5):						
Construction in Progress	---	---	---	3,134	3,134	229,597
Land	353	---	---	7,333	7,686	8,475
Land Improvements	---	---	---	7,446	7,446	3,152
Buildings	4,747	---	---	23,168	27,915	305,693
Equipment	10,458	---	197	35,319	45,974	90,697
Less Accumulated Depreciation	(12,191)	---	(171)	(38,038)	(50,400)	(238,393)
Total Capital Assets (Net of Accumulated Depreciation)	3,367	---	26	38,362	41,755	399,221
Total Assets	136,777	356,095	91,140	93,223	677,235	853,384
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,799	11,074	44	1,007	14,924	30,069
Accrued Payroll	284	---	61	1,675	2,020	1,865
Due to Other Funds (Note 15)	17,674	---	2	58	17,734	523
Unearned Revenue (Note 1)	---	---	522	103	625	24,028
Claims Liability (Note 11)	---	---	15,000	---	15,000	66,165
Grand Prize Winner Liability (Note 11)	48,753	---	---	---	48,753	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	3,675
Compensated Absences (Note 11)	582	---	45	1,950	2,577	3,638
Notes Payable (Note 11)	---	---	---	---	---	177
Non-Current Liabilities:						
Claims Liability (Note 11)	---	---	101,733	---	101,733	50,764
Grand Prize Winner Liability (Note 11)	55,366	---	---	---	55,366	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	19,418
Compensated Absences (Note 11)	51	---	50	11	112	1,013
Notes Payable (Note 11)	---	---	---	---	---	3,570
Total Liabilities	125,509	11,074	117,457	4,804	258,844	204,905
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,367	---	26	38,362	41,755	376,128
Restricted for:						
Revenue Bonds	---	---	---	---	---	26,585
Other Purposes	6,267	---	---	39,095	45,362	955
Unrestricted	1,634	345,021	(26,343)	10,962	331,274	244,811
Total Net Assets	\$ 11,268	\$ 345,021	\$ (26,317)	\$ 88,419	\$ 418,391	\$ 648,479
Total Net Assets Reported Above					\$ 418,391	
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds					(1,763)	
Net Assets of Business-Type Activities					\$ 416,628	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

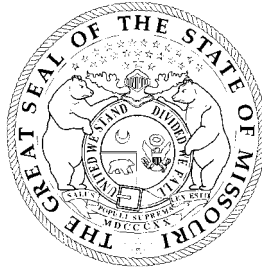
	Business-Type Activities – Enterprise Funds					
	Major Funds					
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	Totals June 30, 2008	Governmental Activities – Internal Service Funds
Operating Revenues:						
Employer Contributions	\$ ---	\$ 605,048	\$ ---	\$ ---	\$ 605,048	\$ 382,165
Employee Contributions	---	---	---	---	---	177,292
Medicare Part D Subsidy	---	---	---	---	---	3,552
Licenses, Fees, and Permits	---	---	24,693	7,360	32,053	26,164
Sales	995,493	---	---	6,748	1,002,241	36,595
Leases and Rentals	---	---	---	2,866	2,866	39,873
Charges for Services	---	---	---	26,407	26,407	157,847
Cost Reimbursement/Miscellaneous	649	---	1	974	1,624	43,907
Total Operating Revenues	996,142	605,048	24,694	44,355	1,670,239	867,395
Operating Expenses:						
Cost of Goods Sold	17,290	---	---	2,195	19,485	26,441
Personal Service	9,800	---	1,107	56,548	67,455	65,994
Operations	62,809	---	4,064	9,681	76,554	192,430
Prizes Expense	641,124	---	---	---	641,124	---
Inventories	---	---	---	1,428	1,428	1,416
Specific Programs	---	---	16,324	342	16,666	3,847
Insurance Benefits	---	---	---	---	---	589,572
Unemployment Benefits	---	498,318	---	---	498,318	---
Depreciation	764	---	6	2,902	3,672	12,189
Other Charges	8,498	---	11	526	9,035	3,566
Total Operating Expenses	740,285	498,318	21,512	73,622	1,333,737	895,455
Operating Income (Loss)	255,857	106,730	3,182	(29,267)	336,502	(28,060)
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	---	16,808	438	35,240	52,486	23
Interest Expense	---	---	---	---	---	(1,248)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	2,678	---	254	122	3,054	1,051
Interest	1,347	6,765	3,709	549	12,370	13,984
Penalties and Unclaimed Properties	---	---	---	31,892	31,892	2
Disposal of Capital Assets	38	---	---	(36)	2	(30)
Miscellaneous Revenues	9,279	---	---	---	9,279	---
Total Non-Operating Revenues (Expenses)	13,342	23,573	4,401	67,767	109,083	13,782
Income (Loss) Before Transfers	269,199	130,303	7,583	38,500	445,585	(14,278)
Capital Contributions	---	---	---	---	---	268
Transfers In (Note 16)	52	---	---	1,261	1,313	5,224
Transfers Out (Note 16)	(266,166)	---	---	(30)	(266,196)	(509)
Change in Net Assets	3,085	130,303	7,583	39,731	180,702	(9,295)
Total Net Assets – Beginning (Note 17)	8,183	214,718	(33,900)	48,688	237,689	657,774
Total Net Assets – Ending	\$ 11,268	\$ 345,021	\$ (26,317)	\$ 88,419	\$ 418,391	\$ 648,479
Total Net Change in Net Assets Reported Above					\$ 180,702	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds					34	
Change in Net Assets of Business-Type Activities					\$ 180,736	

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2008	
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	\$ ---	\$ 4,208	\$ ---	\$ 573	\$ 4,781	\$ 579,509
Receipts from External Customers and Users	990,566	590,310	24,863	42,904	1,648,643	238,687
Payments to Suppliers	(79,985)	---	(4,035)	(13,817)	(97,837)	(216,471)
Payments to Employees	(9,783)	---	(1,025)	(56,597)	(67,405)	(65,589)
Payments Made for Program Expense	(639,976)	(495,809)	(15,647)	(342)	(1,151,774)	(583,121)
Other Receipts (Payments)	(7,849)	---	(10)	448	(7,411)	40,341
Net Cash Provided (Used) by Operating Activities	252,973	98,709	4,146	(26,831)	328,997	(6,644)
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	---	---	---	(61)	(61)	---
Due to/from Other Funds	1,107	---	(9)	(99)	999	(11,138)
Contributions and Intergovernmental	---	16,808	438	35,207	52,453	23
Transfers to/from Other Funds	(266,114)	---	---	1,231	(264,883)	4,715
Other Receipts (Expenses)	9,279	---	---	---	9,279	---
Net Cash Provided (Used) by Non-Capital Financing Activities	(255,728)	16,808	429	36,278	(202,213)	(6,400)
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	---	---	(1,248)
Purchases and Construction of Capital Assets	(720)	---	(17)	(3,771)	(4,508)	(80,136)
Bonds and Notes Payable	---	---	---	---	---	(158)
Capital Lease Downpayment/Obligations	---	---	---	---	---	(1,907)
Disposal of Capital Assets	38	---	---	---	38	---
Net Cash Provided (Used) by Capital and Related Financing Activities	(682)	---	(17)	(3,771)	(4,470)	(83,449)
Cash Flows from Investing Activities:						
Proceeds from Investment Maturities	1,752	---	---	---	1,752	931,535
Purchase of Investments	---	---	(16,336)	(36,819)	(53,155)	(898,570)
Interest and Dividends Received	1,430	6,765	3,985	580	12,760	14,333
Other Receipts	---	---	---	31,892	31,892	2
Net Cash Provided (Used) by Investing Activities	3,182	6,765	(12,351)	(4,347)	(6,751)	47,300
Net Increase (Decrease) in Cash	(255)	122,282	(7,793)	1,329	115,563	(49,193)
Cash and Cash Equivalents, Beginning of Year	20,314	91,012	14,799	2,610	128,735	226,947
Cash and Cash Equivalents, End of Year	\$ 20,059	\$ 213,294	\$ 7,006	\$ 3,939	\$ 244,298	\$ 177,754
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 255,857	\$ 106,730	\$ 3,182	\$ (29,267)	\$ 336,502	\$ (28,060)
Depreciation Expense	764	---	6	2,902	3,672	12,189
Changes in Assets and Liabilities:						
Accounts Receivable	(4,927)	(10,530)	175	76	(15,206)	(3,301)
Inventories	---	---	---	(415)	(415)	(7,250)
Prepaid Items	(41)	---	---	---	(41)	37
Accounts Payable	155	2,509	29	(98)	2,595	11,029
Accrued Payroll	(7)	---	46	4	43	93
Unearned Revenue	---	---	(5)	20	15	(1,991)
Grand Prize Winner Liability	1,148	---	---	---	1,148	---
Claims Liability	---	---	677	---	677	10,298
Compensated Absences	24	---	36	(53)	7	312
Net Cash Provided (Used) by Operating Activities	\$ 252,973	\$ 98,709	\$ 4,146	\$ (26,831)	\$ 328,997	\$ (6,644)
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 19,638
Capital Asset Donations	52	---	---	49	101	276
Increase (Decrease) in Fair Value of Investments	3,032	---	184	110	3,326	1,046
Net Non-Cash Financing and Investing Activities	\$ 3,084	\$ ---	\$ 184	\$ 159	\$ 3,427	\$ 20,960

The notes to the financial statements are an integral part of this statement.



*The **Fiduciary Funds** account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.*

Individual fund financial statements for pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds are presented as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
(In Thousands of Dollars)

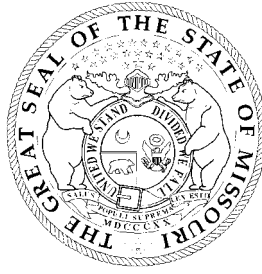
	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	\$ 737,887	\$ 1,037	\$ 47,961
Investments at Fair Value: (Note 3)			
U.S. Government Securities	1,113,395	10,514	1,425
Repurchase Agreements	---	1,282	379,314
Stocks	1,415,389	---	88
Bonds	340,460	---	---
International Equities	1,110,134	---	---
Mutual and Index Funds	1,408,892	---	---
Venture Capital Limited Partnership	3,933,036	---	---
Other Investments	1,129,561	902	1,308
Receivables:			
Accounts Receivable	148,694	---	200,148
Interest Receivable	4,209	30	685
Inventories	---	1	---
Invested Securities Lending Collateral (Note 3)	1,051,827	---	---
Prepaid Expenses	92	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,055	---	---
Equipment	2,923	51	---
Accumulated Depreciation	(2,424)	(26)	---
Total Capital Assets, Net	4,905	25	---
Total Assets	12,398,481	13,791	\$ 630,929
LIABILITIES			
Accounts Payable	161,342	897	\$ 31
Accrued Payroll	---	21	---
Securities Lending Collateral (Note 3)	1,067,994	---	---
Due to Other Entities	---	---	597,609
Due to Individuals	---	---	33,289
Unearned Revenue	2,996	---	---
Claims Liability	10,451	---	---
Obligations under Lease Purchase	1	---	---
Compensated Absences	386	---	---
Total Liabilities	1,243,170	918	\$ 630,929
Net Assets Held in Trust for Benefits and Other Purposes	\$ 11,155,311	\$ 12,873	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 492,889	\$ ---
Plan Member	135,714	---
Other	48,761	---
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	(153,066)	45
Interest and Dividends	375,034	189
Securities Lending Income	54,094	---
Total Investment Earnings	<u>276,062</u>	<u>234</u>
Less Investment Expenses:		
Investment Activity Expense	(104,771)	---
Securities Lending Expense	(45,239)	---
Total Investment Expense	<u>(150,010)</u>	<u>---</u>
Net Investment Earnings	<u>126,052</u>	<u>234</u>
Unclaimed Property	---	29,261
Cost Reimbursement/Miscellaneous	<u>610</u>	<u>11,179</u>
Total Additions	<u>804,026</u>	<u>40,674</u>
Deductions:		
Benefits	813,791	---
Administrative Expenses	17,859	2,696
Program Distributions	116,143	42,491
Service Transfer Payments	251	---
Depreciation	<u>294</u>	<u>9</u>
Total Deductions	<u>948,338</u>	<u>45,196</u>
Change in Net Assets	(144,312)	(4,522)
Net Assets held in Trust – Beginning of Year (Note 17)	<u>11,299,623</u>	<u>17,395</u>
Net Assets held in Trust – End of Year	<u><u>\$ 11,155,311</u></u>	<u><u>\$ 12,873</u></u>

The notes to the financial statements are an integral part of this statement.



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Component Unit Financial Statements

Major

College and Universities

Non-Major

Non-Major proprietary component unit statements are found in the combining fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008
(In Thousands of Dollars)

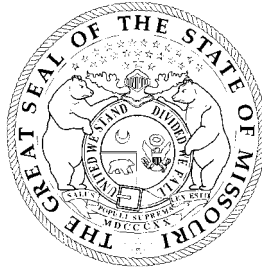
	College and Universities	Non-Major	Totals June 30, 2008
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 80,014	\$ 20,994	\$ 101,008
Investments (Note 3)	312,290	26,416	338,706
Receivables, Net	380,674	10,489	391,163
Invested Securities Lending Collateral (Note 3)	106,360	---	106,360
Inventories	46,799	---	46,799
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	287,644	---	287,644
Investments (Note 3)	102,437	---	102,437
Receivables, Net	7,017	---	7,017
Deposits and Prepaid Expenses	21,813	150	21,963
Deferred Costs and Other Assets	428	---	428
Non-Current Assets:			
Investments (Note 3)	872,568	---	872,568
Receivables, Net	95,126	12,970	108,096
Advance to Primary Government (Note 15)	---	6,167	6,167
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	20,693	16,958	37,651
Investments (Note 3)	930,756	73,316	1,004,072
Receivables, Net	2,179	---	2,179
Deposits and Prepaid Expenses	4,993	---	4,993
Deferred Costs and Other Assets	16,799	---	16,799
Capital Assets, Net of Accumulated Depreciation (Note 5)	3,616,391	52,172	3,668,563
Total Assets	<u>6,904,981</u>	<u>219,632</u>	<u>7,124,613</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	402,772	594	403,366
Due to Primary Government (Note 15)	---	983	983
Securities Lending Collateral (Note 3)	106,360	---	106,360
Unearned Revenue (Note 1)	91,447	---	91,447
Deposits	71,916	---	71,916
Claims Liability (Note 21)	33,554	---	33,554
Compensated Absences	17,539	---	17,539
Capital Lease Obligations (Note 6)	1,579	---	1,579
Bonds and Notes Payable (Note 12)	41,420	240	41,660
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	21,165	---	21,165
Advance from Primary Government (Note 15)	---	3,851	3,851
Unearned Revenue (Note 1)	1,876	---	1,876
Deposits and Reserves	264	21,204	21,468
Claims Liability (Note 21)	34,735	---	34,735
Compensated Absences	8,547	---	8,547
Other Postemployment Obligations, Net	1,807	---	1,807
Capital Lease Obligations (Note 6)	18,883	---	18,883
Bonds and Notes Payable (Note 12)	1,359,890	31,610	1,391,500
Total Liabilities	<u>2,213,754</u>	<u>58,482</u>	<u>2,272,236</u>
NET ASSETS			
Invested in Capital Assets, Net	2,381,125	20,322	2,401,447
Restricted for:			
Expendable	426,003	---	426,003
Non-Expendable	747,020	---	747,020
Other Purposes	---	86,342	86,342
Unrestricted	1,137,079	54,486	1,191,565
Total Net Assets	<u>\$ 4,691,227</u>	<u>\$ 161,150</u>	<u>\$ 4,852,377</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS/STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2008	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	\$ ---	\$ 3,237	\$ 3,237	\$ ---	\$ 3,237
Student Tuition and Fees (Net of Scholarship Allow.)	699,883	---	699,883	---	699,883
Sales and Services of Educational Departments	39,597	---	39,597	---	39,597
Auxiliary Enterprises	1,115,769	---	1,115,769	---	1,115,769
Leases and Rentals	---	3,724	3,724	---	3,724
Cost Reimbursement/Miscellaneous	79,865	1,123	80,988	55	81,043
Total Charges for Services					1,943,253
Federal Appropriations, Grants, and Contracts	302,403	---	302,403	29,248	331,651
State Grants and Contracts	77,959	---	77,959	804,168	882,127
Private Gifts, Grants, and Contracts	78,567	---	78,567	69,067	147,634
Additions to Endowments	---	---	---	36,314	36,314
Total Operating Grants and Contributions					1,397,726
Interest Revenue	1,584	1,381	2,965	(2,965)	---
Total Operating Revenues	2,395,627	9,465	2,405,092	935,887	
Expenses:					
Operating Expenses:					
Personal Service	2,028,371	972	2,029,343	---	2,029,343
Operations	---	2,001	2,001	---	2,001
Specific Programs	---	1,688	1,688	---	1,688
Scholarships and Fellowships	91,714	---	91,714	---	91,714
Utilities	28,644	---	28,644	---	28,644
Supplies and Other Services	837,047	---	837,047	---	837,047
Contracted Services	21,904	---	21,904	---	21,904
Interest Expense	---	---	---	57,544	57,544
Depreciation and Amortization	192,913	1,492	194,405	---	194,405
Bad Debt Expense	---	106	106	---	106
Miscellaneous	29,051	26	29,077	12,455	41,532
Total Operating Expenses	3,229,644	6,285	3,235,929	69,999	3,305,928
Operating Income (Loss)	(834,017)	3,180	(830,837)	865,888	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	29,248	---	29,248	(29,248)	---
State Appropriations, Grants, and Contracts	804,168	---	804,168	(804,168)	---
Private Gifts, Grants, and Contracts	69,067	---	69,067	(69,067)	---
Contributions and Intergovernmental	---	(10,712)	(10,712)	10,712	---
Investment Earnings:					
Increase in the Fair Value of Investments	---	1,126	1,126	---	1,126
Interest/Investment and Endowment Income	56,093	4,342	60,435	2,965	63,400
Interest and Bond Related Expenses	(56,223)	(1,321)	(57,544)	57,544	---
Gain (Loss) on Sale of Capital Assets	(340)	---	(340)	340	---
Miscellaneous Revenues	55	---	55	(55)	---
Miscellaneous Expenses	(1,346)	(57)	(1,403)	1,403	---
Total General Revenues					64,526
Total Non-Operating Revenues (Expenses)	900,722	(6,622)	894,100	(829,574)	
Income Before Other Revenues (Expenses)					
Or Gains (Losses)	66,705	(3,442)	63,263	36,314	
State Capital Appropriations	86,474	---	86,474	---	86,474
Total Capital Grants and Contributions					86,474
Additions to Endowments	36,314	---	36,314	(36,314)	---
Extraordinary Items	293	---	293	---	293
Change in Net Assets	189,786	(3,442)	186,344	---	186,344
Net Assets - Beginning of Year (Note 17)	4,501,441	164,592	4,666,033	---	4,666,033
Net Assets - End of Year	\$ 4,691,227	\$ 161,150	\$ 4,852,377	\$ ---	\$ 4,852,377

The notes to the financial statements are an integral part of this statement.



The Notes to the Financial Statements provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Index of Notes

Note 1 – Significant Accounting Policies	28
Note 2 – Reporting Changes and Classifications	44
Note 3 – Deposits, Investments, and Securities Lending Program.....	44
Note 4 – Federal Surplus Commodities Inventory.....	53
Note 5 – Capital Assets	54
Note 6 – Leases	56
Note 7 – Retirement Systems	59
Note 8 – Other Postemployment Benefits	66
Note 9 – Deferred Compensation	71
Note 10 – Changes in Short-Term Liabilities	72
Note 11 – Changes in Long-Term Liabilities	72
Note 12 – Bonds Payable	73
Note 13 – Defeased Debt	83
Note 14 – Payables and Receivables	84
Note 15 – Interfund Assets and Liabilities.....	85
Note 16 – Interfund Transfers.....	87
Note 17 – Restatements	88
Note 18 – Fund Deficit	89
Note 19 – Related Party Transactions	89
Note 20 – Commitments	89
Note 21 – Risk Management and Insurance.....	91
Note 22 – Landfill Closure and Postclosure	94
Note 23 – Contingencies	94
Note 24 – Joint Ventures	96
Note 25 – Endowments	97
Note 26 – Conduit Debt	97
Note 27 – Subsequent Events	98

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 – *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 – *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and the Commissioner of Administration. The Board's purpose is to issue, redeem, and cancel state general obligation bonds and perform other administrative activities related to state general obligation debt as assigned by law. Separate financial statements are not required or issued for the Board.

Board of Private Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators in Missouri. The five member board shall consist of three private investigators and two public members, appointed by the Governor. Separate financial statements are not required for the Board.

Board of Unemployment Fund Financing – The Board was created by state law to provide a method of providing funds for the payment of unemployment benefits and maintaining an adequate fund balance in the Unemployment Compensation Fund. The Board is comprised of the Governor, Lieutenant Governor, Attorney General, the Director of the Department of Labor and Industrial Relations, and the Commissioner of Administration. Separate financial statements are not required for the Board.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Coordinating Board for Early Childhood – The Board was created by state law within the Missouri Children's Services Commission and is composed of representatives from the Governor's office; the following departments: Health and Senior Services, Mental Health, Social Services, and Elementary and Secondary Education; the judiciary; the Family and Community Trust Board; the Head Start Program; and nine members appointed by the Governor. The Board's purpose is to develop a comprehensive statewide long-range strategic plan for a cohesive early childhood system, and to work with public and private entities for the purpose of promoting and improving the development of Missouri's children from birth through age five. Separate financial statements are not required for the Board.

Missouri Dental Board – The Board was created by state law to protect and serve the public's interests in dentistry and to preserve the integrity of the dental profession. The Board adopts, publishes, and enforces rules and regulations which regulate and define the acts and areas of practice which may be performed by dentists and dental hygienists. The seven member board consists of five dentists, one dental hygienist, and one public member, all of whom are appointed by the Governor. Separate financial statements are not required for the Board.

Missouri Investment Trust-Board of Trustees – The Board is responsible for establishing investment policies, strategies, and goals for the Missouri Investment Trust, and has the fiduciary duty to manage the policy and investment decisions necessary for the success of the Missouri Investment Trust. The seven member board of trustees consists of the State Treasurer, the Commissioner of Administration, one member appointed by the speaker of the House of Representatives, one member appointed by the president pro-tem of the Senate, and three members selected by the Governor. Separate financial statements are not required for the Board.

Missouri Propane Gas Commission – The Commission is responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri. The Commission is authorized to regulate the inspection of and provide specifications for propane. The nine member commission is appointed by the Governor with members from various propane-related industries, the Departments of Agriculture and Natural Resources, and one public member.

Missouri State Penitentiary Redevelopment Commission – The Commission was established to coordinate the planning and redevelopment of the old Jefferson City Correctional Center. The ten member commission consists of three members appointed by the Jefferson City mayor, three members appointed by the Cole County Commission, and four members appointed by the Governor. Separate financial statements are not required for the Commission.

Missouri Wine and Grape Board – The Board was created by state law to further growth and development of the grape growing industry in Missouri and foster the expansion of the grape market for Missouri grapes. The eleven member board consists of seven members representing the grape and wine industry, food service industry, or media marketing industry. The four other members include the director of the Department of Agriculture, and the presidents of the Missouri Grape Growers Association, the Missouri Vintners Association, and the Missouri Wine Marketing and Research Council. Copies of the Board's annual report may be requested from:

Missouri Wine and Grape Board
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Capital Projects Funds:

Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and Wentzville Parkway Transportation Corporation – these are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members of the Plan appointed by the Commissioners of the Department, the Chief Financial Officer, the Human Resources Division Chief, and the Internal Auditor. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65102

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Risk Management Division of the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

MoDOT and MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees, and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees and one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees, and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired State Highway Patrol employees. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Missouri Consolidated Health Care Plan (MCHCP) State Retiree Welfare Benefit Trust – The Trust was established on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except those covered by other State sponsored post-employment benefit plans. The Trust is administered by the MCHCP board of trustees, which also administers the benefits for the active participants of the Plan. The net assets and activity related to active participants are reported in an internal service fund. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Road
Jefferson City, Missouri 65110-4355

Missouri State Public Employees' Deferred Compensation Plan – The Missouri State Public Employees' Deferred Compensation Plan was administered by CitiStreet through June 30, 2008. Starting July 1, 2008, the Plan is administered by ING which purchased CitiStreet as of that date. Oversight of the Plan is provided by the MOSERS board of trustees. Under this Plan, employees are permitted to defer a portion of their current salary until future years. In addition, eligible employees have the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes \$25 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. Copies of financial statements for both Plans may be requested from:

ING
One Heritage Drive
Quincy, Massachusetts 02171

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Major

College and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
207 Young Hall
Jefferson City, Missouri 65101

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National, Room 119
Springfield, Missouri 65897

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3000
Cape Girardeau, Missouri 63701

Truman State University
100 East Normal
McClain Hall, Room 105
Kirksville, Missouri 63501

University of Central Missouri
316 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
118 University Hall
Columbia, Missouri 65211

Non-Major

Missouri Development Finance Board – The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable and tax-exempt industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development, the Department of Natural Resources, and the Department of Agriculture, who serve as ex-officio voting members, and eight members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board
Governor Office Building
200 Madison Street, Suite 1000
Jefferson City, Missouri 65101

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Missouri Agricultural and Small Business Development Authority – The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
105 West Capitol Avenue
Jefferson City, Missouri 65101

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

Public School Retirement System – provides retirement benefits to employees of public school districts except those in St. Louis and Kansas City.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

The difference between fund assets and liabilities is reported as “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and “Fund Balance” on the governmental fund financial statements.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Internal service funds are also aggregated and reported in a separate column on the proprietary fund financial statements.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Fund Statement of Cash Flows are also reported under this definition. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. All investments are reported at fair value (see *Note 3*).

There are multiple funds that have income from investments which are directed to the General Fund. These funds consist of special revenue, enterprise, internal service, private-purpose, and agency funds.

F. Interfund Receivables/Payables

The State makes various transactions between funds or between primary government and component units to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as “due from other funds” or “due from primary government/component units” on the Balance Sheet and Statements of Net Assets. Payables are classified as “due to other funds” or “due to primary government” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are due within one year. Any receivables/payables that are due to and due from a governmental fund are eliminated on the face of the Governmental Funds Balance Sheet. If any receivables/payables that remain after this elimination are both in the same activity (Business-Type or Governmental), they are eliminated at the Government-Wide Statement of Net Assets. Any remaining interfund receivables/payables is reported as internal balances on the Government-Wide Statement of Net Assets.

G. Advances to/from Other Funds

Long-term interfund receivables are classified as “advances to other funds” or “advances to primary government/component units” on the Balance Sheet and Statements of Net Assets. Long-term interfund payables are classified as “advances from primary government/component units” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable/payable are in the same activity (Business-Type or Governmental). Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances in governmental funds. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average, weighted average, and first-in, first-out.

I. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories – An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. Capital Assets

Capital assets, which include construction in progress, infrastructure in progress, land, land improvements, buildings, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

The capitalization threshold for all capital assets is as follows: land improvements – \$15,000, buildings and improvements – \$15,000, and equipment – \$1,000. No dollar threshold is set for land or infrastructure.

Capital assets are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 years, and infrastructure 12 to 50 years. Construction in progress, infrastructure in progress, and land are not depreciated.

Most works of art and historical treasures are not capitalized or depreciated. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, and equipment – 5 years.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include \$418,315,000 within the General Fund, \$50,691,000 within the major special revenue funds, \$15,437,000 within the Missouri Road Fund, and \$5,451,000 within non-major governmental funds which totals \$489,894,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions; are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues of \$89,010,000 within the General Fund, \$1,025,000 within major special revenue funds, \$9,765,000 within the Missouri Road Fund, and \$1,554,000 within non-major governmental funds which totals \$101,354,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$24,028,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is \$625,000 which includes \$522,000 within the Petroleum Storage Tank Insurance Fund, and \$103,000 within the non-major enterprise funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$93,323,000 within the college and universities which is the total unearned revenue amount for component units.

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments, contractual obligations to other governments, and loans from other entities. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).
2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).
3. Outstanding principal for bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, and the Missouri Road Fund (see *Notes 6 and 11*).
6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

M. Net Assets

Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt – An account used to segregate the portion of net assets attributable to capital assets and related debt. It consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to acquisition, construction, or improvement of those assets.

Restricted Net Assets – An account used to segregate the portion of net assets that have constraints on their use, which are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2008, net assets restricted by enabling legislation equaled \$1,355,342,000 for governmental activities and \$36,321,000 for business-type activities.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Unrestricted Net Assets – An account used to segregate the portion of net assets that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally the State uses restricted resources first, then unrestricted resources as they are needed. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent.

N. Revenues

The revenues of the General Fund include federal grants and contributions of \$7,534,365,000. Revenues for all funds are reported net of refunds of \$1,720,396,000.

O. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets, and service debt. Interfund transactions basically consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.
2. Transactions that reimburse another fund for an expense reduce expenses of the fund that is being reimbursed and increase expenses for the fund doing the reimbursement. Therefore, they are not shown on the face of the statements.
3. Operating subsidies and transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers (see *Note 16*). These transactions are eliminated on the face of the financial statements if the transfer in and transfer out are either both in governmental funds or both in enterprise funds. Of the remaining transfers, any transfers in and transfers out that are within the same activity (Business-Type and Governmental) are eliminated at the Government-Wide Statement of Activities.

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of \$1,406,674,000 and \$169,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of \$312,512,000 and \$1,041,000, respectively.

Q. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component unit of social assistance.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 – Reporting Changes and Classifications

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year June 30, 2008:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures, related assets and liabilities, and note disclosures.

Statement No. 45 follows the same basic guidelines as Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* but some of the requirements of this Statement differ from the requirements of Statement No. 27 to show the differences between OPEB and pension benefits. This statement was implemented prospectively with no beginning net OPEB obligation. The OPEB portion representing a trust or equivalent arrangement is displayed as a pension (and other employee benefit) trust fund.

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria that will be used to determine how to treat transactions in which immediate cash payments are received in exchange for future expected cash flows.
- GASB Statement No. 50, *Pension Disclosures*, which more closely aligns current pension disclosure requirements for governments with those for OPEB.

The intention of Statement No. 50 is to amend note disclosure and required supplementary information (RSI) standards of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements by Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Note 3 – Deposits, Investments, and Securities Lending Program

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2008, the bank balance of the primary government's deposits was \$1,159,334,000. Of the bank amount, \$5,155,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution, and \$30,000 was exposed to custodial credit risk by being uninsured and uncollateralized.

Fiduciary

At June 30, 2008, the bank balance of the deposits of the fiduciary funds was \$90,023,000. None of these deposits were exposed to custodial credit risk.

Component Units

At June 30, 2008, the bank balance of the deposits of the component units was \$563,568,000. Of the bank amount, \$182,690,000 was exposed to custodial credit risk, \$2,011,000 was insured and uncollateralized, and \$180,679,000 was uninsured and collateralized with securities held by the pledging financial institution.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. The internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2008.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

Primary Government

At June 30, 2008, the reported amount of the primary government's investments was \$4,093,410,000. Of this amount, \$168,640,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty. Also, \$2,632,000 of repurchase agreements were not collateralized.

Fiduciary

At June 30, 2008, the reported amount of the fiduciary funds investments was \$11,536,423,000. Of this amount, \$15,646,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty. Also, \$52,000 was exposed to custodial credit risk due to it being uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the State's name.

Component Units

At June 30, 2008, the reported amount of the component units investments was \$2,297,482,000. Of this amount, \$177,333,000 was exposed to custodial credit risk, \$170,374,000 was uninsured and unregistered with securities held by the counterparty while \$6,959,000 was insured and unregistered with securities held by the counterparty's trust department or agent, but not in the name of the investor.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

		Maturities in Years					Total Fair Value
		Less than 1	1–5	6–10	More than 10	No Maturity	
All Fund Types except Fiduciary Funds and Component Units:							
U.S. Government Securities	\$	1,440,020	\$ 1,767,071	\$ 12,629	\$ 10,219	\$ ---	\$ 3,229,939
Repurchase Agreements		594,426	---	---	---	---	594,426
Stocks		---	---	---	---	3,541	3,541
Mutual Funds		---	---	---	---	2,492	2,492
Commercial Paper		259,413	---	---	---	---	259,413
Other		717	1,827	1,055	---	---	3,599
Subtotal		2,294,576	1,768,898	13,684	10,219	6,033	4,093,410

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
Fiduciary Funds:						
U.S. Government Securities	5,201	702,512	9,073	408,549	---	1,125,335
Repurchase Agreements	399,808	---	---	---	---	399,808
Stocks	---	---	---	---	1,415,477	1,415,477
Bonds	315,185	6,528	5,181	13,566	---	340,460
Commercial Paper	1,024	---	---	---	---	1,024
International Equities	1,110,134	---	---	---	---	1,110,134
Mortgages/Real Estate	---	34,218	501	117,827	182,566	335,112
Short-Term Securities	793,625	---	---	---	---	793,625
Foreign Securities	---	---	---	---	92,659	92,659
Mutual Funds	---	---	---	---	1,408,892	1,408,892
Venture Capital Limited Partnership	---	---	---	---	3,933,036	3,933,036
Absolute Return	---	---	---	---	317,131	317,131
Tactical Fixed Income	---	---	---	---	81,212	81,212
Other	182,518	---	---	---	---	182,518
Subtotal	2,807,495	743,258	14,755	539,942	7,430,973	11,536,423
Component Units:						
U.S. Government Securities	262,142	434,858	150,132	141,518	---	988,650
Repurchase Agreements	10,002	---	---	---	---	10,002
Stocks	---	---	---	---	659,454	659,454
Bonds	60,603	149,137	93,040	34,044	---	336,824
Money Market	1,505	---	---	---	---	1,505
Mutual Funds	1,923	---	---	---	9,000	10,923
Commercial Paper	104,433	---	---	---	---	104,433
Other	4,883	25,298	38,824	22,206	94,480	185,691
Subtotal	445,491	609,293	281,996	197,768	762,934	2,297,482
Total Investments	\$ 5,547,562	\$ 3,121,449	\$ 310,435	\$ 747,929	\$ 8,199,940	\$ 17,927,315

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements. During fiscal year 2008, the State did not have more than 5% of total investments in a single issuer.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fair Value
Primary Government/Fiduciary:			
Bonds	Aaa		\$ 1,516
	Aaa	AAA	2,979,739
		AAA	67,505
		AA+	121
		AA	181,734
		AA-	1,237
		A+	2,312
		A	196,092
		A-	857
		BBB+	3,519
		BBB	109,672
		BBB-	2,574
		BB+	616
		BB	32,025
		B	63,080
		CCC	39,067
		CC	74
		D	139
		Not Rated	1,040
	Aa2		526
Money Market Mutual Funds	Not Rated		76
Commercial Paper	P1	A1+	79,587
	P1	A1	180,850
		Tier 1	123,608
Asset-Backed Securities		AAA	264,402
		AA	50,394
		A	305
Pooled Investments		Not Rated	451,293
Repurchase Agreements	P1	A1+	363,431
U.S. Government	Aaa	AAA	9,709
U.S. Treasury	Aaa	AAA	3,494
U.S. Agencies	Aaa	AAA	12,676
	Aaa		1,358
		Agency	410,027
U.S. Security	Aaa	AAA	2,383
	Aaa		118,541
		AAA	8,024
		AA	2,884
		A+	223
		Agency	9,255
		Treasury	6,202
	Unrated		3,086

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	<u>Moody's</u>	<u>S & P</u>	<u>Fair Value</u>
Other	Aaa	AAA	3,599
		AAA	92,069
		AA+	6,013
		AA	50,566
		AA-	2,209
		A+	4,630
		A	24,110
		A-	2,764
		BBB+	169
		BBB	2,067
		BBB-	133
		BB	77,705
		B	90,072
		CCC	12,828
		CC	176
		Agency	71,929
		Tier 1	123,003
		Not Rated	46,016
Subtotal			<u>6,395,311</u>
Component Units:			
Bonds and Notes	Aaa		64,535
		AAA	2,000
		AA	3,500
	Aa		114,410
		A+	2,000
	A		142,267
		A	1,000
	Baa		8,311
	Unrated		7,203
Money Market	Aaa	AAA	1,496
	Unrated	Unrated	9
Mutual Fund		Unrated	30
Commercial Paper	Unrated		104,433
U.S. Treasury Obligations	Aaa	AAA	1,000
	Aaa		193,889
U.S. Agency Obligations		AAA	6,020
	Aaa	A1+	8,525
	Aaa		470,034
	Aa		3,111
	A		392
	Unrated		158,855
U.S. Securities	Aaa	AAA	17,719
		AAA	12,803
U.S. Bonds and Notes	Aaa	AAA	34,403
Stock	Unrated		646,801
Other	Aaa		55,497
	Aa		668
	A		31,309
		A	1,386
	Baa		944
	Unrated		95,887
Subtotal			<u>2,190,437</u>
Total Rated Investments			<u>\$ 8,585,748</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The State Treasurer's Office does not have any deposits or investments in foreign currency, however, the Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. In addition to the amounts provided in the table, the college and universities had \$89,825,000 in government obligations, \$23,347,000 in bonds and notes, \$120,076,000 in corporate stocks, and \$13,111,000 in cash and cash equivalents held in foreign currencies as of June 30, 2008.

Currency	Investment Type					Total
	Cash	Equities	Fixed Income	Alternatives	Real Estate	
Argentina Peso	\$ 3	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3
Australian Dollar	3	18,797	---	---	---	18,800
Brazilian Real	12	31,533	---	---	---	31,545
British Pound Sterling	26	3,939	---	---	---	3,965
Canadian Dollar	29	8,400	---	---	---	8,429
Czech Koruna	20	1,289	---	---	---	1,309
Danish Krone	2	4,178	---	---	---	4,180
Egyptian Pound	(1)	1,563	---	---	---	1,562
Euro	2,742	234,919	14,744	126,947	155	379,507
Hong Kong Dollar	124	52,301	---	---	---	52,425
Hungarian Forint	47	4,240	---	---	---	4,287
Indian Rupee	677	2,545	---	---	---	3,222
Indonesian Rupiah	2	1,682	---	---	---	1,684
Israeli New Shekel	---	2,342	---	---	---	2,342
Japanese Yen	104,716	408,516	---	---	---	513,232
Malaysian Ringgit	19	5,817	---	---	---	5,836
Mexican Peso	(4)	13,586	---	---	---	13,582
Moroccan Dirham	(3)	311	---	---	---	308
New Zealand Dollar	1	30	---	---	---	31
Norwegian Krone	107	10,869	---	---	---	10,976
Pakistani Rupee	2	1,747	---	---	---	1,749
Peruvian Nuevo Sol	---	23	---	---	---	23
Philippine Peso	---	1,382	---	---	---	1,382
Polish Zloty	---	487	---	---	---	487
Russian Ruble	---	3,975	---	---	---	3,975
Singapore Dollar	8	61,180	---	---	---	61,188
South African Rand	(25)	8,411	---	---	---	8,386
South Korean Won	4	38,765	2,737	---	---	41,506
Sri Lanka Rupee	---	2	---	---	---	2
Swedish Krona	41	22,530	---	---	---	22,571
Swiss Franc	92	90,468	---	---	---	90,560
Taiwan Dollar	93	31,743	---	---	---	31,836
Thai Baht	---	17,911	---	---	---	17,911
Turkish Lira	(9)	9,083	---	---	---	9,074
United Kingdom						
Pound Sterling	214	104,541	4,391	---	---	109,146
Venezuelan Bolivar	107	---	---	---	---	107
Total	\$ 109,049	\$ 1,199,105	\$ 21,872	\$ 126,947	\$ 155	\$ 1,457,128

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2008, the State Treasurer's Office had an aggregate fair value of securities lent of \$228,281,000 and an aggregate fair value of collateral received of \$233,310,000.

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. On June 30, 2008, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

Credit Suisse, New York Branch (CSNY) served as the agent for the fixed income domestic equity, and international equity securities lending programs. MOSERS reduces credit risk by allowing CSNY to lend these securities to a diverse group of dealers on behalf of MOSERS. CSNY provides indemnification against dealer default.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by CSNY. On June 30, 2008, the cash collateral fund had a market value of \$990,447,000 and a weighted average maturity of 27 days. At June 30, 2008 and 2007, MOSERS earned \$8,442,000 and \$2,859,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System cannot pledge or sell non-cash collateral unless a borrower defaults. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and 2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. The collateral held at June 30, 2008, was \$62,737,000 and the market value of securities on loan for the System was \$61,380,000.

At June 30, 2008 and 2007, the System earned \$413,000 and \$468,000, respectively, on the securities lending program.

University of Missouri System:

The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent.

The University continues to receive interest and dividends during the loan period as well as a fee from the borrower. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2008, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default. The University can pledge or sell cash and securities received as collateral absent a borrower default.

At June 30, 2008, letters of credit and security collateral, not meeting the criteria for inclusion on the Combined Statement of Net Assets, totaled \$15,238,000. At June 30, 2008, the aggregate fair value of the securities lent was \$106,360,000 and the aggregate fair value of the collateral received was \$113,629,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. At June 30, 2008, MOSERS Foreign Currency Forward Contracts had a pending receivable of \$427,529,000 and a pending payable of \$430,707,000 resulting in a final liability of \$3,178,000.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2008. The investments are reported at fair value and are included on the Statement of Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

<u>Notional Amount</u>	<u>Exposure</u>
\$169,556	\$(240)

Swaps:

<u>Notional Amount</u>	<u>Counterparty Exposure</u>
\$1,401,807	\$(52,068)

Note 4 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was \$53,000 as of June 30, 2008. This inventory is not considered to be an asset of the State and is not included in the financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows (in thousands of dollars):

	*Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 624,594	\$ 238,387	\$ (184,145)	\$ 678,836
Infrastructure in Progress	2,733,988	1,028,231	(1,090,167)	2,672,052
Land	2,649,153	126,335	(3,243)	2,772,245
Total Capital Assets not being Depreciated	6,007,735	1,392,953	(1,277,555)	6,123,133
Capital Assets being Depreciated:				
Land Improvements	149,706	3,139	---	152,845
Buildings and Improvements.....	2,409,997	111,183	(1,868)	2,519,312
Equipment.....	1,156,788	101,305	(91,549)	1,166,544
Infrastructure	40,251,481	1,090,168	(83,925)	41,257,724
Total Capital Assets being Depreciated.....	43,967,972	1,305,795	(177,342)	45,096,425
Less Accumulated Depreciation for:				
Land Improvements	(70,816)	(4,549)	---	(75,365)
Buildings and Improvements.....	(902,469)	(76,230)	1,108	(977,591)
Equipment.....	(805,407)	(92,333)	85,682	(812,058)
Infrastructure	(19,777,917)	(699,790)	83,925	(20,393,782)
Total Accumulated Depreciation	(21,556,609)	(872,902)	170,715	(22,258,796)
Total Capital Assets being Depreciated, Net	22,411,363	432,893	(6,627)	22,837,629
Governmental Activities Capital Assets, Net.....	<u>\$ 28,419,098</u>	<u>\$ 1,825,846</u>	<u>\$ (1,284,182)</u>	<u>\$ 28,960,762</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 3,899	\$ 259	\$ (1,024)	\$ 3,134
Land	6,950	736	---	7,686
Total Capital Assets not being Depreciated	10,849	995	(1,024)	10,820
Capital Assets being Depreciated:				
Land Improvements	7,074	420	(48)	7,446
Buildings and Improvements.....	27,567	348	---	27,915
Equipment.....	46,137	3,855	(4,018)	45,974
Total Capital Assets being Depreciated.....	80,778	4,623	(4,066)	81,335
Less Accumulated Depreciation for:				
Land Improvements	(3,333)	(256)	---	(3,589)
Buildings and Improvements.....	(13,219)	(734)	---	(13,953)
Equipment.....	(34,153)	(2,682)	3,977	(32,858)
Total Accumulated Depreciation	(50,705)	(3,672)	3,977	(50,400)
Total Capital Assets being Depreciated, Net	30,073	951	(89)	30,935
Business-Type Activities Capital Assets, Net.....	<u>\$ 40,922</u>	<u>\$ 1,946</u>	<u>\$ (1,113)</u>	<u>\$ 41,755</u>

*Beginning balances as of July 1, 2007 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Capital Assets (cont.)

Depreciation expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government.....	\$ 30,128
Education	3,132
Natural and Economic Resources	12,004
Transportation and Law Enforcement	766,848
Human Services	60,790
Total	<u>\$ 872,902</u>

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated:			
Construction in Progress.....	\$ 305,480	\$ ---	\$ 305,480
Land.....	133,840	7,220	141,060
Other Non-Depreciable Assets.....	20,220	---	20,220
Total Capital Assets not being Depreciated	<u>459,540</u>	<u>7,220</u>	<u>466,760</u>
Capital Assets being Depreciated:			
Land Improvements	21,259	---	21,259
Buildings and Improvements	3,894,333	49,614	3,943,947
Equipment, Fixtures, and Books	1,135,147	140	1,135,287
Infrastructure	348,490	---	348,490
Total Capital Assets being Depreciated	<u>5,399,229</u>	<u>49,754</u>	<u>5,448,983</u>
Less Total Accumulated Depreciation.....	<u>(2,242,378)</u>	<u>(4,802)</u>	<u>(2,247,180)</u>
Total Capital Assets being Depreciated, Net ...	<u>3,156,851</u>	<u>44,952</u>	<u>3,201,803</u>
Discretely Presented Component Units – Capital Assets, Net	<u>\$ 3,616,391</u>	<u>\$ 52,172</u>	<u>\$ 3,668,563</u>

Capital Asset Impairments

The net gain after insurance recovery of \$158,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Caruthersville Extension facility from tornado damage.

The net gain after insurance recovery of \$135,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Dawson Hall from fire damage.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 6 – Leases

Capital

The State has entered into various agreements to lease land, buildings, and equipment. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease).

Capital leases for the internal service funds and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
2009	\$ 17,433	\$ 4,310	\$ 2,961
2010	16,712	3,211	2,754
2011	15,917	2,304	2,700
2012	7,523	1,627	2,505
2013	6,869	1,558	2,483
2014–2018	27,863	7,083	12,301
2019–2023	13,543	5,419	4,874
Total Minimum Lease Payments	<u>105,860</u>	<u>25,512</u>	<u>30,578</u>
Less Amount Representing Interest	<u>(18,193)</u>	<u>(3,998)</u>	<u>(10,116)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 87,667</u>	<u>\$ 21,514</u>	<u>\$ 20,462</u>

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued \$28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing one building in Florissant, one building in St. Louis, and one building in Jennings. In May 2006, the Board issued \$9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. The payments on this lease are subject to annual appropriation by the State legislature.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 6 – Leases (cont.)

Following is a summary of the future minimum lease payments to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>
2009	\$ 2,511	\$ 112
2010	2,502	112
2011	2,488	111
2012	2,489	111
2013	2,491	111
2014–2018	12,381	553
2019–2023	12,322	551
2024–2028	12,292	549
2029–2031	7,368	329
Total Minimum Lease Payments	56,844	2,539
Less Amount Representing Interest	(21,488)	(960)
Present Value of Net Minimum Lease Payments	<u>\$ 35,356</u>	<u>\$ 1,579</u>

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of \$120,490,000. The Refunding Certificates of Participation refunded \$13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, \$13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, \$9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and \$83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of \$4,700,000 for the Conservation Commission of the State of Missouri Project.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>
2009	\$ 13,777
2010	13,771
2011	13,778
2012	13,833
2013	13,185
2014–2018	54,638
2019	8,460
Total Minimum Lease Payments	131,442
Less Amount Representing Interest	(26,117)
Present Value of Net Minimum Lease Payments	<u>\$ 105,325</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 6 – Leases (cont.)

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2008 (in thousands of dollars):

	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
Buildings	\$ 227,923	\$ 19,482	\$ 20,999
Equipment	<u>52,499</u>	<u>7,506</u>	<u>1,275</u>
	<u>\$ 280,422</u>	<u>\$ 26,988</u>	<u>\$ 22,274</u>

Operating

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2008, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2009	\$ 49,572	\$ 5,165
2010	1,424	4,287
2011	1,199	3,118
2012	575	2,429
2013	574	2,225
2014–2018	1,051	9,051
2019–2023	609	2,061
2024–2028	620	---
2029–2033	<u>632</u>	<u>---</u>
Total Minimum Commitments	<u>\$ 56,256</u>	<u>\$ 28,336</u>

Expenditures for rent under operating leases for the years ended June 30, 2008 and June 30, 2007 were \$56,711,000 and \$39,888,000, respectively.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 6 – Leases (cont.)

Rental Revenue

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. The total asset value of the leased facilities is \$5.4 million for primary government and \$59.9 million for component units. Future minimum receivables, payable from lessor arrangements as of June 30, 2008, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2009	\$ 155	\$ 1,540
2010	155	1,518
2011	155	1,515
2012	155	1,462
2013	155	1,401
2014–2018	775	6,946
2019–2023	775	5,067
2024–2028	380	4,275
2029–2033	23	3,447
2034–2038	---	3,334
2039–2043	---	3,334
2044–2048	---	2,934
Total Minimum Receivables	<u>\$ 2,728</u>	<u>\$ 36,773</u>

Note 7 – Retirement Systems

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included as the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with the Revised Statutes of Missouri Sections 104.010 and 104.312–104.1215, and 476.445–476.690, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000 (new plan). The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000. Members in the closed plan have the option at retirement to choose between the benefit structure of the closed plan or new plan. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

MOSERS provides retirement, survivor, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 55 with at
least 10 years of service with reduced benefits.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 57 with at
least 5 years of service with reduced benefits.

Judicial Plan

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less
than 12 years of service or age 60 with less
than 15 years of service with a reduced benefit
that is based upon years of service relative to
12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with the Revised Statutes of Missouri Sections 104.010-104.1093.

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, survivor, and disability benefits to its members. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:

Age 65 and active with 4 or more years
of service

Age 65 with 5 or more years of service

Age 60 with 15 or more years of service

Age 48 with sum of age and service
equaling 80 or more (Rule of 80)

Uniformed patrol members:

Age 55 and active with 4 or more years
of service

Age 55 with 5 or more years of service

Age 48 with sum of age and service
equaling 80 or more (Rule of 80)

Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

For members employed prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:

Age 62 with 5 years of service

Age 48 with sum of age and service
equaling 80 or more (Rule of 80)

Uniformed patrol members:

Age 48 with sum of age and service
equaling 80 or more (Rule of 80)

Mandatory retirement at age 60 with
5 years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Policy

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.84% and 58.65%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 42.61% for uniformed members of the Highway Patrol and 31.01% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Annual required contribution	\$ 249,770	\$ 26,215	\$ 123,335
Interest on net pension obligation	5,355	3,688	---
Actuarial adjustment to annual required contribution	(3,782)	(2,605)	---
Annual pension cost	251,343	27,298	123,335
Contributions made	(249,770)	(26,215)	(123,335)
Increase in net pension obligation	1,573	1,083	---
Net pension obligation, beginning of year	62,997	43,388	---
Net pension obligation, end of year	<u>\$ 64,570</u>	<u>\$ 44,471</u>	<u>\$ ---</u>

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	<u>MSEP</u>			<u>Judicial Plan</u>		
	<u>Fiscal Year Ending</u>			<u>Fiscal Year Ending</u>		
	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>
Annual Pension Cost (APC)	\$ 251,343	\$ 241,022	\$ 228,730	\$ 27,298	\$ 24,803	\$ 23,433
Percentage of APC Contributed	99.37%	99.36%	99.35%	96.03%	95.73%	95.60%
Net Pension Obligation	\$ 64,570	\$ 62,997	\$ 61,463	\$ 44,471	\$ 43,388	\$ 42,331

	<u>MPERS</u>		
	<u>Fiscal Year Ending</u>		
	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>
Annual Pension Cost (APC)	\$ 123,335	\$ 121,264	\$ 111,272
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2008, are as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Actuarial Value of Assets	\$ 7,838,496	\$ 73,194	\$ 1,783,902
Actuarial Accrued Liability (AAL)			
Entry Age	\$ 9,128,348	\$ 354,796	\$ 3,019,634
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,289,852	\$ 281,602	\$ 1,235,732
Funded Ratio	85.9%	20.6%	59.1%
Covered Payroll	\$ 1,916,527	\$ 44,543	\$ 375,600
UAAL as a Percentage of Covered Payroll	67.3%	632.2%	329.0%

Actuarial Methods and Assumptions

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2008, will set the required contribution rates for the fiscal year ending June 30, 2010. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The unfunded actuarial accrued liabilities are amortized on an open basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current fiscal year was determined as part of an actuarial valuation as of June 30, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: (a) rate of return on the investment of 8.25% per year compounded annually, and (b) projected wage inflation rate of 3.75%.

The actuarial valuation of MPERS dated June 30, 2008, will be used to determine the contribution rate for the Plan year ending June 30, 2010. The actuarial value of assets is based on a three-year smoothed market value method. The unfunded actuarial accrued liabilities are amortized as closed, level percentage over 27 years.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under the Revised Statutes of Missouri, Section 104.342, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed \$2,662,000, \$2,984,000, and \$2,776,000 for the years ending June 30, 2008, 2007, and 2006, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2008, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65102-0268

College and Universities:

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer, defined benefit plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. Vested employees who are at least age 55 and have ten years or more of credited service, or age 60 with at least five years of credited service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. At retirement, up to 30% of the retirement annuity value can be taken in a lump sum payment; also the standard annuity can be exchanged for an actuarially-equivalent annuity.

Separate financial statements and supplemental schedules are not prepared for the Plan.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Detailed information concerning the Plan is presented in the University's 2008 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
118 University Hall
Columbia, Missouri 65211

Funding Policy

The University's contributions to the Retirement Plan are equal to the actuarially determined Annual Required Contributions, which averaged 8.0% of payroll for the year ended June 30, 2008. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually on July 1 at the beginning of the University's fiscal year, to the actuarially determined amount from the most recent valuation on the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	University of Missouri System
Annual required contribution	\$ 72,284
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	72,284
Contributions made	(72,284)
Change in net pension obligation	---
Net pension obligation, beginning of year	---
Net pension obligation, end of year	\$ ---

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	Fiscal Year Ending		
	06/30/08	06/30/07	06/30/06
Annual Pension Cost (APC)	\$ 72,284	\$ 74,736	\$ 64,399
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, is as follows (in thousands of dollars):

	Actuarial Valuation October 1, 2007
Actuarial Value of Assets	\$ 2,651,535
Actuarial Accrued Liability (AAL) Entry Age	\$ 2,555,592
Unfunded Actuarial Accrued Liability (UAAL)	\$ (95,943)
Funded Ratio	103.8%
Covered Payroll	\$ 891,648
UAAL as a Percentage of Covered Payroll	(10.8%)

Actuarial Methods and Assumptions

The annual required contribution for the University for the current fiscal year was determined as part of an actuarial valuation of the System as of October 1, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) assumed rate of return on investments of 8.0% per year, (b) projected salary increases for academic and administrative employees averaging 5.2% per year, (c) projected salary increases for clerical and service employees averaging 4.5% per year, and (d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Note 8 – Other Postemployment Benefits

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 17,613, 5,497, and 547, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 17,138, 3,693, and 375, respectively. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100 of the Revised Statutes of Missouri. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2008, the State's contributions were 60.0% of the total (employer/employee) contributions made for other postemployment benefits.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Currently, the number of retirees/long-term disability claimants participating in each plan is as follows:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	17,613	---
MOSERS	---	17,138
MHPML	5,497	3,693
CEIP	547	375
Total	<u>23,657</u>	<u>21,206</u>

During fiscal year 2008, the State contributed the following amounts (in thousands of dollars):

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 68,827	\$ ---
MOSERS	---	1,908
MHPML	13,880	---
CEIP	1,417	---
Total	<u>\$ 84,124</u>	<u>\$ 1,908</u>

During fiscal year 2008, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 94,399	\$ ---
MHPML	33,634	3,558
CEIP	2,846	217
Total	<u>\$ 130,879</u>	<u>\$ 3,775</u>

Funding Policy

The contribution requirements of MCHCP, MHPML, and CEIP are established and may be amended by the State legislature, Missouri Highways and Transportation Commission, and the Conservation Department Board of Trustees, respectively. The State has partially funded the annual required contribution (ARC) of MCHCP in addition to the pay-as-you-go amount. In fiscal year 2008, the State contributed \$15.6 million in addition to pay-as-you-go, and has appropriated \$30 million for fiscal year 2009. The required contribution for MHPML and CEIP is based on an actuarial study and is financed on a pay-as-you-go basis. For fiscal year 2008, MCHCP, MHPML, and CEIP contributed \$68.8, \$25.2, and \$2.2 million, respectively.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Annual OPEB Cost and Net OPEB Obligation

The MCHCP, MHPML, and CEIP annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of MCHCP, MHPML, and CEIP annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation (in thousands of dollars):

	MCHCP	MHPML	CEIP
Annual required contribution	\$ 104,471	\$ 96,308	\$ 8,126
Contributions made	(68,827)	(25,241)	(2,193)
Increase in net OPEB obligation	35,644	71,067	5,933
Net OPEB obligation, beginning of year	---	---	---
Net OPEB obligation, end of year	<u>\$ 35,644</u>	<u>\$ 71,067</u>	<u>\$ 5,933</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 are as follows (in thousands of dollars):

	Fiscal Year Ending June 30, 2008		
	MCHCP	MHPML	CEIP
Annual Required Contribution (ARC)	\$ 104,471	\$ 96,308	\$ 8,126
Percentage of ARC Contributed	65.9%	26.2%	27.0%
Net OPEB Obligation	\$ 35,644	\$ 71,067	\$ 5,933

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2008, are as follows (in thousands of dollars):

	MCHCP	MHPML	CEIP
Actuarial accrued liability	\$ 1,276,300	\$ 935,678	\$ 109,436
Actuarial value of plan assets	15,646	---	---
Unfunded actuarial accrued liability	<u>\$ 1,260,654</u>	<u>\$ 935,678</u>	<u>\$ 109,436</u>
Funded Ratio	1.2%	0.0%	0.0%
Covered Payroll	\$ 1,572,900	\$ 375,984	\$ 67,141
Unfunded actuarial accrued liability as a percentage of covered payroll	80.1%	248.9%	163.0%

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for fiscal year ending June 30, 2008, MCHCP used the entry-age method while MHPML and CEIP used the projected unit credit cost method. The actuarial assumptions for MCHCP, MHPML, and CEIP include a 7.8%, 5%, and 4.5% discount rate, respectively. The projected annual health care cost trend rate is 10% initially, then decreasing by 1% per year to an ultimate rate of 5%. The UAAL is being amortized at a level dollar amount over an open basis, over a 30-year period.

College and Universities:

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 5,642 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2008, the University's contributions were 81.84% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 4,890, 4,694, and 2,667, respectively. During fiscal year 2008, the University contributed \$53,460,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were \$33,702,000.

Funding Policy

In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the Plan. Previously, postemployment benefit costs other than long-term disability were funded on a current basis, and expenses were recorded on a pay-as-you-go basis. Long-term disability costs were recognized during the period in which the employee became eligible to receive disability benefits.

The University's OPEB Trust Fund does not issue a separate financial report, but is included in the University's financial report using the economic resources measurement focus and accrual basis of accounting. The University currently plans to contribute to the trust fund an amount that, in addition to the current year premium contributions, is sufficient to fund 50% of the annual required contribution (ARC).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation for fiscal year 2008 (in thousands of dollars):

	<u>University of Missouri System</u>
Annual required contribution	\$ 53,310
Contributions made	<u>(53,460)</u>
Increase in net OPEB obligation (asset)	(150)
Net OPEB obligation, beginning of year	<u>---</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (150)</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 was as follows (in thousands of dollars):

	<u>University of Missouri System</u>
Annual Required Contribution (ARC)	\$ 53,310
Percentage of ARC Contributed	100.3%
Net OPEB Obligation (asset)	\$ (150)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, was as follows (in thousands of dollars):

	<u>University of Missouri System</u>
Actuarial accrued liability	\$ 546,058
Actuarial value of plan assets	<u>---</u>
Unfunded actuarial accrued liability	<u><u>\$ 546,058</u></u>
Funded Ratio	0%
Covered Payroll	\$ 883,614
Unfunded actuarial accrued liability as a percentage of covered payroll	61.8%

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Actuarial Methods and Assumptions

In the July 1, 2006, actuarial valuation, University of Missouri System used the projected unit credit cost method. The actuarial assumptions for University of Missouri System included a 6.75% rate of return, net of administrative expenses. The projected annual health care cost trend rate is 7.0% to 11.5% initially, reduced by 0.5% decrements to an ultimate rate of 4.5%. The UAAL is being amortized at a level dollar amount over an open basis, level percent of pay, over a 30-year period.

Note 9 – Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

ING
One Heritage Drive
North Quincy, Massachusetts 02171

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code. As of July 1, 2008, it is administered by ING.

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least \$25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes \$25 per month for each employee that meets these requirements. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. During fiscal year 2008, employer contributions to CitiStreet were \$16,663,000.

Copies of the Plan's financial statements may be requested from:

ING
One Heritage Drive
North Quincy, Massachusetts 02171

The 401(a) deferred compensation plan and the 457 deferred compensation plan displayed in the Pension (and Other Employee Benefit) Trust Funds statement presents 18 months of activity ended June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 10 – Changes in Short-Term Liabilities

Budget reserve loans are issued to the General Revenue Fund and other funds to maintain adequate cash balances for anticipated payments.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2008 (in thousands of dollars):

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Budget Reserve Loans	\$ ---	\$ 128,142	\$ (128,142)	\$ ---

Note 11 – Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008 (in thousands of dollars):

	<u>*Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Due to Other Entities	\$ 34,538	\$ 10,811	\$ (5,407)	\$ 39,942	\$ 3,701
General Obligation Bonds Payable	684,515	50,000	(68,350)	666,165	65,055
Other Bonds Payable	2,660,875	526,800	(103,005)	3,084,670	124,720
Unamortized Bond Premium	158,803	28,361	(22,427)	164,737	---
Obligations under Lease/ Purchases	226,511	71,883	(46,953)	251,441	28,354
Compensated Absences	171,777	179,398	(175,196)	175,979	175,196
Claims Liabilities	192,174	405,724	(394,936)	202,962	128,981
Contingent Liabilities	82,922	---	(42,835)	40,087	40,087
2 nd Injury Fund					
Contingent Liabilities	1,112,023	204,100	(68,110)	1,248,013	68,110
Net Other Postemployment Benefit Obligation	---	208,905	(96,261)	112,644	---
Net Pension Obligation	106,385	401,976	(399,320)	109,041	---
Total Governmental Activities	<u>\$ 5,430,523</u>	<u>\$ 2,087,958</u>	<u>\$ (1,422,800)</u>	<u>\$ 6,095,681</u>	<u>\$ 634,204</u>
Business-Type Activities:					
Claims Liabilities	\$ 116,056	\$ 16,324	\$ (15,647)	\$ 116,733	\$ 15,000
Grand Prize Winner Liability	102,971	46,421	(45,273)	104,119	48,753
Compensated Absences	2,682	2,584	(2,577)	2,689	2,577
Total Business-Type Activities	<u>\$ 221,709</u>	<u>\$ 65,329</u>	<u>\$ (63,497)</u>	<u>\$ 223,541</u>	<u>\$ 66,330</u>

*Beginning balances as of July 1, 2007 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

General Obligation Bonds:

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit, and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund or other funds to the debt service funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Third State Building Bonds were used to provide funds for improvements of state buildings and property. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Water Pollution Control Bonds:				
Series A 1987 Refunding	8/1/87	\$ 49,715	A 1981	\$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991 Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003 Refunding	10/29/03	74,655	B 1993 Refunding	76,540
Series A 2005 Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003 Refunding	51,535

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Series A 2003 Refunding	10/29/03	75,650	A 1993 Refunding	79,380
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005 Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2008, \$594,494,240 of the Water Pollution Control Bonds; \$600,000,000 of the Third State Building Bonds; \$250,000,000 of the Fourth State Building Bonds; and \$45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is \$130,505,760 and for Stormwater Control Bonds is \$155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	\$ 20,000	\$ 16,265
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	26,185
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	109,395
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	95,100
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/32	50,000	50,000
Third State Building Bonds:						
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	96,440
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	24,890
Fourth State Building Bonds:						
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	145,590
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	45,330
Stormwater Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	7,935
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	11,455
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	17,175
Total General Obligation Bonds					<u>\$ 947,090</u>	<u>\$ 666,165</u>
Less: Amount in Sinking Fund for payment of Principal						<u>(65,055)</u>
						<u>\$ 601,110</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

As of June 30, 2008, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 65,055	\$ 30,347	\$ 95,402
2010	71,165	26,949	98,114
2011	69,650	23,443	93,093
2012	58,040	20,295	78,335
2013	51,790	17,648	69,438
2014–2018	218,785	55,061	273,846
2019–2023	87,705	18,532	106,237
2024–2028	29,055	6,839	35,894
2029–2033	14,920	1,771	16,691
Totals	\$ 666,165	\$ 200,885	\$ 867,050

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and to pay the costs of operations. The total amount authorized for the Board equals \$945,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	\$ 43,445	A 1981	\$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2008, the Board of Public Buildings Bonds had issued \$871,205,000 of the bond authorization. The remaining authorization is \$73,795,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	\$ 173,870	\$ 143,210
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	27,640
Series A 2003	4.0 – 6.0%	4/15; 10/15	4/03	10/15/28	387,425	365,130
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	117,350
Total Board of Public Buildings Bonds					<u>\$ 764,760</u>	<u>\$ 653,330</u>

As of June 30, 2008, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2009	\$ 30,000	\$ 31,720	\$ 61,720
2010	31,175	30,127	61,302
2011	22,950	28,702	51,652
2012	23,815	27,551	51,366
2013	24,675	26,267	50,942
2014–2018	128,135	112,170	240,305
2019–2023	159,980	77,162	237,142
2024–2028	177,145	34,479	211,624
2029–2032	55,455	3,414	58,869
Totals	<u>\$ 653,330</u>	<u>\$ 371,592</u>	<u>\$ 1,024,922</u>

The Health and Educational Facilities Authority issued \$35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project), Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri–Columbia campus. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor’s annual budget request to the General Assembly include the State’s financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	<u>\$ 35,000</u>	<u>\$ 29,370</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

As of June 30, 2008, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 1,545	\$ 1,349	\$ 2,894
2010	1,610	1,281	2,891
2011	1,685	1,199	2,884
2012	1,760	1,112	2,872
2013	1,835	1,031	2,866
2014–2018	10,505	3,844	14,349
2019–2022	10,430	1,035	11,465
Totals	\$ 29,370	\$ 10,851	\$ 40,221

The Regional Convention and Sports Complex Authority issued \$132,910,000 of Convention and Sports Facility Project Bonds, Series A 1991, dated August 15, 1991, to finance the costs of acquiring land and constructing a multi-purpose convention and indoor sports facility in downtown St. Louis, Missouri. On December 15, 1993, the Authority issued \$121,705,000 of Convention and Sports Facility Project Refunding Bonds, Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$101,410,000. On August 1, 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project Refunding Bonds, Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds, Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$2,845,000 for the Series A 1991 bonds and \$113,170,000 for the Series A 1993 refunding bonds. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Convention and Sports Facility Project Bonds:						
Series A 2003 – Refunding	1.42–5.375%	2/15; 8/15	8/03	8/15/21	\$ 116,030	\$ 98,200

As of June 30, 2008, the debt service requirements for these bonds are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 4,985	\$ 4,894	\$ 9,879
2010	5,225	4,654	9,879
2011	5,465	4,392	9,857
2012	5,745	4,104	9,849
2013	6,040	3,799	9,839
2014–2018	35,275	13,788	49,063
2019–2022	35,465	3,627	39,092
Totals	\$ 98,200	\$ 39,258	\$ 137,458

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of \$10,000,000 for principal and interest and \$2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>State</u> <u>Debt Service</u> <u>Payments</u>
2009	\$ 10,000
2010	10,000
2011	10,000
2012	10,000
2013	10,000
2014–2018	50,000
2019–2022	<u>35,000</u>
Total	<u>\$ 135,000</u>

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29–34 of the Missouri Constitution and Section 226.133 and 226.134 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund.

On December 1, 2000, the Commission issued \$250,000,000 of State Road Bonds, Series A 2000. In October 2001, the Commission issued \$200,000,000 of State Road Bonds, Series A 2001. State Road Bonds, Series A 2002, were issued by the Commission in June 2002 with a principal amount of \$203,000,000. In November 2003, the Commission issued \$254,000,000 of State Road Bonds, Series A 2003. The Commission issued \$278,660,000 of Series A 2005 First Lien State Road Bonds in July 2005. Also in July 2005, the Commission issued \$72,000,000 of Third Lien State Road Bonds, Series B 2005. This is a variable rate bond with interest accruing daily and weekly. The interest rate is adjusted weekly. The Commission issued \$296,670,000 of Series A 2006 First Lien State Road Bonds on August 1, 2006. Series B 2006 First Lien State Road Bonds was issued in the amount of \$503,330,000 by the Commission on August 1, 2006. The Commission issued Series 2006 Senior Lien Refunding State Road Bonds dated December 1, 2006, in the amount of \$394,870,000. This refunded \$135,980,000 of Series A 2000, \$105,075,000 of Series A 2001, \$109,165,000 of Series A 2002, and \$57,390,000 of Series A 2003. The Commission issued \$526,800,000 of Series 2007 Second Lien State Road Bonds dated September 12, 2007. In conjunction with the bond sale, the scheduled settlement of an interest rate swap resulted in a termination payment of \$11,118,000 from bond proceeds. The competitively-bid swap transaction consisted of \$400,000,000 forward (delayed) start, floating-to-fixed interest rate swap, whereby the Commission paid the counterparties a fixed all-in rate of 4.2121% and received the SIFMA Index. This swap enabled the Commission to reduce risk variations in its debt service costs between the trade date of the swap and issuance date of the bonds by allowing for the lock-in of long-term rates 13 months forward to the bond issue date.

The Senior Bonds are comprised of the Series A 2000, Series A 2001, Series A 2002, and Series A 2003. No new bonds may be added to the Senior Bonds. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. As of June 30, 2008, the Missouri Highways and Transportation Commission had issued \$2,584,460,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30–5.625%	2/1; 8/1	12/00	2/1/20	\$ 250,000	\$ 49,700
Series A 2001	2.25–5.125%	2/1; 8/1	10/01	2/1/21	200,000	48,890
Series A 2002	3.00–5.25%	2/1; 8/1	6/02	2/1/22	203,000	54,670
Series A 2003	2.00–5.00%	2/1; 8/1	11/03	2/1/23	254,000	157,445
Series A 2005–First Lien	2.50–5.00%	11/1; 5/1	7/05	5/1/15	278,660	206,785
Series B 2005–Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006–First Lien	3.75–5.00%	5/1; 11/1	8/06	5/1/21	296,670	296,670
Series B 2006–First Lien	4.50–5.00%	5/1; 11/1	8/06	5/1/26	503,330	503,330
Series 2006–Refunding	4.00–5.00%	2/1; 8/1	12/06	2/1/22	394,870	394,870
Series 2007	4.00–5.25%	11/1; 5/1	9/07	5/1/27	526,800	526,800
Total Missouri Highways and Transportation Commission					<u>\$ 2,979,330</u>	<u>\$ 2,298,080</u>

As of June 30, 2008, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
2009	\$ 84,890	\$ 110,947	\$ 195,837
2010	88,285	107,071	195,356
2011	92,745	102,936	195,681
2012	113,780	98,420	212,200
2013	122,335	93,556	215,891
2014–2018	679,005	381,035	1,060,040
2019–2023	730,410	203,280	933,690
2024–2027	386,630	40,761	427,391
Totals	<u>\$ 2,298,080</u>	<u>\$ 1,138,006</u>	<u>\$ 3,436,086</u>

⁽¹⁾ The annual debt service schedule assumes an interest rate of 1.32%, representing the interest rate at June 30, 2008, for the Series B 2005 bonds. During the year, interest rates ranged from 0.96% to 3.96%.

In addition, several of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2008.

The Missouri Highway 179 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$22,930,000 of Highway Revenue Bonds, Series 1997 dated December 1, 1997, to finance a portion of the cost of an extension of Missouri Highway 179. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$12,935,000 of Transportation Revenue Bonds, Series 2001 dated May 1, 2001, to finance the expansion and reconstruction of the interchange at Interstate Highway 70 and Wentzville Parkway in St. Charles County. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The revenue bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highway 179 Transportation Corporation: Highway Revenue Bonds Series 1997	3.95 – 5.25%	3/1; 9/1	12/97	9/1/08	<u>\$ 22,930</u>	<u>\$ 2,785</u>
Wentzville Parkway Transportation Corporation: Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	<u>\$ 12,935</u>	<u>\$ 2,905</u>

As of June 30, 2008, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 3,300	\$ 202	\$ 3,502
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 5,690</u>	<u>\$ 351</u>	<u>\$ 6,041</u>

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of \$4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>City's Total Payments</u>
2009	\$ 515	\$ 129	\$ 644
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 2,905</u>	<u>\$ 278</u>	<u>\$ 3,183</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Component Units' Long-Term Debt – The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2008, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 38,983	\$ 55,717	\$ 94,700
2010	43,434	54,296	97,730
2011	44,366	52,521	96,887
2012	43,071	50,719	93,790
2013	45,183	48,891	94,074
2014–2018	246,501	215,108	461,609
2019–2023	259,492	161,767	421,259
2024–2028	300,537	102,693	403,230
2029–2033	217,867	47,763	265,630
2034–2038	123,955	13,684	137,639
2039	<u>3,885</u>	<u>20</u>	<u>3,905</u>
Totals ⁽¹⁾	<u>\$ 1,367,274</u>	<u>\$ 803,179</u>	<u>\$ 2,170,453</u>

⁽¹⁾ The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued \$6,500,000 and \$14,600,000 in Facilities Revenue Bonds Series 2000B and 2000C, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, only out of revenues derived from the operation of the parking garage.

In October 2004, the Board issued \$9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds; and \$7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 10%	12/1	12/00	12/1/20	\$ 6,500	\$ 3,910
Series 2000C	up to 10%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	9,500
Series 2004B	up to 10%	10/1	10/04	10/1/34	<u>7,000</u>	<u>7,000</u>
Total Missouri Development Finance Board Revenue Bonds					<u>\$ 37,600</u>	<u>\$ 31,850</u>

As of June 30, 2008, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 240	\$ 655	\$ 895
2010	255	645	900
2011	270	639	909
2012	285	634	919
2013	305	627	932
2014–2018	1,855	3,029	4,884
2019–2023	17,915	2,160	20,075
2024–2028	3,520	884	4,404
2029–2033	4,850	449	5,299
2034–2035	<u>2,355</u>	<u>24</u>	<u>2,379</u>
Totals	<u>\$ 31,850</u>	<u>\$ 9,746</u>	<u>\$ 41,596</u>

The annual debt service schedule assumes an interest rate of 2.085%, representing the interest rate at June 30, 2008, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 2.030%, representing the interest rate as of June 30, 2008, for the Ninth Street Garage Series 2004A and 2004B bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2008 (in thousands of dollars):

	<u>Governmental Funds</u>		<u>Component Units</u>	
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Revenue Bonds</u>	<u>Totals</u>
Bonds Payable at July 1, 2007	\$ 684,515	\$ 2,660,875	\$ ---	\$ 3,345,390
Bond Issuance	50,000	526,800	---	576,800
Bonds Retired	(68,350)	(103,005)	---	(171,355)
Subtotal	666,165	3,084,670	---	3,750,835
College and Universities ⁽¹⁾	---	---	1,367,274	1,367,274
Missouri Development Finance Board	---	---	31,850	31,850
Bonds Payable at June 30, 2008	<u>\$ 666,165</u>	<u>\$ 3,084,670</u>	<u>\$ 1,399,124</u>	<u>\$ 5,149,959</u>

⁽¹⁾ Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On August 1, 2007, the State defeased \$235,000 of Stormwater Control Bonds, Series A 2001; \$1,640,000 of Stormwater Control Bonds, Series A 2002; and \$80,000 of Water Pollution Control Bonds, Series A 2001. The defeasance is an extinguishment of the debt as the State was legally released from its obligation. Accordingly, the amount defeased is excluded from the Statement of Net Assets.

On July 26, 2007, the University of Missouri issued \$102,250,000 of System Facilities Revenue Bonds, Series 2007B. Series 2007B refunded \$96,965,000 of Series 2003A bonds. The partial defeasance resulted in a \$1,610,000 loss which will be amortized over the remaining life of the bonds. The defeasance decreased aggregate debt service payments by \$14,672,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$9,505,000.

On April 22, 2008, Southeast Missouri State University issued \$56,650,000 of System Facilities Revenue Bonds, Series 2008. The Series 2008 bonds refunded \$8,655,000 of System Facilities Revenue Bonds, Series 1998A and \$10,605,000 of System Facilities Revenue Bonds, Series 1998B. These bonds were refunded to reduce the total debt service payments over the next 30 years. The economic gain (difference between the present values of the old and new debt service payments) on the refunding is \$604,000. The difference in cash flows between the old debt service requirements and the new debt requirements is \$913,000.

On April 24, 2008, Missouri Southern State University issued \$17,205,000 of Revenue Bonds, Series 2008. Series 2008 refunded \$2,625,000 of Series 1997 bonds. The economic gain (difference between the present values of the old and new debt service payments) of the refunding was \$271,391. The difference in cash flows between the old debt service requirements and the new debt service requirements is \$300,696.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 13 – Defeased Debt (cont.)

B. Cumulative Debt Defeasances

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Assets.

Governmental Activities – As of June 30, 2008, bonds outstanding of \$467,534,000 are defeased.

College and Universities – As of June 30, 2008, bonds outstanding of \$218,166,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2008, is shown below (in thousands of dollars):

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Balance June 30, 2008</u>
Accounts Payable:			
Taxpayers	\$ 96,019	\$ 44	\$ 96,063
Other Governments	113,955	25	113,980
Vendors	849,885	14,166	864,051
Employees	124,336	2,708	127,044
Other	61,335	1	61,336
Total Accounts Payable	<u>\$ 1,245,530</u>	<u>\$ 16,944</u>	<u>\$ 1,262,474</u>
Accounts Receivable:			
Taxpayers	\$ 1,099,556	\$ 3,815	\$ 1,103,371
Other Governments	584,200	298	584,498
Vendors	2,252,293	---	2,252,293
Customers	71,693	182,730	254,423
Other	976,646	1,406	978,052
Accounts Receivable	4,984,388	188,249	5,172,637
Amounts not expected to be collected	<u>(2,184,856)</u>	<u>(31)</u>	<u>(2,184,887)</u>
Accounts Receivable, net	<u>\$ 2,799,532</u>	<u>\$ 188,218</u>	<u>\$ 2,987,750</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2008, is shown below (in thousands of dollars):

Due From Other Funds, Component Units, and Primary Government					
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
Due to Other Funds and Primary Government					
General Fund	\$ ---	\$ ---	\$ 2	\$ 59	\$ 767
Public Education	---	---	---	---	---
Conservation and Environmental Protection	---	---	---	---	1
Transportation and Law Enforcement	---	---	---	---	---
Missouri Road Fund	---	---	117	12	---
Non-Major Governmental Funds	16	---	---	---	---
State Lottery	---	17,640	---	1	---
Petroleum Storage Tank Insurance	---	---	---	---	---
Non-Major Enterprise Funds	---	---	---	---	---
Internal Service Funds	1	---	---	---	---
Non-Major Component Units	---	---	983	---	---
Totals	<u>\$ 17</u>	<u>\$ 17,640</u>	<u>\$ 1,102</u>	<u>\$ 72</u>	<u>\$ 768</u>

Continues Below

	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Totals
Due to Other Funds and Primary Government				
General Fund	\$ 880	\$ 20	\$ 14,413	\$ 16,141
Public Education	4	---	89	93
Conservation and Environmental Protection	6	93	461	561
Transportation and Law Enforcement	---	---	290	290
Missouri Road Fund	---	1	834	964
Non-Major Governmental Funds	6	1	841	864
State Lottery	10	---	23	17,674
Petroleum Storage Tank Insurance	---	---	2	2
Non-Major Enterprise Funds	25	---	33	58
Internal Service Funds	2	5	515	523
Non-Major Component Units	---	---	---	983
Totals	<u>\$ 933</u>	<u>\$ 120</u>	<u>\$ 17,501</u>	<u>\$ 38,153</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 15 – Interfund Assets and Liabilities (cont.)

	<u>Advance From Component Units and Primary Government</u>		
	<u>Missouri Road Fund</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
<u>Advance To Component Units and Primary Government</u>			
Conservation and Environmental Protection	\$ ---	\$ 3,851	\$ 3,851
Non-Major Component Units	<u>6,167</u>	<u>---</u>	<u>6,167</u>
Totals	<u>\$ 6,167</u>	<u>\$ 3,851</u>	<u>\$ 10,018</u>

The loans from the component units were for the construction of additional state highways.

During the consolidation process for the Government-Wide Combined Statement of Net Assets, interfund payables and receivables were eliminated as follows: \$1,870,000, on the face of the Governmental Funds balance sheet and governmental activities in the amount of \$17,446,000.

The amount reported as Due to Other Funds by the General Fund and Due From Other Funds by the internal service funds for fiscal year 2008 were significantly higher than what was reported in fiscal year 2007. This is due to the consolidation of the maintenance of state office buildings. Starting in fiscal year 2008, internal service funds charge state agencies for occupying state office buildings in order to support the maintenance of the buildings.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 16 – Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2008, were as follows (in thousands of dollars):

Transfers In:					
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
Transfers Out:					
General Fund	\$ ---	\$ 2,795,413	\$ 683	\$ 2,832	\$ ---
Public Education	2,500	---	---	---	---
Conservation and Environmental Protection	620	---	---	---	---
Transportation and Law Enforcement	224	---	---	---	577,646
Non-Major Governmental Funds	52,133	33,611	---	6	---
State Lottery	---	266,166	---	---	---
Non-Major Enterprise Funds	30	---	---	---	---
Internal Service Funds	67	---	---	---	---
Totals	\$ 55,574	\$ 3,095,190	\$ 683	\$ 2,838	\$ 577,646

Continues Below

	Non-Major Governmental Funds	Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:					
General Fund	\$ 160,591	\$ ---	\$ 1,261	\$ 5,215	\$ 2,965,995
Public Education	---	---	---	---	2,500
Conservation and Environmental Protection	6,545	---	---	---	7,165
Transportation and Law Enforcement	---	---	---	---	577,870
Non-Major Governmental Funds	10,535	---	---	---	96,285
State Lottery	---	---	---	---	266,166
Non-Major Enterprise Funds	---	---	---	---	30
Internal Service Funds	---	52	---	9	128
Totals	\$ 177,671	\$ 52	\$ 1,261	\$ 5,224	\$ 3,916,139

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving State Lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets

During fiscal year 2008, there were transfers of \$381,000 from internal service funds to the General Fund and non-major governmental funds. These were transfers of capital assets and are therefore not reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, or on the reconciliation above. This is because governmental funds use the modified accrual basis of accounting and therefore do not report capital assets on their financial statements. There were also transfers of capital assets for \$268,000 from the General Fund to internal service funds. These are reported as contributed capital in the internal service funds and excluded from the General Fund. Therefore, these transfers are also not included in this reconciliation.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 17 – Restatements

During fiscal year 2008, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund (in thousands of dollars):

	June 30, 2007 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2007 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	\$ 1,880,232	\$ (23,319)	\$ 1,856,913
Public Education	304,779	(1,112)	303,667
Conservation and Environmental Protection	1,131,213	(215)	1,130,998
Transportation and Law Enforcement	215,779	(2,815)	212,964
Non-Major Governmental Funds			
Special Revenue	301,173	(90)	301,083
Capital Projects	20,898	(25)	20,873
PROPRIETARY FUNDS			
Non-Major Proprietary Funds			
Enterprise	48,538	150	48,688
Internal Service	655,232	2,542	657,774
FIDUCIARY FUNDS			
Pension (and Other Employee Benefit) Trust	11,286,019	13,604	11,299,623
DISCRETELY PRESENTED COMPONENT UNITS			
College and Universities	4,486,209	15,232	4,501,441

Breakdown of restatements by type:

- General Fund, the restatement was a decrease in cash of \$5,595,000, a decrease in investments of \$17,694,000, and a decrease in accounts receivable of \$30,000.
- Public Education, the restatement was a decrease in investments of \$1,112,000.
- Conservation and Environmental Protection, the restatement was a decrease in investments of \$215,000.
- Transportation and Law Enforcement, the restatement was a decrease in investments of \$2,256,000, and a decrease in interest receivable of \$559,000.
- Non-major special revenue funds, the restatement was a decrease in investments of \$90,000.
- Non-major capital projects funds, the restatement was a decrease in interest receivable of \$63,000 and a decrease in deferred revenue of \$38,000.
- Non-major enterprise funds, the restatement was an increase to capital assets (net of accumulated depreciation) of \$150,000.
- Non-major internal service funds, the restatement was a decrease in cash of \$8,000, an increase in investments of \$5,000, an increase in accounts receivable of \$89,000, an increase in interest receivable of \$23,000, an increase in inventories of \$1,727,000, a decrease in capital assets (net of accumulated depreciation) of \$6,009,000, an increase in accrued payroll of \$44,000, a decrease in claims liability of \$1,013,000, and a decrease in obligations under lease purchase of \$5,746,000.
- Pension (and other employee benefit) trust funds, the restatement was an increase in net assets of \$13,604,000 as an effect of the adjustment from fair value to contract value for the Fully Benefit-Responsive Investment Contract.
- Discretely presented component units – college and universities, the restatement was an increase in non-current investments of \$640,000, a decrease in deferred costs and other assets of \$5,324,000, and an increase in net assets of \$19,916,000 as an effect of the change in accounting principal by the University of Missouri to write off previously established benefit reserves that were not in accordance with the adoption of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 17 – Restatements (cont.)

Purpose for restatements:

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net assets for the governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation) decreased by \$8,559,000, the internal balance decreased by \$2,000, other assets decreased by \$177,000, unamortized bond premium decreased by \$1,183,000, and capital lease obligation increased by \$548,000.

On the Government-Wide Statement of Activities, net assets for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by an increase in the internal balance of \$2,000.

Note 18 – Fund Deficit

The following fund had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2008, this fund had a net asset deficit of \$26,317,000. The deficit at June 30, 2007 was \$33,900,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will not accept new claim liabilities after December 31, 2020, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the Petroleum Storage Tank Insurance Fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Note 19 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan was administered by CitiStreet during the fiscal year. As of July 1, 2008, CitiStreet was purchased by ING Institutional Plan Services, LLC. ING Life Insurance Annuity Company provides fixed earnings investments for plan participants while ING (formerly CitiStreet) provides variable earnings investments. At June 30, 2008, total investments of the Plan were \$1,094,631,000 and investments in ING Life Insurance Annuity Company were \$453,575,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of \$2,843,000 for land acquisition and \$1,676,000 for construction contracts at June 30, 2008. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Transportation had long-term contracts of \$1,336,155,000 outstanding at June 30, 2008. These contracts are paid from capital projects funds with approximately 69% federal reimbursement expected.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 20 – Commitments (cont.)

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2008, of \$45,326,000. Approximately 78% will be paid from the General Fund, 4% from special revenue funds, and 18% from internal service funds.

The Department of Elementary and Secondary Education had desegregation payments outstanding of \$19,000,000 at June 30, 2008. These payments are due to the St. Louis Public School District based upon Court Order L(266)99 approving the 1999 settlement agreement requiring annual payments. The payments are as follows:

July 1, 2008	\$ 10,000,000
July 1, 2009	9,000,000

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to \$10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2008 was \$364,000. Payment of principal and interest must be completed by March 2038.

The Department of Natural Resources – State Parks had contracts outstanding of \$118,000 for land acquisition at June 30, 2008. These contracts are funded through enterprise funds.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) purchased a new pension administration software system during fiscal year 2007. Total software and related consulting services are estimated to be approximately \$3,000,000, with \$1,829,000 outstanding at June 30, 2008.

As of June 30, 2008, the University of Missouri had outstanding commitments for the acquisition, usage, and ongoing support of certain software for its patient clinical systems totaling \$8,296,000. The payments are as follows:

2009	\$ 3,644,000
2010	3,708,000
2011	944,000

Harris-Stowe State University had outstanding commitments of approximately \$14,200,000 related to construction contracts at June 30, 2008.

Missouri State University had approximately \$15,800,000 in outstanding commitments for various construction contracts at June 30, 2008, still to be incurred.

Northwest Missouri State University had outstanding commitments of approximately \$15,000,000 related to various construction contracts at June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance

The State is exposed to various risks of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. The State assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State's Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to State statute, through the State's legal expense fund, which is a component of the General Fund in this report. This insurance covers all State employees.

The workers' compensation and legal expense fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The State has not had any insurance settlements exceed the coverage during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 4%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all State employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. In FY 2007, the Department of Revenue (DOR) resolved (by negotiated settlement) some claims related to the suit, filed by multiple taxpayers, for \$88.5 million. During FY 2008, additional refund claims related to these suits were settled for \$24.0 million, and \$24.6 million in principal payments were made. The remaining liability as of June 30, 2008, for all the settlements related to these suits was \$65.9 million.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance (cont.)

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 3.7% and 4.8% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

Missouri State University is exposed to various risks of loss. These include loss related to torts; business interruption; employee injuries and illnesses; employee health, dental and accidental benefits; natural disasters; damage to and destruction of assets; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than those related to natural disasters and employee health benefits, general liability, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance Program, through the Risk Management Unit of the Office of Administration. The State of Missouri self-insures the workers' compensation benefits for all State employees, including University employees.

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2007*</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2008</u>
OA Workers Compensation	Workers Comp.	\$ 18,179	\$ 24,709	\$ (23,870)	\$ 19,018
OA Legal Expense Fund	Liability	864	708	(464)	1,108
MoDOT Self-Insurance Plan	Workers Comp. and Liability	51,315	31,448	(17,592)	65,171
MCHCP	Health Care	43,054	219,142	(224,102)	38,094
MHPML	Health Care and Life Insurance	11,000	94,445	(93,045)	12,400
CEIP	Health Care and Life Insurance	1,262	11,287	(11,285)	1,264
DOR	Southwestern Bell Lawsuit	66,500	23,985	(24,578)	65,907
Total Governmental Activities		<u>\$ 192,174</u>	<u>\$ 405,724</u>	<u>\$ (394,936)</u>	<u>\$ 202,962</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 116,056</u>	<u>\$ 16,324</u>	<u>\$ (15,647)</u>	<u>\$ 116,733</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 79,799	\$ 136,343	\$ (148,904)	\$ 67,238
Missouri State University	Health Care, Workers Comp. and Liability	1,175	13,068	(13,192)	1,051
Total Component Units		<u>\$ 80,974</u>	<u>\$ 149,411</u>	<u>\$ (162,096)</u>	<u>\$ 68,289</u>

*Fiscal year 2007 amounts have been restated.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance (cont.)

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2006</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2007*</u>
OA Workers Compensation	Workers Comp.	\$ 21,053	\$ 17,655	\$ (20,529)	\$ 18,179
OA Legal Expense Fund	Liability	153	5,706	(4,995)	864
MoDOT Self-Insurance Plan	Workers Comp. and Liability	55,857	7,002	(11,544)	51,315
MCHCP	Health Care	32,494	300,493	(289,933)	43,054
MHPML	Health Care and Life Insurance	9,561	91,487	(90,048)	11,000
CEIP	Health Care and Life Insurance	3,682	9,090	(11,510)	1,262
DOR	Southwestern Bell Lawsuit	---	88,500	(22,000)	66,500
Total Governmental Activities		<u>\$ 122,800</u>	<u>\$ 519,933</u>	<u>\$ (450,559)</u>	<u>\$ 192,174</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 116,929</u>	<u>\$ 11,292</u>	<u>\$ (12,165)</u>	<u>\$ 116,056</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 86,850	\$ 139,294	\$ (146,345)	\$ 79,799
Missouri State University	Health Care, Workers Comp. and Liability	962	11,779	(11,566)	1,175
Total Component Units		<u>\$ 87,812</u>	<u>\$ 151,073</u>	<u>\$ (157,911)</u>	<u>\$ 80,974</u>

*Fiscal year 2007 amounts have been restated.

Risk Management Pool:

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 22 – Landfill Closure and Postclosure

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2008, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be \$288,875,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2008, nine MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities, so the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Missouri Revised Statutes Chapter 260, Section 228. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2008, it is expected that \$797,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the general fund balance sheet for forfeited assets.

Note 23 – Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

At June 30, 2008, the amount of the contingent liabilities was \$40 million. Changes in the reported liability since June 30, 2007, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2007-2008	\$ 82,922	\$ (35,267)	\$ (7,568)	\$ 40,087
2006-2007	111,402	(18,643)	(9,837)	82,922
2005-2006	117,631	1,663	(7,892)	111,402

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 23 – Contingencies (cont.)

RSMo 287.220.6 requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the Fund. Figures presented below for current year claims and changes in estimates are based on the 2007 actuarial study. At June 30, 2008, the amount of liabilities for the Second Injury Fund was \$1.2 billion. Changes in the reported liability since June 30, 2007, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2007-2008	\$ 1,112,023	\$ 204,100	\$ (68,110)	\$ 1,248,013
2006-2007	982,328	195,773	(66,078)	1,112,023
2005-2006 *	863,774	180,930	(62,376)	982,328

*Restated.

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial in the next fiscal year.

Loan Guarantees:

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. At the end of fiscal year 2008, there were no guaranteed loans outstanding and no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to \$250,000. The total of loans outstanding at June 30, 2008, for which the Authority has guaranteed payment is \$2,098,000 and \$10,528,000, respectively. During 2008, no loans defaulted.

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell cases. A \$65.9 million liability remains as of June 30, 2008, and is referenced in *Note 21 – Risk Management and Insurance*. Refund claims related to these cases that were filed by other companies as of June 30, 2008, totaled approximately \$26 million. These claims are pending verification and exclusive of interest (which could be substantial) could negatively affect the State by \$26 million, of which \$21.6 million is related to the General Revenue Fund.

The State is also involved in tax litigation not included in the fiscal year 2008 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of \$7.3 million.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 23 – Contingencies (cont.)

Education Lawsuits:

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; and the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

Note 24 – Joint Ventures

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County, and City because it constitutes a contractual agreement for public benefit in which the State, County, and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued \$258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of \$132,910,000 by the State (Series A), \$65,685,000 by the County (Series B), and \$60,075,000 by the City (Series C). In December 1993, the Authority issued \$181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund \$101,410,000 and \$50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of \$121,705,000 by the State (Series A) and \$60,180,000 by the County (Series B). In February 1997, the Authority issued \$61,285,000 in Series C refunding bonds to advance refund \$47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project and Refunding Bonds, Series A 2003 to refund \$2,845,000 and \$113,170,000 of Series A 1991 and Series A 1993 refunding bonds, respectively, and for additional construction costs. In May 2007, the Authority issued \$49,585,000 in Series C 2007 refunding bonds to refund \$61,285,000 of original principal of the Series C 1997 refunding bonds.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County, and City under the financing agreement are sufficient to pay the principal and interest on the bonds. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top 25% of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 24 – Joint Ventures (cont.)

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2007, is presented below (in thousands of dollars):

Total Assets	\$ 301,214
Total Liabilities	\$ 197,161
Total Net Assets	104,053
Total Liabilities and Net Assets	\$ 301,214
Total Revenues	\$ 27,423
Total Expenses	23,061
Net Increase in Net Assets	\$ 4,362

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

Note 25 – Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. For the college and universities, except the University of Missouri, the net appreciation of the endowments available for expenditure is \$2,297,000, and of this amount, \$916,000 is reported as restricted non-expendable net assets, \$1,210,000 is reported as restricted expendable net assets, and \$171,000 is reported as unrestricted net assets. The University of Missouri reported a net depreciation of restricted non-expendable net assets in the amount of \$49,169,000, which primarily consisted of unrealized losses on investment. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in RSMo 402.035. These policies are entity specific and vary with each institution.

Note 26 – Conduit Debt

As of June 30, 2008, the Missouri Development Finance Board issued \$972,012,000 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$1,477,570,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2008, were approximately \$684,901,000, \$0, and \$672,706,000, respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 27– Subsequent Events

General Obligation Bonds:

On September 25, 2008, the Board of Fund Commissioners of the State of Missouri defeased a portion of the Fourth State Building Refunding Bonds Series A 2005. The defeased amount was \$1,035,000.

Missouri Department of Transportation:

The Series B 2005 State Road bonds were issued as variable rate instruments with weekly rate changes. Since June 30, the rates varied from 0.3% to 8.7%.

Missouri Western State University:

On October 7, 2008, the University issued \$6,315,000 in revenue bonds. The proceeds from the bonds will be used for the construction and renovation of certain athletic facilities.

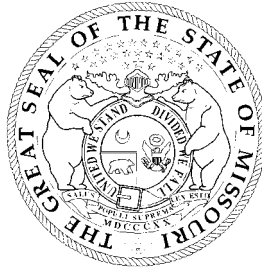
University of Missouri:

On July 2, 2008, the University sold \$100,000,000 of capital project notes at an effective interest rate of 3.0%. The notes will be repaid in full by June 30, 2009.

Deferred Compensation Plan:

Effective July 1, 2008, the State of Missouri began offering higher incentives to State employees to encourage them to save more for retirement. Previously, eligible employees could receive \$25 per month deferred compensation incentive if they contributed at least \$25 per month. The new incentive amounts employees can receive are \$25, \$30, or \$35 based on employee contribution, as follows:

Employee Contribution (per month)	State Incentive (per month)
\$25 to \$29.50	\$25
\$30 to \$34.50	\$30
\$35 or more	\$35



Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds, as well as the Budget to Generally Accepted Accounting Principles (GAAP) reconciliation, and the Notes to RSI on Budgetary Reporting.

**STATE OF MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

	General				Public Education				Conservation and Environmental Protection				Transportation and Law Enforcement			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,802,910	\$ 1,802,910	\$ 1,802,910	\$ ---	\$ 230,431	\$ 230,431	\$ 230,431	\$ ---	\$ 354,700	\$ 354,700	\$ 354,700	\$ ---	\$ 61,870	\$ 61,870	\$ 61,870	\$ ---
Resources (Inflows):																
Taxes:																
Sales and Use	1,979,340	1,988,991	2,001,120	12,129	786,629	786,629	769,636	(16,993)	177,450	177,450	184,857	7,407	60,103	60,103	62,851	2,748
Individual Income	6,043,670	6,073,141	6,110,173	37,032	4,440	4,440	4,363	(77)	---	---	---	---	---	---	---	---
Corporate Income	515,307	517,820	520,978	3,158	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	207,274	208,285	209,555	1,270	---	---	---	---	---	---	---	---	---	---	---	---
Beer	8,378	8,419	8,470	51	---	---	---	---	---	---	---	---	---	---	---	---
Liquor	21,139	21,242	21,372	130	---	---	---	---	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	75,941	75,941	74,291	(1,650)	---	---	---	---	---	---	---	---
Fuel	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Corporation Franchise	91,502	91,948	92,508	560	---	---	---	---	---	---	---	---	725,562	725,562	759,178	33,616
Inheritance	3,414	3,430	3,451	21	---	---	---	---	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	1,083,402	1,088,685	1,095,324	6,639	301,309	301,309	294,782	(6,527)	---	---	---	---	---	---	---	---
Total Taxes	9,953,426	10,001,961	10,062,951	60,990	1,168,319	1,168,319	1,143,072	(25,247)	177,450	177,450	184,857	7,407	785,665	785,665	822,029	36,364
Licenses, Fees, and Permits	79,079	79,462	79,915	453	7,422	7,422	7,293	(129)	77,545	77,545	80,799	3,254	187,049	187,049	195,680	8,631
Sales	889	893	897	4	---	---	---	---	7,616	7,616	7,936	320	4,032	4,032	4,197	165
Leases and Rentals	18	18	18	---	---	---	---	---	204	204	212	8	---	---	19	19
Services	252,231	252,647	242,232	(10,415)	---	---	---	---	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	7,041,407	7,048,499	6,691,742	(356,757)	322,954	322,954	315,927	(7,027)	67,608	67,608	70,420	2,812	885	885	917	32
Interest	105,232	105,735	106,238	503	14,529	14,529	14,209	(320)	18,490	18,490	19,264	774	4,327	4,327	4,538	211
Penalties and Unclaimed Property	1,390	1,397	1,401	4	1,737	1,737	1,765	28	12,137	12,137	12,638	501	393	393	440	47
Cost Reimbursement/Miscellaneous	484,094	484,354	456,493	(27,861)	64,275	64,275	62,827	(1,448)	46,226	46,226	48,164	1,938	1,082	1,082	1,168	86
Transfers In	170,139	191,326	112,073	(79,253)	3,050,028	3,104,407	3,094,082	(10,325)	669	733	733	---	1,031	4,653	3,678	(975)
Total Resources (Inflows)	18,087,905	18,166,292	17,753,960	(412,332)	4,629,264	4,683,643	4,639,175	(44,468)	407,945	408,009	425,023	17,014	984,464	988,086	1,032,666	44,580
Amount Available for Appropriation	19,890,815	19,969,202	19,556,870	(412,332)	4,859,695	4,914,074	4,869,606	(44,468)	762,645	762,709	779,723	17,014	1,046,334	1,049,956	1,094,536	44,580
Charges to Appropriations (Outflows):																
Current:																
General Government	1,899,212	1,925,348	1,825,029	100,319	2,957	2,987	2,160	827	3,989	5,248	4,303	945	215,736	217,098	215,495	1,603
Education	1,984,625	1,971,389	1,847,731	123,658	4,476,155	4,586,768	4,494,040	92,728	---	---	---	---	---	---	---	---
Natural and Economic Resources	312,477	325,511	254,175	71,336	42,575	42,575	29,042	13,533	338,290	384,760	330,524	54,236	---	---	---	---
Transportation and Law Enforcement	277,592	475,427	375,438	99,989	155	166	154	12	988	988	760	228	232,200	243,920	226,818	17,102
Human Services	10,053,304	10,194,899	9,561,127	633,772	27,558	27,607	25,735	1,872	335	335	177	158	---	---	---	---
Debt Service	90,641	91,690	88,546	3,144	---	---	---	---	88	100	86	14	34	35	33	2
Transfers Out	3,710,087	3,741,786	3,662,202	79,584	6,375	6,477	5,800	677	54,270	55,010	49,793	5,217	513,562	607,814	590,400	17,414
Total Charges to Appropriations	18,327,938	18,726,050	17,614,248	1,111,802	4,555,775	4,666,580	4,556,931	109,649	397,960	446,441	385,643	60,798	961,532	1,068,867	1,032,746	36,121
Ending Budgetary Fund Balance	\$ 1,562,877	\$ 1,243,152	\$ 1,942,622	\$ 699,470	\$ 303,920	\$ 247,494	\$ 312,675	\$ 65,181	\$ 364,685	\$ 316,268	\$ 394,080	\$ 77,812	\$ 84,802	\$ (18,911)	\$ 61,790	\$ 80,701
Reconciling Items:																
Reclassifying Cash Equivalents as Investments			(1,767,910)				(268,078)				(338,641)				(42,338)	
Investments at Fair Value			1,775,705				270,429				340,207				50,368	
Receivables			1,513,892				125,506				835,742				147,415	
Due from Other Funds			17				17,640				119				72	
Due from Component Units			---				---				983				---	
Inventory			20,183				42				515				6,665	
Advance to Component Units			---				---				3,851				---	
Accounts Payable			(883,190)				(39,750)				(6,781)				(4,835)	
Accrued Payroll			(60,326)				(246)				(5,059)				(5,869)	
Due to Other Funds			(16,141)				(93)				(561)				(290)	
Arbitrage Liability			(49)				---				---				---	
Deferred Revenue			(507,325)				(27,444)				(19,066)				(5,206)	
Escheat/Unclaimed Property			(97,038)				---				---				---	
Fund Balance - GAAP Basis		\$ 1,920,440				\$ 390,681				\$ 1,205,389				\$ 207,772		

STATE OF MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2008

Budgetary Presentation:

A Budgetary Comparison Schedule is presented for the State's Major governmental funds, as well as Major Capital Project Funds. Revenues and expenditures are reported on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2008, has been presented at the bottom of the Budgetary Comparison Schedule.

The budgetary expenditures are included in the current year's Appropriation Activity Report, which demonstrates legal compliance with the current year's budget. This report can be viewed at <http://oa.mo.gov/acct/AAR2008/index.htm>. The "original budget" expenditures and transfers are for what was originally appropriated for each fund. The "final budget" expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any re-appropriations to the next fiscal year.

On the Budgetary Comparison Schedule, "original" and "revised" budget revenues are equal for all funds except the State's General Revenue Fund. Once a year the Office of Administration-Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State's General Revenue Fund. The revised revenue estimate is used in the "final budget" column for the General Fund and is very comparable to actual revenue resulting in a small positive variance on this Schedule.

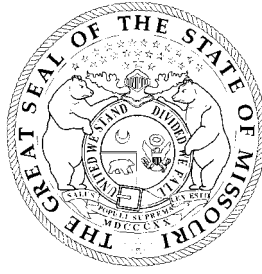
In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Budgetary Control:

Budgetary control is maintained at the departmental level; each Department of the Missouri government formulates a budget to be submitted for approval by the General Assembly prior to the beginning of the fiscal year. These budgets are prepared essentially on the cash basis. The legislature reviews, revises, and legally adopts these budgets. The Governor has the authority to approve or veto each bill, subject to legislative override.

Budgeted expenditures cannot exceed estimated revenues and other sources of funding, including beginning fund balances. In the event that actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the legislature to address the issue.

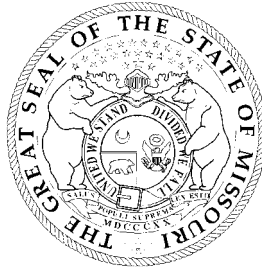
Unexpended appropriations lapse at the end of each appropriation year, unless re-appropriated to the following appropriation year.



Supplementary Information includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.

**STATE OF MISSOURI
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 705,178	\$ 705,178	\$ 705,178	\$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	194,804	194,804	206,377	11,573
Fuel	113	113	115	2
Total Taxes	194,917	194,917	206,492	11,575
Licenses, Fees, and Permits	114,905	114,905	100,740	(14,165)
Contributions and Intergovernmental	851,915	851,915	899,161	47,246
Interest	30,647	30,647	41,246	10,599
Cost Reimbursement/Miscellaneous	110,953	110,953	82,212	(28,741)
Bond Sales Proceeds	400,000	400,000	540,871	140,871
Transfers In	502,782	593,912	577,753	(16,159)
Total Resources (Inflows)	2,206,119	2,297,249	2,448,475	151,226
Amount Available for Appropriation	2,911,297	3,002,427	3,153,653	151,226
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	820,241	860,448	832,225	28,223
Capital Outlay				
Transportation and Law Enforcement	1,097,332	1,151,123	1,113,365	37,758
Debt Service	273,486	304,186	192,457	111,729
Total Charges to Appropriations	2,191,059	2,315,757	2,138,047	177,710
Ending Budgetary Fund Balance	\$ 720,238	\$ 686,670	\$ 1,015,606	\$ 328,936
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(804,478)	
Investments at Fair Value			810,756	
Receivables			95,843	
Due from Other Funds			768	
Inventories			42,443	
Accounts Payable			(106,209)	
Accrued Payroll			(17,787)	
Due to Other Funds			(964)	
Deferred Revenue			(25,202)	
Advance from Component Units			(6,167)	
Fund Balance – GAAP Basis			\$ 1,004,609	



The Combining and Individual Fund Statements and Schedules

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Non-Major Funds

This includes all non-major governmental and enterprise funds, as well as the non-major component units. It also includes all internal service and fiduciary funds because the “major fund” classification, created under GASB Statement 34, does not apply to these funds.

A budgetary comparison schedule is provided for all non-major governmental funds with the exception of capital projects funds.

**STATE OF MISSOURI
BALANCE SHEET
GENERAL FUND
June 30, 2008
(In Thousands of Dollars)**

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2008
ASSETS				
Cash and Cash Equivalents	\$ 159,338	\$ 15,374	\$ ---	\$ 174,712
Investments	1,586,387	189,318	---	1,775,705
Accounts Receivable, Net	918,304	580,049	---	1,498,353
Interest Receivable	15,282	257	---	15,539
Due from Other Funds	3	16	(2)	17
Inventories	19,170	1,013	---	20,183
Total Assets	<u>\$ 2,698,484</u>	<u>\$ 786,027</u>	<u>\$ (2)</u>	<u>\$ 3,484,509</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 391,050	\$ 492,140	\$ ---	\$ 883,190
Accrued Payroll	46,911	13,415	---	60,326
Due to Other Funds	13,276	2,867	(2)	16,141
Deferred Revenue	441,487	65,838	---	507,325
Arbitrage Liability	49	---	---	49
Escheat/Unclaimed Property	97,038	---	---	97,038
Total Liabilities	<u>989,811</u>	<u>574,260</u>	<u>(2)</u>	<u>1,564,069</u>
Fund Balances:				
Reserved for:				
Budget Reserve	559,206	---	---	559,206
Inventories	19,170	1,013	---	20,183
Forfeited Assets	797	---	---	797
Taxes	4,255	---	---	4,255
Unreserved	1,125,245	210,754	---	1,335,999
Total Fund Balances	<u>1,708,673</u>	<u>211,767</u>	<u>---</u>	<u>1,920,440</u>
Total Liabilities and Fund Balances	<u>\$ 2,698,484</u>	<u>\$ 786,027</u>	<u>\$ (2)</u>	<u>\$ 3,484,509</u>

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

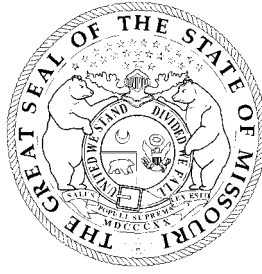
	General Fund			Totals
	General	Federal	Eliminations	June 30, 2008
Revenues:				
Taxes	\$ 7,783,239	\$ ---	\$ ---	\$ 7,783,239
Licenses, Fees, and Permits	76,285	415	---	76,700
Sales	1,768	501	---	2,269
Leases and Rentals	18	---	---	18
Services	79,511	151,798	---	231,309
Contributions and Intergovernmental	1,469,322	6,084,510	---	7,553,832
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	5,044	615	---	5,659
Interest	102,133	1,809	---	103,942
Penalties and Unclaimed Properties	35,478	51	---	35,529
Cost Reimbursement/Miscellaneous	37,216	144,353	---	181,569
Total Revenues	9,590,014	6,384,052	---	15,974,066
Expenditures:				
Current:				
General Government	673,247	81,950	---	755,197
Education	1,012,433	869,675	---	1,882,108
Natural and Economic Resources	53,639	247,920	---	301,559
Transportation and Law Enforcement	109,107	280,371	---	389,478
Human Services	4,712,553	4,890,363	---	9,602,916
Debt Service:				
Principal	46,211	1,636	---	47,847
Interest	45,168	660	---	45,828
Total Expenditures	6,652,358	6,372,575	---	13,024,933
Excess Revenues (Expenditures)	2,937,656	11,477	---	2,949,133
Other Financing Sources (Uses):				
Proceeds from Capital Leases	27,069	1,280	---	28,349
Proceeds from Capital Asset Sale	278	21	---	299
Transfers In	89,763	4,297	(38,486)	55,574
Transfers Out	(2,968,937)	(35,544)	38,486	(2,965,995)
Total Other Financing Sources (Uses)	(2,851,827)	(29,946)	---	(2,881,773)
Net Change in Fund Balances	85,829	(18,469)	---	67,360
Fund Balances – Beginning	1,626,586	230,327	---	1,856,913
Increase (Decrease) in Reserve for Inventory	(3,742)	(91)	---	(3,833)
Fund Balances – Ending	\$ 1,708,673	\$ 211,767	\$ ---	\$ 1,920,440

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2008
(In Thousands of Dollars)

					Totals
	Special Revenue	Debt Service	Capital Projects	Permanent	June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 22,537	\$ 18,165	\$ 10,685	\$ 191	\$ 51,578
Investments	286,330	83,123	57,956	62,842	490,251
Accounts Receivable, Net	23,675	---	---	---	23,675
Interest Receivable	1,270	786	490	4	2,550
Due from Other Funds	933	---	---	---	933
Inventories	221	---	---	---	221
Loans Receivable	375	---	---	---	375
Total Assets	<u>\$ 335,341</u>	<u>\$ 102,074</u>	<u>\$ 69,131</u>	<u>\$ 63,037</u>	<u>\$ 569,583</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 36,753	\$ ---	\$ 18	\$ ---	\$ 36,771
Accrued Payroll	3,416	---	43	---	3,459
Due to Other Funds	864	---	---	---	864
Deferred Revenue	6,376	386	241	2	7,005
Total Liabilities	<u>47,409</u>	<u>386</u>	<u>302</u>	<u>2</u>	<u>48,099</u>
Fund Balances:					
Reserved for Inventories	221	---	---	---	221
Reserved for Debt Service	---	101,688	---	---	101,688
Reserved for Loans Receivable	375	---	---	---	375
Reserved for Trust Principal	---	---	---	62,919	62,919
Unreserved	287,336	---	68,829	116	356,281
Total Fund Balances	<u>287,932</u>	<u>101,688</u>	<u>68,829</u>	<u>63,035</u>	<u>521,484</u>
Total Liabilities and Fund Balances	<u>\$ 335,341</u>	<u>\$ 102,074</u>	<u>\$ 69,131</u>	<u>\$ 63,037</u>	<u>\$ 569,583</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

					Totals
	Special Revenue	Debt Service	Capital Projects	Permanent	June 30, 2008
Revenues:					
Taxes	\$ 133,586	\$ ---	\$ ---	\$ ---	\$ 133,586
Licenses, Fees, and Permits	174,087	---	---	---	174,087
Sales	1,759	---	---	---	1,759
Leases and Rentals	224	---	---	---	224
Services	200	---	---	---	200
Contributions and Intergovernmental	22,136	---	178	---	22,314
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	269	444	243	(4,445)	(3,489)
Interest	12,952	5,042	1,978	28	20,000
Penalties and Unclaimed Properties	11,713	---	---	1,933	13,646
Cost Reimbursement/Miscellaneous	184,833	162	13	---	185,008
Total Revenues	<u>541,759</u>	<u>5,648</u>	<u>2,412</u>	<u>(2,484)</u>	<u>547,335</u>
Expenditures:					
Current:					
General Government	46,547	---	109	---	46,656
Education	7,084	---	---	---	7,084
Natural and Economic Resources	229,632	---	1,855	---	231,487
Transportation and Law Enforcement	45,374	---	2,865	---	48,239
Human Services	208,696	---	70	---	208,766
Capital Outlay:					
Transportation and Law Enforcement	---	---	677	---	677
Human Services	---	---	3,133	---	3,133
Debt Service:					
Principal	718	66,395	1,955	---	69,068
Interest	283	32,302	44	---	32,629
Bond Issuance Cost	---	---	63	---	63
Underwriter's Discount	---	---	220	---	220
Total Expenditures	<u>538,334</u>	<u>98,697</u>	<u>10,991</u>	<u>---</u>	<u>648,022</u>
Excess Revenues (Expenditures)	<u>3,425</u>	<u>(93,049)</u>	<u>(8,579)</u>	<u>(2,484)</u>	<u>(100,687)</u>
Other Financing Sources (Uses):					
Debt Issuance	---	---	50,000	---	50,000
Bond Premium	---	---	553	---	553
Proceeds from Capital Leases	148	---	---	---	148
Transfers In	79,530	92,141	6,000	---	177,671
Transfers Out	(96,267)	---	(18)	---	(96,285)
Total Other Financing Sources (Uses)	<u>(16,589)</u>	<u>92,141</u>	<u>56,535</u>	<u>---</u>	<u>132,087</u>
Net Change in Fund Balances	(13,164)	(908)	47,956	(2,484)	31,400
Fund Balances - Beginning	301,083	102,596	20,873	65,519	490,071
Increase (Decrease) in Reserve for Inventory	13	---	---	---	13
Fund Balances - Ending	<u>\$ 287,932</u>	<u>\$ 101,688</u>	<u>\$ 68,829</u>	<u>\$ 63,035</u>	<u>\$ 521,484</u>



*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration: Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

Judicial Protection and Assistance: Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Agriculture and State Fair: Provides for inspections of products, market development, and awards for competition at the State Fair.

Social Assistance: Provides financial, health, and other services to qualifying individuals.

Unemployment and Workers' Compensation: Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Reimbursements and Other: Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2008
ASSETS							
Cash and Cash Equivalents	\$ 3,369	\$ 1,979	\$ 425	\$ 7,767	\$ 4,209	\$ 4,788	\$ 22,537
Investments	41,100	24,105	7,019	103,912	52,360	57,834	286,330
Accounts Receivable, Net	---	1,726	49	4,968	14,325	2,607	23,675
Interest Receivable	---	105	56	419	391	299	1,270
Due from Other Funds	---	38	---	---	225	670	933
Inventories	27	30	1	4	---	159	221
Loans Receivable	---	---	375	---	---	---	375
Total Assets	<u>\$ 44,496</u>	<u>\$ 27,983</u>	<u>\$ 7,925</u>	<u>\$ 117,070</u>	<u>\$ 71,510</u>	<u>\$ 66,357</u>	<u>\$ 335,341</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 279	\$ 1,113	\$ 2,867	\$ 3,892	\$ 24,691	\$ 3,911	\$ 36,753
Accrued Payroll	197	401	82	305	422	2,009	3,416
Due to Other Funds	31	167	10	34	431	191	864
Deferred Revenue	---	165	8	3,615	2,219	369	6,376
Total Liabilities	<u>507</u>	<u>1,846</u>	<u>2,967</u>	<u>7,846</u>	<u>27,763</u>	<u>6,480</u>	<u>47,409</u>
Fund Balances:							
Reserved for:							
Inventories	27	30	1	4	---	159	221
Loans Receivable	---	---	375	---	---	---	375
Unreserved	<u>43,962</u>	<u>26,107</u>	<u>4,582</u>	<u>109,220</u>	<u>43,747</u>	<u>59,718</u>	<u>287,336</u>
Total Fund Balances	<u>43,989</u>	<u>26,137</u>	<u>4,958</u>	<u>109,224</u>	<u>43,747</u>	<u>59,877</u>	<u>287,932</u>
Total Liabilities and Fund Balances	<u>\$ 44,496</u>	<u>\$ 27,983</u>	<u>\$ 7,925</u>	<u>\$ 117,070</u>	<u>\$ 71,510</u>	<u>\$ 66,357</u>	<u>\$ 335,341</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2008
Revenues:							
Taxes	\$ 121	\$ ---	\$ 1,332	\$ 64,307	\$ 67,795	\$ 31	\$ 133,586
Licenses, Fees, and Permits	15,322	31,318	4,150	20,080	---	103,217	174,087
Sales	---	4	12	1,088	---	655	1,759
Leases and Rentals	---	---	---	224	---	---	224
Services	---	177	---	12	---	11	200
Contributions and Intergovernmental	---	271	68	20,674	225	898	22,136
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	137	79	153	(465)	180	185	269
Interest	---	336	---	3,183	7,078	2,355	12,952
Penalties and Unclaimed Properties	201	6,788	---	43	3,236	1,445	11,713
Cost Reimbursement/Miscellaneous	228	1,884	234	156,330	215	25,942	184,833
Total Revenues	<u>16,009</u>	<u>40,857</u>	<u>5,949</u>	<u>265,476</u>	<u>78,729</u>	<u>134,739</u>	<u>541,759</u>
Expenditures:							
Current:							
General Government	224	26,322	125	2,733	6,783	10,360	46,547
Education	99	---	1	6,897	21	66	7,084
Natural and Economic Resources	15,933	5,087	33,913	13,774	86,336	74,589	229,632
Transportation and Law Enforcement	---	16,738	---	6,321	11	22,304	45,374
Human Services	3	4	4	199,972	100	8,613	208,696
Debt Service:							
Principal	---	86	---	1	64	567	718
Interest	---	54	---	3	47	179	283
Total Expenditures	<u>16,259</u>	<u>48,291</u>	<u>34,043</u>	<u>229,701</u>	<u>93,362</u>	<u>116,678</u>	<u>538,334</u>
Excess Revenues (Expenditures)	<u>(250)</u>	<u>(7,434)</u>	<u>(28,094)</u>	<u>35,775</u>	<u>(14,633)</u>	<u>18,061</u>	<u>3,425</u>
Other Financing Sources (Uses):							
Proceeds from Capital Leases	---	---	---	---	---	148	148
Transfers In	---	6,621	26,382	11,272	---	35,255	79,530
Transfers Out	<u>(2,165)</u>	<u>(6)</u>	<u>---</u>	<u>(46,172)</u>	<u>(50)</u>	<u>(47,874)</u>	<u>(96,267)</u>
Total Other Financing Sources (Uses)	<u>(2,165)</u>	<u>6,615</u>	<u>26,382</u>	<u>(34,900)</u>	<u>(50)</u>	<u>(12,471)</u>	<u>(16,589)</u>
Net Change in Fund Balances	(2,415)	(819)	(1,712)	875	(14,683)	5,590	(13,164)
Fund Balances – Beginning	46,403	26,950	6,669	108,345	58,430	54,286	301,083
Increase (Decrease) in Reserve for Inventory	<u>1</u>	<u>6</u>	<u>1</u>	<u>4</u>	<u>---</u>	<u>1</u>	<u>13</u>
Fund Balances – Ending	<u>\$ 43,989</u>	<u>\$ 26,137</u>	<u>\$ 4,958</u>	<u>\$ 109,224</u>	<u>\$ 43,747</u>	<u>\$ 59,877</u>	<u>\$ 287,932</u>

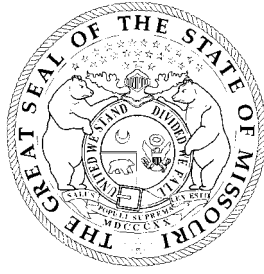
STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance			Agriculture and State Fair			Social Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 33,525	\$ 35,074	\$ 1,549
Liquor	---	---	---	---	---	---	1,450	1,332	(118)	---	---	---
Reimbursement/Miscellaneous	120	121	1	---	---	---	---	---	---	27,686	28,970	1,284
Total Taxes	120	121	1	---	---	---	1,450	1,332	(118)	61,211	64,044	2,833
Licenses, Fees, and Permits	15,281	15,331	50	31,549	31,285	(264)	4,701	4,319	(382)	19,455	20,355	900
Leases and Rentals	---	---	---	---	---	---	---	---	---	214	224	10
Sales	---	---	---	---	---	---	12	12	---	1,016	1,063	47
Services	---	---	---	178	177	(1)	---	---	---	12	12	---
Contributions and Intergovernmental	2	1	(1)	1,605	1,593	(12)	84	77	(7)	21,398	22,389	991
Interest	---	---	---	361	357	(4)	110	101	(9)	3,053	3,194	141
Penalties and Unclaimed Property	201	201	---	6,858	6,802	(56)	---	---	---	34	39	5
Cost Reimbursement/Miscellaneous	228	229	1	1,911	1,893	(18)	552	507	(45)	150,346	157,305	6,959
Total Revenues	15,832	15,883	51	42,462	42,107	(355)	6,909	6,348	(561)	256,739	268,625	11,886
Expenditures:												
Current:												
General Government	18	7	11	29,334	24,763	4,571	272	117	155	6,111	3,988	2,123
Education	117	100	17	---	---	---	---	---	---	10,829	7,760	3,069
Natural and Economic Resources	9,822	8,077	1,745	7,684	4,978	2,706	49,287	31,375	17,912	24,236	13,610	10,626
Transportation and Law Enforcement	---	---	---	21,830	17,110	4,720	5	---	5	6,843	5,834	1,009
Human Services	---	---	---	---	---	---	---	---	---	225,602	192,782	32,820
Debt Service	---	---	---	---	---	---	---	---	---	3	3	---
Total Expenditures	9,957	8,184	1,773	58,848	46,851	11,997	49,564	31,492	18,072	273,624	223,977	49,647
Excess Revenues (Expenditures)	5,875	7,699	1,824	(16,386)	(4,744)	11,642	(42,655)	(25,144)	17,511	(16,885)	44,648	61,533
Other Financing Sources (Uses):												
Transfers In	---	---	---	6,725	6,625	(100)	41,776	26,383	(15,393)	30,106	13,235	(16,871)
Transfers Out	(12,800)	(10,159)	2,641	(2,617)	(2,362)	255	(1,250)	(748)	502	(129,600)	(53,553)	76,047
Total Other Financing Sources (Uses)	(12,800)	(10,159)	2,641	4,108	4,263	155	40,526	25,635	(14,891)	(99,494)	(40,318)	59,176
Net Change in Fund Balances	(6,925)	(2,460)	4,465	(12,278)	(481)	11,797	(2,129)	491	2,620	(116,379)	4,330	120,709
Fund Balances – Beginning	46,834	46,834	---	26,509	26,509	---	3,286	3,286	---	97,555	97,555	---
Fund Balances – Ending	\$ 39,909	\$ 44,374	\$ 4,465	\$ 14,231	\$ 26,028	\$ 11,797	\$ 1,157	\$ 3,777	\$ 2,620	\$ (18,824)	\$ 101,885	\$ 120,709
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(41,005)			(24,049)			(3,352)			(94,118)	
Investments at Fair Value		41,100			24,105			7,019			103,912	
Receivables		---			1,831			480			5,387	
Due from Other Funds		---			38			---			---	
Inventories		27			30			1			4	
Accounts Payable		(279)			(1,113)			(2,867)			(3,892)	
Accrued Payroll		(197)			(401)			(82)			(305)	
Due to Other Funds		(31)			(167)			(10)			(34)	
Deferred Revenue		---			(165)			(8)			(3,615)	
Fund Balance per GAAP	\$ 43,989			\$ 26,137			\$ 4,958			\$ 109,224		

This schedule is continued on pages 111-112.

	Unemployment and Workers' Compensation			Reimbursements and Other			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Taxes:									
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 33,525	\$ 35,074	\$ 1,549
Liquor	---	---	---	---	---	---	1,450	1,332	(118)
Reimbursement/Miscellaneous	63,428	74,233	10,805	---	---	---	91,234	103,324	12,090
Total Taxes	63,428	74,233	10,805	---	---	---	126,209	139,730	13,521
Licenses, Fees and Permits	---	---	---	114,071	103,170	(10,901)	185,057	174,460	(10,597)
Leases and Rentals	---	---	---	---	---	---	214	224	10
Sales	---	---	---	695	629	(66)	1,723	1,704	(19)
Services	---	---	---	15	11	(4)	205	200	(5)
Contributions and Intergovernmental	890	1,040	150	1,148	1,038	(110)	25,127	26,138	1,011
Interest	6,150	7,200	1,050	2,644	2,393	(251)	12,318	13,245	927
Penalties and Unclaimed Property	2,766	3,236	470	1,602	1,445	(157)	11,461	11,723	262
Cost Reimbursement/Miscellaneous	331	391	60	30,913	27,964	(2,949)	184,281	188,289	4,008
Total Revenues	73,565	86,100	12,535	151,088	136,650	(14,438)	546,595	555,713	9,118
Expenditures:									
Current:									
General Government	7,871	5,319	2,552	23,010	8,281	14,729	66,616	42,475	24,141
Education	---	---	---	400	54	346	11,346	7,914	3,432
Natural and Economic Resources	93,921	83,443	10,478	86,548	64,506	22,042	271,498	205,989	65,509
Transportation and Law Enforcement	---	---	---	22,889	19,746	3,143	51,567	42,690	8,877
Human Services	---	---	---	21,088	9,987	11,101	246,690	202,769	43,921
Debt Service	---	---	---	47	34	13	50	37	13
Total Expenditures	101,792	88,762	13,030	153,982	102,608	51,374	647,767	501,874	145,893
Excess Revenues (Expenditures)	(28,227)	(2,662)	25,565	(2,894)	34,042	36,936	(101,172)	53,839	155,011
Other Financing Sources (Uses):									
Transfers In	---	---	---	42,975	35,284	(7,691)	121,582	81,527	(40,055)
Transfers Out	(7,849)	(7,206)	643	(71,087)	(64,866)	6,221	(225,203)	(138,894)	86,309
Total Other Financing Sources (Uses)	(7,849)	(7,206)	643	(28,112)	(29,582)	(1,470)	(103,621)	(57,367)	46,254
Net Change in Fund Balances	(36,076)	(9,868)	26,208	(31,006)	4,460	35,466	(204,793)	(3,528)	201,265
Fund Balances – Beginning	66,317	66,317	---	58,025	58,025	---	298,526	298,526	---
Fund Balances – Ending	\$ 30,241	\$ 56,449	\$ 26,208	\$ 27,019	\$ 62,485	\$ 35,466	\$ 93,733	\$ 294,998	\$ 201,265
Reconciling Items:									
Reclassifying Cash Equivalents as Investments		(52,240)			(57,697)			(272,461)	
Investments at Fair Value		52,360			57,834			286,330	
Receivables		14,716			2,906			25,320	
Due from Other Funds		225			670			933	
Inventories		---			159			221	
Accounts Payable		(24,691)			(3,911)			(36,753)	
Accrued Payroll		(422)			(2,009)			(3,416)	
Due to Other Funds		(431)			(191)			(864)	
Deferred Revenue		(2,219)			(369)			(6,376)	
Fund Balance per GAAP	\$ 43,747			\$ 59,877			\$ 287,932		

This schedule is continued from pages 109-110.



*The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

Debt Service Funds:

Water Pollution Control Bond and Interest – Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

Third State Building Bond Interest and Sinking – Accounts for moneys used to pay the principal of the Third State Building Bonds and the interest thereon.

Fourth State Building Bond and Interest – Accounts for moneys used to pay the principal of the Fourth State Building Bonds and the interest thereon.

Stormwater Control Bond and Interest – Accounts for moneys used to pay the principal of the Stormwater Control Bonds and the interest thereon.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2008
(In Thousands of Dollars)**

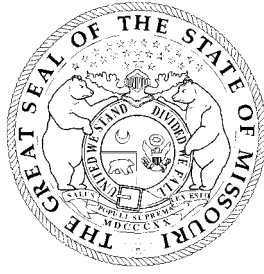
	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 5,512	\$ 8,913	\$ 3,237	\$ 503	\$ 18,165
Investments	25,222	40,785	14,814	2,302	83,123
Interest Receivable	237	387	140	22	786
Total Assets	<u>\$ 30,971</u>	<u>\$ 50,085</u>	<u>\$ 18,191</u>	<u>\$ 2,827</u>	<u>\$ 102,074</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue	\$ 117	\$ 190	\$ 69	\$ 10	\$ 386
Total Liabilities	<u>117</u>	<u>190</u>	<u>69</u>	<u>10</u>	<u>386</u>
Fund Balances:					
Reserved for Debt Service	<u>30,854</u>	<u>49,895</u>	<u>18,122</u>	<u>2,817</u>	<u>101,688</u>
Total Fund Balances	<u>30,854</u>	<u>49,895</u>	<u>18,122</u>	<u>2,817</u>	<u>101,688</u>
Total Liabilities and Fund Balances	<u>\$ 30,971</u>	<u>\$ 50,085</u>	<u>\$ 18,191</u>	<u>\$ 2,827</u>	<u>\$ 102,074</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2008
Revenues:					
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	\$ 133	\$ 220	\$ 79	\$ 12	\$ 444
Interest	1,460	2,501	876	205	5,042
Cost Reimbursement/ Miscellaneous	162	---	---	---	162
Total Revenues	1,755	2,721	955	217	5,648
Expenditures:					
Debt Service:					
Principal	13,895	44,015	7,780	705	66,395
Interest	14,193	6,981	9,307	1,821	32,302
Total Expenditures	28,088	50,996	17,087	2,526	98,697
Excess Revenues (Expenditures)	(26,333)	(48,275)	(16,132)	(2,309)	(93,049)
Other Financing Sources (Uses):					
Transfers In	28,828	44,501	16,402	2,410	92,141
Total Other Financing Sources (Uses)	28,828	44,501	16,402	2,410	92,141
Net Change in Fund Balances	2,495	(3,774)	270	101	(908)
Fund Balances – Beginning	28,359	53,669	17,852	2,716	102,596
Fund Balances – Ending	\$ 30,854	\$ 49,895	\$ 18,122	\$ 2,817	\$ 101,688

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest			Third State Building Bond Interest and Sinking			Fourth State Building Bond and Interest			Stormwater Control Bond and Interest			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:															
Interest	\$ 1,255	\$ 1,502	\$ 247	\$ 2,633	\$ 2,613	\$ (20)	\$ 876	\$ 907	\$ 31	\$ 133	\$ 209	\$ 76	\$ 4,897	\$ 5,231	\$ 334
Reimbursement/Miscellaneous	136	163	27	---	---	---	---	---	---	---	---	---	136	163	27
Total Revenues	1,391	1,665	274	2,633	2,613	(20)	876	907	31	133	209	76	5,033	5,394	361
Expenditures:															
Debt Service	30,463	28,088	2,375	50,997	50,996	1	17,087	17,087	---	2,580	2,526	54	101,127	98,697	2,430
Total Expenditures	30,463	28,088	2,375	50,997	50,996	1	17,087	17,087	---	2,580	2,526	54	101,127	98,697	2,430
Excess Revenues (Expenditures)	(29,072)	(26,423)	2,649	(48,364)	(48,383)	(19)	(16,211)	(16,180)	31	(2,447)	(2,317)	130	(96,094)	(93,303)	2,791
Other Financing Sources (Uses):															
Transfers In	30,085	28,828	(1,257)	46,905	44,501	(2,404)	17,078	16,402	(676)	2,580	2,410	(170)	96,648	92,141	(4,507)
Total Other Financing Sources (Uses)	30,085	28,828	(1,257)	46,905	44,501	(2,404)	17,078	16,402	(676)	2,580	2,410	(170)	96,648	92,141	(4,507)
Net Change in Fund Balances	1,013	2,405	1,392	(1,459)	(3,882)	(2,423)	867	222	(645)	133	93	(40)	554	(1,162)	(1,716)
Fund Balances – Beginning	28,217	28,217	---	53,401	53,401	---	17,763	17,763	---	2,703	2,703	---	102,084	102,084	---
Fund Balances – Ending	<u>\$ 29,230</u>	<u>\$ 30,622</u>	<u>\$ 1,392</u>	<u>\$ 51,942</u>	<u>\$ 49,519</u>	<u>\$ (2,423)</u>	<u>\$ 18,630</u>	<u>\$ 17,985</u>	<u>\$ (645)</u>	<u>\$ 2,836</u>	<u>\$ 2,796</u>	<u>\$ (40)</u>	<u>\$ 102,638</u>	<u>\$ 100,922</u>	<u>\$ (1,716)</u>
Reconciling Items:															
Reclassifying Cash Equivalents as Investments		(25,110)			(40,606)			(14,748)			(2,293)			(82,757)	
Investments at Fair Value		25,222			40,785			14,814			2,302			83,123	
Interest Receivable		237			387			140			22			786	
Deferred Revenues		(117)			(190)			(69)			(10)			(386)	
Fund Balances – GAAP Basis	<u>\$ 30,854</u>			<u>\$ 49,895</u>			<u>\$ 18,122</u>			<u>\$ 2,817</u>			<u>\$ 101,688</u>		



*The **Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.*

Non-Major Capital Projects Funds:

Veterans' Homes Capital Improvement – Accounts for fees collected from the sale of bingo cards to be used for the construction or renovation of veterans' homes and cemeteries in the State.

Water Pollution Control – Accounts for bond sale proceeds to be used for the protection of the environment through the control of water pollution.

Fourth State Building – Accounts for bond sale proceeds to be used for capital improvements of institutions of higher education, the Department of Corrections, and the Division of Youth Services.

Stormwater Control – Accounts for bond sale proceeds to be used for financing and construction of stormwater control.

Board of Public Building Revenue Bond – Accounts for bond sale proceeds to be used for renovating state buildings and structures.

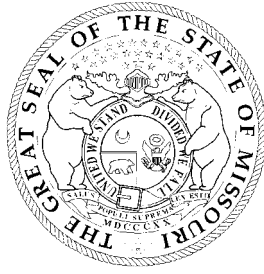
**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Board of Public Building Revenue Bond	Totals June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 1,188	\$ 8,878	\$ 199	\$ 420	\$ 10,685
Investments	14,494	40,627	914	1,921	57,956
Interest Receivable	97	362	11	20	490
Total Assets	<u>\$ 15,779</u>	<u>\$ 49,867</u>	<u>\$ 1,124</u>	<u>\$ 2,361</u>	<u>\$ 69,131</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 18	\$ ---	\$ ---	\$ ---	\$ 18
Accrued Payroll	43	---	---	---	43
Deferred Revenue	48	178	5	10	241
Total Liabilities	<u>109</u>	<u>178</u>	<u>5</u>	<u>10</u>	<u>302</u>
Fund Balances:					
Unreserved	<u>15,670</u>	<u>49,689</u>	<u>1,119</u>	<u>2,351</u>	<u>68,829</u>
Total Fund Balances	<u>15,670</u>	<u>49,689</u>	<u>1,119</u>	<u>2,351</u>	<u>68,829</u>
Total Liabilities and Fund Balances	<u>\$ 15,779</u>	<u>\$ 49,867</u>	<u>\$ 1,124</u>	<u>\$ 2,361</u>	<u>\$ 69,131</u>

NOTE: The Stormwater Control is not included in the Capital Projects Funds Combining Balance Sheet because there were no assets, liabilities, or fund equity at June 30, 2008.

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2008
Revenues:						
Contributions and Intergovernmental	\$ 178	\$ ---	\$ ---	\$ ---	\$ ---	\$ 178
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	45	180	6	1	11	243
Interest	628	1,080	109	---	161	1,978
Cost Reimbursement/ Miscellaneous	2	11	---	---	---	13
Total Revenues	853	1,271	115	1	172	2,412
Expenditures:						
Current:						
General Government	109	---	---	---	---	109
Natural and Economic Resources	---	1,855	---	---	---	1,855
Transportation and Law Enforcement	2,865	---	---	---	---	2,865
Human Services	---	---	24	---	46	70
Capital Outlay:						
Transportation and Law Enforcement	650	---	---	---	27	677
Human Services	---	---	1,813	---	1,320	3,133
Debt Service:						
Principle	---	80	---	1,875	---	1,955
Interest	---	1	---	43	---	44
Bond Issuance Costs	---	63	---	---	---	63
Underwriter's Discount	---	220	---	---	---	220
Total Expenditures	3,624	2,219	1,837	1,918	1,393	10,991
Excess Revenues (Expenditures)	(2,771)	(948)	(1,722)	(1,917)	(1,221)	(8,579)
Other Financing Sources (Uses):						
Debt Issuance	---	50,000	---	---	---	50,000
Bond Premium	---	553	---	---	---	553
Transfers In	6,000	---	---	---	---	6,000
Transfers Out	---	(17)	---	(1)	---	(18)
Total Other Financing Sources (Uses)	6,000	50,536	---	(1)	---	56,535
Net Change in Fund Balances	3,229	49,588	(1,722)	(1,918)	(1,221)	47,956
Fund Balances – Beginning	12,441	101	2,841	1,918	3,572	20,873
Fund Balances – Ending	\$ 15,670	\$ 49,689	\$ 1,119	\$ ---	\$ 2,351	\$ 68,829



*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

Permanent Funds:

Arrow Rock State Historic Site Endowment – Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

Confederate Memorial Park – Accounts for the income from investments acquired by gifts, donations, and bequests to be used for the maintenance of the Confederate Memorial Park.

State Public School – Accounts for all moneys, bonds, lands, and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

Smith Memorial Endowment Trust – Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

Missouri Investment Trust – Accounts for moneys transferred from the Missouri Arts Council Trust Fund, the Missouri Humanities Council Trust Fund, the Johnson-Travis Memorial Trust Fund, and the Secretary of State Wolfner Library Fund to be invested by the Missouri Investment Trust's Board of Trustees.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2008
ASSETS						
Cash and Cash Equivalents	\$ 2	\$ 13	\$ 147	\$ 29	\$ ---	\$ 191
Investments	25	152	33,683	359	28,623	62,842
Interest Receivable	---	1	---	3	---	4
Total Assets	<u>\$ 27</u>	<u>\$ 166</u>	<u>\$ 33,830</u>	<u>\$ 391</u>	<u>\$ 28,623</u>	<u>\$ 63,037</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred Revenue	\$ ---	\$ 1	\$ ---	\$ 1	\$ ---	\$ 2
Total Liabilities	<u>---</u>	<u>1</u>	<u>---</u>	<u>1</u>	<u>---</u>	<u>2</u>
Fund Balances:						
Reserved for Trust Principal	26	75	33,830	365	28,623	62,919
Unreserved	1	90	---	25	---	116
Total Fund Balances	<u>27</u>	<u>165</u>	<u>33,830</u>	<u>390</u>	<u>28,623</u>	<u>63,035</u>
Total Liabilities and Fund Balances	<u>\$ 27</u>	<u>\$ 166</u>	<u>\$ 33,830</u>	<u>\$ 391</u>	<u>\$ 28,623</u>	<u>\$ 63,037</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2008
Revenues:						
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	\$ ---	\$ ---	\$ (259)	\$ 1	\$ (4,187)	\$ (4,445)
Interest	2	8	---	18	---	28
Penalties and Unclaimed Properties	---	---	1,933	---	---	1,933
Total Revenues	2	8	1,674	19	(4,187)	(2,484)
Net Change in Fund Balances	2	8	1,674	19	(4,187)	(2,484)
Fund Balances – Beginning	25	157	32,156	371	32,810	65,519
Fund Balances – Ending	<u>\$ 27</u>	<u>\$ 165</u>	<u>\$ 33,830</u>	<u>\$ 390</u>	<u>\$ 28,623</u>	<u>\$ 63,035</u>

NOTE: There were no expenditures during fiscal year 2008.

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Interest	\$ ---	\$ 2	\$ 2	\$ 7	\$ 8	\$ 1	\$ ---	\$ 533	\$ 533	\$ 18	\$ 18	\$ ---
Penalties and Unclaimed												
Property	---	---	---	---	---	---	---	138	138	---	---	---
Reimbursement/Miscellaneous	---	---	---	---	---	---	---	1	1	---	---	---
Total Revenues	---	2	2	7	8	1	---	672	672	18	18	---
Expenditures:												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	---	35
Total Expenditures	---	---	---	---	---	---	---	---	---	35	---	35
Excess Revenues (Expenditures)	---	2	2	7	8	1	---	672	672	(17)	18	35
Other Financing Sources (Uses):												
Transfers In	---	---	---	---	---	---	1,795	1,795	---	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	1,795	1,795	---	---	---	---
Net Change in Fund Balances	---	2	2	7	8	1	1,795	2,467	672	(17)	18	35
Fund Balances – Beginning	25	25	---	156	156	---	9,390	9,390	---	369	369	---
Fund Balances – Ending	<u>\$ 25</u>	<u>\$ 27</u>	<u>\$ 2</u>	<u>\$ 163</u>	<u>\$ 164</u>	<u>\$ 1</u>	<u>\$ 11,185</u>	<u>\$ 11,857</u>	<u>\$ 672</u>	<u>\$ 352</u>	<u>\$ 387</u>	<u>\$ 35</u>
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(25)			(151)			(11,710)			(358)	
Investments at Fair Value		25			152			33,683			359	
Interest Receivable		---			1			---			3	
Deferred Revenue		---			(1)			---			(1)	
Fund Balance – GAAP Basis	<u>\$ 27</u>			<u>\$ 165</u>			<u>\$ 33,830</u>			<u>\$ 390</u>		

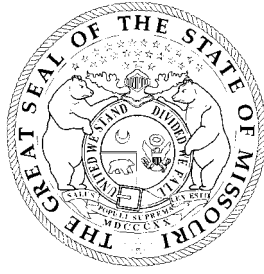
NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued on page 123.

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	\$ 25	\$ 561	\$ 536
Penalties and Unclaimed			
Property	---	138	138
Reimbursement/Miscellaneous	---	1	1
Total Revenues	25	700	675
Expenditures:			
Current:			
Human Services	35	---	35
Total Expenditures	35	---	35
Excess Revenues (Expenditures)	(10)	700	710
Other Financing Sources (Uses):			
Transfers In	1,795	1,795	---
Total Other Financing Sources (Uses)	1,795	1,795	---
Net Change in Fund Balances	1,785	2,495	710
Fund Balances – Beginning	9,940	9,940	---
Fund Balances – Ending	<u>\$ 11,725</u>	<u>\$ 12,435</u>	<u>\$ 710</u>
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(12,244)	
Investments at Fair Value		34,219	
Interest Receivable		4	
Deferred Revenue		(2)	
Fund Balance – GAAP Basis		<u>\$ 34,412</u>	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued from page 122.



*The **Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises.*

Non-Major Enterprise Funds:

State Fair Fees – Accounts for the fairground admission fees used to improve the grounds and to pay the operating costs of the State Fair.

State Parks – Accounts for park concessions and contributions which are used to acquire and operate state parks.

Natural Resources Revolving Services – Accounts for moneys received from the delivery of services and the sale or resale of maps, plats, reports, studies, records, and other publications and documents.

Historic Preservation Revolving – Accounts for gifts, grants, and contributions used to acquire, preserve, restore, maintain, or operate any historical properties.

Missouri Veterans' Homes – Accounts for fees to provide services for persons confined to one of the veterans' homes.

State Agency for Surplus Property – Accounts for the surplus property operation.

Department of Revenue Information – Accounts for fees received by the Department of Revenue for publications and used to pay the costs of providing this information.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2008
(In Thousands of Dollars)

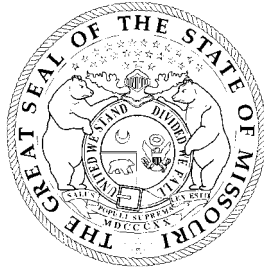
	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2008
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 53	\$ 2,746	\$ 49	\$ 176	\$ 448	\$ 225	\$ 242	\$ 3,939
Investments	645	33,305	599	2,144	5,460	2,739	2,957	47,849
Accounts Receivable, Net	---	---	4	---	139	251	56	450
Interest Receivable	3	---	---	16	62	21	---	102
Due from Other Funds	2	1	117	---	---	---	---	120
Inventories	---	597	414	---	711	1	7	1,730
Prepaid Items	---	---	22	---	---	---	---	22
Loans Receivable	---	---	---	534	---	---	---	534
Noncurrent Assets:								
Assets Held for Resale	---	---	---	115	---	---	---	115
Capital Assets:								
Construction in Progress	---	3,121	---	---	13	---	---	3,134
Land	---	7,333	---	---	---	---	---	7,333
Land Improvements	75	7,160	---	---	42	169	---	7,446
Buildings	3	22,360	---	480	164	161	---	23,168
Equipment	448	11,912	16,477	35	5,490	791	166	35,319
Less Accumulated Depreciation	(407)	(20,552)	(11,889)	(157)	(3,905)	(984)	(144)	(38,038)
Total Capital Assets (Net of Accumulated Depreciation)	119	31,334	4,588	358	1,804	137	22	38,362
Total Assets	822	67,983	5,793	3,343	8,624	3,374	3,284	93,223
LIABILITIES								
Current Liabilities:								
Accounts Payable	22	183	92	4	662	31	13	1,007
Accrued Payroll	27	45	3	6	1,551	27	16	1,675
Due to Other Funds	26	---	7	---	13	6	6	58
Unearned Revenue	---	60	41	---	2	---	---	103
Compensated Absences	3	40	5	10	1,818	48	26	1,950
Noncurrent Liabilities:								
Compensated Absences	---	---	2	6	---	3	---	11
Total Liabilities	78	328	150	26	4,046	115	61	4,804
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	119	31,334	4,588	358	1,804	137	22	38,362
Restricted for:								
Other Purposes	---	36,321	---	---	2,774	---	---	39,095
Unrestricted	625	---	1,055	2,959	---	3,122	3,201	10,962
Total Net Assets	\$ 744	\$ 67,655	\$ 5,643	\$ 3,317	\$ 4,578	\$ 3,259	\$ 3,223	\$ 88,419

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2008
Operating Revenues:								
Licenses, Fees, and Permits	\$ 2,779	\$ 4,431	\$ 150	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,360
Sales	---	644	290	---	370	3,510	1,934	6,748
Leases and Rentals	998	1,868	---	---	---	---	---	2,866
Charges for Services	---	---	---	---	26,407	---	---	26,407
Cost Reimbursement/Miscellaneous	---	500	39	2	157	275	1	974
Total Operating Revenues	<u>3,777</u>	<u>7,443</u>	<u>479</u>	<u>2</u>	<u>26,934</u>	<u>3,785</u>	<u>1,935</u>	<u>44,355</u>
Operating Expenses:								
Cost of Goods Sold	---	---	377	---	---	1,818	---	2,195
Personal Service	1,015	983	93	234	52,611	984	628	56,548
Operations	2,386	3,434	297	65	2,494	648	357	9,681
Inventories	11	23	5	3	1,356	10	20	1,428
Specific Programs	45	9	---	89	199	---	---	342
Depreciation	25	1,705	757	10	339	54	12	2,902
Other Charges	164	207	3	4	64	14	70	526
Total Operating Expenses	<u>3,646</u>	<u>6,361</u>	<u>1,532</u>	<u>405</u>	<u>57,063</u>	<u>3,528</u>	<u>1,087</u>	<u>73,622</u>
Operating Income (Loss)	<u>131</u>	<u>1,082</u>	<u>(1,053)</u>	<u>(403)</u>	<u>(30,129)</u>	<u>257</u>	<u>848</u>	<u>(29,267)</u>
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	135	450	1,964	2	32,666	24	(1)	35,240
Investment Earnings:								
Net Increase (Decrease) in the								
Fair Value of Investments	2	79	2	6	15	9	9	122
Interest	10	---	---	94	318	127	---	549
Penalties and Unclaimed Properties	---	31,876	---	---	16	---	---	31,892
Disposal of Capital Assets	(1)	(18)	(14)	---	(3)	---	---	(36)
Total Non-Operating Revenues (Expenses)	<u>146</u>	<u>32,387</u>	<u>1,952</u>	<u>102</u>	<u>33,012</u>	<u>160</u>	<u>8</u>	<u>67,767</u>
Income (Loss) Before Transfers	277	33,469	899	(301)	2,883	417	856	38,500
Transfers In	---	---	---	1,261	---	---	---	1,261
Transfers Out	---	---	---	---	---	(30)	---	(30)
Change in Net Assets	277	33,469	899	960	2,883	387	856	39,731
Total Net Assets - Beginning	467	34,186	4,744	2,357	1,695	2,872	2,367	48,688
Total Net Assets - Ending	<u>\$ 744</u>	<u>\$ 67,655</u>	<u>\$ 5,643</u>	<u>\$ 3,317</u>	<u>\$ 4,578</u>	<u>\$ 3,259</u>	<u>\$ 3,223</u>	<u>\$ 88,419</u>

**STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2008
Cash Flows from Operating Activities:								
Receipts from Internal Customers and Users	\$ 44	\$ ---	\$ ---	\$ ---	\$ ---	\$ 529	\$ ---	\$ 573
Receipts from External Customers and Users	3,733	6,963	459	---	26,838	2,980	1,931	42,904
Payments to Suppliers	(2,386)	(3,429)	(665)	(67)	(4,189)	(2,684)	(397)	(13,817)
Payments to Employees	(1,040)	(992)	(93)	(231)	(52,611)	(977)	(653)	(56,597)
Payments Made for Program Expense	(45)	(9)	---	(89)	(199)	---	---	(342)
Other Receipts (Payments)	(164)	293	36	(2)	93	261	(69)	448
Net Cash Provided (Used) by Operating Activities	142	2,826	(263)	(389)	(30,068)	109	812	(26,831)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	(61)	---	---	---	(61)
Due to/from Other Funds	23	---	(101)	(1)	1	6	(27)	(99)
Contributions and Intergovernmental	135	450	1,964	2	32,657	---	(1)	35,207
Transfers to/from Other Funds	---	---	---	1,261	---	(30)	---	1,231
Net Cash Provided (Used) by Non-Capital Financing Activities	158	450	1,863	1,201	32,658	(24)	(28)	36,278
Cash Flows from Capital and Related Financing Activities:								
Purchases and Construction of Capital Assets	(16)	(1,835)	(1,583)	---	(329)	(8)	---	(3,771)
Net Cash Provided (Used) by Capital and Related Financing Activities	(16)	(1,835)	(1,583)	---	(329)	(8)	---	(3,771)
Cash Flows from Investing Activities:								
Purchase of Investments	(317)	(31,124)	(87)	(997)	(2,789)	(509)	(996)	(36,819)
Interest and Dividends Received	10	---	---	94	339	137	---	580
Penalties and Other Receipts	---	31,876	---	---	16	---	---	31,892
Net Cash Provided (Used) by Investing Activities	(307)	752	(87)	(903)	(2,434)	(372)	(996)	(4,347)
Net Increase (Decrease) in Cash	(23)	2,193	(70)	(91)	(173)	(295)	(212)	1,329
Cash and Cash Equivalents, Beginning of Year	76	553	119	267	621	520	454	2,610
Cash and Cash Equivalents, End of Year	\$ 53	\$ 2,746	\$ 49	\$ 176	\$ 448	\$ 225	\$ 242	\$ 3,939
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	\$ 131	\$ 1,082	\$ (1,053)	\$ (403)	\$ (30,129)	\$ 257	\$ 848	\$ (29,267)
Depreciation Expense	25	1,705	757	10	339	54	12	2,902
Changes in Assets and Liabilities:								
Accounts Receivable	---	1	20	---	59	(1)	(3)	76
Inventories	1	(39)	(38)	---	(331)	(1)	(7)	(415)
Accounts Payable	10	67	52	1	(8)	(207)	(13)	(98)
Accrued Payroll	(6)	(4)	---	1	16	4	(7)	4
Unearned Revenue	---	19	(1)	---	2	---	---	20
Compensated Absences	(19)	(5)	---	2	(16)	3	(18)	(53)
Net Cash Provided (Used) by Operating Activities	\$ 142	\$ 2,826	\$ (263)	\$ (389)	\$ (30,068)	\$ 109	\$ 812	\$ (26,831)
Non-Cash Financing and Investing Activities:								
Capital Asset Donations	\$ ---	\$ 16	\$ ---	\$ ---	\$ 9	\$ 24	\$ ---	\$ 49
Increase (Decrease) in Fair Value of Investments	1	77	1	5	13	6	7	110
Net Non-Cash Financing and Investing Activities	\$ 1	\$ 93	\$ 1	\$ 5	\$ 22	\$ 30	\$ 7	\$ 159



*The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursement basis.*

Internal Service Funds:

Natural Resources Cost Allocation – Accounts for the administrative costs of the Department of Natural Resources.

Mental Health Interagency Payments – Accounts for moneys received through interagency agreements for services provided by other agencies.

State Facility Maintenance and Operation – Accounts for moneys collected from tenants for rent to cover the costs of operations in state-owned office buildings and institutions, charges to tenants in leased space to cover costs of real estate administrative services, and charges to capital improvement projects to cover the costs of project management services.

Office of Administration Revolving – Accounts for the following operations: printing services, flight operations, vehicle management, garage services, data processing and telecommunication services, building and grounds, insurance services, postage, and personnel administration.

Working Capital Revolving – Accounts for the operation of correctional industry programs and correctional farm programs.

General Government Revolving – Accounts for various service operations of the House of Representatives, Supreme Court, Adjutant General, Senate, Treasurer, and Department of Corrections.

Social Services Administrative Trust – Accounts for moneys transferred or paid to the Department of Social Services from any governmental entity or the public for goods and services provided.

Economic Development – Administrative – Accounts for moneys collected for goods and services provided to other divisions and used to pay the cost of providing such services.

Professional Registration Fees – Accounts for moneys received from the professional boards for administrative services.

Conservation Employees' Insurance Plan – Accounts for health insurance coverage on a self-insured basis and life insurance coverage by a third party provider for Department of Conservation employees.

Transportation Self-Insurance Plan – Accounts for highway and highway patrol moneys used to pay workers' compensation claims. Moneys are also used to pay auto claims against the Department of Transportation.

Missouri State Employees' Insurance Plan – Accounts for long-term disability and death benefits provided on a self-insured basis for state employees.

Missouri Consolidated Health Care Plan – Accounts for medical care benefits provided on a self-insured basis for active state employees.

MoDOT and MSHP Medical and Life Insurance Plan – Accounts for the medical coverage provided on a self-insured basis and death benefits provided on an insured basis to Department of Transportation employees and members of the Missouri State Highway Patrol.

**STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008
(In Thousands of Dollars)**

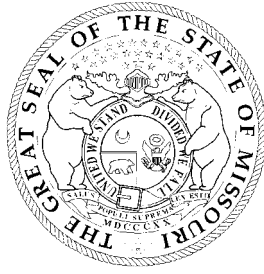
	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2008
ASSETS															
Current Assets:															
Cash and Cash Equivalents	\$ 85	\$ 424	\$ 246	\$ 849	\$ 644	\$ 1,847	\$ 24	\$ 20	\$ 6	\$ 682	\$ 230	\$ ---	\$ 143,591	\$ 1,866	\$ 150,514
Investments	1,039	5,169	5,509	12,286	7,867	22,537	300	248	74	5,982	64,673	2,344	30,916	28,387	187,331
Accounts Receivable, Net	---	---	---	1,576	763	25,149	---	---	---	523	---	1,034	18,643	1,393	49,081
Interest Receivable	---	---	---	---	---	---	---	---	---	30	590	---	---	---	620
Due from Other Funds	---	13	12,396	2,891	1,776	29	382	14	---	---	---	---	---	---	17,501
Inventories	9	16	7,401	670	13,287	---	80	2	12	---	---	---	---	---	21,477
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	99	---	99
Non-Current Assets:															
Restricted Assets:															
Cash and Cash Equivalents	---	---	26,585	655	---	---	---	---	---	---	---	---	---	---	27,240
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	---	---	228,094	1,003	500	---	---	---	---	---	---	---	---	---	229,597
Land	---	---	8,332	---	143	---	---	---	---	---	---	---	---	---	8,475
Land Improvements	---	---	3,090	---	62	---	---	---	---	---	---	---	---	---	3,152
Buildings	1,794	---	285,430	9,827	6,342	---	---	---	2,300	---	---	---	---	---	305,693
Equipment	5,798	3,127	8,815	43,788	23,746	107	226	456	1,876	---	---	---	2,758	---	90,697
Less Accumulated Depreciation	(4,462)	(2,518)	(160,810)	(40,839)	(24,720)	(72)	(183)	(380)	(2,256)	---	---	---	(2,153)	---	(238,393)
Total Capital Assets (Net of Accumulated Depreciation)	3,130	609	372,951	13,779	6,073	35	43	76	1,920	---	---	---	605	---	399,221
Total Assets	4,263	6,231	425,088	32,706	30,410	49,597	829	360	2,012	7,217	65,693	3,378	193,854	31,746	853,384
LIABILITIES															
Current Liabilities:															
Accounts Payable	168	222	3,536	2,450	121	478	44	17	95	143	10	3,052	18,322	1,411	30,069
Accrued Payroll	295	---	759	346	264	40	---	40	121	---	---	---	---	---	1,865
Due to Other Funds	79	---	191	77	109	6	33	3	25	---	---	---	---	---	523
Unearned Revenue	---	---	---	419	---	---	---	---	---	---	---	---	16,401	7,208	24,028
Claims Liability	---	---	---	---	---	---	---	---	---	1,264	14,407	---	38,094	12,400	66,165
Obligations under Lease Purchase	42	---	1,553	2,079	1	---	---	---	---	---	---	---	---	---	3,675
Compensated Absences	408	---	1,723	556	587	63	---	67	214	---	---	---	20	---	3,638
Notes Payable	---	---	177	---	---	---	---	---	---	---	---	---	---	---	177
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	50,764	---	---	---	50,764
Obligations under Lease Purchase	1,537	---	15,305	2,576	---	---	---	---	---	---	---	---	---	---	19,418
Compensated Absences	272	---	230	213	---	---	---	13	53	---	---	---	232	---	1,013
Notes Payable	---	---	3,570	---	---	---	---	---	---	---	---	---	---	---	3,570
Total Liabilities	2,801	222	27,044	8,716	1,082	587	77	140	508	1,407	65,181	3,052	73,069	21,019	204,905
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	1,551	609	356,093	9,124	6,072	35	43	76	1,920	---	---	---	605	---	376,128
Restricted for:															
Revenue Bonds	---	---	26,585	---	---	---	---	---	---	---	---	---	---	---	26,585
Other Purposes	---	---	---	655	---	---	---	---	---	---	200	---	---	100	955
Unrestricted	(89)	5,400	15,366	14,211	23,256	48,975	709	144	(416)	5,810	312	326	120,180	10,627	244,811
Total Net Assets	\$ 1,462	\$ 6,009	\$ 398,044	\$ 23,990	\$ 29,328	\$ 49,010	\$ 752	\$ 220	\$ 1,504	\$ 5,810	\$ 512	\$ 326	\$ 120,785	\$ 10,727	\$ 648,479

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2008
Operating Revenues:															
Employer Contributions	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,582	\$ 11,442	\$ ---	\$ 292,045	\$ 71,096	\$ 382,165
Employee Contributions	---	---	---	---	---	---	---	---	---	5,067	---	88,352	57,339	26,534	177,292
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	261	---	---	---	3,291	3,552
Licenses, Fees, and Permits	---	---	---	---	---	20,296	---	---	5,868	---	---	---	---	---	26,164
Sales	---	---	---	---	36,575	15	5	---	---	---	---	---	---	---	36,595
Leases and Rentals	---	---	39,744	---	111	13	5	---	---	---	---	---	---	---	39,873
Charges for Services	11,607	5,505	65,136	66,247	2	2,202	5,370	1,778	---	---	---	---	---	---	157,847
Cost Reimbursement/Miscellaneous	17	---	52	40,646	4	29	---	71	3	221	705	536	---	1,623	43,907
Total Operating Revenues	11,624	5,505	104,932	106,893	36,692	22,555	5,380	1,849	5,871	13,131	12,147	88,888	349,384	102,544	867,395
Operating Expenses:															
Cost of Goods Sold	---	---	---	8,405	18,036	---	---	---	---	---	---	---	---	---	26,441
Personal Service	8,293	6	26,391	11,152	9,478	1,207	---	1,396	4,207	---	---	572	3,292	---	65,994
Operations	2,644	323	63,891	79,145	3,599	6,308	5,495	159	1,478	1,667	655	166	21,316	5,584	192,430
Inventories	123	2	140	845	152	15	16	9	114	---	---	---	---	---	1,416
Specific Programs	9	3,277	28	---	32	486	---	---	15	---	---	---	---	---	3,847
Insurance Benefits	---	---	---	---	---	---	---	---	---	11,085	31,448	88,299	357,622	101,118	589,572
Depreciation	513	452	6,820	2,446	1,211	9	35	51	334	---	---	---	318	---	12,189
Other Charges	204	3	237	1,104	1,689	114	---	37	120	11	---	---	---	47	3,566
Total Operating Expenses	11,786	4,063	97,507	103,097	34,197	8,139	5,546	1,652	6,268	12,763	32,103	89,037	382,548	106,749	895,455
Operating Income (Loss)	(162)	1,442	7,425	3,796	2,495	14,416	(166)	197	(397)	368	(19,956)	(149)	(33,164)	(4,205)	(28,060)
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	---	---	---	---	---	23	---	---	---	---	---	---	---	---	23
Interest Expense	---	---	(1,010)	(238)	---	---	---	---	---	---	---	---	---	---	(1,248)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	4	15	8	37	25	66	1	1	---	(12)	630	---	---	276	1,051
Interest	---	---	2,678	---	---	---	---	---	---	290	2,819	77	7,099	1,021	13,984
Penalties and Unclaimed Properties	---	---	---	---	---	---	2	---	---	---	---	---	---	---	2
Disposal of Capital Assets	(2)	(3)	(5)	(5)	(7)	---	(1)	(6)	---	---	---	---	---	---	(30)
Total Non-Operating Revenues (Expenses)	2	12	1,671	(206)	18	89	2	---	(6)	278	3,449	77	7,099	1,297	13,782
Income (Loss) Before Transfers	(160)	1,454	9,096	3,590	2,513	14,505	(164)	197	(403)	646	(16,507)	(72)	(26,065)	(2,908)	(14,278)
Capital Contributions	---	---	268	---	---	---	---	---	---	---	---	---	---	---	268
Transfers In	---	---	5,222	---	---	---	---	---	2	---	---	---	---	---	5,224
Transfers Out	---	---	---	(442)	---	(67)	---	---	---	---	---	---	---	---	(509)
Change in Net Assets	(160)	1,454	14,586	3,148	2,513	14,438	(164)	197	(401)	646	(16,507)	(72)	(26,065)	(2,908)	(9,295)
Total Net Assets - Beginning	1,622	4,555	383,458	20,842	26,815	34,572	916	23	1,905	5,164	17,019	398	146,850	13,635	657,774
Total Net Assets - Ending	\$ 1,462	\$ 6,009	\$ 398,044	\$ 23,990	\$ 29,328	\$ 49,010	\$ 752	\$ 220	\$ 1,504	\$ 5,810	\$ 512	\$ 326	\$ 120,785	\$ 10,727	\$ 648,479

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHHP Medical and Life Insurance Plan	Totals June 30, 2008
Cash Flows from Operating Activities:															
Receipts from Internal Customers and Users	\$ 11,607	\$ 5,308	\$ 104,945	\$ 36,411	\$ 26,947	\$ 486	\$ 5,564	\$ 1,765	\$ 5,868	\$ 7,582	\$ 11,442	\$ ---	\$ 290,212	\$ 71,372	\$ 579,509
Receipts from External Customers and Users	---	197	---	29,864	10,406	16,668	20	15	---	5,326	---	88,301	57,339	30,551	238,687
Payments to Suppliers	(2,730)	(103)	(68,993)	(87,849)	(23,832)	(6,464)	(5,523)	(164)	(1,601)	(1,595)	(767)	(87)	(10,764)	(5,999)	(216,471)
Payments to Employees	(8,116)	(8)	(26,199)	(11,160)	(9,483)	(1,215)	---	(1,374)	(4,205)	---	---	(572)	(3,257)	---	(65,589)
Payments Made for Program Expense	(9)	(3,277)	(28)	---	(32)	(486)	---	---	(15)	(11,083)	(17,592)	(88,299)	(362,582)	(99,718)	(583,121)
Other Receipts (Payments)	(187)	(3)	(185)	39,542	(1,685)	(85)	---	34	(117)	210	705	536	---	1,576	40,341
Net Cash Provided (Used) by Operating Activities	565	2,114	9,540	6,808	2,321	8,904	61	276	(70)	440	(6,212)	(121)	(29,052)	(2,218)	(6,644)
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	34	(10)	(9,790)	(428)	(805)	(3)	(124)	(3)	(9)	---	---	---	---	---	(11,138)
Contributions and Intergovernmental Transfers to/from Other Funds	---	---	---	---	---	23	---	---	---	---	---	---	---	---	23
Net Cash Provided (Used) by Non-Capital Financing Activities	34	(10)	(9,790)	(428)	(805)	(3)	(124)	(3)	(9)	---	---	---	---	---	(11,138)
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	---	---	(1,010)	(238)	---	---	---	---	---	---	---	---	---	---	(1,248)
Purchase or Construction of Capital Assets	(774)	(9)	(76,727)	(1,564)	(410)	(9)	---	(39)	(108)	---	---	---	(496)	---	(80,136)
Bonds and Notes Payable	---	---	(158)	---	---	---	---	---	---	---	---	---	---	---	(158)
Capital Lease Downpayment/Obligations	(1)	---	(324)	(1,523)	(17)	---	---	---	---	---	---	---	(42)	---	(1,907)
Net Cash Used by Capital and Related Financing Activities	(775)	(9)	(78,219)	(3,325)	(427)	(9)	---	(39)	(108)	---	---	---	(538)	---	(83,449)
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	15	---	50,220	---	---	---	12	---	---	---	202,974	590,202	---	88,112	931,535
Purchase of Investments	---	(2,332)	---	(4,196)	(1,849)	(9,938)	---	(220)	(74)	(693)	(199,707)	(590,161)	(445)	(88,955)	(898,570)
Interest and Dividends Received	---	---	2,678	---	---	---	---	---	---	283	3,175	77	7,099	1,021	14,333
Penalties and Other Receipts	---	---	---	---	---	---	2	---	---	---	---	---	---	---	2
Net Cash Provided (Used) by Investing Activities	15	(2,332)	52,898	(4,196)	(1,849)	(9,938)	14	(220)	(74)	(410)	6,442	118	6,654	178	47,300
Net Increase (Decrease) in Cash	(161)	(237)	(20,349)	(1,583)	(760)	(1,090)	(49)	14	(259)	30	230	(3)	(22,936)	(2,040)	(49,193)
Cash and Cash Equivalents, Beginning of Year	246	661	47,180	3,087	1,404	2,937	73	6	265	652	---	3	166,527	3,906	226,947
Cash and Cash Equivalents, End of Year	\$ 85	\$ 424	\$ 26,831	\$ 1,504	\$ 644	\$ 1,847	\$ 24	\$ 20	\$ 6	\$ 682	\$ 230	\$ ---	\$ 143,591	\$ 1,866	\$ 177,754
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	\$ (162)	\$ 1,442	\$ 7,425	\$ 3,796	\$ 2,495	\$ 14,416	\$ (166)	\$ 197	\$ (397)	\$ 368	\$ (19,956)	\$ (149)	\$ (33,164)	\$ (4,205)	\$ (28,060)
Depreciation Expense	513	452	6,820	2,446	1,211	9	35	51	334	---	---	---	318	---	12,189
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	65	83	665	(5,372)	204	2	---	(2)	---	(51)	828	277	(3,301)
Inventories	---	---	(5,801)	582	(2,048)	---	17	---	---	---	---	---	---	---	(7,250)
Prepaid Items	---	---	---	---	---	---	---	---	---	117	---	---	(80)	---	37
Accounts Payable	37	222	839	(36)	3	(141)	(29)	4	(9)	72	(229)	79	10,632	(415)	11,029
Accrued Payroll	57	(2)	23	17	8	(2)	---	3	(11)	---	---	---	---	---	93
Unearned Revenue	---	---	---	(55)	---	---	---	---	---	---	---	---	(2,661)	725	(1,991)
Claims Liability	---	---	---	---	---	---	---	---	---	2	13,856	---	(4,960)	1,400	10,298
Compensated Absences	120	---	169	(25)	(13)	(6)	---	19	13	---	---	---	35	---	312
Net Cash Provided (Used) by Operating Activities	\$ 565	\$ 2,114	\$ 9,540	\$ 6,808	\$ 2,321	\$ 8,904	\$ 61	\$ 276	\$ (70)	\$ 440	\$ (6,212)	\$ (121)	\$ (29,052)	\$ (2,218)	\$ (6,644)
Non-Cash Financing and Investing Activities:															
Capital Lease Issuance	\$ ---	\$ ---	\$ 16,342	\$ 3,296	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 19,638
Capital Asset Donations	---	---	274	---	---	---	---	---	2	---	---	---	---	---	276
Increase (Decrease) in Fair Value of Investments	2	12	7	28	18	52	1	1	---	19	630	---	---	276	1,046
Net Non-Cash Financing and Investing Activities	\$ 2	\$ 12	\$ 16,623	\$ 3,324	\$ 18	\$ 52	\$ 1	\$ 1	\$ 2	\$ 19	\$ 630	\$ ---	\$ ---	\$ 276	\$ 20,960



*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees' Retirement System:

Missouri State Employees' Plan – Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan – Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust – Accounts for health and welfare benefits paid for the exclusive benefit of current and future retired employees of the State who are not covered under another state-sponsored other post-employment benefit plan.

Missouri State Employees' Deferred Compensation Incentive (IRC 401a) Plan – Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees' Deferred Compensation (IRC 457) Plan – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust – Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

Unclaimed Property – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees' Voluntary Life Insurance – Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

Program – Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2008
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2008
ASSETS							
Cash and Cash Equivalents	\$ 714,626	\$ 6,876	\$ 110	\$ 15,646	\$ 139	\$ 490	\$ 737,887
Investments at Fair Value	7,286,120	70,105	1,685,750	---	314,261	1,094,631	10,450,867
Receivables:							
Accounts Receivable	97,275	1,938	35,006	13,571	180	724	148,694
Interest Receivable	---	---	4,209	---	---	---	4,209
Invested Securities							
Lending Collateral	981,008	9,439	61,380	---	---	---	1,051,827
Prepaid Expenses	83	1	8	---	---	---	92
Capital Assets:							
Land	264	3	84	---	---	---	351
Buildings	3,440	33	582	---	---	---	4,055
Equipment	1,761	17	1,145	---	---	---	2,923
Accumulated Depreciation	(2,169)	(21)	(234)	---	---	---	(2,424)
Total Capital Assets, Net	3,296	32	1,577	---	---	---	4,905
Total Assets	9,082,408	88,391	1,788,040	29,217	314,580	1,095,845	12,398,481
LIABILITIES							
Accounts Payable	150,975	1,453	7,984	124	178	628	161,342
Securities Lending Collateral	997,021	9,593	61,380	---	---	---	1,067,994
Unearned Revenue	---	---	---	2,996	---	---	2,996
Claims Liability	---	---	---	10,451	---	---	10,451
Obligations under Lease Purchase	---	---	1	---	---	---	1
Compensated Absences	382	4	---	---	---	---	386
Total Liabilities	1,148,378	11,050	69,365	13,571	178	628	1,243,170
Net Assets Held in Trust for Benefits	\$ 7,934,030	\$ 77,341	\$ 1,718,675	\$ 15,646	\$ 314,402	\$ 1,095,217	\$ 11,155,311

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees'	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan	Retirement System		401 (a) Plan	457 Plan	June 30, 2008
Additions:							
Contributions:							
Employer	\$ 249,770	\$ 26,215	\$ 123,335	\$ 76,906	\$ 16,663	\$ ---	\$ 492,889
Plan Member	3,085	---	---	40,826	---	91,803	135,714
Other	38	---	1,193	---	47,129	401	48,761
Total Contributions	252,893	26,215	124,528	117,732	63,792	92,204	677,364
Investment Earnings:							
Increase (Decrease) in Appreciation of Assets	(44,207)	(425)	(39,141)	---	(11,736)	(57,557)	(153,066)
Interest and Dividends	222,877	2,144	23,443	185	25,910	100,475	375,034
Securities Lending Income	49,767	479	3,848	---	---	---	54,094
Total Investment Earnings	228,437	2,198	(11,850)	185	14,174	42,918	276,062
Less Investment Expenses:							
Investment Activity Expense	(76,404)	(735)	(27,632)	---	---	---	(104,771)
Securities Lending Expense	(41,405)	(399)	(3,435)	---	---	---	(45,239)
Total Investment Expense	(117,809)	(1,134)	(31,067)	---	---	---	(150,010)
Net Investment Earnings	110,628	1,064	(42,917)	185	14,174	42,918	126,052
Cost Reimbursement/ Miscellaneous	572	6	32	---	---	---	610
Total Additions	364,093	27,285	81,643	117,917	77,966	135,122	804,026
Deductions:							
Benefits	479,854	22,058	185,801	94,400	31,678	---	813,791
Administrative Expenses	6,722	65	2,308	7,871	893	---	17,859
Program Distributions	---	---	---	---	---	116,143	116,143
Service Transfer Payments	251	---	---	---	---	---	251
Depreciation	229	2	63	---	---	---	294
Total Deductions	487,056	22,125	188,172	102,271	32,571	116,143	948,338
Change in Net Assets	(122,963)	5,160	(106,529)	15,646	45,395	18,979	(144,312)
Net Assets Held in Trust for Benefits							
Beginning of Year	8,056,993	72,181	1,825,204	---	269,007	1,076,238	11,299,623
End of Year	\$ 7,934,030	\$ 77,341	\$ 1,718,675	\$ 15,646	\$ 314,402	\$ 1,095,217	\$ 11,155,311

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2008
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2008
ASSETS				
Cash and Cash Equivalents	\$ 302	\$ 3	\$ 732	\$ 1,037
Investments at Fair Value	3,684	89	8,925	12,698
Interest Receivable	30	---	---	30
Inventories	---	---	1	1
Capital Assets:				
Equipment	---	---	51	51
Less: Accumulated Depreciation	---	---	(26)	(26)
Total Capital Assets, Net	---	---	25	25
Total Assets	4,016	92	9,683	13,791
LIABILITIES				
Accounts Payable	881	---	16	897
Accrued Payroll	---	---	21	21
Total Liabilities	881	---	37	918
NET ASSETS				
Net Assets Held in Trust for Other Purposes	\$ 3,135	\$ 92	\$ 9,646	\$ 12,873

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

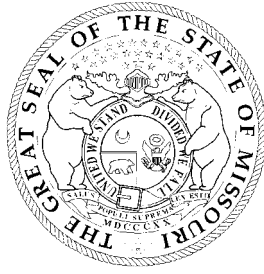
	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2008
Additions:				
Increase (Decrease) in Appreciation of Assets	\$ 12	\$ ---	\$ 33	\$ 45
Interest	187	2	---	189
Total Investment Earnings	199	2	33	234
Unclaimed Property	---	---	29,261	29,261
Cost Reimbursement/Miscellaneous	11,149	---	30	11,179
Total Additions	11,348	2	29,324	40,674
Deductions:				
Administrative Expenses	---	---	2,696	2,696
Program Distributions	11,848	---	30,643	42,491
Depreciation	---	---	9	9
Total Deductions	11,848	---	33,348	45,196
Change in Net Assets	(500)	2	(4,024)	(4,522)
Net Assets – Beginning	3,635	90	13,670	17,395
Net Assets – Ending	\$ 3,135	\$ 92	\$ 9,646	\$ 12,873

**STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals June 30, 2008
ASSETS					
Cash and Cash					
Equivalents	\$ 8	\$ 10	\$ 19,400	\$ 28,543	\$ 47,961
Investments at					
Fair Value	94	124	380,643	1,274	382,135
Receivables:					
Accounts Receivable	6,254	---	193,577	317	200,148
Interest Receivable	---	---	685	---	685
Total Assets	<u>\$ 6,356</u>	<u>\$ 134</u>	<u>\$ 594,305</u>	<u>\$ 30,134</u>	<u>\$ 630,929</u>
LIABILITIES					
Accounts Payable	\$ ---	\$ ---	\$ 31	\$ ---	\$ 31
Due to Other Entities	6,356	134	591,119	---	597,609
Due to Individuals	---	---	3,155	30,134	33,289
Total Liabilities	<u>\$ 6,356</u>	<u>\$ 134</u>	<u>\$ 594,305</u>	<u>\$ 30,134</u>	<u>\$ 630,929</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>SOCIAL SECURITY CONTRIBUTIONS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 20	\$ 155,001	\$ 155,013	\$ 8
Investments at Fair Value	81	94	81	94
Accounts Receivable	6,089	6,254	6,089	6,254
Total Assets	<u>\$ 6,190</u>	<u>\$ 161,349</u>	<u>\$ 161,183</u>	<u>\$ 6,356</u>
LIABILITIES				
Due to Other Entities	<u>\$ 6,190</u>	<u>\$ 470,493</u>	<u>\$ 470,327</u>	<u>\$ 6,356</u>
<u>MISSOURI STATE EMPLOYEES'</u>				
<u>VOLUNTARY LIFE INSURANCE</u>				
ASSETS				
Cash and Cash Equivalents	\$ ---	\$ 3,281	\$ 3,271	\$ 10
Investments at Fair Value	---	124	---	124
Total Assets	<u>\$ ---</u>	<u>\$ 3,405</u>	<u>\$ 3,271</u>	<u>\$ 134</u>
LIABILITIES				
Due to Other Entities	<u>\$ ---</u>	<u>\$ 3,281</u>	<u>\$ 3,147</u>	<u>\$ 134</u>
<u>PROGRAM</u>				
ASSETS				
Cash and Cash Equivalents	\$ 15,416	\$ 5,673,463	\$ 5,669,479	\$ 19,400
Investments at Fair Value	352,653	548,680	520,690	380,643
Receivables:				
Accounts Receivable	62,159	171,122	39,704	193,577
Interest Receivable	1,546	7,420	8,281	685
Total Assets	<u>\$ 431,774</u>	<u>\$ 6,400,685</u>	<u>\$ 6,238,154</u>	<u>\$ 594,305</u>
LIABILITIES				
Accounts Payable	\$ 30	\$ 393	\$ 392	\$ 31
Due to Other Entities	426,171	6,119,881	5,954,933	591,119
Due to Individuals	5,573	245,760	248,178	3,155
Total Liabilities	<u>\$ 431,774</u>	<u>\$ 6,366,034</u>	<u>\$ 6,203,503</u>	<u>\$ 594,305</u>
<u>INSTITUTION</u>				
ASSETS				
Cash and Cash Equivalents	\$ 26,708	\$ 149,270	\$ 147,435	\$ 28,543
Investments at Fair Value	1,195	141	62	1,274
Accounts Receivable	295	32	10	317
Total Assets	<u>\$ 28,198</u>	<u>\$ 149,443</u>	<u>\$ 147,507</u>	<u>\$ 30,134</u>
LIABILITIES				
Due to Individuals	<u>\$ 28,198</u>	<u>\$ 149,443</u>	<u>\$ 147,507</u>	<u>\$ 30,134</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 42,144	\$ 5,981,015	\$ 5,975,198	\$ 47,961
Investments at Fair Value	353,929	549,039	520,833	382,135
Receivables:				
Accounts Receivable	68,543	177,408	45,803	200,148
Interest Receivable	1,546	7,420	8,281	685
Total Assets	<u>\$ 466,162</u>	<u>\$ 6,714,882</u>	<u>\$ 6,550,115</u>	<u>\$ 630,929</u>
LIABILITIES				
Accounts Payable	\$ 30	\$ 393	\$ 392	\$ 31
Due to Other Entities	432,361	6,593,655	6,428,407	597,609
Due to Individuals	33,771	395,203	395,685	33,289
Total Liabilities	<u>\$ 466,162</u>	<u>\$ 6,989,251</u>	<u>\$ 6,824,484</u>	<u>\$ 630,929</u>



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Non-Major Component Units:

Missouri Development Finance Board – Accounts for moneys from bond proceeds, gifts, and grants to make loans for industrial development.

Missouri Agricultural and Small Business Development Authority – Accounts for moneys from bond proceeds, gifts, and grants to make loans for property acquisitions/renovations and pollution control facilities.

Missouri Transportation Finance Corporation – Accounts for moneys from federal, state or local sources, and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2008
(In Thousands of Dollars)

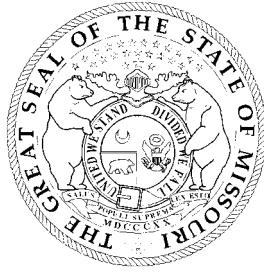
	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 17,818	\$ 338	\$ 2,838	\$ 20,994
Investments	18,045	1,706	6,665	26,416
Interest Receivable	239	19	896	1,154
Prepaid Items	150	---	---	150
Loans Receivable	279	983	8,073	9,335
Non-Current Assets:				
Advance to Primary Government	---	---	6,167	6,167
Loans Receivable	6,025	3,349	3,596	12,970
Restricted Assets:				
Cash and Cash Equivalents	15,558	498	902	16,958
Investments	12,506	3,738	57,072	73,316
Capital Assets:				
Land	7,220	---	---	7,220
Buildings	49,614	---	---	49,614
Equipment	140	---	---	140
Less Accumulated Depreciation	(4,802)	---	---	(4,802)
Total Capital Assets (Net of Accumulated Depreciation)	52,172	---	---	52,172
Total Assets	122,792	10,631	86,209	219,632
LIABILITIES				
Current Liabilities:				
Accounts Payable	481	6	4	491
Due to Primary Government	---	983	---	983
Interest Payable	49	54	---	103
Bonds Payable	240	---	---	240
Non-Current Liabilities:				
Advance from Primary Government	---	3,851	---	3,851
Deposits and Reserves	21,204	---	---	21,204
Bonds Payable	31,610	---	---	31,610
Total Liabilities	53,584	4,894	4	58,482
NET ASSETS				
Invested in Capital Assets, Net	20,322	---	---	20,322
Restricted for:				
Other Purposes	5,795	4,236	76,311	86,342
Unrestricted	43,091	1,501	9,894	54,486
Total Net Assets	\$ 69,208	\$ 5,737	\$ 86,205	\$ 161,150

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
Operating Revenues:				
Licenses, Fees, and Permits	\$ 3,075	\$ 156	\$ 6	\$ 3,237
Interest on Receivables	317	---	1,064	1,381
Leases and Rentals	3,724	---	---	3,724
Cost Reimbursement/Miscellaneous	1,122	1	---	1,123
Total Operating Revenues	<u>8,238</u>	<u>157</u>	<u>1,070</u>	<u>9,465</u>
Operating Expenses:				
Personal Service	658	281	33	972
Operations	1,866	125	10	2,001
Specific Programs	1,501	187	---	1,688
Depreciation and Amortization	1,492	---	---	1,492
Bad Debt Expense	106	---	---	106
Other Charges	20	1	5	26
Total Operating Expenses	<u>5,643</u>	<u>594</u>	<u>48</u>	<u>6,285</u>
Operating Income (Loss)	<u>2,595</u>	<u>(437)</u>	<u>1,022</u>	<u>3,180</u>
Non-Operating Revenues (Expenses):				
Contributions and Intergovernmental	(10,714)	2	---	(10,712)
Investment Earnings:				
Increase (Decrease) in Fair Value of Investments	---	294	832	1,126
Interest	2,534	181	1,627	4,342
Interest Expense	(1,262)	(59)	---	(1,321)
Miscellaneous Expenses	---	---	(57)	(57)
Total Non-Operating Revenues (Expenses)	<u>(9,442)</u>	<u>418</u>	<u>2,402</u>	<u>(6,622)</u>
Change in Net Assets	(6,847)	(19)	3,424	(3,442)
Total Net Assets – Beginning	<u>76,055</u>	<u>5,756</u>	<u>82,781</u>	<u>164,592</u>
Total Net Assets – Ending	<u>\$ 69,208</u>	<u>\$ 5,737</u>	<u>\$ 86,205</u>	<u>\$ 161,150</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 5,835	\$ 138	\$ 901	\$ 6,874
Loans to Outside Entities	---	(1,250)	687	(563)
Payments to Vendors and Suppliers	(3,141)	(161)	(13)	(3,315)
Payments to Employees	(658)	(281)	(33)	(972)
Net Payments/Receipts for tax credit projects	(19,685)	---	---	(19,685)
Other Payments	---	(188)	(5)	(193)
Net Cash Provided (Used) by Operating Activities	(17,649)	(1,742)	1,537	(17,854)
Cash Flows from Non-Capital Financing Activities:				
Loans Receivable Principal Receipts	4,125	---	---	4,125
Loans Receivable Issuance	(253)	---	---	(253)
Due to/from Primary Government	---	257	---	257
Advance to/from Primary Government	---	551	5,991	6,542
Contributions and Intergovernmental	(540)	2	---	(538)
Net Cash Provided (Used) by Non-Capital Financing Activities	3,332	810	5,991	10,133
Cash Flows from Capital and Related Financing Activities:				
Interest Expense	(1,335)	(89)	---	(1,424)
Purchases and Construction of Capital Assets	(1,426)	---	---	(1,426)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,761)	(89)	---	(2,850)
Cash Flows from Investing Activities:				
Proceeds from Investment Maturities	109,938	186	---	110,124
Purchase of Investments	(92,794)	---	(7,641)	(100,435)
Interest	2,918	181	1,627	4,726
Investment Fees	---	---	(57)	(57)
Net Cash Provided (Used) by Investing Activities	20,062	367	(6,071)	14,358
Net Increase (Decrease) in Cash	2,984	(654)	1,457	3,787
Cash and Cash Equivalents, Beginning of Year	30,392	1,490	2,283	34,165
Cash and Cash Equivalents, End of Year	\$ 33,376	\$ 836	\$ 3,740	\$ 37,952
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,595	\$ (437)	\$ 1,022	\$ 3,180
Depreciation/Amortization Expense	1,492	---	---	1,492
Changes in Assets and Liabilities:				
Accounts Receivable	(33)	---	---	(33)
Interest Receivable	74	(19)	(169)	(114)
Deferred Charges	2	---	---	2
Prepaid Items	249	---	---	249
Loans Receivable	---	(1,250)	687	(563)
Accounts Payable	100	(36)	(3)	61
Deposit and Reserve	(22,128)	---	---	(22,128)
Net Cash Provided (Used) by Operating Activities	\$ (17,649)	\$ (1,742)	\$ 1,537	\$ (17,854)
Non-Cash Financing and Investing Activities:				
Increase (Decrease) in Fair Value of Investments	\$ ---	\$ 31	\$ 832	\$ 863
Net Non-Cash Financing and Investing Activities	\$ ---	\$ 31	\$ 832	\$ 863



*The **Statistical Section** presentations include Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information trends. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the State operates.*

Index and Overview

This part of the State's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Net Assets by Component	145
Changes in Net Assets	146
Fund Balances – Governmental Funds	147
Changes in Fund Balances – Governmental Funds	148

Revenue Capacity

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Revenue Base	149
Revenue Rates	150
Revenue Payers by Industry/Category	151

Debt Capacity

These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

Ratios of Outstanding Debt	152
Pledged Revenue Coverage	153

Demographic and Economic Information

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Demographic and Economic Indicators	154
Major Employers	155

Operating Information

These schedules contain operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

State Employees by Function	156
Operating Indicators by Function	157
Capital Asset Counts and Square Footage of Buildings Occupied by Function	158

Sources: Unless otherwise noted, the information in these schedules is derived from the State of Missouri Comprehensive Annual Financial Report for the years shown.

**STATE OF MISSOURI
NET ASSETS BY COMPONENT
FISCAL YEARS 2005-2008
(In Thousands of Dollars)**

	2008	2007*	2006	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 25,439,971	\$ 25,475,504	\$ 25,840,886	\$ 25,572,008
Restricted	5,968,804	5,032,619	3,824,769	3,250,204
Unrestricted	(2,373,765)	(1,909,993)	(1,453,203)	(1,321,738)
Total Governmental Activities Net Assets	\$ 29,035,010	\$ 28,598,130	\$ 28,212,452	\$ 27,500,474
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 41,755	\$ 40,922	\$ 39,669	\$ 43,304
Restricted	45,362	9,517	3,942	12,407
Unrestricted	329,511	185,453	33,993	(151,323)
Total Business-Type Activities Net Assets	\$ 416,628	\$ 235,892	\$ 77,604	\$ (95,612)
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 25,481,726	\$ 25,516,426	\$ 25,880,555	\$ 25,615,312
Restricted	6,014,166	5,042,136	3,828,711	3,262,611
Unrestricted	(2,044,254)	(1,724,540)	(1,419,210)	(1,473,061)
Total Primary Government Net Assets	\$ 29,451,638	\$ 28,834,022	\$ 28,290,056	\$ 27,404,862

*Fiscal year 2007 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2008
(In Thousands of Dollars)**

	2008	2007*	2006	2005
Governmental Activities :				
Expenses				
General Government	\$ 1,209,716	\$ 1,092,613	\$ 981,614	\$ 1,035,396
Education	6,379,185	6,042,581	5,773,048	5,669,627
Natural and Economic	1,006,506	928,873	867,915	834,269
Transportation and Law Enforcement	2,255,196	2,303,272	2,025,341	2,189,839
Human Services	9,876,119	9,191,994	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	174,450	149,987	130,438	126,202
Total Expenses	20,901,172	19,709,320	19,669,008	19,626,984
Program Revenues				
Charges for Services	1,816,377	1,685,635	1,611,022	1,453,667
Operating Grants and Contributions	8,669,295	7,828,289	7,758,885	7,767,831
Capital Grants and Contributions	387	306	---	---
Total Program Revenues	10,486,059	9,514,230	9,369,907	9,221,498
Total Governmental Activities Net Program Expense	(10,415,113)	(10,195,090)	(10,299,101)	(10,405,486)
General Revenues and Other Changes in Net Assets				
Taxes:				
Sales and Use	2,871,465	2,929,398	3,047,305	3,003,405
Individual Income	5,447,817	5,140,588	5,271,506	4,821,500
Corporate Income	463,826	496,378	520,324	351,116
County Foreign Insurance	186,566	178,507	186,647	163,952
Alcoholic Beverage	27,754	28,074	29,068	28,045
Corporate Franchise	82,360	69,704	76,574	118,343
Inheritance	3,073	5,351	15,319	41,832
Miscellaneous Taxes	1,173,076	1,164,171	1,307,727	1,334,595
Grants and Contributions not Restricted to Specific Programs	196,401	195,662	158,745	158,140
Unrestricted Investment Earnings	134,772	145,879	146,234	80,161
Transfers	264,883	256,687	258,773	207,159
Total General Revenues and Other Changes in Net Assets	10,851,993	10,610,399	11,018,222	10,308,248
Total Governmental Activities Change in Net Assets	\$ 436,880	\$ 415,309	\$ 719,121	\$ (97,238)
Business-Type Activities :				
Expenses				
State Lottery	\$ 740,279	\$ 689,426	\$ 665,848	\$ 575,667
Unemployment Compensation	498,318	444,962	412,937	501,098
Petroleum Storage Tank Insurance	21,516	16,249	13,243	25,944
Missouri Veteran's Homes	57,066	53,234	46,664	58,760
Non-Major Funds	16,643	16,498	20,764	13,345
Total Expenses	1,333,822	1,220,369	1,159,456	1,174,814
Revenues				
Charges for Services	1,106,483	1,011,407	989,703	857,674
Operating Grants and Contributions	657,534	618,071	603,727	542,984
Total Revenues	1,764,017	1,629,478	1,593,430	1,400,658
Total Business-Type Activities Net Program Expense	430,195	409,109	433,974	225,844
General Revenues and Other Changes in Net Assets				
Unrestricted Investment Earnings	15,424	5,684	(2,189)	3,213
Extraordinary Items	---	---	35	---
Transfers	(264,883)	(256,687)	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	(249,459)	(251,003)	(260,927)	(203,946)
Total Business-Type Activities Change in Net Assets	\$ 180,736	\$ 158,106	\$ 173,047	\$ 21,898
Total Primary Government Change in Net Assets	\$ 617,616	\$ 573,415	\$ 892,168	\$ (75,340)

*Fiscal year 2007 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2008
(In Thousands of Dollars)

	<u>2008</u>	<u>2007*</u>	<u>2006</u>	<u>2005</u>
General Fund				
Reserved	\$ 584,441	\$ 567,880	\$ 526,159	\$ 577,561
Unreserved	1,335,999	1,289,033	988,240	326,920
Total General Fund	<u>1,920,440</u>	<u>1,856,913</u>	<u>1,514,399</u>	<u>904,481</u>
All Other Governmental Funds				
Reserved	1,112,257	1,068,533	988,493	876,859
Unreserved, Reported in:				
Special Revenue Funds	1,289,868	1,184,853	1,192,431	1,043,965
Capital Projects Funds	927,694	542,038	213,026	251,124
Permanent Funds	116	88	96	87
Total All Other Governmental Funds	<u>3,329,935</u>	<u>2,795,512</u>	<u>2,394,046</u>	<u>2,172,035</u>
Total Fund Balances, Governmental Funds	<u>\$ 5,250,375</u>	<u>\$ 4,652,425</u>	<u>\$ 3,908,445</u>	<u>\$ 3,076,516</u>

*Fiscal year 2007 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2008
(In Thousands of Dollars)**

	2008	2007*	2006*	2005*
Revenues:				
Taxes	\$ 10,220,623	\$ 10,030,906	\$ 10,648,213	\$ 9,646,452
Licenses, Fees, and Permits	638,050	574,873	622,911	591,530
Sales	12,064	34,973	11,321	16,849
Leases and Rentals	438	373	155	2,143
Services	231,509	230,173	240,857	182,112
Contributions and Intergovernmental	8,866,111	8,025,979	7,930,499	7,901,109
Investment Earnings:				
Net Increase (Decrease) in the				
Fair Value of Investments	6,172	15,758	(113)	3,152
Interest	203,782	185,163	136,876	69,698
Penalties and Unclaimed Properties	64,015	63,151	83,174	25,854
Cost Reimbursement/Miscellaneous	507,689	478,419	427,916	441,555
Total Revenues	<u>20,750,453</u>	<u>19,639,768</u>	<u>20,101,809</u>	<u>18,880,454</u>
Expenditures:				
Current:				
General Government	1,021,589	924,531	875,069	865,414
Education	6,373,671	6,044,304	5,780,688	5,670,649
Natural and Economic Resources	853,872	820,483	783,277	804,478
Transportation and Law				
Enforcement	1,429,102	1,396,135	1,237,897	1,189,831
Human Services	9,835,109	9,160,077	9,826,860	9,811,224
Capital Outlay:				
General Government	---	320	386	245
Education	---	18,043	21,687	13,769
Transportation and Law				
Enforcement	1,144,171	1,244,625	1,117,018	846,465
Human Services	3,133	10,248	12,319	7,821
Debt Service:				
Principal	196,669	197,212	170,295	127,264
Interest	186,432	165,470	121,301	120,982
Bond Issuance Costs	2,694	5,775	1,821	---
Underwriter's Discount	390	247	---	326
Total Expenditures	<u>21,046,832</u>	<u>19,987,470</u>	<u>19,948,618</u>	<u>19,458,468</u>
Excess Revenues (Expenditures)	<u>(296,379)</u>	<u>(347,702)</u>	<u>153,191</u>	<u>(578,014)</u>
Other Financing Sources (Uses):				
Proceeds from Capital Leases	52,245	8,794	41,924	53,025
Capital Lease Termination Payment	(22,559)	---	---	---
Debt Issuance	576,800	920,000	350,660	---
Issuance of Refunding Bonds	---	394,870	---	157,605
Swap Termination Payment	(11,118)	---	---	---
Payments to Escrow Agent	---	(433,477)	---	(175,553)
Bond Premium	28,361	77,099	21,336	18,274
Proceeds from Capital Asset Sale	13,142	8,675	6,634	5,920
Transfers In	266,263	257,287	260,967	239,465
Transfers Out	(6,476)	(120,586)	(1,598)	(19,420)
Total Other Financing Sources (Uses)	<u>896,658</u>	<u>1,112,662</u>	<u>679,923</u>	<u>279,316</u>
Net Change in Fund Balances	<u>600,279</u>	<u>764,960</u>	<u>833,114</u>	<u>(298,698)</u>
Increase (Decrease) in Reserve for Inventory	<u>(2,329)</u>	<u>838</u>	<u>(129)</u>	<u>327</u>
Net Change in Fund Balances	<u><u>\$ 597,950</u></u>	<u><u>\$ 765,798</u></u>	<u><u>\$ 832,985</u></u>	<u><u>\$ (298,371)</u></u>
Debt Service as a Percentage of				
Non-Capital Expenditures	1.96%	1.99%	1.59%	1.35%

*Fiscal years 2005–2007 amounts have been restated.

**STATE OF MISSOURI
REVENUE BASE
FISCAL YEARS 2005-2008**

Taxable Sales by Industry	2008	2007	2006	2005
Agricultural/Forestry, Fishing, and Other	\$ 192,024,683	\$ 198,564,812	\$ 190,183,959	\$ 173,064,997
Mining	106,892,575	128,534,001	148,041,999	144,360,458
Construction	887,618,876	929,753,447	929,146,007	781,324,533
Manufacturing	2,995,302,916	2,862,904,859	3,217,299,757	3,033,835,702
Transportation and Public Utilities	7,130,631,754	7,673,318,253	7,285,790,054	6,950,561,788
Wholesale Trade	8,028,332,745	8,338,189,598	8,604,467,502	8,136,436,052
Retail Trade	46,413,720,906	46,166,130,737	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	538,271,852	529,797,617	533,582,629	507,350,286
Services	9,212,468,960	8,787,849,846	8,433,450,983	8,015,509,010
State and Local Government	162,520,783	161,631,024	156,947,658	84,808,852
Non-Classifiable	19,669,233	15,518,372	16,694,236	16,301,552
Total Taxable Sales	\$ 75,687,455,283	\$ 75,792,192,566	\$ 74,394,299,656	\$ 70,794,277,689
Direct Sales Tax Rate	4.225%	4.225%	4.225%	4.225%

Personal Income by Industry (In Thousands)	Calendar Year			
	2007	2006	2005	2004
Farm Earnings	\$ 916,392	\$ 684,947	\$ 942,505	\$ 1,447,414
Agricultural/Forestry, Fishing, and Other	322,550	316,768	313,690	315,180
Mining	637,091	589,065	539,704	414,217
Construction/Utilities	11,394,944	11,213,028	10,708,318	10,154,302
Manufacturing	19,825,185	19,777,856	18,883,609	18,909,957
Transportation and Public Utilities	5,876,147	5,649,625	5,442,431	5,275,278
Wholesale Trade	8,803,267	8,281,109	7,899,429	7,405,797
Retail Trade	10,082,485	9,813,026	9,612,689	9,231,804
Finance, Insurance, and Real Estate	11,569,320	11,164,861	10,725,944	10,367,607
Services	59,392,031	56,073,484	53,462,833	50,298,016
Federal, civilian	5,015,726	4,854,439	4,688,986	4,524,190
Military	2,308,090	2,121,049	1,992,472	1,847,477
State and Local Government	17,121,727	16,316,137	15,656,882	14,969,626
Total Personal Income	\$ 153,264,955	\$ 146,855,394	\$ 140,869,492	\$ 135,160,865
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%

Sources: Missouri Department of Revenue and Bureau of Economic Analysis.

**STATE OF MISSOURI
REVENUE RATES
FISCAL YEARS 2005-2008**

	2008	2007	2006	2005
Personal Income Tax Revenue	\$804,377,211	\$773,375,291	\$662,996,843	\$543,193,091
Personal Income (Federal AGI)	\$242,481,271,497	\$215,491,776,833	\$185,705,288,582	\$161,726,939,117
Taxable Income	\$172,825,313,183	\$157,963,987,815	\$133,414,355,787	\$114,900,652,083
Average Effective Rate:				
Federal Adjusted Gross	0.33%	0.36%	0.36%	0.34%
Taxable Income	0.47%	0.49%	0.50%	0.47%

**Ranges of Tax Rates on the Portion of
Taxable Income (In Thousands)**

	2008	2007	2006	2005
Tax Rate	1.5%	1.5%	1.5%	1.5%
Income Levels	1.1-2	1.1-2	1.1-2	1.1-2
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Levels	2.1-3	2.1-3	2.1-3	2.1-3
Tax Rate	2.5%	2.5%	2.5%	2.5%
Income Levels	3.1-4	3.1-4	3.1-4	3.1-4
Tax Rate	3.0%	3.0%	3.0%	3.0%
Income Levels	4.1-5	4.1-5	4.1-5	4.1-5
Tax Rate	3.5%	3.5%	3.5%	3.5%
Income Levels	5.1-6	5.1-6	5.1-6	5.1-6
Tax Rate	4.0%	4.0%	4.0%	4.0%
Income Levels	6.1-7	6.1-7	6.1-7	6.1-7
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Levels	7.1-8	7.1-8	7.1-8	7.1-8
Tax Rate	5.0%	5.0%	5.0%	5.0%
Income Levels	8.1-9	8.1-9	8.1-9	8.1-9
Tax Rate	6.0%	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+	9.1+

The State Sales and Use Tax Rate is 4.225%.

Source: Missouri Department of Revenue

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

**STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY/CATEGORY
FISCAL YEARS 2005-2008**

Sales Tax	2008	%	2007	%	2006	%	2005	%
Agricultural	\$ 8,113,043	0.25%	\$ 8,389,363	0.26%	\$ 8,035,272	0.26%	\$ 7,311,996	0.25%
Mining	4,516,211	0.14%	5,430,562	0.17%	6,254,774	0.20%	6,099,229	0.20%
Construction	37,501,898	1.17%	39,282,083	1.23%	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	126,551,548	3.96%	120,957,730	3.78%	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	301,269,192	9.42%	324,197,696	10.12%	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	339,197,058	10.61%	352,288,511	11.00%	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,960,979,708	61.32%	1,950,519,024	60.91%	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	22,741,986	0.71%	22,383,949	0.70%	22,543,866	0.72%	21,435,550	0.72%
Services	389,226,814	12.17%	371,286,656	11.60%	356,313,304	11.34%	338,655,256	11.32%
Government	6,866,503	0.22%	6,828,911	0.21%	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	831,025	0.03%	655,651	0.02%	705,332	0.02%	688,741	0.02%
Total	\$ 3,197,794,986	100.00%	\$ 3,202,220,136	100.00%	\$ 3,143,159,161	100.00%	\$ 2,991,058,232	100.00%

Personal Income *

	2008**			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
\$50,000 and under	3,471,050	78.35%	\$ 1,427,983,764	26.48%
\$50,000 – \$100,000	705,977	15.94%	1,450,514,807	26.89%
\$100,000 – \$250,000	188,582	4.26%	927,440,015	17.20%
\$250,000 – \$1,000,000	50,598	1.14%	752,972,135	13.96%
\$1,000,000 and over	13,731	0.31%	834,665,186	15.47%
Total	4,429,938	100.00%	\$ 5,393,575,907	100.00%

	2005**			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
\$50,000 and under	3,370,705	82.60%	\$ 1,381,799,422	34.47%
\$50,000 – \$100,000	543,861	13.33%	1,124,700,381	28.05%
\$100,000 – \$250,000	124,636	3.05%	616,542,538	15.38%
\$250,000 – \$1,000,000	33,760	0.83%	486,312,065	12.13%
\$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
Total	4,080,816	100.00%	\$ 4,008,911,851	100.00%

*Federal Adjusted Gross Income

**Per GASB Statement 44 (effective for statistical sections prepared for periods beginning after June 15, 2005), this schedule is to show the current year and nine years ago. Information not available prior to 2005.

Source: Missouri Department of Revenue

**STATE OF MISSOURI
RATIOS OF OUTSTANDING DEBT
FISCAL YEARS 2005-2008
(In Thousands of Dollars)**

	2008	2007 *	2006	2005
Governmental Activities				
General Obligation Bonds	\$ 666,165	\$ 684,515	\$ 739,935	\$ 790,910
Other Bonds	3,084,670	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	36,935	37,880	38,860	---
Certificates of Participation	105,325	113,990	122,255	124,490
Capital Leases	109,181	74,641	74,049	107,647
Total Governmental Activities	<u>\$ 4,002,276</u>	<u>\$ 3,571,901</u>	<u>\$ 2,848,239</u>	<u>\$ 2,632,862</u>
Debt as a Percentage of Personal Income ¹	2.0%	1.9%	1.6%	1.5%
Debt Per Capita ¹	\$ 681	\$ 612	\$ 492	\$ 458

**Legal Debt Margin Calculation for
Fiscal Year 2008:**

General Obligation Bonds Authorized (Legislative Debt Limit)	\$ 1,726,395
Unforeseen Emergency or Casual Deficiency	1,000
Less: General Obligation Issued	(1,489,494)
Legal Debt Margin	<u>\$ 237,901</u>

Legal Debt Margin Summary by Fiscal Year:

Legislative Debt Limit	\$ 1,726,395	\$ 1,686,395	\$ 1,646,395	\$ 1,606,395
Total Net Debt Applicable to Limit	(1,488,494)	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	<u>\$ 237,901</u>	<u>\$ 247,901</u>	<u>\$ 207,901</u>	<u>\$ 167,901</u>
Legal Debt Margin to Debt Limit Ratio	13.78%	14.70%	12.63%	10.45%

¹These ratios are calculated using personal income and population for the calendar year.
See *Demographic and Economic Indicators* for personal income and population data.

*Fiscal year 2007 has been restated.

**STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006–2008
(In Thousands of Dollars)**

Fiscal Year	Gross Revenues ¹	Less: Operating Expenses ²	Net Available Revenues	Debt Service		Coverage ³
				Principal	Interest	
State Facility Maintenance and Operation						
2008	\$ 48,576	\$ 11,157	\$ 37,419	\$ 15,965	\$ 11,017	1.4
2007	48,780	10,661	38,119	15,405	11,676	1.4
2006	49,474	12,078	37,396	14,130	11,054	1.5
Missouri Road Fund						
2008	\$ 1,049,645	\$ 279,823	\$ 769,822	\$ 62,515	\$ 105,117	4.6
2007	1,024,787	269,210	755,577	73,350	82,049	4.9
2006	727,870	N/A	727,870	63,149	49,248	6.5

N/A = not available

Source: Bond records and debt service schedules.

¹ Revenues for State Facility Maintenance and Operation consist of lease rental payments. Revenues for Missouri Road Fund consist of a portion of the taxes and fees received by the State from the motor fuel tax, sales tax on motor vehicles, use tax on motor vehicles, and revenue derived from motorists for their usage of the highways of the State.

² Operating Expenses do not include depreciation.

³ Coverage equals net available revenue divided by debt service.

**STATE OF MISSOURI
DEMOGRAPHIC AND ECONOMIC INDICATORS
CALENDAR YEARS 2004-2007**

	2007	2006	2005	2004
Population				
Missouri (In Thousands)	5,878	5,838	5,788	5,745
Change	0.7%	0.9%	0.7%	
National (In Thousands)	301,621	298,755	295,896	293,192
Change	1.0%	1.0%	0.9%	
Total Personal Income				
Missouri (In Thousands)	\$ 199,773,300	\$ 189,575,792	\$ 180,511,998	\$ 173,905,941
Change	5.4%	5.0%	3.8%	
National (In Thousands)	\$ 11,631,571,000	\$ 10,977,312,000	\$ 10,252,849,000	\$ 9,711,363,000
Change	6.0%	7.1%	5.6%	
Per Capita Personal Income				
Missouri	\$ 33,984	\$ 32,475	\$ 31,188	\$ 30,272
Change	4.6%	4.1%	3.0%	
National	\$ 38,564	\$ 36,744	\$ 34,650	\$ 33,123
Change	5.0%	6.0%	4.6%	
Resident Civilian Labor Force and Employment				
Civilian Labor Force (In Thousands)	3,031	3,016	2,997	2,986
Employed (In Thousands)	2,878	2,871	2,836	2,814
Unemployed (In Thousands)	153	145	161	172
Unemployment Rate	5.0%	4.8%	5.4%	5.8%
National Unemployment Rate	4.6%	4.6%	5.1%	5.5%
	2007-08	2006-07	2005-06	2004-05
School Enrollment (In Thousands)				
Elementary and Secondary Education	894	898	898	892
Higher Education – Private Institutions	250	243	240	235
Total Enrollment	1,144	1,141	1,138	1,127
% Change from Prior Year	0.3%	0.3%	1.0%	0.3%
Higher Education				
Public Community Colleges				
Number of Campuses	19	18	18	18
Number of Students				
(Full-Time Equivalent FTE)	54,900	52,377	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,352	1,332	1,309	1,291
State Technical College				
Number of Campuses	1	1	1	1
Number of Students				
(Full-Time Equivalent FTE)	891	888	885	854
Number of Regular Term Teaching Positions (FTE)	45	57	51	50
State Colleges/Universities				
Number of Campuses	14	14	14	14
Number of Students				
(Full-Time Equivalent FTE)	106,056	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,731	4,638	4,578	4,597

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics, Missouri Department of Elementary and Secondary Education, and Missouri Department of Higher Education.

**STATE OF MISSOURI
MAJOR EMPLOYERS
CALENDAR YEARS 2007 AND 1998**

2007		
Employer	Number of Employees	Percent of Total State Employment
State of Missouri ¹	63,000	2.19%
Wal-Mart Associates, Inc.	40,000 +	1.39%
University of Missouri	20,000 +	0.69%
U.S. Post Office	15,000 – 20,000	0.52% – 0.69%
Boeing Corporation	10,000 – 15,000	0.35% – 0.52%
Washington University	10,000 – 15,000	0.35% – 0.52%
Schnuck Markets, Inc.	7,500 – 10,000	0.26% – 0.35%
Barnes-Jewish Hospitals	7,500 – 10,000	0.26% – 0.35%
U.S. Department of Defense	7,500 – 10,000	0.26% – 0.35%
City of St. Louis	7,500 – 10,000	0.26% – 0.35%
Total	188,000 – 213,000	6.53% – 7.40%
Total Missouri Employment		2,878,399

1998		
Employer²	Number of Employees	Percent of Total State Employment
Wal-Mart Associates, Inc.	27,500 – 32,500	0.98% – 1.16%
Boeing Corporation	20,000 – 25,000	0.72% – 0.89%
Trans World Airlines, Inc.	10,000 – 15,000	0.36% – 0.54%
Washington University	10,000 – 15,000	0.36% – 0.54%
Schnuck Markets, Inc.	10,000 – 15,000	0.36% – 0.54%
May Department Stores	7,500 – 15,000	0.27% – 0.54%
Southwestern Bell Telephone Co.	7,500 – 10,000	0.27% – 0.36%
Barnes-Jewish Hospital	7,500 – 10,000	0.27% – 0.36%
Ford Motor Company	7,500 – 10,000	0.27% – 0.36%
Chrysler Corporation	7,500 – 10,000	0.27% – 0.36%
Total	115,000 – 157,500	4.13% – 5.65%
Total Missouri Employment		2,794,869

All figures are based on a calendar-year average.

¹Number of state employees includes only full-time personnel, and does not include college or university employees.

²Only includes major private employers.

Sources: Missouri Economic Research and Information Center,
State of Missouri CAFR-Fiscal Year 1999, State Employee Headcount report.

**STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-2008
FULL-TIME EQUIVALENTS***

	2008	2007	2006	2005
General Government				
Legislature	719	732	749	708
Judiciary	3,731	3,777	3,826	3,452
Public Defender	555	558	561	571
Governor	32	33	34	35
Lt. Governor	6	7	7	8
Secretary of State	277	275	266	262
State Auditor	128	127	132	142
State Treasurer	51	51	51	50
Attorney General	451	443	427	423
Office of Administration	2,046	1,783	868	899
Revenue	1,523	1,586	1,766	2,086
Total General Government	9,519	9,372	8,687	8,636
Education				
Elementary and Secondary Education	2,650	2,654	2,719	2,261
Higher Education	67	58	67	73
Total Education	2,717	2,712	2,786	2,334
Natural and Economic Resources				
Agriculture	479	467	456	388
Insurance, Financial Institutions and Professional Registration	748	192	200	207
Conservation	2,065	2,190	2,270	2,047
Economic Development	1,024	1,604	1,681	1,379
Labor and Industrial Relations	810	913	1,056	1,051
Natural Resources	2,102	2,061	2,175	2,019
Total Natural and Economic Resources	7,228	7,427	7,838	7,091
Transportation and Law Enforcement				
Transportation	6,961	7,196	7,300	7,024
Public Safety	5,294	5,085	5,101	4,927
Total Transportation and Law Enforcement	12,255	12,281	12,401	11,951
Human Services				
Health and Senior Services	1,885	1,877	1,969	2,048
Mental Health	9,500	9,602	9,784	9,571
Social Services	8,624	8,553	8,794	9,034
Corrections	11,020	11,138	11,235	11,493
Total Human Services	31,029	31,170	31,782	32,146
State Total	62,748	62,962	63,494	62,158

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan.

* Based on a four quarter average.

**STATE OF MISSOURI
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2006–2008**

	2008	2007	2006
General Government			
Individual Income Tax Returns Processed (in thousands)	3,013	3,902	2,770
Sales and Use Tax Returns Processed (in thousands)	788	1,055	742
Driver Licenses Processed (in thousands)	964	1,052	1,106
Motor Vehicle Registrations Processed (in thousands)	3,866	3,856	2,994
Audit Reports Issued	91	88	103
Statewide Court Filings (in thousands)*	2,196	2,027	2,152
Business Services Requests Made on Secretary of State Web Page (in thousands)	44,300	36,000	35,000
Checks Issued (in thousands)	2,807	3,035	3,309
Unclaimed Property Returned (in thousands)	\$ 34,531	\$ 22,966	\$ 21,816
Education			
High School Drop Out Rate*	4.2%	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	40.1%	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	67.7%	70.2%	67.6%
Guaranteed Student Loans (in thousands)	\$ 901,385	\$ 1,178,692	\$ 1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (in thousands)	\$ 89,728	\$ 41,466	\$ 41,845
Natural and Economic Resources			
Job Placement Rate of unemployed individuals that registered on Great Hires Web Page	66.0%	62.0%	63.3%
Insurance Policies Filed Electronically	50.0%	50.0%	50.0%
Initial Unemployment Claims (in thousands)	396	411	393
International Agricultural Exports (in thousands)	\$ 30,300	\$ 19,760	\$ 18,191
Hunting License Holders (in thousands)*	580	579	570
Visitors to Missouri State Parks and Historic Sites (in thousands)	15,576	16,069	16,650
Transportation and Law Enforcement			
Methamphetamines Labs Seized	274	259	375
State – licensed Fire Safety Inspections	11,998	11,684	9,848
Buildings Served by Missouri Capitol Police	82	82	79
Alcohol Arrests	736	954	1,084
Missouri Major Roads Rated in Good Condition	78.0%	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	0.9%	0.9%	3.1%
Human Services			
Medicaid Enrollees	833,112	822,685	830,262
Food Stamp Recipients	899,332	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (in thousands)	1,360	1,097	1,075
Incarcerated Offenders	30,803	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	6,882	7,805	7,772

*Previous fiscal year data was used since it was the most recent available.

Sources: State agencies.

**STATE OF MISSOURI
CAPITAL ASSET COUNTS AND SQUARE FOOTAGE
OF BUILDINGS OCCUPIED BY FUNCTION
FISCAL YEARS 2005–2008**

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
General Government				
Parcels of Land	21	20	18	15
Land Improvements	37	35	35	31
Square Footage of Buildings	1,001,281	996,590	991,800	1,071,699
Equipment	35,171	42,333	44,469	49,644
Education				
Parcels of Land	31	32	32	32
Land Improvements	31	31	31	29
Square Footage of Buildings	135,230	135,230	102,719	134,162
Equipment	6,010	6,679	6,780	6,723
Natural and Economic Resources				
Parcels of Land	815	811	815	812
Land Improvements	323	318	320	216
Square Footage of Buildings	625,779	622,887	528,136	370,505
Equipment	41,145	43,534	46,574	46,915
State Parks and Historic Sites	84	84	84	84
State Conservation Areas	1,165	1,151	1,148	1,140
Transportation and Law Enforcement				
Parcels of Land	836	853	862	1,608
Land Improvements	198	184	177	183
Square Footage of Buildings	154,995	158,081	157,658	157,172
Equipment	65,074	63,327	62,984	61,965
Miles of State Highway	33,685	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,276	10,240	10,224	10,190
Highway Patrol Stations	9	9	9	9
Human Services				
Parcels of Land	84	84	83	85
Land Improvements	118	115	115	112
Square Footage of Buildings	962,710	967,653	870,129	834,352
Equipment	91,178	98,649	107,434	106,334
Correctional Facilities	28	26	26	24

* Restated Square Footage of Buildings for 2007, 2006, and 2005.

Source: State of Missouri capital asset records by agency.

STATE OF MISSOURI
ACKNOWLEDGEMENTS

Report Prepared by:

Financial Reporting Section

Stacy M. Neal, *CPA, Assistant Director*
Lynn M. Cannon, *CPA, Manager*
Jessica L. Opie, *CPA, Supervisor*
Christina R. Evans, *Specialist*
Jackilyn J. Jones, *Specialist*
Diane M. Jurgensmeyer, *CGFM, Specialist*
Krista G. Porter, *Specialist*
Jessica K. Prater, *Analyst*
Nikol A. Rogers, *Specialist*
Luanne P. Yarnell, *Specialist*
Velda M. Staley, *Administrative Assistant*



Susan Montee, JD, CPA
Missouri State Auditor

PUBLIC SAFETY

Missouri Gaming Commission



December 2009
Report No. 2009-150

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Missouri Gaming Commission

Audit Findings

The audit report does not include any findings.

Organizational and Statistical Information

The Missouri Gaming Commission (commission) was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo. The commission is assigned to the Department of Public Safety (DPS) for administrative purposes. However, the Director of the DPS has no authority or control over the commission.

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo. Within the commission there is a Division of Gaming and a Division of Bingo. In addition, the commission is responsible for regulating horse racing.

During the 3 years ended June 30, 2009, over \$895 million of gaming proceeds were distributed to the Gaming Proceeds for Education Fund.

All reports are available on our Web site: auditor.mo.gov

Missouri Gaming Commission

Table of Contents

State Auditor's Report	2
------------------------	---

Organization and Statistical Information	4
--	---

Appendixes

	Combined Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments, Year Ended -	
A-1	June 30, 2009	6
A-2	June 30, 2008	7
A-3	June 30, 2007	8
B	Comparative Statement of Gaming Receipts and Distributions, Years Ended June 30, 2009, 2008, and 2007	9
C	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2009, 2008, and 2007	10
D	Comparative Statement of Expenditures (From Appropriations), Years Ended June 30, 2009, 2008, 2007, 2006, and 2005	11
E	Statement of Changes in General Capital Assets, Years Ended June 30, 2009, 2008, and 2007	12
F	Receipt and Distribution Charts, July 1, 1993, through June 30, 2009	13
G	Receipt and Distribution Charts, July 1, 1993, through June 30, 2009	14



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Missouri Gaming Commission
and
Gene McNary, Executive Director
Missouri Gaming Commission
Jefferson City, Missouri

We have audited the Missouri Gaming Commission. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2009, 2008, and 2007. The objectives of our audit were to:

1. Evaluate the Commission's internal controls over significant management and financial functions.
2. Evaluate the Commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Commission; analyzing comparative data from internal and external sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in our audit of the Commission.

No findings resulted from our audit of the Missouri Gaming Commission.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	Tina Gildehaus, M.Acct.
	Albert Borde-Koufie, MBA
	Ashley Lee, MBA
	Danielle Klaffenbach

Missouri Gaming Commission

Organization and Statistical Information

The Missouri Gaming Commission (commission) was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo. The commission is assigned to the Department of Public Safety (DPS) for administrative purposes. However, the Director of the DPS has no authority or control over the commission.

Section 313.822, RSMo, provides that a tax be imposed on the adjusted gross receipts (the gross receipts from licensed gambling games and devices less the winnings paid to wagerers) at the rate of 20 percent (increased to 21 percent as of November 2008). This section allows the home dock city or county to receive 10 percent of the adjusted gross receipts tax and the remainder to be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund. Furthermore, Article III, Section 39(d) of the Missouri Constitution requires all state revenues derived from gaming activities be appropriated solely for public institutions of elementary, secondary, and higher education.

Section 313.820, RSMo, provides that an excursion boat licensee shall pay to the commission an admission fee of two dollars for each person embarking on an excursion with a ticket of admission. One dollar shall be paid to the home dock city and county while the other dollar, per Section 313.835, RSMo, shall be deposited in the state treasury to the credit of the Gaming Commission Fund. This fund is for the purpose of funding the administrative costs of the commission relating to excursion gambling boat operations, subject to appropriation. This fund also includes revenues received by the commission for license fees, administrative fees, and reimbursement by any excursion gambling boat operations for services provided by the commission. Also, up to 1 cent of each dollar from admission fees deposited in the Gaming Commission Fund may be transferred to the Compulsive Gamblers Fund, pursuant to Section 313.842, RSMo. The Compulsive Gamblers Fund is used by the commission to administer the voluntary exclusion program for problem gamblers and programs to educate the public about problem gambling, and by the Department of Mental Health for its treatment programs.

Section 313.835, RSMo, also provides for various other annual transfers: 1) up to \$6 million to the Veterans' Commission Capital Improvement Trust Fund primarily for the construction, maintenance, renovation, and equipment needs of the state's veterans' homes and cemeteries, 2) up to \$4 million to the Missouri National Guard Trust Fund subject to appropriation for the Office of the Adjutant General, 3) up to \$5 million to the Access Missouri Financial Assistance Fund (formerly named the Missouri College Guarantee Fund) for financial assistance to qualified students in the state's public and private postsecondary institutions, and 4) the remaining net proceeds to the Early Childhood Development, Education, and Care Fund for voluntary, early childhood development, education and care programs for children not yet enrolled in kindergarten.



Missouri Gaming Commission Organization and Statistical Information

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo under Chapter 313, RSMo. Within the commission there is a Division of Gaming and a Division of Bingo. In addition, the commission is responsible for regulating horse racing under Chapter 313, RSMo. Section 313.720, RSMo, establishes the Missouri Breeders Fund, which provides incentives for breeders and owners of Missouri bred horses.

The Executive Director of the Missouri Gaming Commission is hired by the commission. Steve Johnson served as Acting Executive Director from March 2006 to July 2006. In July 2006, Gene McNary was appointed Executive Director and continues in this position.

The Missouri Gaming Commission consists of five members appointed by the governor, with the advice and consent of the Senate. Terms of members are for 3 years on a staggered basis. No person shall serve as a member more than 6 years. The chairman is appointed by the governor.

At June 30, 2009, members of the Missouri Gaming Commission were:

Name	Term Expires
Suzanne Bocell Bradley	April 2010
Larry W. Plunkett, Sr.	April 2010
Noel J. Shull	April 2011
Darryl T. Jones	April 2011
James L. Mathewson, Chairman	April 2012

At June 30, 2009, the Missouri Gaming Commission had 105 employees and 130 Missouri State Highway Patrol employees who are assigned to the commission and paid from the Gaming Commission Fund.

Appendix A-1

Missouri Gaming Commission

Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2009

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 52,232,350	0	0	52,232,350
Licenses, penalties, and fees	1,820,139	0	0	1,820,139
Reimbursement payments	13,832,647	0	0	13,832,647
Interest	120,408	0	2,604	123,012
Other	4,980	4,784	0	9,764
Total Receipts	68,010,524	4,784	2,604	68,017,912
DISBURSEMENTS				
Personal service	11,691,994	81,573	0	11,773,567
Employee fringe benefits	2,339,680	34,079	0	2,373,759
Expense and equipment	6,204,585	12,926	2,000	6,219,511
Cost allocation	153,939	134	18	154,091
Total Disbursements	20,390,198	128,712	2,018	20,520,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	47,620,326	(123,928)	586	47,496,984
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(1,951,493)	(376,720)	0	(2,328,213)
Transfers from:				
Gaming Commission Fund	0	523,017	0	523,017
Transfers to:				
Veterans' Commission Capital Improvement				
Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Access Missouri Financial Assistance Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and				
Care Fund	(29,898,622)	0	0	(29,898,622)
Compulsive Gamblers Fund	(523,017)	0	0	(523,017)
Total Financing Sources (Uses)	(47,373,132)	146,297	0	(47,226,835)
RECEIPTS OVER (UNDER) DISBURSEMENTS				
AND OTHER FINANCING SOURCES (USES)	247,194	22,369	586	270,149
CASH AND INVESTMENTS, JULY 1	1,538,103	248,693	98,561	1,885,357
CASH AND INVESTMENTS, JUNE 30	\$ 1,785,297	271,062	99,147	2,155,506

Appendix A-2

Missouri Gaming Commission

Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2008

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 50,443,830	0	0	50,443,830
Licenses, penalties, and fees	1,769,449	0	0	1,769,449
Reimbursement payments	11,640,535	13	0	11,640,548
Interest	241,244	0	4,670	245,914
Other	10,170	568	0	10,738
Total Receipts	64,105,228	581	4,670	64,110,479
DISBURSEMENTS				
Personal service	11,458,871	72,688	0	11,531,559
Employee fringe benefits	2,253,653	30,140	0	2,283,793
Expense and equipment	6,441,135	9,808	0	6,450,943
Cost allocation	157,906	268	17	158,191
Total Disbursements	20,311,565	112,904	17	20,424,486
RECEIPTS OVER (UNDER) DISBURSEMENTS	43,793,663	(112,323)	4,653	43,685,993
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(2,131,100)	(382,948)	0	(2,514,048)
Transfers from:				
Gaming Commission Fund	0	512,369	0	512,369
Transfers to:				
Veterans' Commission Capital Improvement				
Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Missouri College Guarantee Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and				
Care Fund	(28,561,307)	0	0	(28,561,307)
Compulsive Gamblers Fund	(512,369)	0	0	(512,369)
Total Financing Sources (Uses)	(46,204,776)	129,421	0	(46,075,355)
RECEIPTS OVER (UNDER) DISBURSEMENTS				
AND OTHER FINANCING SOURCES (USES)	(2,411,113)	17,098	4,653	(2,389,362)
CASH AND INVESTMENTS, JULY 1	3,949,216	231,595	93,908	4,274,719
CASH AND INVESTMENTS, JUNE 30	\$ 1,538,103	248,693	98,561	1,885,357

Appendix A-3

Missouri Gaming Commission

Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2007

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 50,902,478	0	0	50,902,478
Licenses, penalties, and fees	1,784,453	0	0	1,784,453
Reimbursement payments	10,036,990	0	0	10,036,990
Interest	267,784	0	4,205	271,989
Other	2,437	526	0	2,963
Total Receipts	<u>62,994,142</u>	<u>526</u>	<u>4,205</u>	<u>62,998,873</u>
DISBURSEMENTS				
Personal service	10,303,765	0	0	10,303,765
Employee fringe benefits	2,085,222	0	0	2,085,222
Expense and equipment	5,582,861	16,702	0	5,599,563
Cost allocation	153,234	342	11	153,587
Total Disbursements	<u>18,125,082</u>	<u>17,044</u>	<u>11</u>	<u>18,142,137</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>44,869,060</u>	<u>(16,518)</u>	<u>4,194</u>	<u>44,856,736</u>
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(2,059,836)	(382,655)	0	(2,442,491)
Transfers from:				
Gaming Commission Fund	0	248,173	0	248,173
Transfers to:				
Veterans' Commission Capital Improvement Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Missouri College Guarantee Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and Care Fund	(28,923,521)	0	0	(28,923,521)
Compulsive Gamblers Fund	(248,173)	0	0	(248,173)
Total Financing Sources (Uses)	<u>(46,231,530)</u>	<u>(134,482)</u>	<u>0</u>	<u>(46,366,012)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>(1,362,470)</u>	<u>(151,000)</u>	<u>4,194</u>	<u>(1,509,276)</u>
CASH AND INVESTMENTS, JULY 1	<u>5,311,686</u>	<u>382,595</u>	<u>89,714</u>	<u>5,783,995</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 3,949,216</u>	<u>231,595</u>	<u>93,908</u>	<u>4,274,719</u>

Appendix B

Missouri Gaming Commission Comparative Statement of Gaming Receipts and Distributions

	Year Ended June 30,		
	2009	2008	2007
Receipts			
Gaming proceeds	\$ 351,191,915	325,746,395	318,214,763
Admissions	104,464,700	100,885,824	101,804,957
Bingo taxes	2,142,815	2,154,878	2,282,012
Licenses, penalties, and fees	1,820,139	1,769,449	1,784,453
Reimbursement payments	13,832,647	11,640,625	10,036,990
Interest	147,003	281,052	352,385
Other	4,981	10,170	2,436
Total	\$ <u>473,604,200</u>	<u>442,488,393</u>	<u>434,477,996</u>
Distributions *			
Gaming Commission Fund	\$ 68,010,524	64,104,310	62,994,141
Gaming Proceeds for Education Fund	316,072,724	293,171,756	286,393,287
Home Dock Cities	87,351,542	83,017,552	82,723,955
Bingo Proceeds for Education Fund	2,166,806	2,190,105	2,362,408
Missouri Breeder's Fund	2,604	4,670	4,205
Total	\$ <u>473,604,200</u>	<u>442,488,393</u>	<u>434,477,996</u>

* Distributions represent distributions of receipts for the fiscal year, a portion of which is disbursed after the end of the fiscal year.

Appendix C

Missouri Gaming Commission
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2009			2008			2007		
	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
COMPULSIVE GAMBLERS FUND									
Personal Service	\$ 81,905	81,573	332	79,519	72,688	6,831	0	0	0
Expense And Equipment	60,000	12,926	47,074	60,000	9,808	50,192	40,000	16,702	23,298
Total Compulsive Gamblers Fund	141,905	94,499	47,406	139,519	82,496	57,023	40,000	16,702	23,298
GAMING COMMISSION FUND									
Fringe benefits and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission:									
Personal Service	4,809,328	3,593,196	1,216,132	4,809,328	3,761,111	1,048,217	4,809,328	3,409,156	1,400,172
Expense and Equipment	267,317	236,544	30,773	267,317	264,424	2,893	267,317	217,723	49,594
Refund any overpayment or erroneous payment of any amount credited to the Gaming Commission Fund	65,000	50,300	14,700	15,000	15,000	0	15,000	0	15,000
Divisions of Gaming and Bingo:									
Personal Service	13,123,450	11,691,994	1,431,456	12,741,214	11,458,871	1,282,343	13,065,921	10,303,765	2,762,156
Expense and Equipment	1,940,115	1,838,682	101,433	1,940,115	1,925,140	14,975	1,938,115	1,490,087	448,028
Payment of real property leases and related services and expenses-Expense and Equipment	593,890	485,863	108,027	581,530	475,460	106,070	524,704	465,895	58,809
National Council of Legislators from Gaming States Dues	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
Total Gaming Commission Fund	20,802,100	17,896,579	2,905,521	20,357,504	17,900,006	2,457,498	20,623,385	15,886,626	4,736,759
MISSOURI BREEDERS FUND									
Breeder incentive payments	5,000	2,000	3,000	5,000	0	5,000	5,000	0	5,000
Total Missouri Breeders Fund	5,000	2,000	3,000	5,000	0	5,000	5,000	0	5,000
Total All Funds	\$ 20,949,005	17,993,078	2,955,927	20,502,023	17,982,502	2,519,521	20,668,385	15,903,328	4,765,057

Appendix D

Missouri Gaming Commission Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2009	2008	2007	2006	2005
Personal services	\$ 11,773,566	11,531,559	10,303,765	9,474,726	8,937,896
Benefits	3,593,196	3,761,111	3,409,156	3,165,366	2,965,619
Travel, in-state	146,864	162,471	137,660	98,267	125,539
Travel, out-of-state	192,940	179,406	138,478	121,160	104,105
Fuel and utilities	29,083	28,978	25,929	25,837	24,840
Supplies	181,296	158,899	144,824	175,610	135,367
Professional development	88,217	85,087	77,449	29,264	61,690
Communication services and supplies	342,376	371,173	201,396	178,050	199,271
Professional services	348,081	512,615	215,604	247,544	267,785
Housekeeping and janitorial services	18,486	19,886	15,313	17,640	18,140
Maintenance and repair services	156,139	167,488	214,749	95,794	89,319
Computer equipment	319,081	149,401	317,051	108,223	85,008
Office equipment	25,122	33,815	21,671	10,589	14,919
Other equipment	21,204	83,376	12,660	11,036	2,099
Property and improvement	7,566	4,971	1,131	845	4,734
Building lease payments	438,869	428,476	427,472	409,754	411,062
Equipment rental and lease payments	636	1,656	1,948	3,068	2,976
Insurance and surety bond premiums	236,544	264,424	217,723	560,745	94,313
Miscellaneous expenditures	23,512	22,710	19,349	17,780	18,827
Refunds	50,300	15,000	0	146	0
Total Expenditures	\$ <u>17,993,078</u>	<u>17,982,502</u>	<u>15,903,328</u>	<u>14,751,444</u>	<u>13,563,509</u>

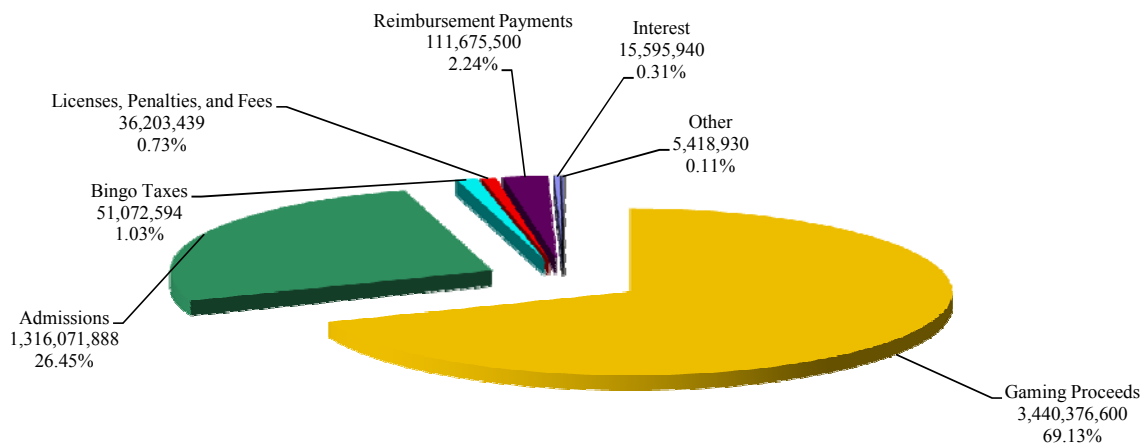
Appendix E

Missouri Gaming Commission Statement of Changes in General Capital Assets

Balance, June 30, 2006	\$	1,398,193
Additions		258,637
Dispositions		<u>(149,755)</u>
Balance, June 30, 2007		1,507,075
Additions		110,441
Dispositions		<u>(133,815)</u>
Balance, June 30, 2008		1,483,701
Additions		314,937
Dispositions		<u>(143,251)</u>
Balance, June 30, 2009	\$	<u><u>1,655,387</u></u>

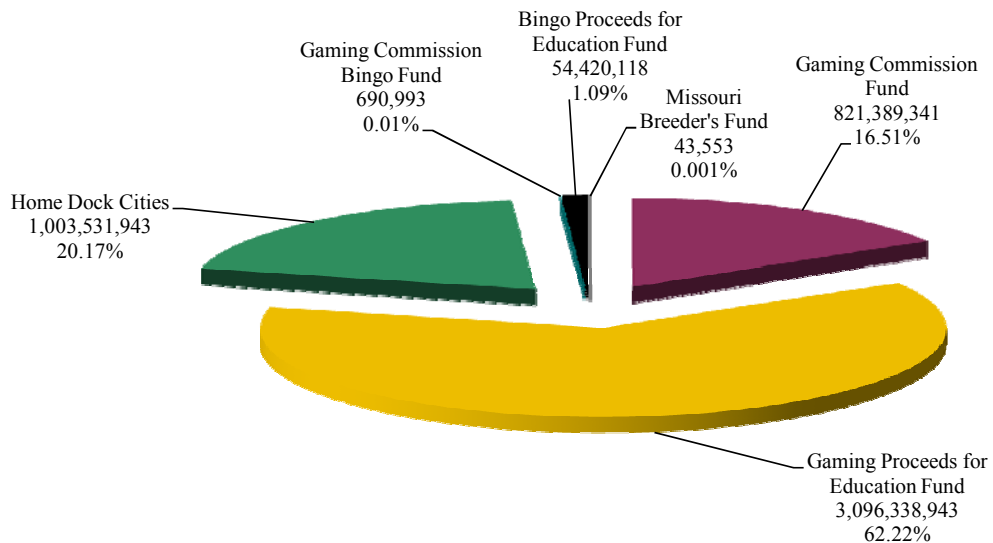
Missouri Gaming Commission
Receipt and Distribution Charts
July 1, 1993, through June 30, 2009

Receipts



Total Receipts: \$4,976,414,891

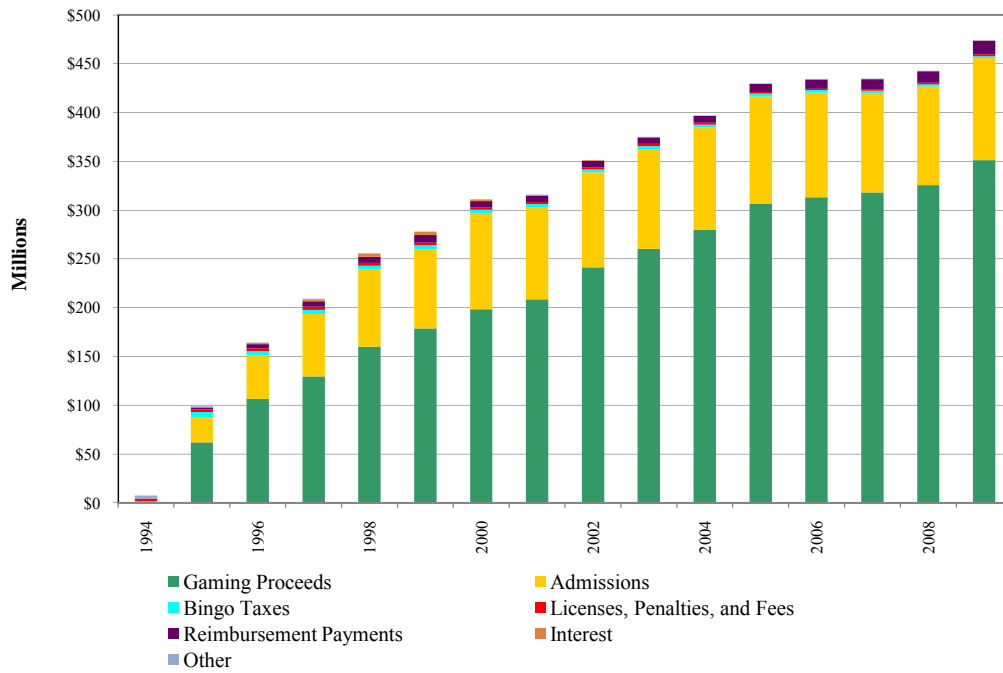
Distributions



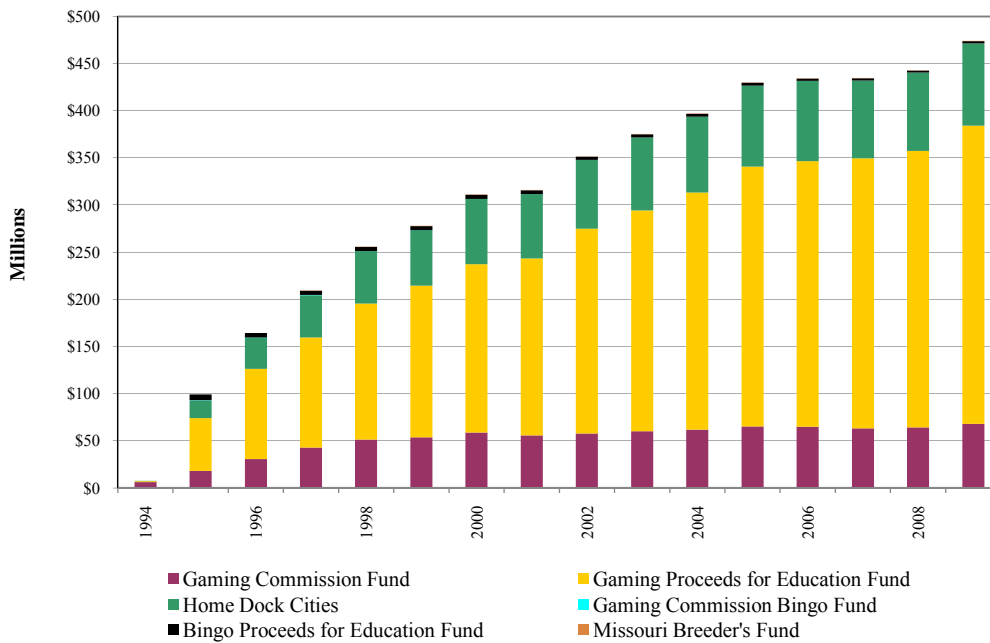
Total Distributions: \$4,976,414,891

Missouri Gaming Commission
Receipt and Distribution Charts
July 1, 1993, through June 30, 2009

Receipts



Distributions





Susan Montee, JD, CPA
Missouri State Auditor

Review of Independent Audits of Fire Protection Districts in Greene County



December 2009

Report No. 2009-149

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Greene County Fire Protection Districts

Executive Summary

Section 321.690, RSMo, requires all fire protection districts in Greene County with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. The West Republic Fire Protection District failed to comply with state law and did not file an audit report for the years ended December 31, 2008 and 2007. The Ash Grove Fire Protection District failed to comply with state law and did not file an audit report for the year ended December 31, 2008.

We reviewed the relationship of the General Fund balance at year end to the year's expenditures for the districts receiving audits for the years ended December 31, 2008 and 2007. The fund balance of the Brookline Fire Protection District has increased by 20 percent or more during the last 2 years. Additionally, six districts, Ash Grove, Battlefield, Bois D'Arc, Brookline, Pleasant View, and Walnut Grove, have maintained fund balances greater than one year's cost of operations. Expenditures exceeded revenues during 2008 for the Willard Fire Protection District, resulting in a significant decrease in the reported cash balance. The increase in expenditures was mostly caused by the purchase of land and buildings in 2008.

Independent auditors made specific recommendations to improve the overall management of the fire districts. In total, over 30 recommendations were made to the various districts in 2008 and 2007. Recommendations included concerns regarding expenditures, budgets, segregation of duties, accounting records, and various other policies and procedures.

All reports are available on our Web site: auditor.mo.gov

Review of Independent Audits of Fire Protection Districts in Greene County

Table of Contents

State Auditor's Report	2
------------------------	---

Executive Summary	4
-------------------	---

Scope and Methodology	7
-----------------------	---

Summary of Findings in the Independent Auditor Reports	10
---	----

Schedules

Schedule

1	Comparative Schedule of Revenues, Expenditures, and Balances, 2 Years Ended December 31, 2008	12
2	Comparative Schedule of Capital Assets, December 31, 2008 and December 31, 2007	13
3	Comparative Schedule of Assessed Valuations and Tax Levies, 2 Years Ended December 31, 2008	14
4	Comparative Schedule of Director Compensation and Expense Reimbursement by District, 2 Years Ended December 31, 2008	15

Appendixes

Appendix

A	Section 321.690, RSMo.....	16
B	CSR, Title 15 - Elected Officials Division 40 - State Auditor, Chapter 4 - Audits of Fire Protection Districts in St. Louis and Greene Counties.....	17



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in Greene County

Certain fire protection districts are required by Section 321.690, RSMo, to be audited. We have conducted a review of these independent audits of the fire protection districts in Greene County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and the State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.
3. Summarize and evaluate the financial data presented for the various fire districts and any comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report includes an executive summary and a scope and methodology section describing work performed. We solicit from the readers of this report any suggestions for changes or requests for other new information that may benefit those involved with the Greene County fire protection districts.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA

Review of Independent Audits of Fire Protection Districts in Greene County Executive Summary

Summary

Section 321.690, RSMo, requires all fire protection districts in Greene County with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement, if the appropriate reports are filed.

The West Republic Fire Protection District failed to comply with state law and did not file an audit report with the State Auditor for the years ended December 31, 2008 and 2007. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. Similar noncompliance was reported for the West Republic Fire Protection District in the prior review. The Ash Grove Fire Protection District failed to comply with state law and did not file an audit report for the year ended December 31, 2008. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit this year, a report has not been completed or submitted.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within 6 months after the close of the fiscal year. The audit reports and management letters are reviewed to determine if they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a 90-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted seven audit reports for the year ended December 31, 2008, ten audit reports for the year ended December 31, 2007, and one biennial audit report for the 2 years ended December 31, 2008. However, instances of noncompliance including the lack of district responses to recommendations were still noted. These problems were communicated to the applicable fire protection district auditors. In addition, ten districts for the year ended December 31, 2008, and nine districts for the year ended December 31, 2007, did not submit copies of engagement letters to the State Auditor as required by 15 CSR40-4.010.

The timeliness of reporting has not improved during the last 2 years. Four of seven reports for the year ended December 31, 2008, and six of ten reports for the year ended December 31, 2007, were received after the respective statutory deadline. The biennial audit was received by the statutory deadline. The following table shows the districts that failed to meet the statutory deadlines:



Review of Independent Audits of Fire Protection Districts in Greene County Executive Summary

District	2008 Report Received	2007 Report Received
Bois D'Arc	N/A	January 15, 2009
Brookline	August 31, 2009	August 31, 2009
Ebenezer	N/A	July 7, 2008
Fair Grove	October 2, 2009	October 2, 2009
Pleasant View	October 28, 2009	N/A
Strafford	September 30, 2009	September 30, 2009
Walnut Grove	N/A	July 21, 2008

While not only required by statute, timely audits also provide information to the boards and district taxpayers on the financial status of the districts and ways to improve the management of the districts. Fire district board members should ensure audits are completed and submitted by the statutory deadline.

We reviewed the relationship of the General Fund balance at year end to the year's expenditures for the districts receiving audits for the years ended December 31, 2008 and 2007. The fund balance of the Brookline Fire Protection District has increased by 20 percent or more during the last 2 years. Additionally, six districts, Ash Grove, Battlefield, Bois D'Arc, Brookline, Pleasant View, and Walnut Grove, have maintained fund balances greater than a year's cost of operations. The fire districts must continue to evaluate the propriety of their tax levies to ensure excess revenues are not received and accumulated. Districts accumulating funds for the purchase of capital assets or debt reduction should evaluate the need to disclose this information in their annual budget. Expenditures exceeded revenues during 2008 for the Willard Fire Protection District, resulting in a significant decrease in the reported cash balance. The increase in expenditures was primarily caused by the purchase of land and buildings in 2008.

The fire protection districts are continuing to add land, buildings, and equipment each year to their capital structure. While gross capital asset balances continue to increase, more districts are recording depreciation amounts for these capital asset values. As noted above, the Willard Fire Protection District's assets increased more than other districts with the addition of approximately \$200,000 in land and buildings.

Assessed valuations for the districts also continue to increase. Tax rates remained steady from 2007 to 2008. In November 2007, voters of the Ash Grove Fire Protection District approved an increase in their tax levy to provide additional revenues to the district.

Independent auditors made specific recommendations to improve the overall management of the fire districts. In total, over 30 recommendations were



Review of Independent Audits of Fire Protection Districts in Greene County Executive Summary

made to the various districts in 2008 and 2007. Recommendations included concerns regarding expenditures, budgets, segregation of duties, accounting records, and various other policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

Review of Independent Audits of Fire Protection Districts in Greene County Scope and Methodology

Scope

At December 31, 2008, there were 12 fire protection districts in Greene County. Audit reports and financial statements have been received as follows:

1. Battlefield, Brookline, Fair Grove, Strafford, Walnut Grove, and Willard Fire Protection Districts submitted an annual audit for each of the years ended December 31, 2008 and 2007. The Logan Rogersville Fire Protection District submitted a biennial audit for the 2 years ended December 31, 2008. The Pleasant View Fire Protection District submitted an annual audit for the year ended December 31, 2008. The Bois D'Arc and Ebenezer Fire Protection Districts submitted annual audits for the year ended December 31, 2007. The Ash Grove and Pleasant View Fire Protection Districts submitted biennial audits for the 2 years ended December 31, 2007.

The West Republic Fire Protection District has failed to comply with Section 321.690, RSMo, and has not submitted audit reports for the years ended December 31, 2008 and 2007. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. As identified in our prior report, the West Republic Fire Protection District also did not comply with the statutory deadline when submitting its audit for the year ended December 31, 2006. In addition, the Ash Grove Fire Protection District has failed to comply with Section 321.690, RSMo, and has not submitted an audit report for the year ended December 31, 2008. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit this year, a report has not been completed and submitted. No information is presented in this report for the West Republic Fire Protection District for the years ended December 31, 2008 and 2007, and the Ash Grove Fire Protection District for the year ended December 31, 2008.

2. Our prior report identified the Fair Grove and West Republic Fire Protection Districts as failing to comply with Section 321.690, RSMo, because reports for 2006 had not been submitted. The Fair Grove and West Republic Fire Protection Districts submitted annual audits for the year ended December 31, 2006, on February 25, 2008, and January 14, 2008, respectively. The Bois D'Arc and Ebenezer Fire Protection Districts provided written confirmation of their plans to obtain biennial audits for the 2 years ended December 31, 2009. No information is presented in this report for the year ended December 31, 2008, for the Bois D'Arc, and Ebenezer Fire Protection Districts.



Review of Independent Audits of Fire Protection Districts in Greene County Scope and Methodology

During our review we (1) considered Section 321.690, RSMo (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire districts for the years ended December 31, 2008 and 2007, (2) reviewed the supporting working papers of various independent auditors' reports for the years ended December 31, 2008 and 2007, and (3) made inquiries of district officials and independent auditors as necessary to follow up on other specific issues brought to our attention.

Methodology

We compiled the following information and schedules to accomplish the objectives of this report:

- The Summary of Findings in the Independent Auditor Reports is a summary of the various comments contained in the independent auditors' reports on compliance and internal control and in the management letters received by the State Auditor. These comments apply to individual fire protection districts unless otherwise noted. These comments extracted from the reports and management letters were not verified by the State Auditor's office.
- Schedule 1 presents revenues, expenditures, and fund balances for the General Funds in a combined format. The General Fund is the general operating fund of the districts and is used to account for all operating resources. In analyzing this schedule, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are as follows. The financial statements of the Ash Grove, Ebenezer, and Pleasant View Fire Protection Districts are presented on the accrual basis of accounting, and the financial statements of the Battlefield, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements of the Bois D'Arc, Brookline, and Fair Grove Fire Protection Districts are presented on a modified cash basis of accounting, and the Logan-Rogersville and Walnut Grove Fire Protection Districts are presented on a cash basis of accounting. The notes to the financial statements of these various district audit reports describe the basis of accounting used to present the financial statement information.
- Schedule 2 presents the capital asset balances of the districts at December 31, 2008 and 2007. The schedule represents capital assets acquired or constructed for general governmental purposes that are reported as expenditures in the fund that financed the acquisition or construction and capitalized at historical cost or estimated historical cost if actual historical cost is not available.



Review of Independent Audits of Fire Protection Districts in Greene County Scope and Methodology

- Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies for the years ended December 31, 2008 and 2007.
- Schedule 4 is a listing of total compensation and expense reimbursement paid to directors by each district audited. The districts' independent audit reports included the names of the principal officeholders and the compensation and expense reimbursement received by each official in the performance of his or her duty as established by Section 321.190, RSMo.

Limitations

Some data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Review of Independent Audits of Fire Protection Districts in Greene County

Summary of Findings in the Independent Auditor Reports

This section summarizes the various comments contained in the independent auditor reports on compliance and internal control and in the management letters issued by auditors in connection with the audits for the years ended December 31, 2008 and 2007.

Accounting Records and Procedures

- A lack of segregation of duties was noted in eight districts.
- One district did not have staff with sufficient expertise needed to properly apply accounting principles generally accepted in the United States and three districts did not have staff with sufficient expertise needed to prepare financial statements in conformity with Government Accounting Standards.
- Three districts did not have procedures in place to ensure the correct reporting of capital assets on their financial statements.
- One district did not have adequate documentation of capital asset additions or disposals.
- One district invested monies in a mutual fund, and such an investment may not be allowed by state statute.

Conflicts of Interest

- One district did not adequately document related party transactions.

Expenditures and Payroll

- One district should establish a method of tracking maintenance costs by vehicle.
- One district failed to retain copies of some Forms 1099, and some payments were reported on the wrong Forms 1099.
- One district did not retain supporting documentation for some expenditures and did not monitor purchases for sales tax.
- One district needs to improve controls and procedures over fuel purchases.
- One district did not prepare purchase orders for some expenditures.
- One district failed to retain copies of payroll tax Forms W-2.
- One district should utilize the Electronic Federal Tax Filing System to disburse payroll taxes.



Review of Independent Audits of Fire Protection Districts in Greene County
Summary of Management Letter Comments

Budgets

- Two districts' budgets did not contain all of the required components as specified by Chapter 67, RSMo.
- No revenues were budgeted for one district.
- One district board did not approve the annual budget.

Schedule 1

Review of Independent Audits of Fire Protection Districts in Greene County
Comparative Schedule of Revenues, Expenditures, and Balances

District	Year Ended December 31,							
	2007					2008		
	Beginning Balance	Prior Period Adjustment	Revenues	Expenditures	Ending Balance	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 374,201	0	74,615	93,086	355,730	*	*	*
Battlefield	2,282,874	0	1,674,174	1,754,964	2,202,084	1,718,450	1,414,790	2,505,744
Bois D'Arc	98,178	0	83,118	65,200	116,096	**	**	**
Brookline	150,365	0	227,171	164,120	213,416	223,744	181,108	256,052
Ebenezer	343,351	0	295,430	345,535	293,246	**	**	**
Fair Grove	15,093	9,278	270,955	287,090	8,236	131,449	110,004	29,681
Logan-Rogersville	17,964	103,192	1,234,144	1,176,325	178,975	1,287,928	1,329,608	137,295
Pleasant View	356,542	0	86,306	141,375	301,473	91,401	163,080	229,794
Strafford	282,989	0	322,384	292,019	313,354	387,984	363,394	337,944
Walnut Grove	249,852	0	101,900	70,294	281,458	108,495	96,585	293,368
West Republic	***	***	***	***	***	***	***	***
Willard	503,412	0	395,759	295,691	603,480	372,700	541,312	434,868
	\$ 4,674,821	112,470	4,765,956	4,685,699	4,867,548	4,322,151	4,199,881	4,989,818

- * The district has engaged an auditor to audit the year ended December 31, 2008, but the audit report has not been completed and submitted to the State Auditor's office.
- ** The district plans to obtain an audit for the 2 years ended December 31, 2009.
- *** The district has engaged an auditor to audit the years ended December 31, 2008 and 2007, but the audit report has not been completed and submitted to the State Auditor's office.

Schedule 2

Review of Independent Audits of Fire Protection Districts in Greene County
Comparative Schedule of Capital Assets

District	December 31, 2008				December 31, 2007			
	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total
Ash Grove	\$ *	*	*	*	90,608	454,963	206,593	338,978
Battlefield	3,310,151	2,202,160	1,368,682	4,143,629	3,236,983	2,178,515	1,207,868	4,207,630
Bois D'Arc	**	**	**	**	144,510	148,354	198,174	94,690
Brookline	201,735	1,164,798	595,676	770,857	201,735	1,164,798	520,883	845,650
Ebenezer	**	**	**	**	331,073	1,431,642	581,042	1,181,673
Fair Grove	191,901	615,634	378,021	429,514	189,224	612,134	334,938	466,420
Logan-Rogersville	1,011,896	2,332,964	***	3,344,860	1,011,896	2,369,633	***	3,381,529
Pleasant View	85,719	778,902	421,159	443,462	85,719	666,202	312,047	439,874
Strafford	410,655	1,201,564	988,442	623,777	357,141	1,191,268	848,772	699,637
Walnut Grove	365,636	283,844	256,617	392,863	361,512	236,071	223,744	373,839
West Republic	****	****	****	****	****	****	****	****
Willard	521,525	1,638,845	1,279,323	881,047	317,590	1,597,828	1,170,659	744,759
	\$ 6,099,218	10,218,711	5,287,920	11,030,009	6,327,991	12,051,408	5,604,720	12,774,679

* The district has engaged an auditor to audit the year ended December 31, 2008, but the audit report has not been completed and submitted to the State Auditor's office.

** The district plans to obtain an audit for the 2 years ended December 31, 2009.

*** The district presents assets on a cash basis, reporting disbursements when cash is expended, and depreciation is not expensed.

**** The district has engaged an auditor to audit the years ended December 31, 2008 and 2007, but the audit report has not been completed and submitted to the State Auditor's office.

Schedule 3

Review of Independent Audits of Fire Protection Districts in Greene County
Comparative Schedule of Assessed Valuations and Tax Levies

District			Tax Levy per \$100 of Assessed Valuation	
	Assessed Valuations		General	
	2008	2007	2008	2007
Ash Grove*	\$ 23,545,921	23,412,726	0.3544	0.2544
Battlefield	496,047,662	482,386,800	0.3262	0.3262
Bois D'arc	22,147,708	21,430,582	0.3000	0.3000
Brookline	91,403,520	89,969,987	0.2435	0.2430
Ebenezer	102,664,230	100,304,391	0.2766	0.2766
Fair Grove	61,882,002	61,160,540	0.1720	0.1705
Logan-Rogersville	356,876,319	347,233,377	0.3526	0.3526
Pleasant View	28,991,660	28,497,770	0.3000	0.3000
Strafford	127,790,591	119,540,360	0.2432	0.2432
Walnut Grove	34,557,056	34,739,362	0.2954	0.2898
West Republic	23,914,816	23,273,723	0.2511	0.2511
Willard	131,977,937	127,267,435	0.2441	0.2441

* Voter approved tax levy increase in 2008.

Schedule 4

Review of Independent Audits of Fire Protection Districts in Greene County
Comparative Schedule of Director Compensation and Expense Reimbursement by District

District	2008	2007
Ash Grove*****	\$ *	1,320
Battlefield	7,300	5,850
Bois D'Arc	**	***
Brookline	***	***
Ebenezer	**	10,614
Fair Grove	***	***
Logan-Rogersville	4,725	5,190
Pleasant View*****	797	562
Strafford*****	5,850	4,250
Walnut Grove	***	***
West Republic	****	****
Willard	0	0

- * The district has engaged an auditor to audit the year ended December 31, 2008, but the audit report has not been completed and submitted to the State Auditor's office.
- ** The district plans to obtain an audit for the 2 years ended December 31, 2009.
- *** The audit report did not include a schedule of compensation and expense reimbursement to directors.
- **** The district has engaged an auditor to audit the years ended December 31, 2008 and 2007, but the audit report has not been completed and submitted to the State Auditor's office.
- ***** Includes expense reimbursements.

Missouri Revised Statutes

Chapter 321 Fire Protection Districts Section 321.690

Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 merged with S.B. 346, A.L. 1998 H.B. 1847)

Rules of
Elected Officials
Division 40—State Auditor
Chapter 4—Audits of Fire Protection Districts
in St. Louis and Greene Counties

Title	Page
15 CSR 40-4.010 Requirements for Districts.....	3
15 CSR 40-4.020 Standards for Auditing and Financial Reporting.....	3
15 CSR 40-4.030 Contents of Audit Reports	3
15 CSR 40-4.040 Scope of Audit.....	4

Title 15—ELECTED OFFICIALS**Division 40—State Auditor****Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties****15 CSR 40-4.010 Requirements for Districts**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

AUTHORITY: section 321.690, RSMo Supp. 1993. Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority: 321.690, RSMo 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.020 Standards for Auditing and Financial Reporting

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

AUTHORITY: section 321.690, RSMo Supp. 1993. Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority: 321.690, RSMo 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.030 Contents of Audit Reports

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

AUTHORITY: section 321.690, *RSMo Supp. 1993*.^{*} Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.

^{*}Original authority: 321.690, *RSMo* 1977, amended 1981, 1986, 1991, 1993.

15 CSR 40-4.040 Scope of Audit

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to con-

form to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, *RSMo* budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, *RSMo* contracts;

7. Section 105.145, *RSMo* annual report;

8. Chapter 105, *RSMo* conflict of interest;

9. Chapter 108, *RSMo* bond issues;

10. Chapter 321, *RSMo* fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

AUTHORITY: section 321.690, *RSMo Supp. 1993*.^{*} Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.

^{*}Original authority: 321.690, *RSMo* 1977, amended 1981, 1986, 1991, 1993.



Susan Montee, JD CPA
Missouri State Auditor

Thirty-Eighth Judicial Circuit

Christian County



December 2009
Report No. 2009-148

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Thirty-Eighth Judicial Circuit, Christian County

Circuit Division Procedures	Cases with liabilities are not adequately monitored to ensure disbursements are made timely. As of December 31, 2008, the Circuit Division held \$24,650 relating to 76 cases that had been disposed. The Circuit Division does not participate in the state's automated tax offset and collection programs, and other concerns regarding the collection of accrued costs were also noted. In addition, a budget is not prepared for the Drug Court Fund which received and disbursed a total of approximately \$29,000 during 2008 and 2009.
Associate Circuit Division I Accounting Controls and Procedures	The duties of receiving, recording, and disbursing monies are not adequately segregated. The Associate Circuit Division I does not monitor outstanding liabilities, and is holding some funds that should be disbursed. Additionally, receipting procedures need significant improvement. The total of receipts is not always properly reconciled to the total of deposits, and during our review, a \$38 check was found in a case file that had been received two years earlier. Further, cashier sessions are not always closed daily, resulting in untimely deposits.
Associate Circuit Division II Accounting Controls and Procedures	Accounting duties are not adequately segregated, and the Associate Circuit Division II does not adequately review cases with liabilities and make timely disbursements. As of December 31, 2008, the Associate Circuit Division II held \$138,917, including bonds totaling \$97,426. Adequate follow-up is not performed on cases with bonds posted by defendants who fail to make the required court appearance and on dismissed cases. Additionally, the Associate Circuit Division II does not participate in the state's automated tax offset and collection programs, and as a result, may be losing revenue. Further, improvements are needed in receipting and depositing procedures.
Juvenile Office Accounting Controls and Procedures	Accounting duties are not adequately segregated. One employee is primarily responsible for receiving, recording, and depositing monies; preparing, recording, and mailing checks; and completing monthly expense reimbursement requests for the counties. Some grant disbursements are paid from the Juvenile Office's restitution bank account rather than paid through the normal county disbursement process, and adequate documentation was not maintained for some grant disbursements. Official prenumbered receipt slips are not issued for monies received.
Guardian Ad Litem Services	Internal Revenue Service Forms 1099 were not issued to attorneys providing guardian ad litem services. Fees totaling \$40,472 were paid for guardian ad litem services for the year ended December 31, 2008.

All reports are available on our Web site: auditor.mo.gov

Thirty-Eighth Judicial Circuit

Christian County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	
Findings	
1. Circuit Division Procedures	4
2. Associate Circuit Division I Accounting Controls and Procedures.....	7
3. Associate Circuit Division II Accounting Controls and Procedures.....	9
4. Juvenile Office Accounting Controls and Procedures.....	12
5. Guardian Ad Litem Services	13

Organization and Statistical	15
Information	



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Thirty-Eighth Judicial Circuit
Christian County, Missouri

We have audited certain operations of the Thirty-Eighth Judicial Circuit, Christian County. The Christian County Commission engaged Davis, Lynn & Moots, P.C. Certified Public Accountants, to audit the county's financial statements, including the judicial circuit divisions, for the year ended December 31, 2008. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the judicial circuit's internal controls over significant financial functions such as receipts.
2. Evaluate the judicial circuit's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and Christian County and was not subjected to the procedures applied in our audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Thirty-Eighth Judicial Circuit, Christian County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Michelle Crawford, M.Acct. David Olson

Thirty-Eighth Judicial Circuit

Christian County

Management Advisory Report - State Auditor's Findings

1. Circuit Division Procedures

The Circuit Division does not have adequate procedures in place to review cases with liabilities and make timely disbursements. Additionally, the Circuit Division is not fully utilizing the capabilities of the Justice Information System (JIS), the Missouri courts automated case management system, to monitor accrued costs, and a budget is not prepared for the Drug Court Fund.

1.1 Liabilities

Cases with liabilities are not adequately monitored to ensure disbursements are made timely. As of December 31, 2008, the Circuit Division held \$24,650 relating to 76 cases that had been disposed.

- The court held a \$5,000 bond for more than 2 years after a change of venue was ordered. The change of venue was ordered on June 8, 2007; however, the court did not distribute the bond to the change of venue county until June 10, 2009.
- Two cases reviewed had disposition dates in December 2007; however, bonds totaling \$2,000 received in the cases were not disbursed until June 22, 2009.

The liabilities list should be periodically reviewed to ensure outstanding balances are properly disposed in a timely manner.

1.2 Accrued costs

Monitoring procedures related to accrued costs could be improved. As of July 2009, approximately \$613,000 was due to the court.

- The Circuit Clerk does not participate in the state's automated tax offset and collection programs, and as a result, may be losing revenue.

Section 488.5028, RSMo, authorizes courts to report debts in excess of \$25 to the Office of the State Courts Administrator (OSCA) to seek an offset of an income tax refund. Effective July 1, 2006, Missouri Court Operating Rule 21.06 requires courts utilizing the JIS to participate in the tax offset program. Section 488.5030, RSMo, authorizes courts to contract with a collection agency to pursue past-due court-ordered penalties, fines, restitution, sanctions, and court costs. It also allows fees or costs associated with such collection efforts be added to the amount due, but such fees and costs cannot exceed 20 percent of the amount collected.

- At the request of the public defender's office, the Circuit Clerk no longer assesses public defender fees; however, previously assessed fees currently account for approximately \$227,000 (37 percent) of the July 2009 accrued costs.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

The Circuit Division should review the public defender fees included on the accrued costs list and determine if these previously assessed accrued fees should still be included on the list and collection pursued.

- The accrued costs list is not reviewed for accuracy. One of four cases reviewed had an uncollected balance of \$2,050. When we inquired about the case, the Circuit Clerk indicated this case was dismissed on April 21, 2006, and, as a result, the amount was not due to the court. Upon bringing this to the Circuit Clerk's attention, the uncollected amount was removed from the system; however, the amount had been included on the accrued costs list for more than 3 years prior to being corrected.
- We noted a civil case with an uncollected balance of \$2,331 with no case activity since December 2005. The Chief Deputy Clerk indicated the amount was due to the plaintiff and it was the responsibility of the attorney or plaintiff to pursue collection of the balance.

The Circuit Division should establish procedures for collecting accrued costs and take appropriate steps to ensure amounts owed are collected, including participating in the state's automated tax offset and collection programs. In addition, the accrued costs list should be periodically reviewed to ensure its accuracy.

1.3 Budgeting procedures

A budget is not prepared for the Drug Court Fund. The Circuit Clerk is the treasurer of the Drug Court Fund under the authority of the Circuit Judge. The fund receives fees from participants and is used to purchase services and supplies for the drug court. During 2008 and 2007, a total of approximately \$29,000 was received and disbursed through this fund.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget filed with the State Auditor's office. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations and provides a means to effectively monitor actual costs and receipts.

Recommendations

The Circuit Clerk:

- 1.1 Establish procedures to routinely review liabilities lists and disburse outstanding balances in a timely manner.
- 1.2 Take appropriate steps to ensure amounts owed are collected, including participating in the state's automated tax offset and collection programs, and develop procedures to ensure accrued costs lists are accurate.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

1.3 And the Circuit Judge prepare a budget for the Drug Court Fund.

Auditee's Response

The Circuit Clerk provided the following written responses:

1.1 *All Circuit Clerks are governed by the statutes passed by the Missouri Legislature. The Missouri Office of State Courts Administrator, through the Missouri Circuit Court Budget Committee, determines the number of clerks to accomplish the task set forth by those statutes.*

The Missouri Auditor has knowledge that Christian County is one of the fastest-growing counties in Missouri. The Missouri Circuit Court Budget Committee has not allowed any new positions to Christian County in over 10 years. Currently, the now-consolidated Christian County Circuit Court has 13.375 full-time employees. The clerical weighted workload average for calendar years 2006, 2007, and 2008, as prepared by the Missouri Office of State Courts Administrator, indicates Christian County Circuit Court should have 22.70 full-time employees. With that shortage of approximately 9 1/3 full-time employees, it is rather difficult to do all things required. The Missouri Auditor should be mindful that each clerk in the Christian County Circuit Court is struggling under approximately 175% of the workload they should be asked to accomplish.

1.2 *Missouri Board of Probation and Parole, through Kerry Nelson of the Nixa Field Office, oversees collection of court costs in all Circuit Division felony criminal cases involving probation. That office routinely examines defendants' payment records, and directs defendants when payments need to be paid to the Circuit Clerk's office. Probation and Parole has more leverage over defendants than any collection agency, and Probation and Parole does not charge up to a 20 percent fee, further burdening probationers. Probation and Parole's success rate is approximately 90 percent of accomplishing payment in full.*

The State Public Defender's Office does participate in the state's automated tax offset and collection programs as a means to collect fees owed to the State Public Defender System. When the Circuit Clerk's Office was requested by the State Public Defender's Office to quit assessing the public defender fees as court costs, this office did so.

This Circuit Clerk Office does not try to collect court costs owed from one civil party to another. This office leaves that up to the individual parties and/or attorneys in each individual civil case.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

1.3 The Circuit Clerk is only treasurer of the Drug Court Fund. The Christian County Drug Court is administered by the Nixa Field Office of the Missouri Board of Probation and Parole, in conjunction with the Presiding Circuit Judge. The Circuit Clerk only receipts and disburses funds as directed.

The Circuit Judge provided the following written response:

1.3 The Court will prepare a budget for the drug court fund.

2. Associate Circuit Division I Accounting Controls and Procedures

Duties are not adequately segregated, liabilities are not adequately monitored and disbursed timely, and the list of accrued costs was not accurate. Additionally, significant weaknesses were identified in receipting and depositing procedures.

2.1 Independent oversight and segregation of duties

The duties of receiving, recording, and disbursing monies are not adequately segregated. Three clerks have receiving, recording, and disbursing responsibilities, and one of these clerks also performs month-end reconciliations. As a result, there are instances where one clerk is responsible for transactions from initial receipt to disbursement without involvement from other clerks. There is no oversight of the work performed by this clerk. In addition, all three clerks can sign checks and only one signature is required.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of records should be performed and documented.

2.2 Liabilities

The Associate Circuit Division I does not monitor outstanding liabilities, and is holding some funds that should be disbursed. Although the liabilities list of the Associate Circuit Division I totals only \$1,743 at July 31, 2009, the court does not monitor the liabilities list, and some of these funds have been held for an excessive period of time and should be disbursed. For example, \$200 has been held on one case since 2005. To ensure outstanding case balances are disbursed timely, the liabilities list should be reviewed periodically for amounts to be disbursed. Additionally, reducing the amount of funds held for cases reduces the amount of time required to track these amounts from month to month.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

2.3 Receipting

Receipting procedures need improvement as follows:

- The total of receipts is not always properly reconciled to the total of deposits. A check totaling \$38 was not recorded into the system; however, the check was included with the bank deposit made on June 11, 2009, with other receipts. The bank notified the Associate Circuit Division I of the extra check in the deposit and the receipt was recorded into the system on June 18, 2009.
- During our review of cases with accrued costs, a \$38 check was found in a case file. The check, received in August 2007, was not deposited until August 2009, 2 years later.
- Checks are not restrictively endorsed immediately upon receipt. Endorsements are applied as the deposit is prepared.
- Cashier sessions which are opened for each of the three clerks are not always closed daily, and as a result, receipts are not deposited timely. During our cash count on June 25, 2009, we noted a cashier's session was left open for 8 days, resulting in \$5,200 not being deposited timely. In addition, a second clerk's cashier session totaling \$1,026 was left opened for two business days and although the third clerk's cashier session was closed daily, receipts totaling \$1,492 received from June 18, 2009, to June 25, 2009, were not deposited until June 25, 2009.

To ensure all receipts are accounted for properly and deposited intact, monies should be recorded immediately upon receipt and the composition and total of receipts should be reconciled to the composition and total of deposits. In addition, checks should be restrictively endorsed immediately upon receipt, and cashiers sessions should be closed daily and all receipts should be deposited timely.

Recommendations

The Associate Circuit Judge, Division I:

- 2.1 Segregate accounting duties to the extent possible. If proper segregation is not possible, then an effective supervisory review should be performed and documented.
- 2.2 Periodically review the status of liabilities to determine the appropriate disposition of funds held on closed cases.
- 2.3 Receipts should be recorded immediately upon receipt, and the composition and total of all receipts should be reconciled to the composition and total of deposits. Additionally, checks should be restrictively endorsed upon receipt, and cashier sessions should be closed daily and receipts deposited timely.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

Auditee's Response

Associate Circuit Judge Luna provided the following written responses:

- 2.1 *Christian County Courts are currently being consolidated. Consolidation will further segregate clerk duties.*
- 2.2 *We did have some funds which were being held. Those amounts have been reviewed and some have been paid out per order. Two bonds totaling \$642.93 were not eligible for payout.*
- 2.3 *Consolidation of courts should aid in timely receipting and bank deposits.*

3. Associate Circuit Division II Accounting Controls and Procedures

Accounting duties are not adequately segregated, liabilities are not disbursed timely, and monitoring procedures related to accrued costs need improvement. In addition, deposits should be made more timely and the composition of receipt slips should be reconciled to the composition of monies deposited.

3.1 Independent oversight and segregation of duties

The duties of receiving, recording, and disbursing monies are not adequately segregated. While three clerks have receiving, recording, and disbursing responsibilities, the Chief Deputy Clerk also performs these duties as well as performing reconciliations, and making month-end disbursements. As a result, there are instances where she is responsible for transactions from initial receipt to their disbursement without involvement from other clerks. There is no oversight of the work performed by this clerk. In addition, all four clerks can sign checks and only one signature is required.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of records should be performed and documented.

3.2 Liabilities

The Associate Circuit Division II does not adequately review cases with liabilities and make timely disbursements. As of December 31, 2008, the Associate Circuit Division II held \$138,917, including bonds totaling \$97,426. Weaknesses include:

- Adequate follow-up is not performed on cases with bonds posted by defendants who fail to make the required court appearance. Three of four case files reviewed had bonds totaling \$6,100 that had not been disbursed even though the court had ordered the bonds forfeited. Included in the \$6,100 was a bond of \$1,000 forfeited on June 3, 2002.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

- The fourth case file included a \$25,000 bond received on May 22, 2008, and the case was dismissed on August 5, 2008; however, the bond was not disbursed. There was no documentation in the case file to indicate the court had attempted to locate the payee and return the bond.

Procedures should be established to periodically review liabilities and disburse funds as directed by the court. Section 544.665, RSMo, provides failure to appear results in forfeiture of any security which was given or pledged for a person's release. Additionally, in cases where the bond is to be refunded, the court should attempt to locate a current address for the payee. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed amounts.

3.3 Accrued costs

The Associate Circuit Division II does not participate in the state's automated tax offset and collection programs, and as a result, may be losing revenue. As of December 31, 2008, the Associate Division II had accrued costs totaling \$82,043.

Section 488.5028, RSMo, authorizes courts to report debts in excess of \$25 to the OSCA to seek an offset of an income tax refund. Effective July 1, 2006, Missouri Court Operating Rule 21.06 requires courts utilizing the JIS to participate in the tax offset program. Section 488.5030, RSMo, authorizes courts to contract with a collection agency to pursue past-due court-ordered penalties, fines, restitution, sanctions, and court costs. It also allows fees or costs associated with such collection efforts be added to the amount due, but such fees and costs cannot exceed 20 percent of the amount collected.

3.4 Receipting and depositing

Deposits are not made timely and the composition of receipt slips issued is not always reconciled to the composition of monies deposited.

For example, only four deposits were made during December 2008, with an average deposit of approximately \$6,500. Cashiers sessions, which are opened for each clerk, are not always closed daily resulting in untimely deposits. Some cashier sessions remain open for several days before the monies received are deposited.

Additionally, the composition of monies received and recorded on the daily cashiers session is not always reconciled to the deposit. We identified one instance where a receipt was coded as cash; however, a check was deposited.

To adequately safeguard and reduce the risk of loss, theft, or misuse of funds, cashier sessions should be closed daily, the composition of receipts should be reconciled to the composition of monies deposited, and deposits should be made timely.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

Recommendations

The Associate Circuit Judge, Division II:

- 3.1 Segregate accounting duties to the extent possible. If proper segregation is not possible, an effective supervisory review should be performed and documented.
- 3.2 Periodically review liabilities and disburse funds as directed by the court. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed amounts.
- 3.3 Take appropriate steps to ensure amounts owed are collected, including participating in the state's automated tax offset and collection programs.
- 3.4 Close cashier sessions daily, ensure receipts are deposited timely, and reconcile the composition of receipt slips issued to the composition of monies deposited.

Auditee's Response

Associate Circuit Judge Waters provided the following written responses:

- 3.1 *Will do as soon as resources permit.*
- 3.2 *Will implement periodic review as suggested.*
- 3.3 *Will join state tax offset program.*
- 3.4 *We will attempt to bank daily as resources permit.*

Thank you for pointing out deficiencies in our procedures.

With over 3000 cases to process per year and 2 7/8 clerks, we have had a severe lack of resources for years. Our county has gained over 25% in population and we have had no additional help for 7 years.

We have taken all effective steps to reduce workload including divesting this county of 3 municipal divisions, and joining the Fine Collection Center. as suggested, but without additional employees we simply cannot keep up.

I am extremely proud of my clerks who have always given 110% without complaint and would put them up against any others in the state.

We are consolidating January 1, 2010, so maybe some of these concerns will be addressed.



4. Juvenile Office Accounting Controls and Procedures

The duties of receipting, recording, and disbursing monies are not adequately segregated and disbursement procedures need improvement. In addition, official prenumbered receipt slips are not issued for some monies received.

4.1 Segregation of duties

Accounting duties are not adequately segregated. One employee is primarily responsible for receiving, recording, and depositing monies; preparing, recording, and mailing checks; and completing monthly expense reimbursement requests for the counties. While the Chief Deputy Juvenile Officer indicated she reviews the financial records, this review is not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of records should be performed and documented.

4.2 Disbursements

Some grant disbursements are paid from the Juvenile Office's restitution bank account rather than through the normal county disbursement process. Additionally, adequate documentation was not maintained for some grant disbursements.

During 2008, the Juvenile Office received and deposited approximately \$9,500 in grant funds into the restitution account. Approximately \$5,500 of these grant funds were disbursed to the County Treasurer to cover grant related expenses; however, the remaining \$4,000 was paid directly to vendors by the Juvenile Office for grant related expenses. By disbursing some of these grant funds directly to the vendors from the restitution account, the approval and budget process established by the county is circumvented.

Additionally, in February 2008, the Juvenile Office disbursed grant funds totaling \$500 for the prepayment of drug testing services. No documentation was maintained to indicate these services were provided, and the vendor is no longer in business.

To ensure all disbursements are valid and represent the proper use of grant funds, all disbursements should be paid through the county's normal disbursement process and include adequate documentation.

4.3 Receipting

Official prenumbered receipt slips are not issued for monies received. The juvenile office issues generic prenumbered receipt slips for restitution monies but does not issue receipt slips for grant monies. Approximately \$9,500 in grant funds were received during 2008. To adequately account for



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

all receipts and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies received.

Recommendations

The Juvenile Officer:

- 4.1 Segregate accounting duties to the extent possible. If proper segregation is not possible, independent supervisory reviews should be performed and documented.
- 4.2 Pay grant expenses through the normal county disbursement process and ensure adequate documentation is maintained to support all grant expenses.
- 4.3 Ensure official prenumbered receipt slips are issued for all monies received.

Auditee's Response

The Chief Juvenile Officer provided the following written responses:

- 4.1 *An independent review of the receipts, bank statements, grants, and restitution collections and disbursements shall be done periodically and documented by the supervisor in the office beginning immediately.*
- 4.2 *Beginning in January 2010, grant monies will be budgeted and payments made through the normal county disbursement procedure and no longer through the Juvenile Office checking account.*
- 4.3 *The Christian County Juvenile Office will obtain official Christian County Juvenile Office prenumbered duplicate receipts from a print shop and begin using them immediately.*

5. Guardian Ad Litem Services

Internal Revenue Service (IRS) Forms 1099 were not issued to attorneys providing guardian ad litem services. The Circuit Court contracts with a local attorney to provide most of the guardian ad litem services; however, other attorneys are also compensated for these services when appointed by the court. Fees totaling \$40,472 were paid for guardian ad litem services for the year ended December 31, 2008.

Sections 6041 and 6051 of the Internal Revenue Code require payments for legal services by non-employees be reported to the federal government on Form 1099.

Recommendation

The Circuit Judge ensure Forms 1099 are prepared and submitted to the IRS as required.



Thirty-Eighth Judicial Circuit
Christian County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Presiding Circuit Judge provided the following written response:

The Court will ensure that 1099 Forms are submitted to the IRS as required.

Thirty-Eighth Judicial Circuit

Christian County

Organization and Statistical Information

The Thirty-Eighth Judicial Circuit consists of Christian County as well as Taney County.

The Thirty-Eighth Judicial Circuit consists of one circuit judge and four associate circuit judges. The circuit judge hears cases in Christian and Taney Counties. Of the four associate circuit judges, two are located in Christian County and preside over Associate Circuit Divisions I and II. The other two associate circuit judges are located in Taney County.

Circuit personnel located in Taney County are not included in the scope of this audit.

Personnel

At December 31, 2008, the judges, Circuit Clerk, and Juvenile Officer of the Thirty-Eighth Judicial Circuit, Christian County, were as follows:

Title	Name
Circuit Judge	Mark Orr
Associate Circuit Judge, Division I	Larry Luna
Associate Circuit Judge, Division II	John Waters
Circuit Clerk	Richard Lamb
Juvenile Officer	Michael Scofield

Financial Information

Receipts of the Thirty-Eighth Judicial Circuit, Christian County, were as follows:

	Year Ended December 31,	
	2008	2007
Court deposits, fee, bonds, and other	\$ 2,370,141	1,716,298
Drug Court	15,650	13,618
Interest Income	5,011	8,194
Total	\$ 2,390,802	1,738,110

Caseload Information

From the Office of State Courts Administrator Missouri Judicial Reports, case filings of this judicial circuit were as follows:

	Year Ended June 30,	
	2008	2007
Civil	6,937	6,600
Criminal	9,623	10,348
Juvenile	389	387
Probate	182	246
Total	17,131	17,581



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Lewis County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Lewis County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-147

LEWIS COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

LEWIS COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Auditors' Reports:	2-6
Independent Auditors' Report	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon The Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-17
Government-Wide Financial Statements:	8-11
<u>Exhibit</u>	<u>Description</u>
Statement of Net Assets – Cash Basis	
A-1	December 31, 2008 8
A-2	December 31, 2007 9
Statement of Activities – Cash Basis	
B-1	Year Ended December 31, 2008 10
B-2	Year Ended December 31, 2007 11
Fund Financial Statements:	12-17
<u>Exhibit</u>	<u>Description</u>
Governmental Funds Balance Sheet – Cash Basis	
C-1	December 31, 2008 12
C-2	December 31, 2007 13
Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances	
D-1	Year Ended December 31, 2008 14
D-2	Year Ended December 31, 2007 15
Statement of Fiduciary Net Assets – Cash Basis	
E-1	Year Ended December 31, 2008 16
E-2	Year Ended December 31, 2007 17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-29
Required Supplementary Information:	30-53
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2008 and 2007	31-53
Other Supplementary Information:	54-55
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2008 and 2007.....	55
Section I – Summary of Auditors’ Results	55
Section II - Financial Statement Findings	55
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	56-57
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
Management Advisory Report – Auditors’ Findings	58-60
Follow-Up on Prior Audit Findings	61-62

FINANCIAL SECTION

Auditors' Report

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C., C.P.A.

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Lewis County, Missouri, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Lewis County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Lewis County, Missouri as of December 31, 2008 and 2007, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The Lewis County Health Department is not included in these financial statements as allowed by the Missouri Auditor's office. For information, please contact the Lewis County Health Department

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Lewis County, Missouri as of December 31, 2008 and 2007, and for the years then ended in conformity with the basis of accounting described in Note 1 to the financial statements.

As discussed more fully in Note 1, for the years ended December 31, 2008 and 2007, the County implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. The County also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

The County has elected to omit Management's Discussion and Analysis report, which is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board.

The budgetary comparison schedules and other supplementary information on pages 31 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

JAMES P. DEVEREUX, C.P.A., P.C.

FAX 636-947-3155

GARY L. KRAUSS, P.C.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government Wide Statements of Activities-Cash Basis, Government Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Lewis County, Missouri, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted no matters involving internal control over financial reporting and its operations that we consider to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the various funds of Lewis County, Missouri, are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Basic Financial Statements

LEWIS COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>642,290</u>
TOTAL ASSETS	\$ <u><u>642,290</u></u>
NET ASSETS	
Unrestricted general fund	\$ 309,092
Unrestricted reported in non-major funds	244,784
Restricted special revenue funds	<u>88,414</u>
TOTAL NET ASSETS	\$ <u><u>642,290</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>712,563</u>
TOTAL ASSETS	\$ <u><u>712,563</u></u>
NET ASSETS	
Unrestricted general fund	\$ 318,332
Unrestricted reported in non-major funds	211,160
Restricted special revenue funds	<u>183,071</u>
TOTAL NET ASSETS	\$ <u><u>712,563</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2008

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 690,998	\$ 226,352	\$ 83,747	\$ (380,899)
Financial administration	123,192	-	-	(123,192)
Property valuation and recording	195,492	-	114,021	(81,471)
Administration of justice and law enforcement	1,315,302	-	140,155	(1,175,147)
Maintenance of roads	1,435,826	-	680,093	(755,733)
Transfers	472,913	-	472,913	-
Other	-	73,097	36,001	109,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>4,233,723</u>	\$ <u>299,449</u>	\$ <u>1,526,930</u>	\$ <u>(2,407,344)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 558,955
Sales and use taxes				1,447,351
Interest				29,044
Other				301,721
Total General Receipts				\$ <u>2,337,071</u>
Change in Cash Balances				\$ (70,273)
NET ASSETS, JANUARY 1				<u>712,563</u>
NET ASSETS, DECEMBER 31				\$ <u><u>642,290</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 696,331	\$ 237,484	\$ 73,922	\$ (384,925)
Financial administration	101,363	-	-	(101,363)
Property valuation and recording	193,175	-	110,804	(82,371)
Administration of justice and law enforcement	1,269,552	-	137,490	(1,132,062)
Maintenance of roads	1,051,949	-	498,354	(553,595)
Transfers	453,847	-	453,847	-
Other	-	53,610	23,206	76,816
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,766,217</u>	<u>\$ 291,094</u>	<u>\$ 1,297,623</u>	<u>\$ (2,177,500)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 750,852
Sales and use taxes				1,189,509
Interest				33,045
Other				181,273
Total General Receipts				<u>\$ 2,154,679</u>
Change in Cash Balances				\$ (22,821)
NET ASSETS, JANUARY 1				<u>735,384</u>
NET ASSETS, DECEMBER 31				<u>\$ 712,563</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Road and Bridge Capital Improvement	Law Enforcement Operating	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 309,092	\$ 12,700	\$ 11,443	\$ 56,046	\$ 8,225	\$ 244,784	\$ 642,290
TOTAL ASSETS	<u>\$ 309,092</u>	<u>\$ 12,700</u>	<u>\$ 11,443</u>	<u>\$ 56,046</u>	<u>\$ 8,225</u>	<u>\$ 244,784</u>	<u>\$ 642,290</u>
FUND BALANCES							
Unreserved	\$ 309,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,092
Unreserved reported in non-major funds	-	-	-	-	-	244,784	244,784
Unreserved special revenue funds	<u>-</u>	<u>12,700</u>	<u>11,443</u>	<u>56,046</u>	<u>8,225</u>	<u>-</u>	<u>88,414</u>
TOTAL FUND BALANCES	<u>\$ 309,092</u>	<u>\$ 12,700</u>	<u>\$ 11,443</u>	<u>\$ 56,046</u>	<u>\$ 8,225</u>	<u>\$ 244,784</u>	<u>\$ 642,290</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Road and Bridge Capital Improvement	Law Enforcement Operating	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 318,332	\$ 41,105	\$ 37,138	\$ 74,798	\$ 30,030	\$ 211,160	\$ 712,563
TOTAL ASSETS	<u>\$ 318,332</u>	<u>\$ 41,105</u>	<u>\$ 37,138</u>	<u>\$ 74,798</u>	<u>\$ 30,030</u>	<u>\$ 211,160</u>	<u>\$ 712,563</u>
FUND BALANCES							
Unreserved	\$ 318,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,332
Unreserved reported in non-major funds	-	-	-	-	-	211,160	211,160
Unreserved special revenue funds	<u>-</u>	<u>41,105</u>	<u>37,138</u>	<u>74,798</u>	<u>30,030</u>	<u>-</u>	<u>183,071</u>
TOTAL FUND BALANCES	<u>\$ 318,332</u>	<u>\$ 41,105</u>	<u>\$ 37,138</u>	<u>\$ 74,798</u>	<u>\$ 30,030</u>	<u>\$ 211,160</u>	<u>\$ 712,563</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Road and Bridge Capital Improvement	Law Enforcement Operating	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 273,840	\$ 285,115	\$ -	\$ -	\$ -	\$ -	\$ 558,955
Sales and use taxes	715,620	12,182	-	232,372	154,923	332,254	1,447,351
Intergovernmental	83,747	452,131	114,021	227,962	140,155	36,001	1,054,017
Charges for services	226,352	-	-	-	-	73,097	299,449
Interest	13,528	2,464	992	2,507	680	8,873	29,044
Other	123,698	108,793	-	7,994	22,910	38,326	301,721
Total Receipts	<u>\$ 1,436,785</u>	<u>\$ 860,685</u>	<u>\$ 115,013</u>	<u>\$ 470,835</u>	<u>\$ 318,668</u>	<u>\$ 488,551</u>	<u>\$ 3,690,537</u>
DISBURSEMENTS							
General county government	\$ 686,974	\$ -	\$ -	\$ -	\$ -	\$ 4,024	\$ 690,998
Financial administration	106,303	-	-	-	-	16,889	123,192
Property valuation and recording	50,314	-	140,708	-	-	4,470	195,492
Administration of justice and enforcement	200,225	-	-	-	693,973	421,104	1,315,302
Maintenance of roads	-	1,002,712	-	433,114	-	-	1,435,826
Other	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,043,816</u>	<u>\$ 1,002,712</u>	<u>\$ 140,708</u>	<u>\$ 433,114</u>	<u>\$ 693,973</u>	<u>\$ 446,487</u>	<u>\$ 3,760,810</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 392,969</u>	<u>\$ (142,027)</u>	<u>\$ (25,695)</u>	<u>\$ 37,721</u>	<u>\$ (375,305)</u>	<u>\$ 42,064</u>	<u>\$ (70,273)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 5,791	\$ 113,622	\$ -	\$ -	\$ 353,500	-	\$ 472,913
Transfers out	(408,000)	-	-	(56,473)	-	(8,440)	(472,913)
Net Other Financing Sources (Uses)	<u>\$ (402,209)</u>	<u>\$ 113,622</u>	<u>\$ -</u>	<u>\$ (56,473)</u>	<u>\$ 353,500</u>	<u>\$ (8,440)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ (9,240)	\$ (28,405)	\$ (25,695)	\$ (18,752)	\$ (21,805)	\$ 33,624	\$ (70,273)
CASH BALANCES, JANUARY 1	<u>318,332</u>	<u>41,105</u>	<u>37,138</u>	<u>74,798</u>	<u>30,030</u>	<u>211,160</u>	<u>712,563</u>
CASH BALANCES, DECEMBER 31	<u>\$ 309,092</u>	<u>\$ 12,700</u>	<u>\$ 11,443</u>	<u>\$ 56,046</u>	<u>\$ 8,225</u>	<u>\$ 244,784</u>	<u>\$ 642,290</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Road and Bridge Capital Improvement	Law Enforcement Operating	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 256,701	\$ 274,828	\$ -	\$ 219,323	\$ -	\$ -	\$ 750,852
Sales and use taxes	719,148	-	-	-	146,221	324,140	1,189,509
Intergovernmental	73,922	498,354	110,804	-	137,490	23,206	843,776
Charges for services	237,484	-	-	-	-	53,610	291,094
Interest	15,490	2,884	1,295	2,168	820	10,388	33,045
Other	116,539	15,317	986	2,907	11,588	33,936	181,273
Total Receipts	<u>\$ 1,419,284</u>	<u>\$ 791,383</u>	<u>\$ 113,085</u>	<u>\$ 224,398</u>	<u>\$ 296,119</u>	<u>\$ 445,280</u>	<u>\$ 3,289,549</u>
DISBURSEMENTS							
General county government	\$ 687,890	\$ -	\$ -	\$ -	\$ -	\$ 8,441	\$ 696,331
Financial administration	101,363	-	-	-	-	-	101,363
Property valuation and recording	49,635	-	133,011	-	-	10,529	193,175
Administration of justice and enforcement	206,397	-	-	-	644,829	418,326	1,269,552
Maintenance of roads	-	865,722	-	186,227	-	-	1,051,949
Other	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,045,285</u>	<u>\$ 865,722</u>	<u>\$ 133,011</u>	<u>\$ 186,227</u>	<u>\$ 644,829</u>	<u>\$ 437,296</u>	<u>\$ 3,312,370</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 373,999</u>	<u>\$ (74,339)</u>	<u>\$ (19,926)</u>	<u>\$ 38,171</u>	<u>\$ (348,710)</u>	<u>\$ 7,984</u>	<u>\$ (22,821)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 21,920	\$ 59,893	\$ 37,946	\$ 1,588	\$ 332,500	\$ -	\$ 453,847
Transfers out	(396,746)	(1,588)	(18,191)	(12,508)	-	(24,814)	(453,847)
Net Other Financing Sources (Uses)	<u>\$ (374,826)</u>	<u>\$ 58,305</u>	<u>\$ 19,755</u>	<u>\$ (10,920)</u>	<u>\$ 332,500</u>	<u>\$ (24,814)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ (827)	\$ (16,034)	\$ (171)	\$ 27,251	\$ (16,210)	\$ (16,830)	\$ (22,821)
CASH BALANCES, JANUARY 1	<u>319,159</u>	<u>57,139</u>	<u>37,309</u>	<u>47,547</u>	<u>46,240</u>	<u>227,990</u>	<u>735,384</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ 318,332</u></u>	<u><u>\$ 41,105</u></u>	<u><u>\$ 37,138</u></u>	<u><u>\$ 74,798</u></u>	<u><u>\$ 30,030</u></u>	<u><u>\$ 211,160</u></u>	<u><u>\$ 712,563</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

ASSETS	
Cash and cash equivalents	\$ <u>22,144</u>
TOTAL ASSETS	\$ <u><u>22,144</u></u>
NET ASSETS	
Restricted	\$ <u>22,144</u>
TOTAL NET ASSETS	\$ <u><u>22,144</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

LEWIS COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>27,986</u>
TOTAL ASSETS	\$ <u><u>27,986</u></u>
NET ASSETS	
Restricted	\$ <u>27,986</u>
TOTAL NET ASSETS	\$ <u><u>27,986</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lewis County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, Prosecuting Attorney, Public Administrator, Assessor, Recorder, and Coroner.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Lewis County, Missouri as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Lewis County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Lewis County, Missouri as of December 31, 2008 and 2007, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. For information on the health center, please contact the Lewis County Health Department at 573-767-5312 (or write to 101 State Hwy. A, P.O. Box 96, Monticello, MO 63457).

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Lewis County, Missouri only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Lewis County, Missouri at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Special Road and Bridge, Assessment, Road and Bridge Capital Improvement, and Law Enforcement Operating are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds are reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The following are the County's governmental major funds:

General Revenue Fund – The General Revenue Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – A special revenue fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – The fund is used to handle all county assessment costs.

Road and Bridge Capital Improvement Fund – The fund is for capital improvements funded by a sales tax and BRO Bridge projects.

Law Enforcement Operating Fund – A special sales tax revenue fund used to account for receipts of the County property tax levy and related expenditures.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consist of Unclaimed Property Fund, School Fines, and Tax Certificate Sale Fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Accounting Changes

For the years ended December 31, 2008 and 2007, the County implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. As Note 1.B discusses, the basic financial statements now include government-wide financial statements that report information for the County as a whole and fund financial statements that focus on major funds. However, as Note 1.C discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the basis of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the County's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar years 2008 and 2007, for purposes of taxation were:

	<u>2008</u>	<u>2007</u>
Real Estate	\$57,132,210	\$55,965,610
Personal Property	\$30,215,560	\$29,951,315
Railroad and Utilities	\$11,945,321	\$11,935,195

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes (continued)

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2008</u>	<u>2007</u>
General Revenue	.2712	.2712
Special Road and Bridge	.4933	.4933

F. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Lewis County, Missouri will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Governmental Funds Balance Sheet-Cash Basis.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Transactions (continued)

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Formal budgets are required by law and Lewis County properly adopted budgets for all funds.

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, total expenditures exceeded total budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
D.A.R.E.	2007 \$120 over budget
Law Enforcement Revolving	2007 \$ 28 over budget
Domestic Violence	2008 \$ 1 over budget
Emergency 911	2008 and 2007

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Budgets and Budgetary Practices (continued)

Section 50.740, RSMo, requires a balanced budget there were no deficit budget balances presented for 2008 and 2007.

L. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The County published financial statements for all funds.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Governmental Funds Balance Sheet-Cash Basis arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008, the carrying amount of the County's deposits was \$558,722; the bank balance was \$645,610. At December 31, 2007, the carrying amount of the County's deposits was \$619,296; the bank balance was \$709,226.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008 and 2007, as follows:

	2008 and 2007 <u>Maturity</u>	2008 Book <u>Balance</u>	2007 Book <u>Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$558,722	\$619,296
Investments	N/A	-	-
Total Deposits		<u>\$558,722</u>	<u>\$619,296</u>
Included in the following fund financial statement captions:			
Governmental Funds Balance Sheet-Cash Basis			
Cash & Cash Equivalents		\$558,722	\$619,296
Investments		-	-
Total		<u>\$558,722</u>	<u>\$619,296</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The County's investments are not exposed to custodial credit risk at December 31, 2008 and 2007.

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investments held at December 31, 2008 and 2007 are provided in the above schedules.

Investment Credit Risk

The County does have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2008 and 2007 are as follows:

	2008 <u>Transfers In (Out)</u>	2007 <u>Transfers In (Out)</u>
Major Funds		
General Fund	\$(402,209)	\$(374,826)
Special Road and Bridge	113,622	58,305
Assessment	-	19,755
Road and Bridge Capital Improvement	(56,473)	(10,920)
Law Enforcement Operating	353,500	332,500
Non-major	<u>(8,440)</u>	<u>(24,814)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two and with eight or more years of creditable service may retire with full benefits. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of \$4,786 for 2008 and \$9,342 for 2007.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with State Statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 for the year ended December 31, 2008 and \$2,244 for 2007.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County does not have any material litigation issues for years ended December 31, 2008 and 2007.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime if applicable. Sick time is accrued at one half day per month after the first day of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, would be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

8. RISK MANAGEMENT (continued)

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to State Statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

Required Supplementary Information

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SUMMARY OF ALL FUNDS
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - ALL FUNDS</u>						
RECEIPTS	\$ 4,229,832	\$ 4,163,450	\$ (66,382)	\$ 3,976,213	\$ 3,743,396	\$ (232,817)
DISBURSEMENTS	<u>4,772,085</u>	<u>4,233,723</u>	<u>538,362</u>	<u>4,445,582</u>	<u>3,766,217</u>	<u>679,365</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (542,253)	\$ (70,273)	\$ 471,980	\$ (469,369)	\$ (22,821)	\$ 446,548
CASH, JANUARY 1	<u>712,563</u>	<u>712,563</u>	<u>-</u>	<u>735,384</u>	<u>735,384</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 170,310</u>	<u>\$ 642,290</u>	<u>\$ 471,980</u>	<u>\$ 266,015</u>	<u>\$ 712,563</u>	<u>\$ 446,548</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
GENERAL REVENUE FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	\$ 260,500	\$ 273,840	\$ 13,340	\$ 261,000	\$ 256,701	\$ (4,299)
Sales and use taxes	676,650	715,620	38,970	673,590	719,148	45,558
Intergovernmental	69,486	83,747	14,261	69,898	73,922	4,024
Charges for services	222,700	226,352	3,652	211,800	237,484	25,684
Interest	16,000	13,528	(2,472)	14,000	15,490	1,490
Other	120,250	123,698	3,448	125,040	116,539	(8,501)
Transfers in	19,000	5,791	(13,209)	39,501	21,920	(17,581)
Total Receipts	<u>\$ 1,384,586</u>	<u>\$ 1,442,576</u>	<u>\$ 57,990</u>	<u>\$ 1,394,829</u>	<u>\$ 1,441,204</u>	<u>\$ 46,375</u>
DISBURSEMENTS						
County Commission	\$ 81,046	\$ 80,961	\$ 85	\$ 79,430	\$ 79,384	\$ 46
County Clerk	63,246	61,624	1,622	61,734	61,105	629
Elections	41,835	35,703	6,132	8,547	6,696	1,851
Buildings and grounds	75,229	64,938	10,291	73,123	81,544	(8,421)
Employee fringe benefits	152,060	148,040	4,020	129,350	126,418	2,932
County Treasurer	35,699	33,922	1,777	32,393	31,769	624
County Collector	71,292	72,381	(1,089)	70,312	69,594	718
Recorder of Deeds	57,594	50,314	7,280	57,424	49,635	7,789
Circuit Clerk	20,550	15,246	5,304	21,450	15,372	6,078
Associate Circuit Court	2,500	626	1,874	2,500	1,564	936
Associate Circuit (Probate) Court	1,655	1,549	106	1,655	328	1,327
Court administration	11,033	2,202	8,831	11,931	4,505	7,426
Public Administrator	44,820	43,236	1,584	44,175	41,864	2,311
Prosecuting Attorney	94,680	76,473	18,207	96,684	78,118	18,566
Juvenile Officer	41,977	41,619	358	50,732	50,092	640
County Coroner	16,300	15,565	735	16,100	11,233	4,867
Industrial Development Authority	120,000	123,696	(3,696)	125,040	116,293	8,747
Insurance	35,000	23,077	11,923	35,000	34,646	354
Other	136,446	125,422	11,024	155,020	114,251	40,769
Public Defender	3,725	3,709	16	3,709	2,637	1,072
Real estate purchase	-	-	-	42,600	42,467	133
University Extension	23,987	23,513	474	25,615	25,770	(155)
Transfers out	453,699	408,000	45,699	396,746	396,746	-
Emergency Fund	60,000	-	60,000	60,000	-	60,000
Total Disbursements	<u>\$ 1,644,373</u>	<u>\$ 1,451,816</u>	<u>\$ 192,557</u>	<u>\$ 1,601,270</u>	<u>\$ 1,442,031</u>	<u>\$ 159,239</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (259,787)	\$ (9,240)	\$ 250,547	\$ (206,441)	\$ (827)	\$ 205,614
CASH, JANUARY 1	<u>318,332</u>	<u>318,332</u>	<u>-</u>	<u>319,159</u>	<u>319,159</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 58,545</u>	<u>\$ 309,092</u>	<u>\$ 250,547</u>	<u>\$ 112,718</u>	<u>\$ 318,332</u>	<u>\$ 205,614</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
SPECIAL ROAD AND BRIDGE FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 278,800	\$ 285,115	\$ 6,315	\$ 275,550	\$ 274,828	\$ (722)
Sales and use taxes	20,000	12,182	(7,818)	-	-	-
Intergovernmental	509,450	452,131	(57,319)	488,915	498,354	9,439
Interest	2,500	2,464	(36)	1,250	2,884	1,634
Other	96,450	108,793	12,343	22,160	15,317	(6,843)
Transfers in	96,000	113,622	17,622	45,800	59,893	14,093
Total Receipts	<u>\$ 1,003,200</u>	<u>\$ 974,307</u>	<u>\$ (28,893)</u>	<u>\$ 833,675</u>	<u>\$ 851,276</u>	<u>\$ 17,601</u>
DISBURSEMENTS						
Salaries	\$ 295,583	\$ 295,898	\$ (315)	\$ 305,282	\$ 296,978	8,304
Employee fringe benefits	155,315	152,097	3,218	144,550	141,043	3,507
Supplies	205,500	192,034	13,466	131,000	123,362	7,638
Insurance	27,000	23,074	3,926	27,000	24,291	2,709
Road and bridge materials	290,000	282,996	7,004	214,000	201,936	12,064
Equipment repairs	60,000	47,213	12,787	50,000	61,518	(11,518)
Equipment purchases	-	-	-	11,417	11,417	-
Other	10,900	9,400	1,500	5,700	5,177	523
Transfers out	-	-	-	1,588	1,588	-
Total Disbursements	<u>\$ 1,044,298</u>	<u>\$ 1,002,712</u>	<u>\$ 41,586</u>	<u>\$ 890,537</u>	<u>\$ 867,310</u>	<u>\$ 23,227</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (41,098)	\$ (28,405)	\$ 12,693	\$ (56,862)	\$ (16,034)	\$ 40,828
CASH, JANUARY 1	41,105	41,105	-	57,139	57,139	-
CASH, DECEMBER 31	<u>\$ 7</u>	<u>\$ 12,700</u>	<u>\$ 12,693</u>	<u>\$ 277</u>	<u>\$ 41,105</u>	<u>\$ 40,828</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
ASSESSMENT FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 112,811	\$ 114,021	\$ 1,210	\$ 106,004	\$ 110,804	\$ 4,800
Interest	900	992	92	600	1,295	695
Other	-	-	-	874	986	112
Transfers in	14,699	-	(14,699)	37,946	37,946	-
Total Receipts	<u>\$ 128,410</u>	<u>\$ 115,013</u>	<u>\$ (13,397)</u>	<u>\$ 145,424</u>	<u>\$ 151,031</u>	<u>\$ 5,607</u>
DISBURSEMENTS						
Salary - Assessor	\$ 36,720	\$ 36,720	\$ -	\$ 36,000	\$ 36,000	\$ -
Deputy and clerical salaries	36,937	36,937	-	35,992	35,575	417
Employee fringe benefits	37,100	34,010	3,090	32,434	30,394	2,040
Other	26,850	13,956	12,894	25,350	20,342	5,008
Assessment fund enhancement	19,000	19,085	(85)	24,818	10,700	14,118
Transfers out	-	-	-	18,191	18,191	-
Total Disbursements	<u>\$ 156,607</u>	<u>\$ 140,708</u>	<u>\$ 15,899</u>	<u>\$ 172,785</u>	<u>\$ 151,202</u>	<u>\$ 21,583</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (28,197)	\$ (25,695)	\$ 2,502	\$ (27,361)	\$ (171)	\$ 27,190
CASH, JANUARY 1	<u>37,138</u>	<u>37,138</u>	<u>-</u>	<u>37,309</u>	<u>37,309</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 8,941</u></u>	<u><u>\$ 11,443</u></u>	<u><u>\$ 2,502</u></u>	<u><u>\$ 9,948</u></u>	<u><u>\$ 37,138</u></u>	<u><u>\$ 27,190</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales tax revenues	\$ 210,000	\$ 232,372	\$ 22,372	\$ 203,500	\$ 219,323	\$ 15,823
Intergovernmental	369,171	227,962	(141,209)	344,361	-	(344,361)
Interest	2,000	2,507	507	800	2,168	1,368
Other	4,000	7,994	3,994	4,000	2,907	(1,093)
Transfers in	-	-	-	1,588	1,588	-
Total Receipts	<u>\$ 585,171</u>	<u>\$ 470,835</u>	<u>\$ (114,336)</u>	<u>\$ 554,249</u>	<u>\$ 225,986</u>	<u>\$ (328,263)</u>
DISBURSEMENTS						
Contract labor	\$ 36,200	\$ 21,910	\$ 14,290	\$ 31,200	\$ 9,475	\$ 21,725
Bridges	346,661	236,019	110,642	344,361	2,207	342,154
Road and bridge materials	118,510	79,143	39,367	94,000	72,986	21,014
Equipment expenditures	113,656	78,870	34,786	92,584	92,168	416
Other	15,000	17,172	(2,172)	9,450	9,391	59
Transfers out	29,000	56,473	(27,473)	7,000	12,508	(5,508)
Total Disbursements	<u>\$ 659,027</u>	<u>\$ 489,587</u>	<u>\$ 169,440</u>	<u>\$ 578,595</u>	<u>\$ 198,735</u>	<u>\$ 379,860</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (73,856)	\$ (18,752)	\$ 55,104	\$ (24,346)	\$ 27,251	\$ 51,597
CASH, JANUARY 1	<u>74,798</u>	<u>74,798</u>	<u>-</u>	<u>47,547</u>	<u>47,547</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 942</u></u>	<u><u>\$ 56,046</u></u>	<u><u>\$ 55,104</u></u>	<u><u>\$ 23,201</u></u>	<u><u>\$ 74,798</u></u>	<u><u>\$ 51,597</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT OPERATING FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT OPERATING FUND</u>						
RECEIPTS						
Sales taxes	\$ 140,000	\$ 154,923	\$ 14,923	\$ 135,560	\$ 146,221	\$ 10,661
Intergovernmental	134,300	140,155	5,855	137,800	137,490	(310)
Interest	1,000	680	(320)	500	820	320
Other	28,700	22,910	(5,790)	15,150	11,588	(3,562)
Transfers in	384,500	353,500	(31,000)	332,500	332,500	-
Total Receipts	<u>\$ 688,500</u>	<u>\$ 672,168</u>	<u>\$ (16,332)</u>	<u>\$ 621,510</u>	<u>\$ 628,619</u>	<u>\$ 7,109</u>
DISBURSEMENTS						
Salaries	\$ 188,019	\$ 182,427	\$ 5,592	\$ 180,622	\$ 169,684	\$ 10,938
Salaries - jail	175,875	170,339	5,536	166,475	157,694	8,781
Fringe benefits	173,800	168,926	4,874	148,039	145,715	2,324
Office supplies	32,750	29,522	3,228	34,100	33,062	1,038
Equipment expenses	84,875	84,533	342	71,459	80,034	(8,575)
Prisoner board	56,392	41,591	14,801	60,715	51,831	8,884
Other	6,800	16,635	(9,835)	6,300	6,809	(509)
Total Disbursements	<u>\$ 718,511</u>	<u>\$ 693,973</u>	<u>\$ 24,538</u>	<u>\$ 667,710</u>	<u>\$ 644,829</u>	<u>\$ 22,881</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (30,011)	\$ (21,805)	\$ 8,206	\$ (46,200)	\$ (16,210)	\$ 29,990
CASH, JANUARY 1	<u>30,030</u>	<u>30,030</u>	<u>-</u>	<u>46,240</u>	<u>46,240</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 19</u></u>	<u><u>\$ 8,225</u></u>	<u><u>\$ 8,206</u></u>	<u><u>\$ 40</u></u>	<u><u>\$ 30,030</u></u>	<u><u>\$ 29,990</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY TRAINING FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 850	\$ 790	\$ (60)	\$ 650	\$ 805	\$ 155
Interest	150	138	(12)	70	165	95
Total Receipts	<u>\$ 1,000</u>	<u>\$ 928</u>	<u>\$ (72)</u>	<u>\$ 720</u>	<u>\$ 970</u>	<u>\$ 250</u>
DISBURSEMENTS						
Prosecuting Attorney	<u>\$ 5,500</u>	<u>\$ 1,298</u>	<u>\$ 4,202</u>	<u>\$ 6,120</u>	<u>\$ 2,019</u>	<u>\$ 4,101</u>
Total Disbursements	<u>\$ 5,500</u>	<u>\$ 1,298</u>	<u>\$ 4,202</u>	<u>\$ 6,120</u>	<u>\$ 2,019</u>	<u>\$ 4,101</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,500)	\$ (370)	\$ 4,130	\$ (5,400)	\$ (1,049)	\$ 4,351
CASH, JANUARY 1	<u>4,588</u>	<u>4,588</u>	<u>-</u>	<u>5,637</u>	<u>5,637</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 88</u></u>	<u><u>\$ 4,218</u></u>	<u><u>\$ 4,130</u></u>	<u><u>\$ 237</u></u>	<u><u>\$ 4,588</u></u>	<u><u>\$ 4,351</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
COUNTY FARM FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
COUNTY FARM FUND						
RECEIPTS						
Interest	\$ 400	\$ 321	\$ (79)	\$ 400	\$ 582	\$ 182
Other	31,995	33,383	1,388	30,145	33,520	3,375
Total Receipts	<u>\$ 32,395</u>	<u>\$ 33,704</u>	<u>\$ 1,309</u>	<u>\$ 30,545</u>	<u>\$ 34,102</u>	<u>\$ 3,557</u>
DISBURSEMENTS						
Farm expenses	\$ 120	\$ 871	\$ (751)	\$ 140	\$ 487	\$ (347)
Maintenance	16,000	-	16,000	20,100	2,418	17,682
County programs	16,000	11,493	4,507	29,500	31,712	(2,212)
Transfers out	10,000	149	9,851	10,000	18,585	(8,585)
Total Disbursements	<u>\$ 42,120</u>	<u>\$ 12,513</u>	<u>\$ 29,607</u>	<u>\$ 59,740</u>	<u>\$ 53,202</u>	<u>\$ 6,538</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,725)	\$ 21,191	\$ 30,916	\$ (29,195)	\$ (19,100)	\$ 10,095
CASH, JANUARY 1	<u>10,134</u>	<u>10,134</u>	<u>-</u>	<u>29,234</u>	<u>29,234</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 409</u></u>	<u><u>\$ 31,325</u></u>	<u><u>\$ 30,916</u></u>	<u><u>\$ 39</u></u>	<u><u>\$ 10,134</u></u>	<u><u>\$ 10,095</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DOMESTIC VIOLENCE FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	\$ 3,550	\$ 3,832	\$ 282	\$ 3,475	\$ 3,896	\$ 421
Total Receipts	\$ 3,550	\$ 3,832	\$ 282	\$ 3,475	\$ 3,896	\$ 421
DISBURSEMENTS						
Shelter and other	\$ 3,903	\$ 3,904	\$ (1)	\$ 3,488	\$ 3,480	\$ 8
Total Disbursements	\$ 3,903	\$ 3,904	\$ (1)	\$ 3,488	\$ 3,480	\$ 8
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (353)	\$ (72)	\$ 281	\$ (13)	\$ 416	\$ 429
CASH, JANUARY 1	3,904	3,904	-	3,488	3,488	-
CASH, DECEMBER 31	\$ 3,551	\$ 3,832	\$ 281	\$ 3,475	\$ 3,904	\$ 429

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY BAD CHECK FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 3,250	\$ 7,639	\$ 4,389	\$ 5,100	\$ 3,157	\$ (1,943)
Interest	45	159	114	0	49	49
Total Receipts	<u>\$ 3,295</u>	<u>\$ 7,798</u>	<u>\$ 4,503</u>	<u>\$ 5,100</u>	<u>\$ 3,206</u>	<u>\$ (1,894)</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 3,350	\$ 2,935	\$ 415	\$ 4,790	\$ 1,144	\$ 3,646
Transfers out	4,000	3,065	935	2,310	284	2,026
Total Disbursements	<u>\$ 7,350</u>	<u>\$ 6,000</u>	<u>\$ 1,350</u>	<u>\$ 7,100</u>	<u>\$ 1,428</u>	<u>\$ 5,672</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,055)	\$ 1,798	\$ 5,853	\$ (2,000)	\$ 1,778	\$ 3,778
CASH, JANUARY 1	<u>4,399</u>	<u>4,399</u>	<u>-</u>	<u>2,621</u>	<u>2,621</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 344</u></u>	<u><u>\$ 6,197</u></u>	<u><u>\$ 5,853</u></u>	<u><u>\$ 621</u></u>	<u><u>\$ 4,399</u></u>	<u><u>\$ 3,778</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DWI FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DWI FUND</u>						
RECEIPTS						
Charges for services	\$ 2,800	\$ 4,391	\$ 1,591	\$ 3,000	\$ 2,603	\$ (397)
Total Receipts	<u>\$ 2,800</u>	<u>\$ 4,391</u>	<u>\$ 1,591</u>	<u>\$ 3,000</u>	<u>\$ 2,603</u>	<u>\$ (397)</u>
DISBURSEMENTS						
Equipment	\$ 5,000	\$ 4,175	\$ 825	\$ 3,000	\$ 523	\$ 2,477
Other	<u>3,500</u>	<u>100</u>	<u>3,400</u>	<u>3,810</u>	<u>600</u>	<u>3,210</u>
Total Disbursements	<u>\$ 8,500</u>	<u>\$ 4,275</u>	<u>\$ 4,225</u>	<u>\$ 6,810</u>	<u>\$ 1,123</u>	<u>\$ 5,687</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,700)	\$ 116	\$ 5,816	\$ (3,810)	\$ 1,480	\$ 5,290
CASH, JANUARY 1	<u>5,821</u>	<u>5,821</u>	<u>-</u>	<u>4,341</u>	<u>4,341</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 121</u></u>	<u><u>\$ 5,937</u></u>	<u><u>\$ 5,816</u></u>	<u><u>\$ 531</u></u>	<u><u>\$ 5,821</u></u>	<u><u>\$ 5,290</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 RECORDS PRESERVATION FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDS PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	\$ 3,500	\$ 3,282	\$ (218)	\$ 3,800	\$ 3,812	\$ 12
Interest	30	37	7	25	28	3
Total Receipts	<u>\$ 3,530</u>	<u>\$ 3,319</u>	<u>\$ (211)</u>	<u>\$ 3,825</u>	<u>\$ 3,840</u>	<u>\$ 15</u>
DISBURSEMENTS						
Office and other	<u>\$ 3,500</u>	<u>\$ 2,516</u>	<u>\$ 984</u>	<u>\$ 5,000</u>	<u>\$ 3,273</u>	<u>\$ 1,727</u>
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 2,516</u>	<u>\$ 984</u>	<u>\$ 5,000</u>	<u>\$ 3,273</u>	<u>\$ 1,727</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 30	\$ 803	\$ 773	\$ (1,175)	\$ 567	\$ 1,742
CASH, JANUARY 1	<u>2,857</u>	<u>2,857</u>	<u>-</u>	<u>2,290</u>	<u>2,290</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,887</u></u>	<u><u>\$ 3,660</u></u>	<u><u>\$ 773</u></u>	<u><u>\$ 1,115</u></u>	<u><u>\$ 2,857</u></u>	<u><u>\$ 1,742</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 RECORDS TECHNOLOGIES FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDS TECHNOLOGIES FUND</u>						
RECEIPTS						
Charges for services	\$ 2,120	\$ 1,977	\$ (143)	\$ 2,400	\$ 2,314	\$ (86)
Interest	125	128	3	0	106	106
Total Receipts	<u>\$ 2,245</u>	<u>\$ 2,105</u>	<u>\$ (140)</u>	<u>\$ 2,400</u>	<u>\$ 2,420</u>	<u>\$ 20</u>
DISBURSEMENTS						
Equipment	\$ 1,900	\$ 1,954	\$ (54)	\$ 1,620	\$ 1,862	\$ (242)
Other	2,500	-	2,500	4,000	-	4,000
Total Disbursements	<u>\$ 4,400</u>	<u>\$ 1,954</u>	<u>\$ 2,446</u>	<u>\$ 5,620</u>	<u>\$ 1,862</u>	<u>\$ 3,758</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,155)	\$ 151	\$ 2,306	\$ (3,220)	\$ 558	\$ 3,778
CASH, JANUARY 1	<u>4,229</u>	<u>4,229</u>	<u>-</u>	<u>3,671</u>	<u>3,671</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,074</u></u>	<u><u>\$ 4,380</u></u>	<u><u>\$ 2,306</u></u>	<u><u>\$ 451</u></u>	<u><u>\$ 4,229</u></u>	<u><u>\$ 3,778</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT TRAINING FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,400	\$ 1,581	\$ 181	\$ 1,400	\$ 1,376	\$ (24)
Charges for services	2,850	3,109	259	2,800	3,196	396
Interest	190	251	61	75	215	140
Total Receipts	<u>\$ 4,440</u>	<u>\$ 4,941</u>	<u>\$ 501</u>	<u>\$ 4,275</u>	<u>\$ 4,787</u>	<u>\$ 512</u>
DISBURSEMENTS						
Sheriff	\$ 7,200	\$ 3,747	\$ 3,453	\$ 6,950	\$ 3,141	\$ 3,809
Total Disbursements	<u>\$ 7,200</u>	<u>\$ 3,747</u>	<u>\$ 3,453</u>	<u>\$ 6,950</u>	<u>\$ 3,141</u>	<u>\$ 3,809</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,760)	\$ 1,194	\$ 3,954	\$ (2,675)	\$ 1,646	\$ 4,321
CASH, JANUARY 1	<u>8,922</u>	<u>8,922</u>	<u>-</u>	<u>7,276</u>	<u>7,276</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 6,162</u></u>	<u><u>\$ 10,116</u></u>	<u><u>\$ 3,954</u></u>	<u><u>\$ 4,601</u></u>	<u><u>\$ 8,922</u></u>	<u><u>\$ 4,321</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SHERIFF CIVIL FEES FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 14,000	\$ 24,892	\$ 10,892	\$ 14,000	\$ 16,835	\$ 2,835
Interest	190	411	221	98	192	94
Total Receipts	<u>\$ 14,190</u>	<u>\$ 25,303</u>	<u>\$ 11,113</u>	<u>\$ 14,098</u>	<u>\$ 17,027</u>	<u>\$ 2,929</u>
DISBURSEMENTS						
Sheriff	\$ 16,500	\$ 11,801	\$ 4,699	\$ 18,500	\$ 12,301	\$ 6,199
Transfers out	2,500	2,500	-	2,500	2,500	-
Total Disbursements	<u>\$ 19,000</u>	<u>\$ 14,301</u>	<u>\$ 4,699</u>	<u>\$ 21,000</u>	<u>\$ 14,801</u>	<u>\$ 6,199</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,810)	\$ 11,002	\$ 15,812	\$ (6,902)	\$ 2,226	\$ 9,128
CASH, JANUARY 1	<u>9,552</u>	<u>9,552</u>	<u>0</u>	<u>7,326</u>	<u>7,326</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 4,742</u></u>	<u><u>\$ 20,554</u></u>	<u><u>\$ 15,812</u></u>	<u><u>\$ 424</u></u>	<u><u>\$ 9,552</u></u>	<u><u>\$ 9,128</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
D.A.R.E. FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>D.A.R.E. FUND</u>						
RECEIPTS						
Intergovernmental	\$ 4,490	\$ 1,380	\$ (3,110)	\$ 5,400	\$ 2,140	\$ (3,260)
Total Receipts	<u>\$ 4,490</u>	<u>\$ 1,380</u>	<u>\$ (3,110)</u>	<u>\$ 5,400</u>	<u>\$ 2,140</u>	<u>\$ (3,260)</u>
DISBURSEMENTS						
D.A.R.E. program	\$ 3,500	\$ 1,775	\$ 1,725	\$ 2,100	\$ 2,220	\$ (120)
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 1,775</u>	<u>\$ 1,725</u>	<u>\$ 2,100</u>	<u>\$ 2,220</u>	<u>\$ (120)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 990	\$ (395)	\$ (1,385)	\$ 3,300	\$ (80)	\$ (3,380)
CASH, JANUARY 1	<u>1,279</u>	<u>1,279</u>	<u>-</u>	<u>1,359</u>	<u>1,359</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,269</u></u>	<u><u>\$ 884</u></u>	<u><u>\$ (1,385)</u></u>	<u><u>\$ 4,659</u></u>	<u><u>\$ 1,279</u></u>	<u><u>\$ (3,380)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
ELECTION SERVICE FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 11,350	\$ 8,148	\$ (3,202)	\$ 2,800	\$ 2,855	\$ 55
Interest	300	362	62	200	409	209
Total Receipts	<u>\$ 11,650</u>	<u>\$ 8,510</u>	<u>\$ (3,140)</u>	<u>\$ 3,000</u>	<u>\$ 3,264</u>	<u>\$ 264</u>
DISBURSEMENTS						
Equipment	\$ 10,000	\$ 2,000	\$ 8,000	\$ 4,000	\$ 89	\$ 3,911
Other	6,360	2,024	4,336	10,817	8,352	2,465
Total Disbursements	<u>\$ 16,360</u>	<u>\$ 4,024</u>	<u>\$ 12,336</u>	<u>\$ 14,817</u>	<u>\$ 8,441</u>	<u>\$ 6,376</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,710)	\$ 4,486	\$ 9,196	\$ (11,817)	\$ (5,177)	\$ 6,640
CASH, JANUARY 1	<u>10,520</u>	<u>10,520</u>	<u>-</u>	<u>15,697</u>	<u>15,697</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 5,810</u></u>	<u><u>\$ 15,006</u></u>	<u><u>\$ 9,196</u></u>	<u><u>\$ 3,880</u></u>	<u><u>\$ 10,520</u></u>	<u><u>\$ 6,640</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 COLLECTOR TAX MAINTENANCE FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>COLLECTOR TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 10,000	\$ 12,601	\$ 2,601	\$ 9,000	\$ 11,650	\$ 2,650
Interest	500	591	91	400	653	253
Total Receipts	<u>\$ 10,500</u>	<u>\$ 13,192</u>	<u>\$ 2,692</u>	<u>\$ 9,400</u>	<u>\$ 12,303</u>	<u>\$ 2,903</u>
DISBURSEMENTS						
Salaries	\$ 3,640	\$ 3,425	\$ 215	\$ -	\$ 2,660	\$ (2,660)
Fringe benefits	492	514	(22)	-	572	(572)
Other	24,588	12,950	11,638	8,210	2,162	6,048
Transfers out	1,000	771	229	4,000	965	3,035
Total Disbursements	<u>\$ 29,720</u>	<u>\$ 17,660</u>	<u>\$ 12,060</u>	<u>\$ 12,210</u>	<u>\$ 6,359</u>	<u>\$ 5,851</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (19,220)	\$ (4,468)	\$ 14,752	\$ (2,810)	\$ 5,944	\$ 8,754
CASH, JANUARY 1	<u>19,220</u>	<u>19,220</u>	<u>-</u>	<u>13,276</u>	<u>13,276</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 14,752</u></u>	<u><u>\$ 14,752</u></u>	<u><u>\$ 10,466</u></u>	<u><u>\$ 19,220</u></u>	<u><u>\$ 8,754</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT RESTITUTION FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	\$ 16,000	\$ 30,296	\$ 14,296	\$ 15,000	\$ 16,547	\$ 1,547
Interest	1,000	793	(207)	600	1,111	511
Total Receipts	<u>\$ 17,000</u>	<u>\$ 31,089</u>	<u>\$ 14,089</u>	<u>\$ 15,600</u>	<u>\$ 17,658</u>	<u>\$ 2,058</u>
DISBURSEMENTS						
Sheriff	\$ 2,000	\$ 8,585	\$ (6,585)	\$ 10,000	\$ 1,948	\$ 8,052
Vehicle and equipment purchases-Sheriff	30,000	14,000	16,000	30,500	27,320	3,180
Transfers out	14,000	1,955	12,045	15,000	2,480	12,520
Total Disbursements	<u>\$ 46,000</u>	<u>\$ 24,540</u>	<u>\$ 21,460</u>	<u>\$ 55,500</u>	<u>\$ 31,748</u>	<u>\$ 23,752</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (29,000)	\$ 6,549	\$ 35,549	\$ (39,900)	\$ (14,090)	\$ 25,810
CASH, JANUARY 1	<u>29,069</u>	<u>29,069</u>	<u>-</u>	<u>43,159</u>	<u>43,159</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 69</u>	<u>\$ 35,618</u>	<u>\$ 35,549</u>	<u>\$ 3,259</u>	<u>\$ 29,069</u>	<u>\$ 25,810</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CIRCUIT CLERK INTEREST FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	\$ 4,000	\$ 2,906	\$ (1,094)	\$ 2,000	\$ 4,056	\$ 2,056
Total Receipts	\$ 4,000	\$ 2,906	\$ (1,094)	\$ 2,000	\$ 4,056	\$ 2,056
DISBURSEMENTS						
Equipment	\$ 4,500	\$ 463	\$ 4,037	\$ 4,500	\$ 3,420	\$ 1,080
Other	500	89	411	0	235	(235)
Total Disbursements	\$ 5,000	\$ 552	\$ 4,448	\$ 4,500	\$ 3,655	\$ 845
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,000)	\$ 2,354	\$ 3,354	\$ (2,500)	\$ 401	\$ 2,901
CASH, JANUARY 1	3,102	3,102	-	2,701	2,701	-
CASH, DECEMBER 31	\$ 2,102	\$ 5,456	\$ 3,354	\$ 201	\$ 3,102	\$ 2,901

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT REVOLVING FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,000	\$ 900	\$ (100)	\$ 1,700	\$ 1,250	\$ (450)
Total Receipts	<u>\$ 1,000</u>	<u>\$ 900</u>	<u>\$ (100)</u>	<u>\$ 1,700</u>	<u>\$ 1,250</u>	<u>\$ (450)</u>
DISBURSEMENTS						
Equipment	\$ 1,200	\$ -	\$ 1,200	\$ -	\$ -	\$ -
Office supplies	600	-	600	180	208	(28)
Total Disbursements	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 180</u>	<u>\$ 208</u>	<u>\$ (28)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (800)	\$ 900	\$ 1,700	\$ 1,520	\$ 1,042	\$ (478)
CASH, JANUARY 1	<u>1,042</u>	<u>1,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 242</u></u>	<u><u>\$ 1,942</u></u>	<u><u>\$ 1,700</u></u>	<u><u>\$ 1,520</u></u>	<u><u>\$ 1,042</u></u>	<u><u>\$ (478)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
EMERGENCY 911 FUND
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EMERGENCY 911 FUND						
RECEIPTS						
Sales and use taxes	\$ 315,500	\$ 332,254	\$ 16,754	\$ 315,000	\$ 324,140	\$ 9,140
Charges for services	3,600	3,600	-	3,600	3,600	-
Interest	3,700	2,776	(924)	2,200	2,822	622
Other	300	4,943	4,643	300	416	116
Total Receipts	<u>\$ 323,100</u>	<u>\$ 343,573</u>	<u>\$ 20,473</u>	<u>\$ 321,100</u>	<u>\$ 330,978</u>	<u>\$ 9,878</u>
DISBURSEMENTS						
Salaries and employee fringe benefits	\$ 249,900	\$ 255,575	\$ (5,675)	\$ 242,000	\$ 234,455	\$ 7,545
Supplies	6,210	7,116	(906)	6,310	7,071	(761)
Maintenance	4,900	5,116	(216)	7,050	4,490	2,560
Contractual services	45,610	42,879	2,731	47,210	47,591	(381)
Training	6,700	6,893	(193)	7,100	9,946	(2,846)
Equipment	5,640	13,679	(8,039)	5,640	4,257	1,383
Other	23,349	23,393	(44)	5,790	16,313	(10,523)
Total Disbursements	<u>\$ 342,309</u>	<u>\$ 354,651</u>	<u>\$ (12,342)</u>	<u>\$ 321,100</u>	<u>\$ 324,123</u>	<u>\$ (3,023)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (19,209)	\$ (11,078)	\$ 8,131	\$ -	\$ 6,855	\$ 6,855
CASH, JANUARY 1	<u>91,828</u>	<u>91,828</u>	<u>-</u>	<u>84,973</u>	<u>84,973</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 72,619</u></u>	<u><u>\$ 80,750</u></u>	<u><u>\$ 8,131</u></u>	<u><u>\$ 84,973</u></u>	<u><u>\$ 91,828</u></u>	<u><u>\$ 6,855</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LEWIS COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LIBRARY FUND
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LIBRARY FUND</u>						
RECEIPTS						
Intergovernmental	\$ 780	\$ 680	\$ (100)	\$ 888	\$ 780	\$ (108)
Total Receipts	<u>\$ 780</u>	<u>\$ 680</u>	<u>\$ (100)</u>	<u>\$ 888</u>	<u>\$ 780</u>	<u>\$ (108)</u>
DISBURSEMENTS						
Supplies	\$ 3,107	\$ 1,217	\$ 1,890	\$ 2,450	\$ 1,027	\$ 1,423
Total Disbursements	<u>\$ 3,107</u>	<u>\$ 1,217</u>	<u>\$ 1,890</u>	<u>\$ 2,450</u>	<u>\$ 1,027</u>	<u>\$ 1,423</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,327)	\$ (537)	\$ 1,790	\$ (1,562)	\$ (247)	\$ 1,315
CASH, JANUARY 1	<u>694</u>	<u>694</u>	<u>-</u>	<u>941</u>	<u>941</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (1,633)</u></u>	<u><u>\$ 157</u></u>	<u><u>\$ 1,790</u></u>	<u><u>\$ (621)</u></u>	<u><u>\$ 694</u></u>	<u><u>\$ 1,315</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Supplementary Information

LEWIS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: _____ yes X no

Significant deficiencies identified that are
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to the financial statements
noted? _____ yes X no

Section II – Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LEWIS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Lewis County, Missouri, on the applicable findings in the audit report issued for the two years ended December 31, 2006. There were no findings that require follow-up.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

LEWIS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2008 AND 2007

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Lewis County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009.

We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. There are no findings to report.

Follow-Up on Prior Audit Findings

LEWIS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Lewis County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the year ended December 31, 2006. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations. There are no findings that require follow-up.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Maries County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Maries County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-146

MARIES COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

MARIES COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Auditors' Reports:	2-6
Independent Auditors' Report	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon The Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-15
Government-Wide Financial Statements:	8-11
<u>Exhibit</u>	<u>Description</u>
Statement of Net Assets – Cash Basis	
A-1	December 31, 2008 8
A-2	December 31, 2007 9
Statement of Activities – Cash Basis	
B-1	Year Ended December 31, 2008 10
B-2	Year Ended December 31, 2007 11
Fund Financial Statements:	12-17
<u>Exhibit</u>	<u>Description</u>
Governmental Funds Balance Sheet – Cash Basis	
C-1	December 31, 2008 12
C-2	December 31, 2007 13
Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances	
D-1	Year Ended December 31, 2008 14
D-2	Year Ended December 31, 2007 15
Statement of Fiduciary Net Assets – Cash Basis	
E-1	Year Ended December 31, 2008 16
E-2	Year Ended December 31, 2007 17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-29
Required Supplementary Information:	30-60
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2008 and 2007	31-60
Other Supplementary Information:	61-63
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2008 and 2007...	62-63
Section I – Summary of Auditors’ Results	62
Section II - Financial Statement Findings	62-63
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	64-65
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
Management Advisory Report – Auditors’ Findings	66-68
Follow-Up on Prior Audit Findings	69-76

FINANCIAL SECTION

Auditors' Report

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C., C.P.A.

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Maries County, Missouri, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Maries County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Maries County, Missouri as of December 31, 2008 and 2007, and for the years then ended in conformity with the basis of accounting described in Note 1.

As discussed more fully in Note 1, for the years ended December 2008 and 2007, the County implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – For State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. The County also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

The County has elected to omit Management's Discussion and Analysis report which is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board.

The budgetary comparison schedules and other supplementary information on pages 31 through 63 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C.

FAX 636-947-3155

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Maries County, Missouri, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (08-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We identified a deficiency in internal control that we consider to be a significant deficiency, as defined above. However, we do not believe the significant deficiency referred to above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Maries County, Missouri, are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs (08-1).

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Basic Financial Statements

MARIES COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>271,110</u>
TOTAL ASSETS	\$ <u><u>271,110</u></u>
NET ASSETS	
Unrestricted general fund	\$ 98,735
Unrestricted reported in non-major funds	58,706
Restricted special revenue funds	<u>113,669</u>
TOTAL NET ASSETS	\$ <u><u>271,110</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>382,526</u>
TOTAL ASSETS	\$ <u><u>382,526</u></u>
NET ASSETS	
Unrestricted general fund	\$ 142,513
Unrestricted reported in non-major funds	76,806
Restricted special revenue funds	<u>163,207</u>
TOTAL NET ASSETS	\$ <u><u>382,526</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2008

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 589,123	\$ 189,687	\$ 131,485	\$ (267,951)
Financial administration	109,475	-	-	(109,475)
Property valuation and recording	181,545	203	122,627	(58,715)
Administration of justice and law enforcement	708,103	67,815	-	(640,288)
Maintenance of roads	1,104,106	-	458,573	(645,533)
Transfers	130,574	-	130,574	-
Other	-	12,741	36,030	48,771
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,822,926</u>	<u>\$ 270,446</u>	<u>\$ 879,289</u>	<u>\$ (1,673,191)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 593,859
Sales and use taxes				710,890
Interest				5,008
Sales of equipment				65,000
Other				<u>187,018</u>
Total General Receipts				<u>\$ 1,561,775</u>
Change in Cash Balances				\$ (111,416)
NET ASSETS, JANUARY 1				<u>382,526</u>
NET ASSETS, DECEMBER 31				<u>\$ 271,110</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 572,888	\$ 187,015	\$ 133,422	\$ (252,451)
Financial administration	110,773	-	-	(110,773)
Property valuation and recording	209,294	293	120,655	(88,346)
Administration of justice and law enforcement	695,151	81,387	-	(613,764)
Maintenance of roads	1,216,392	-	723,035	(493,357)
Transfers	150,394	-	150,394	-
Other	-	17,506	32,526	50,032
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,954,892</u>	<u>\$ 286,201</u>	<u>\$ 1,160,032</u>	<u>\$ (1,508,659)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 558,619
Sales and use taxes				740,288
Interest				4,810
Sales of equipment				90,433
Other				153,438
Total General Receipts				<u>\$ 1,547,588</u>
Change in Cash Balances				\$ 38,929
NET ASSETS, JANUARY 1				<u>343,597</u>
NET ASSETS, DECEMBER 31				<u>\$ 382,526</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2008

	General Revenue	Special Road and Bridge #1 and #2	Assessment	Recorder's Records Storage	911	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 98,735	\$ 4,595	\$ 5,531	\$ 33,409	\$ 58,041	\$ 70,799	\$ 271,110
TOTAL ASSETS	<u>\$ 98,735</u>	<u>\$ 4,595</u>	<u>\$ 5,531</u>	<u>\$ 33,409</u>	<u>\$ 58,041</u>	<u>\$ 70,799</u>	<u>\$ 271,110</u>
FUND BALANCES							
Unreserved	\$ 98,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,735
Unreserved reported in non-major funds	-	-	-	-	-	70,799	70,799
Unreserved special revenue funds	<u>-</u>	<u>4,595</u>	<u>5,531</u>	<u>33,409</u>	<u>58,041</u>	<u>-</u>	<u>101,576</u>
TOTAL FUND BALANCES	<u>\$ 98,735</u>	<u>\$ 4,595</u>	<u>\$ 5,531</u>	<u>\$ 33,409</u>	<u>\$ 58,041</u>	<u>\$ 70,799</u>	<u>\$ 271,110</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge #1 and #2	Assessment	Recorder's Records Storage	911	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 142,513	\$ 75,593	\$ 15,595	\$ 32,420	\$ 57,699	\$ 58,706	\$ 382,526
TOTAL ASSETS	<u>\$ 142,513</u>	<u>\$ 75,593</u>	<u>\$ 15,595</u>	<u>\$ 32,420</u>	<u>\$ 57,699</u>	<u>\$ 58,706</u>	<u>\$ 382,526</u>
FUND BALANCES							
Unreserved	\$ 142,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,513
Unreserved reported in non-major funds	-	-	-	-	-	58,706	58,706
Unreserved special revenue funds	<u>-</u>	<u>75,593</u>	<u>15,595</u>	<u>32,420</u>	<u>57,699</u>	<u>-</u>	<u>181,307</u>
TOTAL FUND BALANCES	<u>\$ 142,513</u>	<u>\$ 75,593</u>	<u>\$ 15,595</u>	<u>\$ 32,420</u>	<u>\$ 57,699</u>	<u>\$ 58,706</u>	<u>\$ 382,526</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2008

	General Revenue	Special Road and Bridge #1 and #2	Assessment	Recorder's Records Storage	911	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 364,338	\$ 229,521	\$ -	\$ -	\$ -	\$ -	\$ 593,859
Sales and use taxes	316,689	157,681	-	-	-	236,520	710,890
Intergovernmental	131,485	458,573	115,683	6,944	-	36,030	748,715
Charges for services	189,687	-	203	-	67,815	12,741	270,446
Interest	1,109	1,818	285	392	784	620	5,008
Sales of equipment	-	65,000	-	-	-	-	65,000
Other	35,318	151,303	316	-	-	81	187,018
Total Receipts	<u>\$ 1,038,626</u>	<u>\$ 1,063,896</u>	<u>\$ 116,487</u>	<u>\$ 7,336</u>	<u>\$ 68,599</u>	<u>\$ 285,992</u>	<u>\$ 2,580,936</u>
DISBURSEMENTS							
General county government	\$ 586,167	\$ -	\$ -	\$ -	\$ -	\$ 2,956	\$ 589,123
Financial administration	105,841	-	-	-	-	3,634	109,475
Property valuation and recording	39,049	-	136,051	6,347	-	98	181,545
Administration of justice and enforcement	361,349	-	-	-	28,757	317,997	708,103
Maintenance of roads	-	1,104,106	-	-	-	-	1,104,106
Total Disbursements	<u>\$ 1,092,406</u>	<u>\$ 1,104,106</u>	<u>\$ 136,051</u>	<u>\$ 6,347</u>	<u>\$ 28,757</u>	<u>\$ 324,685</u>	<u>\$ 2,692,352</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (53,780)</u>	<u>\$ (40,210)</u>	<u>\$ (19,564)</u>	<u>\$ 989</u>	<u>\$ 39,842</u>	<u>\$ (38,693)</u>	<u>\$ (111,416)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 70,288	\$ -	\$ 9,500	\$ -	\$ -	\$ 50,786	\$ 130,574
Transfers out	(60,286)	(30,788)	-	-	(39,500)	-	(130,574)
Net Other Financing Sources (Uses)	<u>\$ 10,002</u>	<u>\$ (30,788)</u>	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ (39,500)</u>	<u>\$ 50,786</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ (43,778)	\$ (70,998)	\$ (10,064)	\$ 989	\$ 342	\$ 12,093	\$ (111,416)
CASH BALANCES, JANUARY 1	<u>142,513</u>	<u>75,593</u>	<u>15,595</u>	<u>32,420</u>	<u>57,699</u>	<u>58,706</u>	<u>382,526</u>
CASH BALANCES, DECEMBER 31	<u>\$ 98,735</u>	<u>\$ 4,595</u>	<u>\$ 5,531</u>	<u>\$ 33,409</u>	<u>\$ 58,041</u>	<u>\$ 70,799</u>	<u>\$ 271,110</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge #1 and #2	Assessment	Recorder's Records Storage	911	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 342,323	\$ 216,296	\$ -	\$ -	\$ -	\$ -	\$ 558,619
Sales and use taxes	494,027	123,131	-	-	-	123,130	740,288
Intergovernmental	133,422	723,035	114,380	6,275	-	32,526	1,009,638
Charges for services	187,015	-	293	-	81,387	17,506	286,201
Interest	1,070	1,133	314	791	432	1,070	4,810
Sales of equipment	1,490	88,943	-	-	-	-	90,433
Other	23,223	117,751	750	-	-	11,714	153,438
Total Receipts	<u>\$ 1,182,570</u>	<u>\$ 1,270,289</u>	<u>\$ 115,737</u>	<u>\$ 7,066</u>	<u>\$ 81,819</u>	<u>\$ 185,946</u>	<u>\$ 2,843,427</u>
DISBURSEMENTS							
General county government	\$ 548,530	\$ -	\$ -	\$ -	\$ -	\$ 24,358	\$ 572,888
Financial administration	109,121	-	-	-	-	1,652	110,773
Property valuation and recording	36,314	-	137,361	28,857	-	6,762	209,294
Administration of justice and enforcement	387,178	-	-	-	30,102	277,871	695,151
Maintenance of roads	-	1,216,392	-	-	-	-	1,216,392
Total Disbursements	<u>\$ 1,081,143</u>	<u>\$ 1,216,392</u>	<u>\$ 137,361</u>	<u>\$ 28,857</u>	<u>\$ 30,102</u>	<u>\$ 310,643</u>	<u>\$ 2,804,498</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 101,427</u>	<u>\$ 53,897</u>	<u>\$ (21,624)</u>	<u>\$ (21,791)</u>	<u>\$ 51,717</u>	<u>\$ (124,697)</u>	<u>\$ 38,929</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 9,136	\$ -	\$ 25,656	\$ -	\$ -	\$ 115,602	\$ 150,394
Transfers out	(131,820)	(433)	-	-	(9,136)	(9,005)	(150,394)
Net Other Financing Sources (Uses)	<u>\$ (122,684)</u>	<u>\$ (433)</u>	<u>\$ 25,656</u>	<u>\$ -</u>	<u>\$ (9,136)</u>	<u>\$ 106,597</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ (21,257)	\$ 53,464	\$ 4,032	\$ (21,791)	\$ 42,581	\$ (18,100)	\$ 38,929
CASH BALANCES, JANUARY 1	<u>163,770</u>	<u>22,129</u>	<u>11,563</u>	<u>54,211</u>	<u>15,118</u>	<u>76,806</u>	<u>343,597</u>
CASH BALANCES, DECEMBER 31	<u>\$ 142,513</u>	<u>\$ 75,593</u>	<u>\$ 15,595</u>	<u>\$ 32,420</u>	<u>\$ 57,699</u>	<u>\$ 58,706</u>	<u>\$ 382,526</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

ASSETS	
Cash and cash equivalents	\$ <u>31,256</u>
TOTAL ASSETS	\$ <u><u>31,256</u></u>
NET ASSETS	
Restricted	\$ <u>31,256</u>
TOTAL NET ASSETS	\$ <u><u>31,256</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MARIES COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>27,975</u>
TOTAL ASSETS	\$ <u><u>27,975</u></u>
NET ASSETS	
Restricted	\$ <u>27,975</u>
TOTAL NET ASSETS	\$ <u><u>27,975</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Maries, Missouri ("County") was organized in 1855, is governed by a three-member board of commissioners. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Maries County, Missouri as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Maries County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Maries County, Missouri only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Maries County, Missouri at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among program revenues are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Revenue Fund, Special Road and Bridge #1 and #2 Fund, Assessment Fund, Recorder's Records Storage Fund, and 911 Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds are reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The following are the County's governmental major funds:

General Revenue Fund – The General Revenue Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge #1 and #2 Fund – A special revenue fund used to account for receipts of the county property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – The fund is used to handle all County assessment costs.

Recorder's Records Storage Fund – Fund to collect fees regarding microfilming recorder records.

911 Fund – The fund disburses costs related to the 911 emergency responder telephone numbers.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consists of Employee Retirement, School Fines, Various Small Schools, Criminal Costs, and Surplus Land Sales.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Accounting Changes

For the years ended December 31, 2008 and 2007, the County implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. As Note 1.B discusses, the basic financial statements now include government-wide financial statements that report information for the County as a whole and fund financial statements that focus on major funds. However, as Note 1.C discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the basis of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the County's prior period financial statements, are now included in the Statement of Fiduciary Net Assets.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar years 2008 and 2007, for purposes of taxation were:

	<u>2008</u>	<u>2007</u>
Real Estate	\$62,517,210	\$61,463,660
Personal Property	\$30,869,409	\$30,488,364
Railroad and Utilities	\$14,370,590	\$16,229,496

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes (continued)

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2008</u>	<u>2007</u>
General Revenue Fund	.3449	.3375
Special Road	.2664	.2624
Road and Bridge #2	.2374	.2339

F. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Maries County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Governmental Funds Balance Sheet-Cash Basis.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Budgets and Budgetary Practices (continued)

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Maries County Law	2008
Over/Under	2008
Inmate Security	2007
Sheriff Revolving	2007
Restitution	2007
Associate Circuit Division Interest	2008
Associate Probation	2008 and 2007

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, total expenditures exceeded total budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Road and Bridge #1	2008 and 2007
Road and Bridge #2	2008
Recorder's Records Storage	2008 and 2007
Prosecuting Attorney Training	2008
Prosecuting Attorney Bad Check	2008 and 2007
Children's Trust	2008
Special Sheriff	2008 and 2007
Election Services	2008
Citizens Safety	2008 and 2007
Prosecuting Attorney Delinquent Tax	2007
Associate Circuit Division Interest	2008
Law Library	2007
Circuit Clerk Maintenance	2008
Circuit Clerk Special Account	2007
Circuit Clerk Interest	2007
Circuit Clerk Family Court	2008 and 2007
HAVA	2007
Associate Probation	2008

Although Section 50.740, RSMo, requires a balanced budget. Deficit budget balances are presented for the Prosecuting Attorney Delinquent Tax Fund the year ended December 31, 2008.

L. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. Maries County has published all funds.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Governmental Funds Balance Sheet-Cash Basis arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008, the carrying amount of the County's deposits was \$271,110; the bank balance was \$211,212. At December 31, 2007, the carrying amount of the County's deposits was \$382,526; the bank balance was \$331,052.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008 and 2007, as follows:

	2008 and 2007 <u>Maturity</u>	2008 Book <u>Balance</u>	2007 Book <u>Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$271,110	\$382,526
Investments	N/A	<u>-</u>	<u>-</u>
Total Deposits		<u>\$271,110</u>	<u>\$382,526</u>
Included in the following fund financial statement captions:			
Governmental Funds Balance Sheet-Cash Basis			
Cash & Cash Equivalents		\$271,110	\$382,526
Investments		<u>-</u>	<u>-</u>
Total		<u>\$271,110</u>	<u>\$382,526</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The County's investments are not exposed to custodial credit risk at December 31, 2008 and 2007.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (continued)

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investments held at December 31, 2008 and 2007 are provided in the above schedules.

Investment Credit Risk

The County does not have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does not have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2008 and 2007 are as follows:

	2008 <u>Transfers In (Out)</u>	2007 <u>Transfers In (Out)</u>
Major Funds		
General Revenue	\$10,002	\$(122,684)
Special Road and Bridge #1 and #2	(30,788)	(433)
Assessment	9,500	25,656
911	(39,500)	(9,136)
Non-major	<u>50,786</u>	<u>106,597</u>
Total	<u>\$ -</u>	<u>\$ -</u>

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued)

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county, the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of \$0 for 2008 and \$0 for 2007.

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with State Statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$0 for the year ended December 31, 2008 and \$3,366 for 2007.

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County does not have any material litigation issues for years ended December 31, 2008 and 2007.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at one-half day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, would be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to State Statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

Required Supplementary Information

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SUMMARY OF ALL FUNDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - ALL FUNDS</u>						
RECEIPTS	\$ 2,567,724	\$ 2,711,510	\$ 143,786	\$ 2,908,880	\$ 2,993,821	\$ 84,941
DISBURSEMENTS	<u>2,607,205</u>	<u>2,822,926</u>	<u>(215,721)</u>	<u>2,869,289</u>	<u>2,954,892</u>	<u>(85,603)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (39,481)	\$ (111,416)	\$ (71,935)	\$ 39,591	\$ 38,929	\$ (662)
CASH, JANUARY 1	<u>382,526</u>	<u>382,526</u>	<u>-</u>	<u>343,597</u>	<u>343,597</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 343,045</u>	<u>\$ 271,110</u>	<u>\$ (71,935)</u>	<u>\$ 383,188</u>	<u>\$ 382,526</u>	<u>\$ (662)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

GENERAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	\$ 362,333	\$ 364,338	\$ 2,005	\$ 327,700	\$ 342,323	\$ 14,623
Sales and use taxes	335,000	316,689	(18,311)	476,000	494,027	18,027
Intergovernmental	137,800	131,485	(6,315)	87,083	134,912	47,829
Charges for services	190,196	189,687	(509)	185,700	187,015	1,315
Interest	1,000	1,109	109	1,300	1,070	(230)
Other	33,770	35,318	1,548	112,640	23,223	(89,417)
Transfers in	82,788	70,288	(12,500)	31,600	9,136	(22,464)
Total Receipts	<u>\$ 1,142,887</u>	<u>\$ 1,108,914</u>	<u>\$ (33,973)</u>	<u>\$ 1,222,023</u>	<u>\$ 1,191,706</u>	<u>\$ (30,317)</u>
DISBURSEMENTS						
County Commission	\$ 75,558	\$ 76,410	\$ (852)	\$ 74,351	\$ 73,790	\$ 561
County Clerk	65,979	67,067	(1,088)	63,248	64,838	(1,590)
Elections	78,100	86,735	(8,635)	23,875	26,887	(3,012)
Buildings and grounds	61,792	56,103	5,689	53,186	57,335	(4,149)
Employee fringe benefits	103,376	83,890	19,486	88,000	103,199	(15,199)
County Treasurer	40,807	40,392	415	39,622	39,720	(98)
County Collector	71,022	65,449	5,573	69,514	69,401	113
Circuit Clerk-Recorder	30,248	29,912	336	28,178	27,428	750
Associate Circuit Court	14,400	9,137	5,263	14,300	8,886	5,414
Court administration	15,993	5,552	10,441	16,525	8,657	7,868
Public Administrator	25,088	25,889	(801)	24,063	23,581	482
Sheriff	129,538	121,748	7,790	180,781	116,397	64,384
Jail	151,789	110,023	41,766	156,000	147,740	8,260
Prosecuting Attorney	82,060	82,989	(929)	70,786	77,864	(7,078)
Juvenile Officer	23,959	19,406	4,553	23,963	21,671	2,292
County Coroner	15,802	12,494	3,308	16,787	14,849	1,938
Other	1,000	3,340	(2,340)	3,600	857	2,743
Trash patrol	25,150	27,427	(2,277)	12,378	12,279	99
Licenses	46,239	46,795	(556)	44,799	45,116	(317)
University Extension	20,000	20,000	-	23,000	23,107	(107)
Insurance	50,000	64,733	(14,733)	44,000	46,693	(2,693)
Other	26,050	27,125	(1,075)	31,150	60,225	(29,075)
Public health and welfare services	11,000	9,790	1,210	10,712	10,623	89
Transfers out	-	60,286	(60,286)	127,520	131,820	(4,300)
Total Disbursements	<u>\$ 1,164,950</u>	<u>\$ 1,152,692</u>	<u>\$ 12,258</u>	<u>\$ 1,240,338</u>	<u>\$ 1,212,963</u>	<u>\$ 27,375</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (22,063)	\$ (43,778)	\$ (21,715)	\$ (18,315)	\$ (21,257)	\$ (2,942)
CASH, JANUARY 1	<u>142,513</u>	<u>142,513</u>	<u>-</u>	<u>163,770</u>	<u>163,770</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 120,450</u>	<u>\$ 98,735</u>	<u>\$ (21,715)</u>	<u>\$ 145,455</u>	<u>\$ 142,513</u>	<u>\$ (2,942)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ROAD AND BRIDGE FUND #1

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ROAD AND BRIDGE FUND #1</u>						
RECEIPTS						
Property taxes	\$ 125,416	\$ 123,659	\$ (1,757)	\$ 125,555	\$ 118,221	\$ (7,334)
Sales and use taxes	70,000	86,724	16,724	65,000	67,722	2,722.00
Intergovernmental	251,750	227,384	(24,366)	256,500	258,770	2,270
Interest	700	1,214	514	500	687	187
Other	48,825	140,361	91,536	6,750	153,329	146,579
Total Receipts	<u>\$ 496,691</u>	<u>\$ 579,342</u>	<u>\$ 82,651</u>	<u>\$ 454,305</u>	<u>\$ 598,729</u>	<u>\$ 144,424</u>
DISBURSEMENTS						
Salaries	\$ 137,280	\$ 130,290	\$ 6,990	\$ 133,280	\$ 130,848	\$ 2,432
Employee fringe benefits	32,800	28,959	3,841	35,891	37,703	(1,812)
Supplies	100,000	137,410	(37,410)	85,000	130,888	(45,888)
Insurance	9,700	974	8,726	10,000	9,679	321
Road and bridge materials	66,000	97,357	(31,357)	66,000	75,828	(9,828)
Equipment repairs	43,500	80,007	(36,507)	14,000	3,165	10,835
Equipment purchases	97,750	115,713	(17,963)	88,500	102,064	(13,564)
Road and bridge construction	-	8,835	(8,835)	-	-	-
Other	8,450	7,090	1,360	10,580	64,811	(54,231)
Transfers out	16,651	16,651	-	-	433	(433)
Total Disbursements	<u>\$ 512,131</u>	<u>\$ 623,286</u>	<u>\$ (111,155)</u>	<u>\$ 443,251</u>	<u>\$ 555,419</u>	<u>\$ (112,168)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (15,440)	\$ (43,944)	\$ (28,504)	\$ 11,054	\$ 43,310	\$ 32,256
CASH, JANUARY 1	56,298	56,298	-	12,988	12,988	-
CASH, DECEMBER 31	<u>\$ 40,858</u>	<u>\$ 12,354</u>	<u>\$ (28,504)</u>	<u>\$ 24,042</u>	<u>\$ 56,298</u>	<u>\$ 32,256</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ROAD AND BRIDGE FUND #2

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ROAD AND BRIDGE FUND #2</u>						
RECEIPTS						
Property taxes	\$ 110,149	\$ 105,862	\$ (4,287)	\$ 95,095	\$ 98,075	\$ 2,980
Sales and use taxes	55,000	70,957	15,957	52,500	55,409	2,909
Intergovernmental	223,000	186,039	(36,961)	213,000	211,638	(1,362)
Interest	500	604	104	500	446	(54)
Other	24,250	121,092	96,842	383,900	305,992	(77,908)
Total Receipts	<u>\$ 412,899</u>	<u>\$ 484,554</u>	<u>\$ 71,655</u>	<u>\$ 744,995</u>	<u>\$ 671,560</u>	<u>\$ (73,435)</u>
DISBURSEMENTS						
Annual salaries	\$ 135,000	\$ 135,019	\$ (19)	\$ 122,000	\$ 132,446	\$ (10,446)
Employee fringe benefits	32,200	28,427	3,773	31,587	31,912	(325)
Supplies	88,500	132,432	(43,932)	70,900	86,844	(15,944)
Insurance	7,655	1,294	6,361	8,000	7,655	345
Road and bridge materials	55,250	79,049	(23,799)	28,500	45,078	(16,578)
Equipment repairs	500	2,569	(2,069)	11,000	601	10,399
Equipment purchases	66,901	71,258	(4,357)	58,500	87,377	(28,877)
Road and bridge construction	-	39,603	(39,603)	350,500	256,563	93,937
Other	11,990	7,820	4,170	12,100	12,930	(830)
Transfers out	14,137	14,137	-	-	-	-
Total Disbursements	<u>\$ 412,133</u>	<u>\$ 511,608</u>	<u>\$ (99,475)</u>	<u>\$ 693,087</u>	<u>\$ 661,406</u>	<u>\$ 31,681</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 766	\$ (27,054)	\$ (27,820)	\$ 51,908	\$ 10,154	\$ (41,754)
CASH, JANUARY 1	19,295	19,295	-	9,141	9,141	-
CASH, DECEMBER 31	<u>\$ 20,061</u>	<u>\$ (7,759)</u>	<u>\$ (27,820)</u>	<u>\$ 61,049</u>	<u>\$ 19,295</u>	<u>\$ (41,754)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ASSESSMENT FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 112,502	\$ 115,683	\$ 3,181	\$ 104,134	\$ 114,380	\$ 10,246
Charges for services	300	203	(97)	400	293	(107)
Interest	330	285	(45)	200	314	114
Other	12,500	316	(12,184)	9,306	750	(8,556)
Transfers in	9,500	9,500	-	25,656	25,656	-
Total Receipts	<u>\$ 135,132</u>	<u>\$ 125,987</u>	<u>\$ (9,145)</u>	<u>\$ 139,696</u>	<u>\$ 141,393</u>	<u>\$ 1,697</u>
DISBURSEMENTS						
Assessor salary	\$ 36,071	\$ 36,071	\$ -	\$ 35,191	\$ 35,191	\$ -
Deputy and clerical salaries	74,433	59,617	14,816	68,716	65,730	2,986
Employee fringe benefits	23,095	19,605	3,490	22,686	22,388	298
Other	14,150	20,758	(6,608)	18,432	14,052	4,380
Total Disbursements	<u>\$ 147,749</u>	<u>\$ 136,051</u>	<u>\$ 11,698</u>	<u>\$ 145,025</u>	<u>\$ 137,361</u>	<u>\$ 7,664</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,617)	\$ (10,064)	\$ 2,553	\$ (5,329)	\$ 4,032	\$ 9,361
CASH, JANUARY 1	15,595	15,595	-	11,563	11,563	-
CASH, DECEMBER 31	<u>\$ 2,978</u>	<u>\$ 5,531</u>	<u>\$ 2,553</u>	<u>\$ 6,234</u>	<u>\$ 15,595</u>	<u>\$ 9,361</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 RECORDER'S RECORDS STORAGE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S RECORDS STORAGE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 6,000	\$ 6,944	\$ 944	\$ 7,000	\$ 6,275	\$ (725)
Interest	-	392	392	600	791	191
Total Receipts	<u>\$ 6,000</u>	<u>\$ 7,336</u>	<u>\$ 1,336</u>	<u>\$ 7,600</u>	<u>\$ 7,066</u>	<u>\$ (534)</u>
DISBURSEMENTS						
Record storage	<u>\$ 6,000</u>	<u>\$ 6,347</u>	<u>\$ (347)</u>	<u>\$ 7,600</u>	<u>\$ 28,857</u>	<u>\$ (21,257)</u>
Total Disbursements	<u>\$ 6,000</u>	<u>\$ 6,347</u>	<u>\$ (347)</u>	<u>\$ 7,600</u>	<u>\$ 28,857</u>	<u>\$ (21,257)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 989	\$ 989	\$ -	\$ (21,791)	\$ (21,791)
CASH, JANUARY 1	<u>32,420</u>	<u>32,420</u>	<u>-</u>	<u>54,211</u>	<u>54,211</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 32,420</u></u>	<u><u>\$ 33,409</u></u>	<u><u>\$ 989</u></u>	<u><u>\$ 54,211</u></u>	<u><u>\$ 32,420</u></u>	<u><u>\$ (21,791)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

911 FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>911 FUND</u>						
RECEIPTS						
Charges for services	\$ 81,300	\$ 67,815	\$ (13,485)	\$ 60,659	\$ 81,387	\$ 20,728
Interest	400	784	384	827	432	(395)
Total Receipts	<u>\$ 81,700</u>	<u>\$ 68,599</u>	<u>\$ (13,101)</u>	<u>\$ 61,486</u>	<u>\$ 81,819</u>	<u>\$ 20,333</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ 31,600	\$ -	\$ 31,600
Office expenses	2,100	1,218	882	4,903	2,039	2,864
Equipment purchases	30,350	27,239	3,111	23,609	27,424	(3,815)
Other	-	300	(300)	377	639	(262)
Transfers out	39,500	39,500	-	9,136	9,136	-
Total Disbursements	<u>\$ 71,950</u>	<u>\$ 68,257</u>	<u>\$ 3,693</u>	<u>\$ 69,625</u>	<u>\$ 39,238</u>	<u>\$ 30,387</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 9,750	\$ 342	\$ (9,408)	\$ (8,139)	\$ 42,581	\$ 50,720
CASH, JANUARY 1	<u>57,699</u>	<u>57,699</u>	<u>-</u>	<u>15,118</u>	<u>15,118</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 67,449</u>	<u>\$ 58,041</u>	<u>\$ (9,408)</u>	<u>\$ 6,979</u>	<u>\$ 57,699</u>	<u>\$ 50,720</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
LAW ENFORCEMENT TRAINING FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,000	\$ 1,217	\$ 217	\$ 850	\$ 1,110	\$ 260
Interest	45	41	(4)	75	56	(19)
Other	500	-	(500)	1,175	1,534	359
Total Receipts	<u>\$ 1,545</u>	<u>\$ 1,258</u>	<u>\$ (287)</u>	<u>\$ 2,100</u>	<u>\$ 2,700</u>	<u>\$ 600</u>
DISBURSEMENTS						
Sheriff	<u>\$ 3,500</u>	<u>\$ 2,850</u>	<u>\$ 650</u>	<u>\$ 4,200</u>	<u>\$ 3,393</u>	<u>\$ 807</u>
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 2,850</u>	<u>\$ 650</u>	<u>\$ 4,200</u>	<u>\$ 3,393</u>	<u>\$ 807</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,955)	\$ (1,592)	\$ 363	\$ (2,100)	\$ (693)	\$ 1,407
CASH, JANUARY 1	<u>3,532</u>	<u>3,532</u>	<u>-</u>	<u>4,225</u>	<u>4,225</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,577</u></u>	<u><u>\$ 1,940</u></u>	<u><u>\$ 363</u></u>	<u><u>\$ 2,125</u></u>	<u><u>\$ 3,532</u></u>	<u><u>\$ 1,407</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY TRAINING FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ 293	\$ 257	\$ (36)	\$ 250	\$ 288	\$ 38
Interest	7	7	-	5	7	2
Transfers in	-	-	-	-	25	25
Total Receipts	<u>\$ 300</u>	<u>\$ 264</u>	<u>\$ (36)</u>	<u>\$ 255</u>	<u>\$ 320</u>	<u>\$ 65</u>
DISBURSEMENTS						
Other	\$ -	\$ 216	\$ (216)	\$ 278	\$ 240	\$ 38
Total Disbursements	<u>\$ -</u>	<u>\$ 216</u>	<u>\$ (216)</u>	<u>\$ 278</u>	<u>\$ 240</u>	<u>\$ 38</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 300	\$ 48	\$ (252)	\$ (23)	\$ 80	\$ 103
CASH, JANUARY 1	<u>513</u>	<u>513</u>	<u>-</u>	<u>433</u>	<u>433</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 813</u></u>	<u><u>\$ 561</u></u>	<u><u>\$ (252)</u></u>	<u><u>\$ 410</u></u>	<u><u>\$ 513</u></u>	<u><u>\$ 103</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
PROSECUTING ATTORNEY BAD CHECK FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 5,000	\$ 5,807	\$ 807	\$ 7,000	\$ 11,825	\$ 4,825
Interest	50	44	(6)	50	30	(20)
Other	-	-	-	-	125	125
Total Receipts	<u>\$ 5,050</u>	<u>\$ 5,851</u>	<u>\$ 801</u>	<u>\$ 7,050</u>	<u>\$ 11,980</u>	<u>\$ 4,930</u>
DISBURSEMENTS						
Salaries	\$ 4,550	\$ 6,000	\$ (1,450)	\$ 7,000	\$ 9,555	\$ (2,555)
Employee fringe benefits	500	-	500	1,631	2,880	(1,249)
Equipment purchases	-	-	-	900	-	900
Other	500	1,660	(1,160)	1,000	935	65
Total Disbursements	<u>\$ 5,550</u>	<u>\$ 7,660</u>	<u>\$ (2,110)</u>	<u>\$ 10,531</u>	<u>\$ 13,370</u>	<u>\$ (2,839)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (500)	\$ (1,809)	\$ (1,309)	\$ (3,481)	\$ (1,390)	\$ 2,091
CASH, JANUARY 1	<u>2,173</u>	<u>2,173</u>	<u>-</u>	<u>3,563</u>	<u>3,563</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 1,673</u>	<u>\$ 364</u>	<u>\$ (1,309)</u>	<u>\$ 82</u>	<u>\$ 2,173</u>	<u>\$ 2,091</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

CHILDREN'S TRUST FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,200	\$ 1,350	\$ 150	\$ 300	\$ 1,289	\$ 989
Interest	10	10	-	5	7	2
Total Receipts	<u>\$ 1,210</u>	<u>\$ 1,360</u>	<u>\$ 150</u>	<u>\$ 305</u>	<u>\$ 1,296</u>	<u>\$ 991</u>
DISBURSEMENTS						
Other	\$ 1,000	\$ 1,264	\$ (264)	\$ 700	\$ 684	\$ 16
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 1,264</u>	<u>\$ (264)</u>	<u>\$ 700</u>	<u>\$ 684</u>	<u>\$ 16</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 210	\$ 96	\$ (114)	\$ (395)	\$ 612	\$ 1,007
CASH, JANUARY 1	<u>1,016</u>	<u>1,016</u>	<u>-</u>	<u>404</u>	<u>404</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,226</u></u>	<u><u>\$ 1,112</u></u>	<u><u>\$ (114)</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 1,016</u></u>	<u><u>\$ 1,007</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH, JANUARY 1	1	1	-	1	1	-
CASH, DECEMBER 31	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

MARIES COUNTY LAW FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>MARIES COUNTY LAW FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 60	\$ 60	\$ 10,000	\$ 50	\$ (9,950)
Interest	-	1	1	-	5	5
Total Receipts	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 10,000</u>	<u>\$ 55</u>	<u>\$ (9,945)</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ 5,481	\$ -	\$ 5,481
Other	-	-	-	-	450	(450)
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,481</u>	<u>\$ 450</u>	<u>\$ 5,031</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 61	\$ 61	\$ 4,519	\$ (395)	\$ (4,914)
CASH, JANUARY 1	<u>93</u>	<u>93</u>	<u>-</u>	<u>488</u>	<u>488</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 93</u></u>	<u><u>\$ 154</u></u>	<u><u>\$ 61</u></u>	<u><u>\$ 5,007</u></u>	<u><u>\$ 93</u></u>	<u><u>\$ (4,914)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SPECIAL SHERIFF FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL SHERIFF FUND</u>						
RECEIPTS						
Intergovernmental	\$ 7,000	\$ 9,501	\$ 2,501	\$ 8,000	\$ 11,441	\$ 3,441
Interest	15	11	(4)	50	20	(30)
Transfers in	-	28,661	28,661	50	-	(50)
Total Receipts	<u>\$ 7,015</u>	<u>\$ 38,173</u>	<u>\$ 31,158</u>	<u>\$ 8,100</u>	<u>\$ 11,461</u>	<u>\$ 3,361</u>
DISBURSEMENTS						
Salaries	\$ -	\$ 28,829	\$ (28,829)	\$ -	\$ 2,778	\$ (2,778)
Employee fringe benefits	-	2,206	(2,206)	-	213	(213)
Office	3,400	3,175	225	2,900	3,092	(192)
Equipment purchases	4,600	3,448	1,152	5,100	4,454	646
Other	-	193	(193)	-	-	-
Total Disbursements	<u>\$ 8,000</u>	<u>\$ 37,851</u>	<u>\$ (29,851)</u>	<u>\$ 8,000</u>	<u>\$ 10,537</u>	<u>\$ (2,537)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (985)	\$ 322	\$ 1,307	\$ 100	\$ 924	\$ 824
CASH, JANUARY 1	<u>1,176</u>	<u>1,176</u>	<u>-</u>	<u>252</u>	<u>252</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 191</u></u>	<u><u>\$ 1,498</u></u>	<u><u>\$ 1,307</u></u>	<u><u>\$ 352</u></u>	<u><u>\$ 1,176</u></u>	<u><u>\$ 824</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ELECTION SERVICES FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services	\$ 1,000	\$ 1,984	\$ 984	\$ 500	\$ 1,316	\$ 816
Interest	20	20	-	10	23	13
Total Receipts	<u>\$ 1,020</u>	<u>\$ 2,004</u>	<u>\$ 984</u>	<u>\$ 510</u>	<u>\$ 1,339</u>	<u>\$ 829</u>
DISBURSEMENTS						
Salaries	\$ 1,820	\$ 1,959	\$ (139)	\$ 200	\$ 60	\$ 140
Other	300	923	(623)	1,150	719	431
Total Disbursements	<u>\$ 2,120</u>	<u>\$ 2,882</u>	<u>\$ (762)</u>	<u>\$ 1,350</u>	<u>\$ 779</u>	<u>\$ 571</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,100)	\$ (878)	\$ 222	\$ (840)	\$ 560	\$ 1,400
CASH, JANUARY 1	<u>1,773</u>	<u>1,773</u>	<u>-</u>	<u>1,213</u>	<u>1,213</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 673</u></u>	<u><u>\$ 895</u></u>	<u><u>\$ 222</u></u>	<u><u>\$ 373</u></u>	<u><u>\$ 1,773</u></u>	<u><u>\$ 1,400</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

CITIZENS SAFETY FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CITIZENS SAFETY FUND</u>						
RECEIPTS						
Sales and use taxes	\$ 246,000	\$ 236,520	\$ (9,480)	\$ 119,000	\$ 123,130	\$ 4,130
Interest	500	87	(413)	81	413	332
Other	-	34	34	-	7,375	7,375
Transfers in	-	21,000	21,000	111,000	111,000	-
Total Receipts	<u>\$ 246,500</u>	<u>\$ 257,641</u>	<u>\$ 11,141</u>	<u>\$ 230,081</u>	<u>\$ 241,918</u>	<u>\$ 11,837</u>
DISBURSEMENTS						
Salaries	\$ 213,104	\$ 221,864	\$ (8,760)	\$ 185,078	\$ 203,607	\$ (18,529)
Employee fringe benefits	33,500	33,823	(323)	27,716	30,557	(2,841)
Other	-	-	-	-	6,687	(6,687)
Total Disbursements	<u>\$ 246,604</u>	<u>\$ 255,687</u>	<u>\$ (9,083)</u>	<u>\$ 212,794</u>	<u>\$ 240,851</u>	<u>\$ (28,057)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (104)	\$ 1,954	\$ 2,058	\$ 17,287	\$ 1,067	\$ (16,220)
CASH, JANUARY 1	<u>2,375</u>	<u>2,375</u>	<u>-</u>	<u>1,308</u>	<u>1,308</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,271</u></u>	<u><u>\$ 4,329</u></u>	<u><u>\$ 2,058</u></u>	<u><u>\$ 18,595</u></u>	<u><u>\$ 2,375</u></u>	<u><u>\$ (16,220)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY DELINQUENT TAX FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Ingovernmental	\$ 500	\$ 2,440	\$ 1,940	\$ 700	\$ 21	\$ (679)
Interest	-	14	14	50	34	(16)
Total Receipts	<u>\$ 500</u>	<u>\$ 2,454</u>	<u>\$ 1,954</u>	<u>\$ 750</u>	<u>\$ 55</u>	<u>\$ (695)</u>
DISBURSEMENTS						
Transfers out	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ (3,000)</u>
Total Disbursements	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ (3,000)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,500)	\$ 2,454	\$ 4,954	\$ 750	\$ (2,945)	\$ (3,695)
CASH, JANUARY 1	<u>489</u>	<u>489</u>	<u>-</u>	<u>3,434</u>	<u>3,434</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (2,011)</u></u>	<u><u>\$ 2,943</u></u>	<u><u>\$ 4,954</u></u>	<u><u>\$ 4,184</u></u>	<u><u>\$ 489</u></u>	<u><u>\$ (3,695)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

OVER/UNDER FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>OVER/UNDER FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 78	\$ 78	\$ 200	\$ -	\$ (200)
Interest	-	2	2	5	2	(3)
Total Receipts	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 80</u>	<u>\$ 205</u>	<u>\$ 2</u>	<u>\$ (203)</u>
DISBURSEMENTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 80	\$ 80	\$ 205	\$ 2	\$ (203)
CASH, JANUARY 1	<u>141</u>	<u>141</u>	<u>-</u>	<u>139</u>	<u>139</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 141</u></u>	<u><u>\$ 221</u></u>	<u><u>\$ 80</u></u>	<u><u>\$ 344</u></u>	<u><u>\$ 141</u></u>	<u><u>\$ (203)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

INMATE SECURITY FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>INMATE SECURITY FUND</u>						
RECEIPTS						
Ingovernmental	\$ 975	\$ 982	\$ 7	\$ -	\$ 894	\$ 894
Interest	-	16	16	-	3	3
Total Receipts	<u>\$ 975</u>	<u>\$ 998</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 897</u>	<u>\$ 897</u>
DISBURSEMENTS						
Equipment purchases	<u>\$ 850</u>	<u>\$ -</u>	<u>\$ 850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Disbursements	<u>\$ 850</u>	<u>\$ -</u>	<u>\$ 850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 125	\$ 998	\$ 873	\$ -	\$ 897	\$ 897
CASH, JANUARY 1	<u>897</u>	<u>897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,022</u></u>	<u><u>\$ 1,895</u></u>	<u><u>\$ 873</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 897</u></u>	<u><u>\$ 897</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SHERIFF REVOLVING FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Ingovernmental	\$ 3,600	\$ 3,169	\$ (431)	\$ -	\$ 2,380	\$ 2,380
Interest	-	41	41	-	7	7
Total Receipts	<u>\$ 3,600</u>	<u>\$ 3,210</u>	<u>\$ (390)</u>	<u>\$ -</u>	<u>\$ 2,387</u>	<u>\$ 2,387</u>
DISBURSEMENTS						
Other	\$ 2,350	\$ -	\$ 2,350	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ 2,350</u>	<u>\$ -</u>	<u>\$ 2,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,250	\$ 3,210	\$ 1,960	\$ -	\$ 2,387	\$ 2,387
CASH, JANUARY 1	<u>2,387</u>	<u>2,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 3,637</u></u>	<u><u>\$ 5,597</u></u>	<u><u>\$ 1,960</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,387</u></u>	<u><u>\$ 2,387</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

RESTITUTION FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RESTITUTION FUND</u>						
RECEIPTS						
Ingovernmental	\$ 5,000	\$ 4,041	\$ (959)	\$ -	\$ 3,941	\$ 3,941
Interest	-	55	55	-	16	16
Total Receipts	<u>\$ 5,000</u>	<u>\$ 4,096</u>	<u>\$ (904)</u>	<u>\$ -</u>	<u>\$ 3,957</u>	<u>\$ 3,957</u>
DISBURSEMENTS						
Other	\$ 3,956	\$ 1,952	\$ 2,004	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ 3,956</u>	<u>\$ 1,952</u>	<u>\$ 2,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,044	\$ 2,144	\$ 1,100	\$ -	\$ 3,957	\$ 3,957
CASH, JANUARY 1	<u>3,957</u>	<u>3,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 5,001</u></u>	<u><u>\$ 6,101</u></u>	<u><u>\$ 1,100</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,957</u></u>	<u><u>\$ 3,957</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ASSOCIATE CIRCUIT DIVISION INTEREST FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ 24	\$ 54	\$ 30
Total Receipts	\$ -	\$ -	\$ -	\$ 24	\$ 54	\$ 30
DISBURSEMENTS						
Other	\$ -	\$ 86	\$ (86)	\$ -	\$ -	\$ -
Total Disbursements	\$ -	\$ 86	\$ (86)	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (86)	\$ (86)	\$ 24	\$ 54	\$ 30
CASH, JANUARY 1	86	86	-	32	32	-
CASH, DECEMBER 31	<u>86</u>	<u>-</u>	<u>(86)</u>	<u>56</u>	<u>86</u>	<u>30</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

LAW LIBRARY FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	\$ 3,000	\$ 3,595	\$ 595	\$ 1,500	\$ 3,205	\$ 1,705
Transfers in	4,000	1,125	(2,875)	6,500	4,577	(1,923)
Total Receipts	<u>\$ 7,000</u>	<u>\$ 4,720</u>	<u>\$ (2,280)</u>	<u>\$ 8,000</u>	<u>\$ 7,782</u>	<u>\$ (218)</u>
DISBURSEMENTS						
Office	\$ 6,000	\$ 3,580	\$ 2,420	\$ 7,800	\$ 7,294	\$ 506
Other	1,000	1,195	(195)	200	1,052	(852)
Total Disbursements	<u>\$ 7,000</u>	<u>\$ 4,775</u>	<u>\$ 2,225</u>	<u>\$ 8,000</u>	<u>\$ 8,346</u>	<u>\$ (346)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (55)	\$ (55)	\$ -	\$ (564)	\$ (564)
CASH, JANUARY 1	<u>87</u>	<u>87</u>	<u>-</u>	<u>651</u>	<u>651</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 87</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ (55)</u></u>	<u><u>\$ 651</u></u>	<u><u>\$ 87</u></u>	<u><u>\$ (564)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
CIRCUIT CLERK MAINTENANCE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK MAINTENANCE FUND</u>						
RECEIPTS						
Other	\$ 50	\$ 47	\$ (3)	\$ 40	\$ 77	\$ 37
Total Receipts	\$ 50	\$ 47	\$ (3)	\$ 40	\$ 77	\$ 37
DISBURSEMENTS						
Office	\$ 50	\$ 98	\$ (48)	\$ -	\$ 20	\$ (20)
Equipment purchases	-	-	-	300	256	44
Total Disbursements	\$ 50	\$ 98	\$ (48)	\$ 300	\$ 276	\$ 24
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (51)	\$ (51)	\$ (260)	\$ (199)	\$ 61
CASH, JANUARY 1	3,644	3,644	-	3,843	3,843	-
CASH, DECEMBER 31	\$ 3,644	\$ 3,593	\$ (51)	\$ 3,583	\$ 3,644	\$ 61

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CIRCUIT CLERK SPECIAL ACCOUNT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK SPECIAL ACCOUNT FUND</u>						
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ 1,000	\$ 2,603	\$ 1,603
Total Receipts	\$ -	\$ -	\$ -	\$ 1,000	\$ 2,603	\$ 1,603
DISBURSEMENTS						
Office	\$ -	\$ -	\$ -	\$ 3,462	\$ 5,065	\$ (1,603)
Total Disbursements	\$ -	\$ -	\$ -	\$ 3,462	\$ 5,065	\$ (1,603)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ (2,462)	\$ (2,462)	\$ -
CASH, JANUARY 1	-	-	-	2,462	2,462	-
CASH, DECEMBER 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CIRCUIT CLERK INTEREST FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ -
Total Receipts	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ -
DISBURSEMENTS						
Transfers out	\$ -	\$ -	\$ -	\$ 5	\$ 6,005	\$ (6,000)
Total Disbursements	\$ -	\$ -	\$ -	\$ 5	\$ 6,005	\$ (6,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (6,000)	\$ (6,000)
CASH, JANUARY 1	-	-	-	6,000	6,000	-
CASH, DECEMBER 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CIRCUIT CLERK FAMILY COURT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK FAMILY COURT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,400	\$ 3,092	\$ 1,692	\$ 1,000	\$ 1,360	\$ 360
Total Receipts	\$ 1,400	\$ 3,092	\$ 1,692	\$ 1,000	\$ 1,360	\$ 360
DISBURSEMENTS						
Other	\$ 1,400	\$ 5,656	\$ (4,256)	\$ 100	\$ 1,421	\$ (1,321)
Total Disbursements	\$ 1,400	\$ 5,656	\$ (4,256)	\$ 100	\$ 1,421	\$ (1,321)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (2,564)	\$ (2,564)	\$ 900	\$ (61)	\$ (961)
CASH, JANUARY 1	2,564	2,564	-	2,625	2,625	-
CASH, DECEMBER 31	\$ 2,564	\$ -	\$ (2,564)	\$ 3,525	\$ 2,564	\$ (961)

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

TAX MAINTENANCE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 11,000	\$ 11,198	\$ 198	\$ 9,000	\$ 10,912	\$ 1,912
Interest	250	271	21	200	217	17
Total Receipts	<u>\$ 11,250</u>	<u>\$ 11,469</u>	<u>\$ 219</u>	<u>\$ 9,200</u>	<u>\$ 11,129</u>	<u>\$ 1,929</u>
DISBURSEMENTS						
Office	\$ 1,112	\$ 1,612	\$ (500)	\$ 1,812	\$ 717	\$ 1,095
Equipment purchases	5,800	1,559	4,241	3,000	-	3,000
Mileage and training	-	50	(50)	50	235	(185)
Other	-	413	(413)	4,300	700	3,600
Total Disbursements	<u>\$ 6,912</u>	<u>\$ 3,634</u>	<u>\$ 3,278</u>	<u>\$ 9,162</u>	<u>\$ 1,652</u>	<u>\$ 7,510</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4,338	\$ 7,835	\$ 3,497	\$ 38	\$ 9,477	\$ 9,439
CASH, JANUARY 1	<u>31,728</u>	<u>31,728</u>	<u>-</u>	<u>22,251</u>	<u>22,251</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 36,066</u></u>	<u><u>\$ 39,563</u></u>	<u><u>\$ 3,497</u></u>	<u><u>\$ 22,289</u></u>	<u><u>\$ 31,728</u></u>	<u><u>\$ 9,439</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

HAVA FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>HAVA FUND</u>						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ 150	\$ 97	\$ (53)
Total Receipts	\$ -	\$ -	\$ -	\$ 150	\$ 97	\$ (53)
DISBURSEMENTS						
Equipment purchases	\$ -	\$ -	\$ -	\$ 4,800	\$ 17,006	\$ (12,206)
Office	-	-	-	-	2,740	(2,740)
Other	-	-	-	1,200	3,833	(2,633)
Total Disbursements	\$ -	\$ -	\$ -	\$ 6,000	\$ 23,579	\$ (17,579)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ (5,850)	\$ (23,482)	\$ (17,632)
CASH, JANUARY 1	-	-	-	23,482	23,482	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ 17,632	\$ -	\$ (17,632)

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

MARIES COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ASSOCIATE PROBATION FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE PROBATION FUND</u>						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 74
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 74
DISBURSEMENTS						
Other	\$ -	\$ 74	\$ (74)	\$ -	\$ -	\$ -
Total Disbursements	\$ -	\$ 74	\$ (74)	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (74)	\$ (74)	\$ -	\$ 74	\$ 74
CASH, JANUARY 1	74	74	-	-	-	-
CASH, DECEMBER 31	<u>74</u>	<u>-</u>	<u>(74)</u>	<u>-</u>	<u>74</u>	<u>74</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Supplementary Information

MARIES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to the financial statements noted? _____ yes X no

Section II – Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

08-1 Budgetary Practices and Published Financial Statements

Budgets were not prepared for several county funds and many of the same funds were not included in the published financial statements.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

A. Formal budgets were not prepared for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Maries County Law	2008
Over/Under	2008
Inmate Security	2007
Sheriff Revolving	2007
Restitution	2007
Associate Circuit Division Interest	2008
Associate Probation	2008 and 2007

MARIES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

- B. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, total expenditures exceeded total budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Road and Bridge #1	2008 and 2007
Road and Bridge #2	2008
Recorder's Records Storage	2008 and 2007
Prosecuting Attorney Training	2008
Prosecuting Attorney Bad Check	2008 and 2007
Children's Trust	2008
Special Sheriff	2008 and 2007
Election Services	2008
Citizens Safety	2008 and 2007
Prosecuting Attorney Delinquent Tax	2007
Associate Circuit Division Interest	2008
Law Library	2007
Circuit Clerk Maintenance	2008
Circuit Clerk Special Account	2007
Circuit Clerk Interest	2007
Circuit Clerk Family Court	2008 and 2007
HAVA	2007
Associate Probation	2008

- C. Although Section 50.740, RSMo, requires a balanced budget. Deficit budget balances are presented for the Prosecuting Attorney Delinquent Tax Fund the year ended December 31, 2008.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared and obtained from other county officials or boards for all county funds as required by state law.
- B. Ensure disbursements are not authorized in excess of budgeted amounts. If a necessity exists to exceed a budget, the appropriate procedures should be followed to amend the appropriate budget.
- C. Discontinue deficit budgeting.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A-C *The County Commission and County Clerk indicated they agree with the recommendations and they will be implemented when the next budgets are published.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

**MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2008 AND 2007**

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Maries County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2004. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the County should consider implementing those recommendations.

04-01 Budgets and Financial Reporting

The County failed to include a savings account in the County's published financial statements and budget documents. Additionally, funds transferred into and out of the savings account were recorded as receipts and disbursements. These multiple errors resulted in overstated revenues/overstated disbursements understated available resources.

Recommendation:

The County Commission ensure all receipts and disbursements are classified properly and budget documents are correctly prepared and published financial statements are correct.

Status:

Implemented

04-02 Road and Bridge Capitalized Lease Obligations

The liability for both road and bridge funds has continued to increase as new equipment has been acquired. Payment schedules are not followed.

Recommendation:

The County Commission:

- A. Carefully monitor the liabilities for which the County is obligating itself and monitor the County's ability to meet these obligations. Additionally, a cost benefit analysis of repair versus new should be performed.
- B. Should monitor payment due dates to ensure timely payments and to not incur penalty and interest charges.

Status:

A,B, Implemented

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

MARIES COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2008 AND 2007

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Maries County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009. We also have audited the compliance of Maries County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009.

We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR Findings resulted from our audit of the financial statements of Maries County, Missouri or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. There are no findings to report.

Follow-Up on Prior Audit Findings

**MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Maries County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the year ended December 31, 2004. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Disbursements

The County did not always solicit bids or retain documentation for various purchases. Invoices were not always marked paid and at times supporting documentation for disbursements was lacking. Additionally, all federal form 1099's were not issued and fuel tax reimbursements were not filed timely.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases and services in accordance with state law and maintain documentation of the bidding process, including all bids received and justification for selecting and rejecting bids. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, the County Commission should seek competitive bids for its banking services in compliance with state law.
- B. Ensure adequate supporting documentation is obtained to support all expenditures.
- C. Ensure all invoices indicate receipt of goods or services.
- D. No longer allow payments to be made based on statements alone and ensure all invoices are properly cancelled upon payment.
- E. Ensure 1099 forms are issued in accordance with IRS regulations.
- F. Ensure claims for fuel tax reimbursement are made on a timely basis.

This is a repeat recommendation.

Status:

- A. Not implemented.
- B,C,D,E,F Implemented

2. County Official's Compensation and Bonds

The Sheriff's Department deputies compensatory time did not agree with the County's personnel policy. Additionally, bond premiums for the Treasurer and Collector were paid from incorrect funds.

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The County Commission:

- A. Ensure all future commission decisions are thoroughly documented and that official's salaries are paid in compliance with state law. In addition, the Salary Commission should meet as required.
- B. Compute overtime for law enforcement personnel based on 171 hours over a 28-day period as established in the County's personnel policy manual.
- C. Authorize to transfer \$1,216 from the General Revenue Fund to the School Fines Fund, and in the future, pay the County Collector's bond and the county portion of the County Treasurer's bond from the General Revenue Fund.

Status:

A,B,C Implemented

3. Budgets and Financial Reporting

The County disbursed amounts in excess of budgeted amounts in several funds and budget amendments were made after the budget was exceeded. The County Commission approved deficit budgets and failed to see budgets of all county funds were prepared. The Treasurer and Clerk did not reconcile funds between the two offices and variances were not identified.

Recommendation:

The County Commission:

- A. Not authorize disbursements in excess of the budget. In addition, if valid reasons necessitate excess disbursements, the budget should be amended timely following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's Office (see current finding 08-1).
- B. Discontinue deficit budgeting.
- C. Prepare budgets for all funds as required by law (see current finding 08-1).
- D. Reconcile fund ledgers to cash balances of the County Treasurer periodically and investigate any differences identified.

This is a repeat recommendation.

Status:

A,B,C Not implemented
D Implemented

**MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

4. Property Records and Procedures

The County does not maintain an up to date list of county property. Procedures for disposing of county property did not exist which led to dispositions without County Commission approval.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, inventories and inspections of county properties including all county land and buildings should be performed by each county official and the County Clerk, and general fixed asset purchases should be periodically reconciled to general fixed asset additions.

Status:

Not implemented

5. Vehicle Procedures

The County does not maintain mileage logs for county vehicles to ensure the vehicles are only used for county business. Procedures that would allow the Road and Bridge Department to reconcile fuel purchases to miles driven by the department are non-existent. Accordingly, the department is unable to ensure fuel is only being used for county business. The Sheriff does not document his review of mileage reports to fuel consumption.

Recommendation:

The County Commission require usage logs be maintained for all county owned vehicles to monitor the usage of the vehicles. In addition, the County Commission and the Sheriff should review and reconcile these logs to fuel purchases and investigate significant differences. All reviews and reconciliations should be documented.

Status:

Implemented

6. Computer Controls

The County does not properly safeguard access to computer systems by changing passwords and halt attempts to access after a number of failed attempts to access the system. Back up storage of computerized data is stored on site, lending the possibility of loss.

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The County Commission:

- A. Ensure passwords are periodically changed and remain confidential.
- B. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are prepared and stored in a secure, off-site location.

Status:

- A. Implemented
- B,C Not implemented

7. Sheriff's Controls and Procedures

Receipts are not deposited timely and appropriate follow up on old outstanding checks is lacking. Bank balances are not reconciled with listings of liabilities.

Earned interest was not timely distributed to the County Treasurer and appropriate segregation of duties was not in place.

Recommendation:

The Sheriff:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Prepare monthly open items listings and reconcile the listings to the bank balance for all accounts.
- D. Turn over interest on a timely basis in accordance with state statutes.
- E. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

Status:

- A,B,C Implemented
- D,E Not Implemented

8. Ex Officio Recorder of Deeds Controls and Procedures

The Ex Officio Recorder of Deeds does not reconcile the composition of monies received to deposits. In addition, the Recorder does not have written agreements with abstract companies and billing to these companies is not done timely.

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The Ex Officio Recorder of Deeds:

- A. Reconcile the composition of receipts recorded to the composition of deposits.
- B. Enter into written contracts that specifically state the services to be provided and the fees to be collected for the services rendered. In addition, the Ex Officio Recorder of Deeds should ensure the abstract companies are billed timely.

Status:

A,B Implemented

9. Circuit Clerk's Controls and Procedures

Receipts for the Circuit Clerk's office are not deposited timely and old outstanding checks are not followed up on timely.

Recommendation:

The Circuit Clerk:

- A. Deposit all monies daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

A,B Implemented

10. Associate and Probate Divisions' Controls and Procedures

The Associate Division does not deposit monies in a timely manner and has not established procedures to routinely follow up on outstanding checks. In addition, fees collected by the Probate Division are not disbursed in a timely manner.

Recommendation:

The Associate and Probate Divisions:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Disburse Probate Division fees to the applicable parties monthly as required by state law.

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Status:

A, B, and C Not Implemented

11. County Clerk's Controls and Procedures

Monies are transmitted to the County Treasurer monthly. In addition, the County Clerk does not maintain an account book with the County Collector. The County Clerk collects monies for liquor licenses, auctioneer's licenses, notary commissions, election fees and County Clerk fees.

Recommendation:

- A. Transmit all monies to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. Establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

Status:

A and B Implemented

12. Prosecuting Attorney's Controls and Procedures

Receipts are not deposited on a timely basis and checks and money orders are not restrictively endorsed immediately upon receipt.

Recommendation:

The Prosecuting Attorney ensure all receipts are deposited daily or when accumulated receipts exceed \$100. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

Status:

Implemented

13. Licensing Office Controls and Procedures

The County serves as the fee agent for the Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the County. The County Commission does not reconcile County fees charged and collected by the license office to amounts deposited into the County fee account. In addition, the licensing office does not follow up on missing inventory items nor take any action to prevent any further loss.

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The County Commission:

- A. Reconcile County fees charged and collected by the license office to amounts deposited in the County fee account and any differences should be investigated.
- B. Ensure the licensing office follows up on missing inventory items and take necessary actions to prevent further loss. The licensing office should ensure the inventory items are recorded timely and accurately.

Status:

A, B Implemented



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Dunklin County, Missouri

The Office of the State Auditor, in cooperation with Dunklin County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-145

DUNKLIN COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

DUNKLIN COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Auditors' Reports:	2-6
Basic Financial Statements, Required Supplementary Information, and Supplementary Schedule of Expenditures of Federal Awards	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon the Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-17
Government-Wide Financial Statements:	8-11
<u>Exhibit</u>	<u>Description</u>
	Statement of Net Assets – Cash Basis
A-1	December 31, 2008 8
A-2	December 31, 2007 9
	Statement of Activities – Cash Basis
B-1	Year Ended December 31, 2008 10
B-2	Year Ended December 31, 2007 11
Fund Financial Statements:	12-17
<u>Exhibit</u>	<u>Description</u>
	Governmental Funds Balance Sheet – Cash Basis
C-1	December 31, 2008 12
C-2	December 31, 2007 13
	Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances
D-1	Year Ended December 31, 2008 14
D-2	Year Ended December 31, 2007 15
	Statement of Fiduciary Net Assets – Cash Basis
E-1	Year Ended December 31, 2008 16
E-2	Year Ended December 31, 2007 17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-30
Required Supplementary Information:	31-64
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2008 and 2007	32-62
Other Required Supplementary Information:	63-64
<u>Schedule</u>	
2 Schedule of Expenditures of Federal Awards Years Ended December 31, 2008 and 2007	64
Notes to the Supplementary Schedule	65-66
<u>FEDERAL AWARDS – SINGLE AUDIT SECTION</u>	
Auditors’ Report:	68-70
Compliance With Requirements Applicable to Each Major Federal Award Program And On Internal Control Over Compliance in Accordance With OMB Circular A-133	69-70
Schedule:	71-74
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2008 and 2007...	72-74
Section I – Summary of Auditors’ Results	72-73
Section II - Financial Statement Findings	73-74
Section III – Federal Award Findings and Questioned Costs	74
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	75-76

FEDERAL AWARDS

Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	77-79
---	-------

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report – Auditors’ Findings	80-82
Follow-Up on Prior Audit Findings	83-94

FINANCIAL SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.

GARY L. KRAUSS, P.C., C.P.A.

**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities – Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Dunklin County, Missouri as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Dunklin County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Dunklin County, Missouri as of December 31, 2008 and 2007, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The Dunklin County Health Department is not included in these financial statements as allowed by the Missouri State Auditor's Office. For information, please contact the Dunklin County Health Department.

As described in Note 1, the basic financial statements of Dunklin County, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Dunklin County, Missouri as of December 31, 2008 and 2007, and for the years then ended in conformity with the basis of accounting described in Note 1 to the financial statements.

As discussed more fully in Note 1, for the years ended December 31, 2008 and 2007, the County implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. The County also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison schedules and other supplementary information on pages 32 through 62 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, referred to in the first paragraph, taken as a whole. The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards are the responsibility of the County. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered, in relation to the basic financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Devereux and Krauss LLP
Certified Public Accountants

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C., C.P.A.

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Dunklin County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dunklin County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Dunklin County, Missouri, are free of material misstatements, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 08-1.

There are no other matters reported in the accompanying Management Advisory Report.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Basic Financial Statements

DUNKLIN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ <u>5,349,040</u>
TOTAL ASSETS	\$ <u><u>5,349,040</u></u>
NET ASSETS	
Unrestricted general fund	\$ 1,887,468
Unrestricted reported in non-major funds	967,450
Restricted special revenue funds	<u>2,494,122</u>
TOTAL NET ASSETS	\$ <u><u>5,349,040</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ <u>5,312,407</u>
TOTAL ASSETS	\$ <u><u>5,312,407</u></u>
NET ASSETS	
Unrestricted general fund	\$ 1,794,361
Unrestricted reported in non-major funds	991,100
Restricted special revenue funds	<u>2,526,946</u>
TOTAL NET ASSETS	\$ <u><u>5,312,407</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2008

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 2,261,270	\$ 496,304	\$ 1,284,078	\$ (480,888)
Financial administration	131,459	-	-	(131,459)
Property valuation and recording	501,072	24,304	346,112	(130,656)
Administration of justice and law enforcement	2,528,087	27,025	-	(2,501,062)
Maintenance of roads	2,170,908	81,156	614,364	(1,475,388)
Transfers	599,198	-	599,198	-
Other	18,938	482,764	612,856	1,076,682
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,210,932</u>	<u>\$ 1,111,553</u>	<u>\$ 3,456,608</u>	<u>\$ (3,642,771)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 416,943
Sales and use taxes				2,861,904
Interest				134,889
Other				265,668
Total General Receipts				<u>\$ 3,679,404</u>
Change in Cash Balances				\$ 36,633
NET ASSETS, JANUARY 1				<u>5,312,407</u>
NET ASSETS, DECEMBER 31				<u>\$ 5,349,040</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 2,138,098	\$ 492,693	\$ 637,917	\$ (1,007,488)
Financial administration	143,893	-	-	(143,893)
Property valuation and recording	452,211	4,960	304,865	(142,386)
Administration of justice and law enforcement	2,212,188	-	-	(2,212,188)
Maintenance of roads	2,103,733	99,157	652,640	(1,351,936)
Transfers	613,882	-	613,882	-
Other	15,439	455,748	445,786	886,095
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 7,679,444</u>	<u>\$ 1,052,558</u>	<u>\$ 2,655,090</u>	<u>\$ (3,971,796)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 417,004
Sales and use taxes				2,909,988
Interest				233,105
Other				502,253
Total General Receipts				<u>\$ 4,062,350</u>
Change in Cash Balances				\$ 90,554
NET ASSETS, JANUARY 1				<u>5,221,853</u>
NET ASSETS, DECEMBER 31				<u>\$ 5,312,407</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	Senate Bill 40	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,887,468	\$ 713,057	\$ 66,957	\$ 1,469,798	\$ 244,310	\$ 967,450	\$ 5,349,040
TOTAL ASSETS	<u>\$ 1,887,468</u>	<u>\$ 713,057</u>	<u>\$ 66,957</u>	<u>\$ 1,469,798</u>	<u>\$ 244,310</u>	<u>\$ 967,450</u>	<u>\$ 5,349,040</u>
FUND BALANCES							
Unreserved	\$ 1,887,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,887,468
Unreserved reported in non-major funds	-	-	-	-	-	967,450	967,450
Unreserved special revenue funds	<u>-</u>	<u>713,057</u>	<u>66,957</u>	<u>1,469,798</u>	<u>244,310</u>	<u>-</u>	<u>2,494,122</u>
TOTAL FUND BALANCES	<u>\$ 1,887,468</u>	<u>\$ 713,057</u>	<u>\$ 66,957</u>	<u>\$ 1,469,798</u>	<u>\$ 244,310</u>	<u>\$ 967,450</u>	<u>\$ 5,349,040</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	Senate Bill 40	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,794,361	\$ 814,238	\$ 24,418	\$ 1,444,229	\$ 244,061	\$ 991,100	\$ 5,312,407
TOTAL ASSETS	<u>\$ 1,794,361</u>	<u>\$ 814,238</u>	<u>\$ 24,418</u>	<u>\$ 1,444,229</u>	<u>\$ 244,061</u>	<u>\$ 991,100</u>	<u>\$ 5,312,407</u>
FUND BALANCES							
Unreserved	\$ 1,794,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,794,361
Unreserved reported in non-major funds	-	-	-	-	-	991,100	991,100
Unreserved special revenue funds	<u>-</u>	<u>814,238</u>	<u>24,418</u>	<u>1,444,229</u>	<u>244,061</u>	<u>-</u>	<u>2,526,946</u>
TOTAL FUND BALANCES	<u>\$ 1,794,361</u>	<u>\$ 814,238</u>	<u>\$ 24,418</u>	<u>\$ 1,444,229</u>	<u>\$ 244,061</u>	<u>\$ 991,100</u>	<u>\$ 5,312,407</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	Senate Bill 40	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 93,490	\$ -	\$ -	\$ -	\$ 317,797	\$ 5,656	\$ 416,943
Sales and use taxes	1,377,444	109,593	-	1,374,867	-	-	2,861,904
Intergovernmental	1,284,078	614,364	346,112	-	-	612,856	2,857,410
Charges for services	496,304	81,156	24,304	27,025	-	482,764	1,111,553
Interest	44,508	13,706	1,844	49,843	5,992	18,996	134,889
Other	208,945	-	-	55,200	1,481	42	265,668
Total Receipts	<u>\$ 3,504,769</u>	<u>\$ 818,819</u>	<u>\$ 372,260</u>	<u>\$ 1,506,935</u>	<u>\$ 325,270</u>	<u>\$ 1,120,314</u>	<u>\$ 7,648,367</u>
DISBURSEMENTS							
General county government	\$ 1,712,055	\$ -	\$ -	\$ -	\$ 325,021	\$ 224,194	\$ 2,261,270
Financial administration	131,459	-	-	-	-	-	131,459
Property valuation and recording	95,753	-	344,721	-	-	60,598	501,072
Administration of justice and enforcement	2,003,197	-	-	-	-	524,890	2,528,087
Maintenance of roads	-	880,000	-	981,366	-	309,542	2,170,908
Other	-	-	-	-	-	18,938	18,938
Total Disbursements	<u>\$ 3,942,464</u>	<u>\$ 880,000</u>	<u>\$ 344,721</u>	<u>\$ 981,366</u>	<u>\$ 325,021</u>	<u>\$ 1,138,162</u>	<u>\$ 7,611,734</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (437,695)</u>	<u>\$ (61,181)</u>	<u>\$ 27,539</u>	<u>\$ 525,569</u>	<u>\$ 249</u>	<u>\$ (17,848)</u>	<u>\$ 36,633</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 565,000	\$ -	\$ 15,000	\$ -	\$ -	\$ 19,198	\$ 599,198
Transfers out	(34,198)	(40,000)	-	(500,000)	-	(25,000)	(599,198)
Net Other Financing Sources (Uses)	<u>\$ 530,802</u>	<u>\$ (40,000)</u>	<u>\$ 15,000</u>	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ (5,802)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ 93,107	\$ (101,181)	\$ 42,539	\$ 25,569	\$ 249	\$ (23,650)	\$ 36,633
CASH BALANCES, JANUARY 1	<u>1,794,361</u>	<u>814,238</u>	<u>24,418</u>	<u>1,444,229</u>	<u>244,061</u>	<u>991,100</u>	<u>5,312,407</u>
CASH BALANCES, DECEMBER 31	<u>\$ 1,887,468</u>	<u>\$ 713,057</u>	<u>\$ 66,957</u>	<u>\$ 1,469,798</u>	<u>\$ 244,310</u>	<u>\$ 967,450</u>	<u>\$ 5,349,040</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	Senate Bill 40	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 119,580	\$ -	\$ -	\$ -	\$ 295,204	\$ 2,220	\$ 417,004
Sales and use taxes	1,374,602	149,604	-	1,385,782	-	-	2,909,988
Intergovernmental	637,917	652,640	304,865	-	-	445,786	2,041,208
Charges for services	492,693	99,157	4,960	-	-	455,748	1,052,558
Interest	74,819	22,983	2,920	87,167	8,823	36,393	233,105
Other	439,120	-	506	55,200	-	7,427	502,253
Total Receipts	<u>\$ 3,138,731</u>	<u>\$ 924,384</u>	<u>\$ 313,251</u>	<u>\$ 1,528,149</u>	<u>\$ 304,027</u>	<u>\$ 947,574</u>	<u>\$ 7,156,116</u>
DISBURSEMENTS							
General county government	\$ 1,694,416	\$ -	\$ -	\$ -	\$ 284,268	\$ 159,414	\$ 2,138,098
Financial administration	143,893	-	-	-	-	-	143,893
Property valuation and recording	96,076	-	329,371	-	-	26,764	452,211
Administration of justice and enforcement	1,719,795	-	-	-	-	492,393	2,212,188
Maintenance of roads	-	878,282	-	1,025,788	-	199,663	2,103,733
Other	-	-	-	-	-	15,439	15,439
Total Disbursements	<u>\$ 3,654,180</u>	<u>\$ 878,282</u>	<u>\$ 329,371</u>	<u>\$ 1,025,788</u>	<u>\$ 284,268</u>	<u>\$ 893,673</u>	<u>\$ 7,065,562</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (515,449)</u>	<u>\$ 46,102</u>	<u>\$ (16,120)</u>	<u>\$ 502,361</u>	<u>\$ 19,759</u>	<u>\$ 53,901</u>	<u>\$ 90,554</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 590,126	\$ -	\$ 15,000	\$ -	\$ -	\$ 8,756	\$ 613,882
Transfers out	(23,756)	(42,100)	-	(500,000)	-	(48,026)	(613,882)
Net Other Financing Sources (Uses)	<u>\$ 566,370</u>	<u>\$ (42,100)</u>	<u>\$ 15,000</u>	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ (39,270)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ 50,921	\$ 4,002	\$ (1,120)	\$ 2,361	\$ 19,759	\$ 14,631	\$ 90,554
CASH BALANCES, JANUARY 1	<u>1,743,440</u>	<u>810,236</u>	<u>25,538</u>	<u>1,441,868</u>	<u>224,302</u>	<u>976,469</u>	<u>5,221,853</u>
CASH BALANCES, DECEMBER 31	<u>\$ 1,794,361</u>	<u>\$ 814,238</u>	<u>\$ 24,418</u>	<u>\$ 1,444,229</u>	<u>\$ 244,061</u>	<u>\$ 991,100</u>	<u>\$ 5,312,407</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

ASSETS	
Cash and cash equivalents	\$ <u>12,904</u>
TOTAL ASSETS	\$ <u><u>12,904</u></u>
NET ASSETS	
Restricted	\$ <u>12,904</u>
TOTAL NET ASSETS	\$ <u><u>12,904</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

DUNKLIN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>31,032</u>
TOTAL ASSETS	\$ <u><u>31,032</u></u>
NET ASSETS	
Restricted	\$ <u>31,032</u>
TOTAL NET ASSETS	\$ <u><u>31,032</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Dunklin, Missouri ("County") is governed by a three-member board of commissioners, established in 1845. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Dunklin County, Missouri as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Dunklin County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Dunklin County, Missouri as of December 31, 2008 and 2007, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. For information on the health center, please contact the Dunklin County Health Department at (573-717-7317) or write to 1051 Jones Street, Kennett, MO 63857.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Dunklin County, Missouri only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Dunklin County, Missouri at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among program revenues are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Revenue Fund, Special Road and Bridge, Assessment, Law Enforcement Sales Tax, and Senate Bill 40 are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds are reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Revenue Fund – The General Revenue Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Special Road and Bridge Fund – A special revenue fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – The fund is used to handle all county assessment costs.

Law Enforcement Sales Tax Fund – A special fund used to account for receipts of the County property tax levy and related expenditures.

Senate Bill 40 – The fund used to account for receipts and disbursements of the Sheltered Workshop.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Remaining funds consist of Interpretive Grant, MODOT Seed Grant, Crime Victims Compensation, Law Library, Drug Court, Passport Fee, Circuit Clerk Time Payment, Circuit Clerk Interest, and Associate Circuit Interest.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consist of Prosecuting Attorney Undispursed Restitution Fund, Surplus Certificate Bids Fund, Hopkins Schools Fund, Errors and Omissions Fund, Financial Institution Fund, Division I Unclaimed Fees Fund, Division II Unclaimed Fees Fund, State Tax Fund, Chemical Emergency Preparation Fund, and Law Enforcement Grant Funds.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Accounting Changes

For the years ended December 31, 2008 and 2007, the County implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. As Note 1.B discusses, the basic financial statements now include government-wide financial statements that report information for the County as a whole and fund financial statements that focus on major funds. However, as Note 1.C discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the basis of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the County's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation were:

	<u>2008</u>	<u>2007</u>
Real Estate	\$197,986,880	\$196,845,450
Personal Property	\$ 79,768,476	\$ 80,055,981
Railroad and Utilities	\$ 20,753,336	\$ 22,154,454
Locally Assess RE & PP	\$ 324,710	\$ 261,070

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes (continued)

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2008</u>	<u>2007</u>
General Revenue Fund	.6121	.6118
Road and Bridge	.5821	.5818

F. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Dunklin County, Missouri will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Governmental Funds Balance Sheet-Cash Basis.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or are legally restricted for a specific purpose.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
DC Sheriff Revolving	2007
Hazardous Training Material	2007
Prosecuting Attorney Delinquent Tax	2007
CERF Collection	2007
Off System Bridge	2007
Tax Maintenance	2008 and 2007
Remaining	2008 and 2007

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Budgets and Budgetary Practices (continued)

Although Section 50.740, RSMo, requires a balanced budget. Deficit balances were budgeted in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
DC Sheriff Revolving	2008
Family Treatment Court	2008
CERF Collection	2008
HAVA	2008

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2007
Special Road and Bridge	2007
Assessment	2007
Prosecuting Attorney Training	2007
Criminal Investigation	2007
DC Sheriff Revolving Fund	2007
Emergency 911	2007
Victims of Domestic Violence	2008
Domestic Violence Shelters	2007
DC Law Enforcement Restitution	2008 and 2007
Hazardous Training Material	2008
Prosecuting Attorney Delinquent Tax	2007
Juvenile Diversion Grant I	2008
Juvenile Diversion Grant II	2008
Family Treatment Court	2007
Pilot Program	2008
County Clerk Discretionary	2007
Sheriff's Civil Fees	2008
CERF Collection	2008 and 2007
Drainage and Levee District	2007
Off System Bridge	2007
HAVA	2008
Tax Maintenance	2008 and 2007
Remaining	2008 and 2007

L. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. Dunklin County, Missouri published all funds for 2008 and 2007.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Governmental Funds Balance Sheet-Cash Basis arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008, the carrying amount of the County's deposits are \$5,160,913, the bank balance was \$5,177,793. At December 31, 2007, the carrying amount of the County's deposits was \$5,119,467, the bank balance was \$5,388,766.

Custodial Credit Risk - Deposits

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008 and 2007, as follows:

	2008 & 2007 <u>Maturity</u>	2008 <u>Book Balance</u>	2007 <u>Book Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$5,160,913	\$5,119,467
Investments	N/A	-	-
Total Deposits		<u>\$5,160,913</u>	<u>\$5,119,467</u>
Included in the following fund financial statement captions:			
Governmental Funds Balance Sheet-Cash Basis			
Cash & Cash Equivalents		\$5,160,913	\$5,119,467
Investments		-	-
Total		<u>\$5,160,913</u>	<u>\$5,119,467</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The county's investments are not exposed to custodial credit risk at December 31, 2008 and 2007.

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investments held at December 31, 2008 and 2007 are provided in the above schedules.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (continued)

Investment Credit Risk

The County does not have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does not have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2008 and 2007 are as follows:

	2008 <u>Transfers In (Out)</u>	2007 <u>Transfers In (Out)</u>
Major Funds		
General Revenue	\$530,802	\$566,370
Special Road and Bridge	(40,000)	(42,100)
Assessment	15,000	15,000
Law Enforcement Sales Tax	(500,000)	(500,000)
Non-major Funds	<u>(5,802)</u>	<u>(39,270)</u>
Total	<u>\$ -</u>	<u>\$ -.</u>

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in any county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56,800 to 56,840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued)

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of any active member upon the member's death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five, with reduced benefit, is allowed for the police department, and the age sixty for all other departments in the County. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of \$0 for 2008 and \$0 for 2007.

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with State Statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752 for the year ended December 31, 2008 and \$5,168 for 2007.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County does not have any material litigation issues for years ended December 31, 2008 and 2007.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

7. CLAIMS, COMMITMENTS AND CONTINGENCIES (continued)

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at one half day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, would be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

DUNKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

9. Justice Center Lease

The County and UMB Bank (the "Trustee") have a lease/purchase agreement whereby Dunklin County, Missouri leases the Justice Center and contents from the Trustee for lease payments through 2024. The County Commission must renew the lease annually. Additionally, the County has a purchase option that essentially follows an amortization table of the Trustee to retire the Certificate of Participation Bonds issued to fund the Justice Center.

The original amount of bonds total \$9,260,000. Lease payments are as follows:

	<u>Bonds to be retired</u>		<u>Interest Rate</u>
2009	\$ 365,000	plus	2.95
2010	\$ 375,000	plus	3.20
2011	\$ 385,000	plus	3.40
2012	\$ 400,000	plus	3.60
2013	\$ 415,000	plus	3.50
2014	\$ 430,000	plus	3.70
2015	\$ 445,000	plus	3.75
2016	\$ 460,000	plus	5.00
2017	\$ 485,000	plus	5.00
2019	\$1,035,000	plus	5.00
2021	\$1,150,000	plus	5.00
2024	\$1,945,000	plus	5.00

The County and Kennett National Bank (the "Bank") have a lease/purchase agreement whereby Dunklin County, Missouri leases the remaining Justice Center costs \$1,250,000 from the Bank for lease payments through 2024. The County Commission must renew the lease annually. Additionally the County has a purchase option that essentially follows an amortization table of the Bank to retire the Certification of Participation Bonds issued to fund the Justice Center's additional costs. Lease payments include funds to retire the bonds plus interest.

Lease payments including interest are as follows:

<u>Year</u>	<u>Payment</u>
2009	\$716,130
2010	\$715,363
2011	\$713,363
2012	\$715,273
2013	\$715,873
2014	\$716,348
2015	\$715,438
2016	\$713,750
2017	\$715,750
2018	\$711,500
2019	\$711,250
2020	\$719,750
2021	\$711,500
2022	\$712,250
2023	\$716,500
2024	\$714,000

Required Supplementary Information

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SUMMARY OF ALL FUNDS
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - ALL FUNDS</u>						
RECEIPTS	\$ 8,120,988	\$ 8,247,565	\$ 126,577	\$ 7,000,409	\$ 7,769,998	\$ 769,589
DISBURSEMENTS	<u>8,551,062</u>	<u>8,210,932</u>	<u>340,130</u>	<u>7,039,283</u>	<u>7,679,444</u>	<u>(640,161)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (430,074)	\$ 36,633	\$ 466,707	\$ (38,874)	\$ 90,554	\$ 129,428
CASH, JANUARY 1	<u>5,312,407</u>	<u>5,312,407</u>	<u>-</u>	<u>5,221,853</u>	<u>5,221,853</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 4,882,333</u></u>	<u><u>\$ 5,349,040</u></u>	<u><u>\$ 466,707</u></u>	<u><u>\$ 5,182,979</u></u>	<u><u>\$ 5,312,407</u></u>	<u><u>\$ 129,428</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

GENERAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	\$ 119,000	\$ 93,490	\$ (25,510)	\$ 12,000	\$ 119,580	\$ 107,580
Sales and use taxes	1,375,000	1,377,444	2,444	1,425,000	1,374,602	(50,398)
Intergovernmental	905,490	1,284,078	378,588	692,400	637,917	(54,483)
Charges for services	517,200	496,304	(20,896)	405,500	492,693	87,193
Interest	80,000	44,508	(35,492)	52,000	74,819	22,819
Bootheel Regional Planning	-	-	-	-	200,000	200,000
Other	214,650	208,945	(5,705)	207,300	239,120	31,820
Transfers in	567,000	565,000	(2,000)	621,347	590,126	(31,221)
Total Receipts	<u>\$ 3,778,340</u>	<u>\$ 4,069,769</u>	<u>\$ 291,429</u>	<u>\$ 3,415,547</u>	<u>\$ 3,728,857</u>	<u>\$ 313,310</u>
DISBURSEMENTS						
County Commission	\$ 217,621	\$ 219,678	\$ (2,057)	\$ 202,096	\$ 216,403	\$ (14,307)
County Clerk	147,500	147,015	485	138,000	137,705	295
Elections	92,900	92,851	49	47,350	43,764	3,586
Buildings and grounds	317,308	297,138	20,170	199,844	232,644	(32,800)
Employee fringe benefits	650,000	639,093	10,907	509,000	568,462	(59,462)
County Treasurer	117,061	131,459	(14,398)	150,084	143,893	6,191
Recorder of Deeds	98,380	95,753	2,627	96,756	96,076	680
Circuit Clerk	67,800	65,525	2,275	67,800	65,627	2,173
Court administration	21,650	21,345	305	14,650	12,675	1,975
Public Administrator	130,180	124,903	5,277	114,515	123,783	(9,268)
Sheriff	657,583	654,222	3,361	633,456	612,505	20,951
Jail	974,312	949,609	24,703	692,348	739,240	(46,892)
Prosecuting Attorney	252,556	255,514	(2,958)	258,466	255,708	2,758
Juvenile Officer	87,200	91,110	(3,910)	87,800	75,628	12,172
County Coroner	29,050	31,397	(2,347)	29,650	24,039	5,611
Paternity unit	111,942	112,629	(687)	93,141	92,477	664
Public health and welfare	13,925	13,223	702	11,800	13,551	(1,751)
Emergency fund	114,000	-	114,000	-	-	-
Bootheel Regional Planning	-	-	-	-	200,000	(200,000)
Transfers out	19,000	34,198	(15,198)	-	23,756	(23,756)
Total Disbursements	<u>\$ 4,119,968</u>	<u>\$ 3,976,662</u>	<u>\$ 143,306</u>	<u>\$ 3,346,756</u>	<u>\$ 3,677,936</u>	<u>\$ (331,180)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (341,628)	\$ 93,107	\$ 434,735	\$ 68,791	\$ 50,921	\$ (17,870)
CASH, JANUARY 1	<u>1,794,361</u>	<u>1,794,361</u>	<u>-</u>	<u>1,743,440</u>	<u>1,743,440</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 1,452,733</u>	<u>\$ 1,887,468</u>	<u>\$ 434,735</u>	<u>\$ 1,812,231</u>	<u>\$ 1,794,361</u>	<u>\$ (17,870)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SPECIAL ROAD AND BRIDGE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Sales and use taxes	\$ 150,000	\$ 109,593	\$ (40,407)	\$ 120,000	\$ 149,604	\$ 29,604
Intergovernmental	650,000	614,364	(35,636)	645,000	652,640	7,640
Charges for services	100,000	81,156	(18,844)	-	99,157	99,157
Interest	23,000	13,706	(9,294)	20,000	22,983	2,983
Other	-	-	-	139,000	-	(139,000)
Total Receipts	<u>\$ 923,000</u>	<u>\$ 818,819</u>	<u>\$ (104,181)</u>	<u>\$ 924,000</u>	<u>\$ 924,384</u>	<u>\$ 384</u>
DISBURSEMENTS						
Road and bridge materials	\$ 880,000	\$ 880,000	\$ -	\$ 900,000	\$ 878,282	\$ 21,718
Transfers out	40,000	40,000	-	-	42,100	(42,100)
Total Disbursements	<u>\$ 920,000</u>	<u>\$ 920,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 920,382</u>	<u>\$ (20,382)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,000	\$ (101,181)	\$ (104,181)	\$ 24,000	\$ 4,002	\$ (19,998)
CASH, JANUARY 1	814,238	814,238	-	810,236	810,236	-
CASH, DECEMBER 31	<u>\$ 817,238</u>	<u>\$ 713,057</u>	<u>\$ (104,181)</u>	<u>\$ 834,236</u>	<u>\$ 814,238</u>	<u>\$ (19,998)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ASSESSMENT FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 316,800	\$ 346,112	\$ 29,312	\$ 306,250	\$ 304,865	\$ (1,385)
Charges for services	23,140	24,304	1,164	-	4,960	4,960
Interest	3,000	1,844	(1,156)	400	2,920	2,520
Other	-	-	-	5,100	506	(4,594)
Transfers in	15,000	15,000	-	15,000	15,000	-
Total Receipts	<u>\$ 357,940</u>	<u>\$ 387,260</u>	<u>\$ 29,320</u>	<u>\$ 326,750</u>	<u>\$ 328,251</u>	<u>\$ 1,501</u>
DISBURSEMENTS						
Salary - Assessor	\$ 43,000	\$ 43,000	\$ -	\$ 43,000	\$ 43,000	\$ -
Deputy and clerical salaries	140,676	140,676	-	136,074	135,040	1,034
Employee fringe benefits	57,000	61,298	(4,298)	53,000	55,903	(2,903)
Appraisal service	32,000	30,855	1,145	35,000	36,483	(1,483)
Map maintenance	8,500	29,484	(20,984)	8,500	8,500	-
Other	100,127	39,408	60,719	28,675	50,445	(21,770)
Total Disbursements	<u>\$ 381,303</u>	<u>\$ 344,721</u>	<u>\$ 36,582</u>	<u>\$ 304,249</u>	<u>\$ 329,371</u>	<u>\$ (25,122)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (23,363)	\$ 42,539	\$ 65,902	\$ 22,501	\$ (1,120)	\$ (23,621)
CASH, JANUARY 1	<u>24,418</u>	<u>24,418</u>	<u>-</u>	<u>25,538</u>	<u>25,538</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,055</u></u>	<u><u>\$ 66,957</u></u>	<u><u>\$ 65,902</u></u>	<u><u>\$ 48,039</u></u>	<u><u>\$ 24,418</u></u>	<u><u>\$ (23,621)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

LAW ENFORCEMENT SALES TAX FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax revenues	\$ 1,400,000	\$ 1,374,867	\$ (25,133)	\$ 1,330,000	\$ 1,385,782	\$ 55,782
Charges for services	-	27,025	27,025	-	-	-
Interest	90,000	49,843	(40,157)	70,000	87,167	17,167
Other	55,200	55,200	-	55,200	55,200	-
Transfers in	170,000	-	(170,000)	-	-	-
Total Receipts	<u>\$ 1,715,200</u>	<u>\$ 1,506,935</u>	<u>\$ (208,265)</u>	<u>\$ 1,455,200</u>	<u>\$ 1,528,149</u>	<u>\$ 72,949</u>
DISBURSEMENTS						
Building renovation	\$ 170,000	\$ 191,654	\$ (21,654)	\$ -	\$ 53,330	\$ (53,330)
Utilities	-	-	-	-	47,713	(47,713)
Maintenance	20,000	10,672	9,328	50,000	15,464	34,536
Debt service	830,000	658,053	171,947	850,000	789,574	60,426
Patrol cars	60,000	80,639	(20,639)	60,000	69,034	(9,034)
Insurance	45,000	37,757	7,243	35,000	28,512	6,488
Furniture and fixtures	-	-	-	100,000	-	100,000
Bank charges	5,000	2,351	2,649	-	4,703	(4,703)
Office supplies	10,000	240	9,760	-	17,458	(17,458)
Transfers out	500,000	500,000	-	500,000	500,000	-
Total Disbursements	<u>\$ 1,640,000</u>	<u>\$ 1,481,366</u>	<u>\$ 158,634</u>	<u>\$ 1,595,000</u>	<u>\$ 1,525,788</u>	<u>\$ 69,212</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 75,200	\$ 25,569	\$ (49,631)	\$ (139,800)	\$ 2,361	\$ 142,161
CASH, JANUARY 1	<u>1,444,229</u>	<u>1,444,229</u>	<u>-</u>	<u>1,441,868</u>	<u>1,441,868</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,519,429</u></u>	<u><u>\$ 1,469,798</u></u>	<u><u>\$ (49,631)</u></u>	<u><u>\$ 1,302,068</u></u>	<u><u>\$ 1,444,229</u></u>	<u><u>\$ 142,161</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SENATE BILL 40 FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	\$ 295,000	\$ 317,797	\$ 22,797	\$ 295,000	\$ 295,204	\$ 204
Interest	5,000	5,992	992	7,000	8,823	1,823
Other	-	1,481	1,481	-	-	-
Total Receipts	<u>\$ 300,000</u>	<u>\$ 325,270</u>	<u>\$ 25,270</u>	<u>\$ 302,000</u>	<u>\$ 304,027</u>	<u>\$ 2,027</u>
DISBURSEMENTS						
Cotton Boll Sheltered Workshop	\$ 181,815	\$ 178,820	\$ 2,995	\$ 150,000	\$ 150,000	\$ -
Dunklin Day Activity Center	91,971	91,891	80	80,200	79,818	382
Cotton Boll Sheltered Group Homes	51,460	51,460	-	51,400	51,400	-
SB 40 office expenses	2,850	2,850	-	3,050	3,050	-
Total Disbursements	<u>\$ 328,096</u>	<u>\$ 325,021</u>	<u>\$ 3,075</u>	<u>\$ 284,650</u>	<u>\$ 284,268</u>	<u>\$ 382</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (28,096)	\$ 249	\$ 28,345	\$ 17,350	\$ 19,759	\$ 2,409
CASH, JANUARY 1	<u>244,061</u>	<u>244,061</u>	<u>-</u>	<u>224,302</u>	<u>224,302</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 215,965</u>	<u>\$ 244,310</u>	<u>\$ 28,345</u>	<u>\$ 241,652</u>	<u>\$ 244,061</u>	<u>\$ 2,409</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

JOHNSON GRASS FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	\$ 3,000	\$ 5,656	\$ 2,656	\$ 8,000	\$ 2,220	\$ (5,780)
Interest	16,000	5,275	(10,725)	7,000	13,700	6,700
Total Receipts	<u>\$ 19,000</u>	<u>\$ 10,931</u>	<u>\$ (8,069)</u>	<u>\$ 15,000</u>	<u>\$ 15,920</u>	<u>\$ 920</u>
DISBURSEMENTS						
Supplies and office expenses	\$ 21,985	\$ 18,938	\$ 3,047	\$ 18,400	\$ 15,439	\$ 2,961
Total Disbursements	<u>\$ 21,985</u>	<u>\$ 18,938</u>	<u>\$ 3,047</u>	<u>\$ 18,400</u>	<u>\$ 15,439</u>	<u>\$ 2,961</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,985)	\$ (8,007)	\$ (5,022)	\$ (3,400)	\$ 481	\$ 3,881
CASH, JANUARY 1	<u>187,355</u>	<u>187,355</u>	<u>-</u>	<u>186,874</u>	<u>186,874</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 184,370</u></u>	<u><u>\$ 179,348</u></u>	<u><u>\$ (5,022)</u></u>	<u><u>\$ 183,474</u></u>	<u><u>\$ 187,355</u></u>	<u><u>\$ 3,881</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

RECORDERS USERS FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDERS USERS FUND</u>						
RECEIPTS						
Charges for services	\$ 20,000	\$ 16,735	\$ (3,265)	\$ 18,500	\$ 18,242	\$ (258)
Interest	4,500	2,530	(1,970)	3,000	4,447	1,447
Total Receipts	<u>\$ 24,500</u>	<u>\$ 19,265</u>	<u>\$ (5,235)</u>	<u>\$ 21,500</u>	<u>\$ 22,689</u>	<u>\$ 1,189</u>
DISBURSEMENTS						
Recording system	\$ 50,000	\$ 22,591	\$ 27,409	\$ 25,000	\$ 23,973	\$ 1,027
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 22,591</u>	<u>\$ 27,409</u>	<u>\$ 25,000</u>	<u>\$ 23,973</u>	<u>\$ 1,027</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (25,500)	\$ (3,326)	\$ 22,174	\$ (3,500)	\$ (1,284)	\$ 2,216
CASH, JANUARY 1	<u>94,199</u>	<u>94,199</u>	<u>-</u>	<u>95,483</u>	<u>95,483</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 68,699</u></u>	<u><u>\$ 90,873</u></u>	<u><u>\$ 22,174</u></u>	<u><u>\$ 91,983</u></u>	<u><u>\$ 94,199</u></u>	<u><u>\$ 2,216</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY TRAINING FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,350	\$ 720	\$ (630)	\$ 750	\$ 1,374	\$ 624
Interest	10	2	(8)	20	9	(11)
Total Receipts	<u>\$ 1,360</u>	<u>\$ 722</u>	<u>\$ (638)</u>	<u>\$ 770</u>	<u>\$ 1,383</u>	<u>\$ 613</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 1,350	\$ 620	\$ 730	\$ 1,300	\$ 1,897	\$ (597)
Total Disbursements	<u>\$ 1,350</u>	<u>\$ 620</u>	<u>\$ 730</u>	<u>\$ 1,300</u>	<u>\$ 1,897</u>	<u>\$ (597)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 10	\$ 102	\$ 92	\$ (530)	\$ (514)	\$ 16
CASH, JANUARY 1	<u>55</u>	<u>55</u>	<u>-</u>	<u>569</u>	<u>569</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 65</u></u>	<u><u>\$ 157</u></u>	<u><u>\$ 92</u></u>	<u><u>\$ 39</u></u>	<u><u>\$ 55</u></u>	<u><u>\$ 16</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT TRAINING FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,365	\$ 1,186	\$ (179)	\$ 1,378	\$ 1,395	\$ 17
Charges for services	6,442	2,718	(3,724)	11,175	2,492	(8,683)
Interest	500	159	(341)	325	504	179
Total Receipts	<u>\$ 8,307</u>	<u>\$ 4,063</u>	<u>\$ (4,244)</u>	<u>\$ 12,878</u>	<u>\$ 4,391</u>	<u>\$ (8,487)</u>
DISBURSEMENTS						
Training	\$ 15,250	\$ 11,197	\$ 4,053	\$ 12,025	\$ 7,341	\$ 4,684
Total Disbursements	<u>\$ 15,250</u>	<u>\$ 11,197</u>	<u>\$ 4,053</u>	<u>\$ 12,025</u>	<u>\$ 7,341</u>	<u>\$ 4,684</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,943)	\$ (7,134)	\$ (191)	\$ 853	\$ (2,950)	\$ (3,803)
CASH, JANUARY 1	<u>9,274</u>	<u>9,274</u>	<u>-</u>	<u>12,224</u>	<u>12,224</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,331</u></u>	<u><u>\$ 2,140</u></u>	<u><u>\$ (191)</u></u>	<u><u>\$ 13,077</u></u>	<u><u>\$ 9,274</u></u>	<u><u>\$ (3,803)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

CRIMINAL INVESTIGATION FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CRIMINAL INVESTIGATION FUND</u>						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ 112
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ 112
DISBURSEMENTS						
Crime lab	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	43,395	46,607	(3,212)
Total Disbursements	\$ -	\$ -	\$ -	\$ 43,395	\$ 46,607	\$ (3,212)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ (43,395)	\$ (46,495)	\$ (3,100)
CASH, JANUARY 1	-	-	-	46,495	46,495	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ 3,100	\$ -	\$ (3,100)

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

DC SHERIFF REVOLVING FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DC SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 15,638	\$ 15,638
Transfers in	-	1,292	1,292	-	827	827
Total Receipts	<u>\$ -</u>	<u>\$ 1,292</u>	<u>\$ 1,292</u>	<u>\$ -</u>	<u>\$ 16,465</u>	<u>\$ 16,465</u>
DISBURSEMENTS						
Sheriff	\$ -	\$ 3	\$ (3)	\$ -	\$ 16,435	\$ (16,435)
Transfers out	3	-	3	-	1,319	(1,319)
Total Disbursements	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,754</u>	<u>\$ (17,754)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3)	\$ 1,289	\$ 1,292	\$ -	\$ (1,289)	\$ (1,289)
CASH, JANUARY 1	<u>12,803</u>	<u>12,803</u>	<u>-</u>	<u>14,092</u>	<u>14,092</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 12,800</u></u>	<u><u>\$ 14,092</u></u>	<u><u>\$ 1,292</u></u>	<u><u>\$ 14,092</u></u>	<u><u>\$ 12,803</u></u>	<u><u>\$ (1,289)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
EMERGENCY 911 FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	\$ 114,000	\$ 132,138	\$ 18,138	\$ 118,000	\$ 134,729	\$ 16,729
Interest	1,700	1,342	(358)	900	1,638	738
Total Receipts	<u>\$ 115,700</u>	<u>\$ 133,480</u>	<u>\$ 17,780</u>	<u>\$ 118,900</u>	<u>\$ 136,367</u>	<u>\$ 17,467</u>
DISBURSEMENTS						
Clerical salary	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ -
Fringe benefits	900	1,052	(152)	-	847	(847)
Office expense	-	109	(109)	150	144	6
Postage	300	-	300	250	-	250
Telephone	84,000	81,527	2,473	80,000	83,879	(3,879)
Equipment	500	1,102	(602)	500	-	500
Mileage	1,500	1,145	355	600	478	122
County dispatching	18,000	18,000	-	24,000	24,000	-
Mapping and addressing	1,000	640	360	1,000	2,495	(1,495)
Total Disbursements	<u>\$ 116,200</u>	<u>\$ 113,575</u>	<u>\$ 2,625</u>	<u>\$ 116,500</u>	<u>\$ 121,843</u>	<u>\$ (5,343)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (500)	\$ 19,905	\$ 20,405	\$ 2,400	\$ 14,524	\$ 12,124
CASH, JANUARY 1	<u>41,727</u>	<u>41,727</u>	<u>-</u>	<u>27,203</u>	<u>27,203</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 41,227</u></u>	<u><u>\$ 61,632</u></u>	<u><u>\$ 20,405</u></u>	<u><u>\$ 29,603</u></u>	<u><u>\$ 41,727</u></u>	<u><u>\$ 12,124</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 VICTIMS OF DOMESTIC VIOLENCE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	\$ 1,000	\$ 1,823	\$ 823	\$ 1,000	\$ 925	\$ (75)
Interest	15	18	3	300	27	(273)
Total Receipts	<u>\$ 1,015</u>	<u>\$ 1,841</u>	<u>\$ 826</u>	<u>\$ 1,300</u>	<u>\$ 952</u>	<u>\$ (348)</u>
DISBURSEMENTS						
Domestic violence shelters	\$ 1,000	\$ 1,486	\$ (486)	\$ 1,000	\$ 1,000	\$ -
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 1,486</u>	<u>\$ (486)</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 15	\$ 355	\$ 340	\$ 300	\$ (48)	\$ (348)
CASH, JANUARY 1	<u>981</u>	<u>981</u>	<u>-</u>	<u>1,029</u>	<u>1,029</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 996</u></u>	<u><u>\$ 1,336</u></u>	<u><u>\$ 340</u></u>	<u><u>\$ 1,329</u></u>	<u><u>\$ 981</u></u>	<u><u>\$ (348)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DOMESTIC VIOLENCE SHELTERS FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE SHELTERS FUND</u>						
RECEIPTS						
Charges for services	\$ 3,500	\$ 2,897	\$ (603)	\$ 3,000	\$ 3,313	\$ 313
Interest	95	-	(95)	300	94	(206)
Other	-	42	42	-	-	-
Transfers in	-	486	486	-	-	-
Total Receipts	<u>\$ 3,595</u>	<u>\$ 3,425</u>	<u>\$ (170)</u>	<u>\$ 3,300</u>	<u>\$ 3,407</u>	<u>\$ (206)</u>
DISBURSEMENTS						
Domestic violence shelters	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,500</u>	<u>\$ (500)</u>
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,500</u>	<u>\$ (500)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 95	\$ (75)	\$ (170)	\$ 300	\$ (93)	\$ (393)
CASH, JANUARY 1	<u>3,263</u>	<u>3,263</u>	<u>-</u>	<u>3,356</u>	<u>3,356</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 3,358</u></u>	<u><u>\$ 3,188</u></u>	<u><u>\$ (170)</u></u>	<u><u>\$ 3,656</u></u>	<u><u>\$ 3,263</u></u>	<u><u>\$ (393)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY BAD CHECK FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 55,000	\$ 44,455	\$ (10,545)	\$ 75,000	\$ 66,323	\$ (8,677)
Other	-	-	-	-	50	50
Interest	4,250	4,073	(177)	7,000	7,537	537
Total Receipts	<u>\$ 59,250</u>	<u>\$ 48,528</u>	<u>\$ (10,722)</u>	<u>\$ 82,000</u>	<u>\$ 73,910</u>	<u>\$ (8,090)</u>
DISBURSEMENTS						
Prosecuting Attorney	<u>\$ 66,000</u>	<u>\$ 63,681</u>	<u>\$ 2,319</u>	<u>\$ 72,624</u>	<u>\$ 55,685</u>	<u>\$ 16,939</u>
Total Disbursements	<u>\$ 66,000</u>	<u>\$ 63,681</u>	<u>\$ 2,319</u>	<u>\$ 72,624</u>	<u>\$ 55,685</u>	<u>\$ 16,939</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,750)	\$ (15,153)	\$ (8,403)	\$ 9,376	\$ 18,225	\$ 8,849
CASH, JANUARY 1	<u>163,520</u>	<u>163,520</u>	<u>-</u>	<u>145,295</u>	<u>145,295</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 156,770</u></u>	<u><u>\$ 148,367</u></u>	<u><u>\$ (8,403)</u></u>	<u><u>\$ 154,671</u></u>	<u><u>\$ 163,520</u></u>	<u><u>\$ 8,849</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DC LAW ENFORCEMENT RESTITUTION FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DC LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	\$ 30,000	\$ 79,416	\$ 49,416	\$ 43,000	\$ 28,358	\$ (14,642)
Interest	1,350	1,971	621	1,000	2,303	1,303
Total Receipts	<u>\$ 31,350</u>	<u>\$ 81,387</u>	<u>\$ 50,037</u>	<u>\$ 44,000</u>	<u>\$ 30,661</u>	<u>\$ (13,339)</u>
DISBURSEMENTS						
Equipment	\$ 25,000	\$ 29,233	\$ (4,233)	\$ 5,000	\$ 15,472	\$ (10,472)
Other	9,500	9,128	372	11,000	3,046	7,954
Total Disbursements	<u>\$ 34,500</u>	<u>\$ 38,361</u>	<u>\$ (3,861)</u>	<u>\$ 16,000</u>	<u>\$ 18,518</u>	<u>\$ (2,518)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,150)	\$ 43,026	\$ 46,176	\$ 28,000	\$ 12,143	\$ (15,857)
CASH, JANUARY 1	<u>53,715</u>	<u>53,715</u>	<u>-</u>	<u>41,572</u>	<u>41,572</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 50,565</u></u>	<u><u>\$ 96,741</u></u>	<u><u>\$ 46,176</u></u>	<u><u>\$ 69,572</u></u>	<u><u>\$ 53,715</u></u>	<u><u>\$ (15,857)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 HAZARDOUS TRAINING MATERIAL FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>HAZARDOUS TRAINING MATERIAL FUND</u>						
RECEIPTS						
Interest	\$ 100	\$ 82	\$ (18)	\$ -	\$ 156	\$ 156
Total Receipts	\$ 100	\$ 82	\$ (18)	\$ -	\$ 156	\$ 156
DISBURSEMENTS						
Training	\$ 3,404	\$ 3,485	\$ (81)	\$ -	\$ -	\$ -
Total Disbursements	\$ 3,404	\$ 3,485	\$ (81)	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,304)	\$ (3,403)	\$ (99)	\$ -	\$ 156	\$ 156
CASH, JANUARY 1	3,403	3,403	-	3,247	3,247	-
CASH, DECEMBER 31	\$ 99	\$ -	\$ (99)	\$ 3,247	\$ 3,403	\$ 156

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY DELINQUENT TAX FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 8,059	\$ 8,059	\$ -	\$ -	\$ -
Interest	1,700	1,065	(635)	-	1,628	1,628
Other	8,000	-	(8,000)	-	7,377	7,377
Total Receipts	<u>\$ 9,700</u>	<u>\$ 9,124</u>	<u>\$ (576)</u>	<u>\$ -</u>	<u>\$ 9,005</u>	<u>\$ 9,005</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 1,500	\$ 1,400	\$ 100	\$ -	\$ 260	\$ (260)
Total Disbursements	<u>\$ 1,500</u>	<u>\$ 1,400</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ (260)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 8,200	\$ 7,724	\$ (476)	\$ -	\$ 8,745	\$ 8,745
CASH, JANUARY 1	<u>37,828</u>	<u>37,828</u>	<u>-</u>	<u>29,083</u>	<u>29,083</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 46,028</u></u>	<u><u>\$ 45,552</u></u>	<u><u>\$ (476)</u></u>	<u><u>\$ 29,083</u></u>	<u><u>\$ 37,828</u></u>	<u><u>\$ 8,745</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

JUVENILE DIVERSION GRANT I FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>JUVENILE DIVERSION GRANT I FUND</u>						
RECEIPTS						
Intergovernmental	\$ 62,626	\$ 63,658	\$ 1,032	\$ 62,564	\$ 57,735	\$ (4,829)
Transfers in	-	2,213	2,213	-	-	-
Total Receipts	<u>\$ 62,626</u>	<u>\$ 65,871</u>	<u>\$ 3,245</u>	<u>\$ 62,564</u>	<u>\$ 57,735</u>	<u>\$ (4,829)</u>
DISBURSEMENTS						
Juvenile office	\$ 62,626	\$ 67,440	\$ (4,814)	\$ 62,564	\$ 62,398	\$ 166
Total Disbursements	<u>\$ 62,626</u>	<u>\$ 67,440</u>	<u>\$ (4,814)</u>	<u>\$ 62,564</u>	<u>\$ 62,398</u>	<u>\$ 166</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (1,569)	\$ (1,569)	\$ 0	\$ (4,663)	\$ (4,663)
CASH, JANUARY 1	<u>1,569</u>	<u>1,569</u>	<u>-</u>	<u>6,232</u>	<u>6,232</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,569</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,569)</u></u>	<u><u>\$ 6,232</u></u>	<u><u>\$ 1,569</u></u>	<u><u>\$ (4,663)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 JUVENILE DIVERSION GRANT II FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>JUVENILE DIVERSION GRANT II FUND</u>						
RECEIPTS						
Intergovernmental	\$ 39,638	\$ 40,128	\$ 490	\$ 39,700	\$ 36,114	\$ (3,586)
Total Receipts	\$ 39,638	\$ 40,128	\$ 490	\$ 39,700	\$ 36,114	\$ (3,586)
DISBURSEMENTS						
Juvenile office	\$ 39,939	\$ 40,112	\$ (173)	\$ 39,700	\$ 39,136	\$ 564
Total Disbursements	\$ 39,939	\$ 40,112	\$ (173)	\$ 39,700	\$ 39,136	\$ 564
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (301)	\$ 16	\$ 317	\$ -	\$ (3,022)	\$ (3,022)
CASH, JANUARY 1	1,160	1,160	-	4,182	4,182	-
CASH, DECEMBER 31	\$ 859	\$ 1,176	\$ 317	\$ 4,182	\$ 1,160	\$ (3,022)

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

FAMILY TREATMENT COURT FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY TREATMENT COURT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 82,047	\$ 69,807	\$ (12,240)	\$ 36,600	\$ 54,525	\$ 17,925
Transfers in	-	7,826	7,826	-	-	-
Total Receipts	<u>\$ 82,047</u>	<u>\$ 77,633</u>	<u>\$ (4,414)</u>	<u>\$ 36,600</u>	<u>\$ 54,525</u>	<u>\$ 17,925</u>
DISBURSEMENTS						
Salary	\$ 39,400	\$ 35,000	\$ 4,400	\$ 17,500	\$ 32,083	\$ (14,583)
Payroll taxes	-	1,989	(1,989)	-	1,989	(1,989)
Pension/retirement	-	735	(735)	145	82	63
Medical insurance	-	-	-	1,800	3,695	(1,895)
Dental insurance	-	214	(214)	600	270	330
Other fringe benefits	-	465	(465)	1,400	465	935
Unemployment compensation	-	381	(381)	20	200	(180)
Mileage/meals	5,000	3,417	1,583	2,800	3,557	(757)
Training	10,000	6,722	3,278	3,000	7,109	(4,109)
Monthly rent	5,040	5,040	0	5,040	5,040	-
Family counseling	15,000	15,619	(619)	4,300	9,711	(5,411)
Office supplies	-	44	(44)	105	58	47
Total Disbursements	<u>\$ 74,440</u>	<u>\$ 69,626</u>	<u>\$ 4,814</u>	<u>\$ 36,710</u>	<u>\$ 64,259</u>	<u>\$ (27,549)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,607	\$ 8,007	\$ 400	\$ (110)	\$ (9,734)	\$ (9,624)
CASH, JANUARY 1	<u>(8,007)</u>	<u>(8,007)</u>	<u>-</u>	<u>1,727</u>	<u>1,727</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (400)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 400</u></u>	<u><u>\$ 1,617</u></u>	<u><u>\$ (8,007)</u></u>	<u><u>\$ (9,624)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

PILOT PROGRAM FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PILOT PROGRAM FUND</u>						
RECEIPTS						
Intergovernmental	\$ 93,726	\$ 87,243	\$ (6,483)	\$ 84,100	\$ 67,129	\$ (16,971)
Transfers in	-	7,381	7,381	-	-	-
Total Receipts	<u>\$ 93,726</u>	<u>\$ 94,624</u>	<u>\$ 898</u>	<u>\$ 84,100</u>	<u>\$ 67,129</u>	<u>\$ (16,971)</u>
DISBURSEMENTS						
Juvenile pilot program	\$ 39,700	\$ 41,665	\$ (1,965)	\$ 39,980	\$ 38,556	\$ 1,424
Paralegal/investigator	<u>42,300</u>	<u>41,233</u>	<u>1,067</u>	<u>41,530</u>	<u>40,299</u>	<u>1,231</u>
Total Disbursements	<u>\$ 82,000</u>	<u>\$ 82,898</u>	<u>\$ (898)</u>	<u>\$ 81,510</u>	<u>\$ 78,855</u>	<u>\$ 2,655</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 11,726	\$ 11,726	\$ -	\$ 2,590	\$ (11,726)	\$ (14,316)
CASH, JANUARY 1	<u>(11,726)</u>	<u>(11,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,590</u></u>	<u><u>\$ (11,726)</u></u>	<u><u>\$ (14,316)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 COUNTY CLERK DISCRETIONARY FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY CLERK DISCRETIONARY FUND</u>						
RECEIPTS						
Intergovernmental	\$ 6,569	\$ 5,976	\$ (593)	\$ -	\$ 3,322	\$ 3,322
Interest	100	182	82	500	649	149
Other	25,030	-	(25,030)	-	-	-
Transfers in	-	-	-	1,800	7,929	6,129
Total Receipts	<u>\$ 31,699</u>	<u>\$ 6,158</u>	<u>\$ (25,541)</u>	<u>\$ 2,300</u>	<u>\$ 11,900</u>	<u>\$ 9,600</u>
DISBURSEMENTS						
Election salary	\$ 1,900	\$ 2,278	\$ (378)	\$ -	\$ 235	\$ (235)
Supplies	4,800	4,668	132	400	10,920	(10,520)
Tuition and training	1,000	-	1,000	1,000	640	360
Computer expense	600	600	-	700	498	202
Construction work	10,118	10,118	-	-	-	-
Fringe benefits	70	70	-	-	9	(9)
Total Disbursements	<u>\$ 18,488</u>	<u>\$ 17,734</u>	<u>\$ 754</u>	<u>\$ 2,100</u>	<u>\$ 12,302</u>	<u>\$ (10,202)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 13,211	\$ (11,576)	\$ (24,787)	\$ 200	\$ (402)	\$ (602)
CASH, JANUARY 1	<u>13,717</u>	<u>13,717</u>	<u>-</u>	<u>14,119</u>	<u>14,119</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 26,928</u></u>	<u><u>\$ 2,141</u></u>	<u><u>\$ (24,787)</u></u>	<u><u>\$ 14,319</u></u>	<u><u>\$ 13,717</u></u>	<u><u>\$ (602)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SHERIFF'S CIVIL FEES FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	\$ 33,000	\$ 33,247	\$ 247	\$ 27,500	\$ 29,440	\$ 1,940
Interest	4,000	2,270	(1,730)	2,500	3,580	1,080
Total Receipts	<u>\$ 37,000</u>	<u>\$ 35,517</u>	<u>\$ (1,483)</u>	<u>\$ 30,000</u>	<u>\$ 33,020</u>	<u>\$ 3,020</u>
DISBURSEMENTS						
Office expense	\$ 27,500	\$ 27,506	\$ (6)	\$ 20,000	\$ 21,266	\$ (1,266)
Transfers out	25,000	25,000	-	25,000	100	24,900
Total Disbursements	<u>\$ 52,500</u>	<u>\$ 52,506</u>	<u>\$ (6)</u>	<u>\$ 45,000</u>	<u>\$ 21,366</u>	<u>\$ 23,634</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (15,500)	\$ (16,989)	\$ (1,489)	\$ (15,000)	\$ 11,654	\$ 26,654
CASH, JANUARY 1	<u>83,572</u>	<u>83,572</u>	<u>-</u>	<u>71,918</u>	<u>71,918</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 68,072</u></u>	<u><u>\$ 66,583</u></u>	<u><u>\$ (1,489)</u></u>	<u><u>\$ 56,918</u></u>	<u><u>\$ 83,572</u></u>	<u><u>\$ 26,654</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

CERF COLLECTION FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CERF COLLECTION FUND</u>						
RECEIPTS						
Charges for services	\$ 154,000	\$ 167,573	\$ 13,573	\$ -	\$ 153,056	\$ 153,056
Interest	10	-	(10)	-	9	9
Total Receipts	<u>\$ 154,010</u>	<u>\$ 167,573</u>	<u>\$ 13,563</u>	<u>\$ -</u>	<u>\$ 153,065</u>	<u>\$ 153,065</u>
DISBURSEMENTS						
CERF disbursements	<u>\$ 175,000</u>	<u>\$ 182,080</u>	<u>\$ (7,080)</u>	<u>\$ -</u>	<u>\$ 138,558</u>	<u>\$ (138,558)</u>
Total Disbursements	<u>\$ 175,000</u>	<u>\$ 182,080</u>	<u>\$ (7,080)</u>	<u>\$ -</u>	<u>\$ 138,558</u>	<u>\$ (138,558)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (20,990)	\$ (14,507)	\$ 6,483	\$ -	\$ 14,507	\$ 14,507
CASH, JANUARY 1	<u>14,507</u>	<u>14,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (6,483)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,483</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,507</u></u>	<u><u>\$ 14,507</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE AND LEVEE DISTRICT FUNDS
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE AND LEVEE DISTRICT FUNDS</u>						
RECEIPTS						
Intergovernmental	\$ 65,885	\$ 74,688	\$ 8,803	\$ 22,000	\$ 35,846	\$ 13,846
Interest	-	-	-	5,000	-	(5,000)
Total Receipts	<u>\$ 65,885</u>	<u>\$ 74,688</u>	<u>\$ 8,803</u>	<u>\$ 22,000</u>	<u>\$ 35,846</u>	<u>\$ 13,846</u>
DISBURSEMENTS						
Distributions	\$ 111,700	\$ 103,963	\$ 7,737	\$ 31,800	\$ 47,624	\$ (15,824)
Total Disbursements	<u>\$ 111,700</u>	<u>\$ 103,963</u>	<u>\$ 7,737</u>	<u>\$ 31,800</u>	<u>\$ 47,624</u>	<u>\$ (15,824)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (45,815)	\$ (29,275)	\$ 16,540	\$ (9,800)	\$ (11,778)	\$ (1,978)
CASH, JANUARY 1	<u>108,077</u>	<u>108,077</u>	<u>-</u>	<u>119,855</u>	<u>119,855</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 62,262</u></u>	<u><u>\$ 78,802</u></u>	<u><u>\$ 16,540</u></u>	<u><u>\$ 110,055</u></u>	<u><u>\$ 108,077</u></u>	<u><u>\$ (1,978)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

OFF SYSTEM BRIDGE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>OFF SYSTEM BRIDGE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 206,000	\$ 205,579	\$ (421)	\$ -	\$ 151,061	\$ 151,061
Total Receipts	\$ 206,000	\$ 205,579	\$ (421)	\$ -	\$ 151,061	\$ 151,061
DISBURSEMENTS						
Bridge expenses	\$ 206,000	\$ 205,579	\$ 421	\$ -	\$ 152,039	\$ (152,039)
Total Disbursements	\$ 206,000	\$ 205,579	\$ 421	\$ -	\$ 152,039	\$ (152,039)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (978)	\$ (978)
CASH, JANUARY 1	-	-	-	978	978	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ 978	\$ -	\$ (978)

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 HAVA FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>HAVA FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 24,380	\$ 24,380	\$ -	\$ -	\$ -
Interest	-	27	27	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 24,407</u>	<u>\$ 24,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS						
Election expenses	\$ 24,310	\$ 24,380	\$ (70)	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ 24,310</u>	<u>\$ 24,380</u>	<u>\$ (70)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (24,310)	\$ 27	\$ 24,337	\$ -	\$ -	\$ -
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (24,310)</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 24,337</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

DUNKLIN COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

TAX MAINTENANCE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 32,152	\$ 32,152	\$ -	\$ 38,659	\$ 38,659
Total Receipts	\$ -	\$ 32,152	\$ 32,152	\$ -	\$ 38,659	\$ 38,659
DISBURSEMENTS						
Salary reimbursements	\$ -	\$ 37,593	\$ (37,593)	\$ -	\$ -	\$ -
Office	-	414	(414)	-	2,791	(2,791)
Total Disbursements	\$ -	\$ 38,007	\$ (38,007)	\$ -	\$ 2,791	\$ (2,791)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (5,855)	\$ (5,855)	\$ -	\$ 35,868	\$ 35,868
CASH, JANUARY 1	120,168	120,168	-	84,300	84,300	-
CASH, DECEMBER 31	\$ 120,168	\$ 114,313	\$ (5,855)	\$ 84,300	\$ 120,168	\$ 35,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 REMAINING FUNDS
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REMAINING FUNDS</u>						
RECEIPTS						
Charges for services	\$ -	\$ 1,042	\$ 1,042	\$ -	\$ 1,858	\$ 1,858
Total Receipts	\$ -	\$ 1,042	\$ 1,042	\$ -	\$ 1,858	\$ 1,858
DISBURSEMENTS						
Office	\$ -	\$ -	\$ -	\$ -	\$ 8,554	\$ (8,554)
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ 8,554	\$ (8,554)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 1,042	\$ 1,042	\$ -	\$ (6,696)	\$ (6,696)
CASH, JANUARY 1	59,940	59,940	-	66,636	66,636	-
CASH, DECEMBER 31	\$ 59,940	\$ 60,982	\$ 1,042	\$ 66,636	\$ 59,940	\$ (6,696)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Required Supplementary Information

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures		County Match Percentage Required
			2008	2007	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
Passed through State:					
Department of Economic Development:					
Community Development Block Grants/ State's Program	14.228		\$ -	\$ 200,000	0%
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed through State:					
Highway and Transportation Commission:					
Highway Planning and Construction	20.205	BRO - BO35-31	178,566	145,965	0%
		BRO - BO35-33	27,012	6,074	0%
<u>ELECTION ASSISTANCE COMMISSION</u>					
Passed through the Office of Secretary of State:					
Help America Vote Act Requirements Payments	90.401		-	2,918	0%
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Passed through State:					
Department of Social Services:					
Child Support Enforcement	93.563		145,911	123,809	0%
Community Services Block Grant	93.569	Homeless Children	6,465	6,465	0%
Family Drug Court	16.585		69,627	64,259	0%
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Passed through State Department of Public Safety					
Emergency Management Performance Grants	97.042		5,590	3,692	0%
Homeland Security Grant Program	97.067		1,512	-	0%
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 434,683	\$ 553,182	

Notes to the Supplementary Schedule

DUNKLIN COUNTY, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and that Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dunklin County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants, or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2008 and 2007.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C.

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Dunklin County, Missouri

Compliance

We have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the years ended December 31, 2008 and 2007. The County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Dunklin County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007.

Internal Control Over Compliance

The management of Dunklin County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the County's internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered material weaknesses as defined above.

This report is intended solely for the information and use of management, audit committee, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

Original signed by auditor

July 10, 2009

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be a material weakness? X yes _____ none reported

Noncompliance material to the financial statement noted?

_____ yes X no

Federal Awards

Internal control over major program:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that is not considered to be a material weakness? _____ yes X none reported

Type of auditors' report issued on compliance for major program:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

_____ yes X no

Identification of major program:

CFDA or
Other Identifying
Number

Program Title

20.205
93.563

Highway Planning and Construction
Child Support Enforcement

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

08-1 Budgetary Procedures and Published Financial Statements

The County failed to prepare budgets for all County funds and allowed disbursements to exceed budgeted amounts and financial balances.

The County Commission and elected officials need to ensure all funds are budgeted and that disbursements do not exceed budgeted amounts and anticipated cash balances.

A. Funds where disbursements exceeded budgeted amounts:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2007
Special Road and Bridge	2007
Assessment	2007
Prosecuting Attorney Training	2007
Criminal Investigation	2007
DC Sheriff Revolving Fund	2007
Emergency 911	2007
Victims of Domestic Violence	2008
Domestic Violence Shelters	2007
DC Law Enforcement Restitution	2008 and 2007
Hazardous Training Material	2008
Prosecuting Attorney Delinquent Tax	2007
Juvenile Diversion Grant I	2008
Juvenile Diversion Grant II	2008
Family Treatment Court	2007
Pilot Program	2008
County Clerk Discretionary	2007
Sheriff's Civil Fees	2008
CERF Collection	2008 and 2007
Drainage and Levee Districts	2007
Off System Bridge	2007
HAVA	2008
Tax Maintenance	2008 and 2007
Remaining	2008 and 2007

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

B. Funds where a budget was not prepared:

<u>Fund</u>	<u>Years Ended December 31,</u>
DC Sheriff Revolving	2007
Hazardous Training Material	2007
Prosecuting Attorney Delinquent Tax	2007
CERF Collection	2007
Off System Bridge	2007
Tax Maintenance	2008 and 2007
Remaining	2008 and 2007

C. Funds where deficit balances were budgeted:

<u>Fund</u>	<u>Years Ended December 31,</u>
DC Sheriff Revolving	2008
Family Treatment Court	2008
CERF Collection	2008
HAVA	2008

This is a repeat finding.

We Recommend:

The County Commission:

- A. And all County officials ensure disbursements do not exceed budgeted amounts. If necessary, amended budgets should be adopted and appropriate actions taken.
- B. And all County officials ensure budgets are prepared for all County funds.

Auditee's Response and Plan for Corrective Action:

They will work to see all are implemented.

Section III – Federal Award Findings and Questioned Costs

There are no findings and there are no questioned costs for December 31, 2008 and 2007.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dunklin County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006.

06-1 Budgetary Procedures and Published Financial Statements

Budgets were not prepared for several county funds, actual disbursements exceeded the budget in several funds, and the budgets for some funds did not reasonably reflect the anticipated financial activity and balances. In addition, the county budget documents contained incorrect amounts and numerous misclassifications. Furthermore, published financial statements are in need of improvement.

Recommendation:

The County Commission:

- A.1. And other county officials ensure budgets are prepared for all county funds.
2. And other County officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
3. Ensure the budgets include actual beginning balances, reasonable estimates of receipts and disbursements, and projected ending balance
- B. Ensure proper compilation and review procedures are in place to ensure the budget document presents accurate and complete financial information.
- C. Ensure all required information is presented in the County's annual published financial statements in a timely manner.

Status:

- A.1.,2,3 Not implemented
B, C Implemented

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133.

DUNKLIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2008 AND 2007

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2006, included audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-2 Schedule of Expenditures of Federal Awards

The County does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). Accordingly, errors and omissions occurred.

Recommendation:

The County Commission and County Clerk prepare a complete and accurate Schedule of Expenditures of Federal Awards. In addition, the County Commission and County Clerk should ensure that the correct contract numbers are included on the schedule.

Status:

Implemented

06-3 Help America Vote Act Grant Requirements Payments Grants

The County's controls and procedures did not comply with requirements regarding cash and equipment management, program income, level of effort, allowed and unallowed activities, allowable costs, reporting and procurement, suspension and debarment that are applicable to the Help America Vote Act (HAVA) Requirements Payment Program.

DUNKLIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2008 AND 2007

Recommendation:

The County Commission and County Clerk:

- A. Ensure HAVA monies relating to accessible and second chance voting and disbursed within thirty days of the receipt of goods.
- B. Ensure capital assets purchased through the HAVA program are accounted for properly.
- C. Establish procedures to track and account for interest earned on HAVA monies, and ensure that the monies are used as required by federal grant regulations.
- D. Establish procedures to ensure the level of effort for election activities is maintained as required by HAVA guidelines.
- E. Establish procedures to track HAVA disbursements by the specific categories as required by federal regulations.
- F. Prepare and file accurate HAVA reports to the SOS timely as required by HAVA grant guidelines.
- G. Establish procedures to follow federal guidelines regarding procurement, suspension, and debarment and resolve the questioned costs with the SOS.

Status:

A,B,C,D,E,F,G Implemented

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

DUNKLIN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2008 AND 2007

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Dunklin County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009. We also have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009.

We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR Findings resulted from our audit of the financial statements of Dunklin County, Missouri or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. There are no findings to report.

Follow-Up on Prior Audit Findings

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Dunklin County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2006. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Transfers of County Funds

- A. The County failed to transfer in 2006 Sheriff's Civil Fees Fund (SCFF) to the General Fund.
- B. The County received a federal grant for the Southwest Scenic Byway Corporation (SSBY) which is a separate legal entity. These funds were disbursed without a contract between the County and SSBY. Additionally, adequate documentations were not available for these disbursements.
- C. Crime Victims Compensation (CVC) collected by the court was improperly turned over to the County.
- D. Fine monies credited to the Schools Fund were not distributed to the various school districts.
- E. The townships boards financial statements were not published as required by state law. The County is responsible for each township to see township financial activity is published.

Recommendation:

The County Commission:

- A. Review transfers made from the Sheriff's Civil Fees Fund to the General Revenue Fund to ensure they comply with state law.
- B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the County. In addition, the County Commission should ensure only county funds are held in the custody of the County Collector-Treasurer and disbursed through the County's disbursement system.
- C. And Circuit Clerk remit CVC fees to the state.
- D. And County Collector-Treasurer ensure future fines are apportioned annually in accordance with applicable statutory and constitutional provisions.
- E. And the County Clerk ensure all townships publish financial statements in a local paper in accordance with state law.

**DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Status:

- A. Implemented
- B. The County is trying to establish how to properly distribute remaining monies.
- C. Implemented.
- D. Implemented.
- E. Implemented.

2. County Disbursements

The County does not have proper procedures for the procurement of major items and services. Uniform allowances were not reported on the Sheriff's department employees W-2's.

- A. The County did not always solicit bids and did not always retain documents regarding price comparisons.
- B. The County did not enter into written contracts when appropriate.
- C. Appropriate supporting documentation was insufficient and verification of receipt of goods or services is not required prior to paying invoices.
- D. Uniform allowances paid to Sheriff's department employees were not supported by employee invoices.

Recommendation:

The County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the County.
- C. Ensure there is adequate documentation to support all disbursements from county funds and establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.
- D. Require the Sheriff's department employees to submit reports of uniform expenses or report these allowances as other income on the employees' W-2 forms.

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Status:

A,B,C,D Implemented

3. Payroll Records and Procedures

Centralized records of time sheets, vacation leave, sick leave, or compensatory time earned was not maintained by the County Clerk.

- A. Adequate records are not maintained by some offices and reported to the County Clerk. As a result, issues developed over the proper amount of time earned.
- B. Errors on Sheriff's department timesheets resulted in overpayment of deputies. Overlapping dates resulted in these overpayments.
- C. Timesheets did not always reflect actual hours worked. Timesheets were turned in with expected hours to be worked and never compared to actual.

Recommendation:

The County Commission:

- A. Require centralized payroll records be maintained by the County Clerk's office.
- B. Ensure timesheets are reviewed in adequate detail to ensure overlapping dates are not reported.
- C. Develop payroll procedures to ensure County employees are paid based on actual hours worked.

Status:

A,B,C,Implemented

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

4. County Commission Procedures

Documentations for reasons for closed meetings and minutes taken are not taken. Meeting agendas do not clearly indicate issues to be discussed and minutes are not signed. A formal policy for public access to records does not exist.

- A. Reason for closing a meeting is typically not documented.
- B. Detail of the agenda to be discussed at general meetings was not available.
- C. Minutes of meetings are not signed by anyone.
- D. The County does not have a formal policy regarding public access to records.
- E. The County did not solicit bids or have in place a written agreement for space rental in the new county center.

Recommendation:

The County Commission:

- A. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session, and minutes are taken for all closed sessions.
- B. Ensure tentative agendas for all County Commission meetings include sufficient detail about the issues to be discussed.
- C. Ensure commission meeting minutes are signed by the County Clerk upon preparation and the County Commission upon approval.
- D. Develop a formal policy regarding procedures to obtain public access to, or copies of, public county records.
- E. Request bids for rental property. In addition, the County Commission should enter into a contract and ensure the contract contains adequate details and protections for the County.

Status:

A,B,C,E Implemented
D Not implemented

**DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

5. Computer Controls

The passwords needed to access County computer systems were not kept confidential.

- A. Access to County computer records is not limited and has resulted in one officeholder posting to another officerholder records.
- B. Passwords are not periodically changed to ensure passwords are kept confidential.

Recommendation:

The County Commission:

- A. Ensure access to various files is limited to only authorized individuals.
- B. Require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the County's computer systems and data.

Status:

- A. Implemented
- B. Not Implemented

6. County Property Records and Procedures

Procedures to account for County property are not sufficient. Property acquisitions are not accounted for and or updated. This resulted in inaccurate insurance valuations, etc.

Recommendation:

The County Clerk work with various County departments to ensure property inventories are conducted and accurately reported.

Status:

Not implemented

7. Property Tax Controls and Procedures

The County Collector-Treasurer does not file annual settlements and the activities of the County Collector-Treasurer's procedures are not adequately reviewed.

**DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Recommendation:

- A. The County Collector-Treasurer prepare and file accurate, complete, and timely annual settlements as required by state law.
- B. The County Commission and County Clerk monitor property tax system activities and perform a thorough review of the County Collector-Treasurer's annual settlements.
- C. The County Collector-Treasurer prepare a monthly listing of liabilities, reconcile this listing to the reconciled bank balances, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted.
- D. The County Collector-Treasurer generate daily abstracts, reconcile daily abstracts to daily receipts and monthly abstracts, and ensure all receipts are abstracted and distributed on a timely basis.
- E. The County Collector-Treasurer disburse assessment fees monthly.
- F. The County Collector-Treasurer ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.

Status:

A,B,C,D,E,F Implemented

8. Health Department Controls and Procedures

Not part of audit

9. Senate Bill 40 Board Controls and Procedures

The Senate Bill 40 Board has not established procedures to ensure accurate amounts are reported and disbursements do not exceed budgeted amounts. In addition a written agreement was not entered with the depository bank. As a result, some funds were not protected.

Recommendation:

The Senate Bill 40 Board:

- A.1. Ensure all financial information is properly reflected in the annual budget document.
- 2. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.
- B. Request bids or funding proposals and pay for services as they are received.
- C. Ensure all deposits are adequately secured and enter into a written agreement with the depository bank.

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Status:

A.1,2,B,C Implemented

10. Assessor Accounting Controls and Procedures

The Assessor does not maintain adequate controls for the sale of maps, public records, and photo copies. Prenumbered receipts are not always issued and a reconciliation between receipts and deposits are not made. Additionally, monitoring of outstanding fees are not adequate and timely depositing of receipts are not made.

Recommendation:

The Assessor:

- A. Transmit all monies to the County Treasurer intact. All supplies should be purchased through the County's normal disbursement process.
- B. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, the Assessor should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to transmittals.
- C. Transmit all monies on a timely basis.
- D. Establish procedures to adequately record and monitor outstanding fees.

Status:

A,B,C,D Implemented

11. Sheriff Accounting Control and Procedures

Procedures involving the Commissary, Sheriff's Revolving Fund, boarding of prisoners, and seized property are in need of improvement.

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The Sheriff:

- A.1. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
2. Deposit all monies intact on a timely basis. In addition, the Sheriff should require the numerical sequence of receipt slips be accounted for properly and ensure the composition of receipt slips is reconciled to deposits.
3. Reconcile the accounting records to the bank accounts and a monthly listing of open items and investigate and correct identified differences. The Sheriff should discontinue the practice of maintaining county charges and commissary profit outside the County Treasury. Furthermore, the Sheriff should establish procedures to ensure released inmates receive the balance of their commissary account and establish routine procedures to investigate inmate balances unclaimed for a considerable time.
4. Review the charging of booking and toilet paper fees with the Prosecuting Attorney to ensure the fees are appropriate. If determined appropriate, the Sheriff should ensure all inmates are charged the fees on a consistent basis.
- B. Discontinue the practice of maintaining concealed weapon permit receipts outside the County Treasury. These monies should be turned over to the County Treasury on a periodic and timely basis.
- C. And the County Commission periodically review the cost of boarding prisoners and establish a billing rate for other political subdivisions that is sufficient to recover the costs of housing prisoners in the Dunklin County jail. In addition, the County should enter into a written contract with all cities detailing the responsibilities of each party involved.
- D.1. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.
2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

Status:

A.1,2,3,4,B,C,D1,2 Implemented

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

12. Circuit Clerk Accounting Controls and Procedures

Procedures related to Circuit Clerk accounting duties, receipts, open items, old bank accounts, and accrued costs are in need of improvement.

Recommendation:

The Circuit Clerk:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Establish procedures to ensure all cashier sessions are closed daily and deposit all monies intact on a timely basis.
- C1. Routinely review open items and disburse or dispose of monies as appropriate.
 - 2. Identify and appropriately distribute the unidentified balance. Any unidentified monies remaining in the account should be disposed of in accordance with state law.
- D. Attempt to identify the monies held in the old bank accounts and obtain written authorization from the court to dispose of the monies and close the accounts.
- E. Establish procedures to monitor and collect accrued costs.

Status:

A,B,C1,2,D,E Implemented

13. Prosecuting Attorney Accounting Controls and Procedures

Procedures relating to the Prosecuting Attorney and related open item listings, outstanding checks, accrued restitution, and receipts are in need of improvement.

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The Prosecuting Attorney:

- A. Prepare a monthly listing of open items and reconcile it to the cash balance. Any excess monies should be disposed of in accordance with state law.
- B. Periodically disburse interest and receive reimbursement for bank fees through the County's normal disbursement process.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Periodically review listings of unpaid court-ordered restitution, and adopt procedures to periodically write off uncollectible amounts.
- E. Require prenumbered receipt slips be issued for all monies received and transmit all monies intact on a timely basis. The Prosecuting Attorney should also restrictively endorse checks and money orders immediately upon receipt and keep them in a secure location until transmitted.

Status:

A,B,C,D,E Implemented

14. Public Administrator Accounting Controls and Procedures

The Public Administrator's disbursement and record keeping procedures are in need of improvement.

Recommendation:

The Public Administrator:

- A. Retain financial records in a secure location to prevent misplacement or loss. In addition, the Associate Circuit Judge should consider requiring adequate documentation to be filed with the annual settlement.
- B. Prepare annual settlements which accurately report all estate receipts, disbursements, and cash balances. In addition, the Public Administrator should maintain the original copies of voided checks.
- C. Enter into a written contract with all service providers detailing the responsibilities of each party involved. In addition, the Public Administrator should obtain adequate supporting documentation for all disbursements and issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

Status:

A,B,C Implemented

15. Juvenile Office Accounting Controls and Procedures

The Juvenile Office's procedures related to accounting duties, processing of monies, and accrued costs are in need of improvement.

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The Juvenile Office:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Require prenumbered receipt slips be issued for all monies received.
- C. Obtain documentation from the victim when restitution is turned over to them.
- D. Prepare a listing of accrued court ordered restitution. Any uncollectible accrued court ordered restitution should be written off following review and approval by the Judge.

Status:

A,B,C,D Implemented



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Pemiscot County, Missouri

The Office of the State Auditor, in cooperation with Pemiscot County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-144

PEMISCOT COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

PEMISCOT COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Auditors' Reports:	2-6
Basic Financial Statements, Required Supplementary Information, and Supplementary Schedule of Expenditures of Federal Awards	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon an Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-17
Government-Wide Financial Statements:	8-11
<u>Exhibit</u>	<u>Description</u>
Statement of Net Assets – Cash Basis	
A-1 December 31, 2008	8
A-2 December 31, 2007	9
Statement of Activities – Cash Basis	
B-1 Year Ended December 31, 2008	10
B-2 Year Ended December 31, 2007	11
Fund Financial Statements:	12-17
<u>Exhibit</u>	<u>Description</u>
Governmental Funds Balance Sheet – Cash Basis	
C-1 December 31, 2008	12
C-2 December 31, 2007	13
Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances	
D-1 Year Ended December 31, 2008	14
D-2 Year Ended December 31, 2007	15
Statement of Fiduciary Net Assets – Cash Basis	
E-1 Year Ended December 31, 2008	16
E-2 Year Ended December 31, 2007	17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-29
Required Supplementary Information:	30-72
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2008 and 2007	31-72
Other Supplementary Information:	73-74
<u>Schedule</u>	
2 Schedule of Expenditures of Federal Awards Years Ended December 31, 2008 and 2007	74
Notes to the Required Supplementary Information	75-76
<u>FEDERAL AWARDS – SINGLE AUDIT SECTION</u>	<u>77-90</u>
Auditors’ Report:	78-80
Compliance With Requirements Applicable to Each Major Program And On Internal Control Over Compliance in Accordance With OMB Circular A-133	79-80
Schedule:	81-85
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2008 and 2007..	82-85
Section I – Summary of Auditors’ Results	82-83
Section II - Financial Statement Findings	83-85
Section III – Federal Award Findings and Questioned Costs	85
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	86-87

FEDERAL AWARDS

Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	88-90
---	-------

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report – Auditors’ Findings	91-93
Follow-Up on Prior Audit Findings	94-99

FINANCIAL SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.

GARY L. KRAUSS, P.C., C.P.A.

**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities – Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Pemiscot County, Missouri as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Pemiscot County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Pemiscot County, Missouri as of December 31, 2008 and 2007, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The Pemiscot County Health Center is not included in these financial statements as allowed by the Missouri State Auditor's Office. For information, please contact the Pemiscot County Health Center.

As described in Note 1, the basic financial statements of Pemiscot County, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Pemiscot County, Missouri as of December 31, 2008 and 2007, and for the years then ended in conformity with the basis of accounting described in Note 1.

As discussed more fully in Note 1, for the years ended December 31, 2008 and 2007, the County implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. The County also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison schedules and other supplementary information on pages 31 through 69 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, referred to in the first paragraph, taken as a whole. The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards are the responsibility of the County. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered, in relation to the basic financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Devereux & Krauss, LLP

July 10, 2009

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.

GARY L. KRAUSS, P.C., C.P.A.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED UPON AN AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Pemiscot County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pemiscot County, Missouri's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement in the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs items 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Pemiscot County, Missouri, are free of material misstatements, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 08-1 and 08-2.

There are no other matters reported in the accompanying Management Advisory Report.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

July 10, 2009

Basic Financial Statements

PEMISCOT COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>745,068</u>
TOTAL ASSETS	\$ <u><u>745,068</u></u>
NET ASSETS	
Unrestricted general fund	\$ (633,633)
Unrestricted reported in non-major funds	748,345
Restricted special revenue funds	<u>630,356</u>
TOTAL NET ASSETS	\$ <u><u>745,068</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>1,328,180</u>
TOTAL ASSETS	\$ <u><u>1,328,180</u></u>
NET ASSETS	
Unrestricted general fund	\$ (519,340)
Unrestricted reported in non-major funds	950,539
Restricted special revenue funds	<u>896,981</u>
TOTAL NET ASSETS	\$ <u><u>1,328,180</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2008

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Government Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 2,220,626	\$ 1,379,754	\$ 1,593,903	\$ 753,031
Financial administration	156,249	-	-	(156,249)
Property valuation and recording	479,274	71,645	212,963	(194,666)
Administration of justice and law enforcement	2,366,128	-	-	(2,366,128)
Maintenance of roads	1,880,777	-	588,127	(1,292,650)
Transfers	725,159	-	725,159	-
Other	1,593,214	151,607	437,235	(1,004,372)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 9,421,427</u>	<u>\$ 1,603,006</u>	<u>\$ 3,557,387</u>	<u>\$ (4,261,034)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 1,312,094
Sales and use taxes				1,730,400
Interest				55,486
Other				579,942
Total General Receipts				<u>\$ 3,677,922</u>
Change in Cash Balances				\$ (583,112)
NET ASSETS, JANUARY 1				<u>1,328,180</u>
NET ASSETS, DECEMBER 31				<u>\$ 745,068</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 2,083,083	\$ 1,501,054	\$ 1,506,264	\$ 924,235
Financial administration	145,662	-	-	(145,662)
Property valuation and recording	367,212	218	185,776	(181,218)
Administration of justice and law enforcement	2,330,197	-	-	(2,330,197)
Maintenance of roads	1,506,424	-	656,720	(849,704)
Transfers	717,245	-	717,245	-
Other	1,494,905	115,379	292,705	(1,086,821)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,644,728</u>	<u>\$ 1,616,651</u>	<u>\$ 3,358,710</u>	<u>\$ (3,669,367)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 1,523,379
Sales and use taxes				1,933,299
Interest				43,826
Insurance proceeds				221,310
Other				434,788
Total General Receipts				<u>\$ 4,156,602</u>
Change in Cash Balances				\$ 487,235
NET ASSETS, JANUARY 1				<u>840,945</u>
NET ASSETS, DECEMBER 31				<u>\$ 1,328,180</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Solid Waste Transfer Station	Capital Improvement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ (633,633)	\$ (152,186)	\$ 57,104	\$ 52,826	\$ 672,612	\$ 748,345	\$ 745,068
TOTAL ASSETS	<u>\$ (633,633)</u>	<u>\$ (152,186)</u>	<u>\$ 57,104</u>	<u>\$ 52,826</u>	<u>\$ 672,612</u>	<u>\$ 748,345</u>	<u>\$ 745,068</u>
FUND BALANCES							
Unreserved	\$ (633,633)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (633,633)
Unreserved reported in non-major funds	-	-	-	-	-	748,345	748,345
Unreserved special revenue funds	<u>-</u>	<u>(152,186)</u>	<u>57,104</u>	<u>52,826</u>	<u>672,612</u>	<u>-</u>	<u>630,356</u>
TOTAL FUND BALANCES	<u>\$ (633,633)</u>	<u>\$ (152,186)</u>	<u>\$ 57,104</u>	<u>\$ 52,826</u>	<u>\$ 672,612</u>	<u>\$ 748,345</u>	<u>\$ 745,068</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Solid Waste Transfer Station	Capital Improvement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ (519,340)	\$ 81,972	\$ 47,751	\$ 173,002	\$ 594,256	\$ 950,539	\$ 1,328,180
TOTAL ASSETS	<u>\$ (519,340)</u>	<u>\$ 81,972</u>	<u>\$ 47,751</u>	<u>\$ 173,002</u>	<u>\$ 594,256</u>	<u>\$ 950,539</u>	<u>\$ 1,328,180</u>
FUND BALANCES							
Unreserved	\$ (519,340)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (519,340)
Unreserved reported in non-major funds	-	-	-	-	-	950,539	950,539
Unreserved special revenue funds	<u>-</u>	<u>81,972</u>	<u>47,751</u>	<u>173,002</u>	<u>594,256</u>	<u>-</u>	<u>896,981</u>
TOTAL FUND BALANCES	<u>\$ (519,340)</u>	<u>\$ 81,972</u>	<u>\$ 47,751</u>	<u>\$ 173,002</u>	<u>\$ 594,256</u>	<u>\$ 950,539</u>	<u>\$ 1,328,180</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2008

	General Revenue	Special Road and Bridge	Assessment	Solid Waste Transfer Station	Capital Improvement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 320,206	\$ 496,643	\$ -	\$ -	\$ -	\$ 495,245	\$ 1,312,094
Sales and use taxes	690,904	-	-	-	690,889	348,607	1,730,400
Intergovernmental	1,593,903	588,127	212,963	-	-	437,235	2,832,228
Charges for services	204,408	-	71,645	1,175,346	-	151,607	1,603,006
Interest	-	1,602	1,419	-	10,494	41,971	55,486
Other	217,433	68,519	-	-	1,218	292,772	579,942
Total Receipts	<u>\$ 3,026,854</u>	<u>\$ 1,154,891</u>	<u>\$ 286,027</u>	<u>\$ 1,175,346</u>	<u>\$ 702,601</u>	<u>\$ 1,767,437</u>	<u>\$ 8,113,156</u>
DISBURSEMENTS							
General county government	\$ 1,533,312	\$ -	\$ -	\$ -	\$ 624,245	\$ 63,069	\$ 2,220,626
Financial administration	152,618	-	-	-	-	3,631	156,249
Property valuation and recording	69,531	-	351,674	-	-	58,069	479,274
Administration of justice and enforcement	1,691,546	-	-	-	-	674,582	2,366,128
Maintenance of roads	-	1,464,969	-	-	-	415,808	1,880,777
Other	-	-	-	1,295,522	-	297,692	1,593,214
Total Disbursements	<u>\$ 3,447,007</u>	<u>\$ 1,464,969</u>	<u>\$ 351,674</u>	<u>\$ 1,295,522</u>	<u>\$ 624,245</u>	<u>\$ 1,512,851</u>	<u>\$ 8,696,268</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (420,153)</u>	<u>\$ (310,078)</u>	<u>\$ (65,647)</u>	<u>\$ (120,176)</u>	<u>\$ 78,356</u>	<u>\$ 254,586</u>	<u>\$ (583,112)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 467,675	\$ 75,920	\$ 75,000	\$ -	\$ -	\$ 106,564	\$ 725,159
Transfers out	(161,815)	-	-	-	-	(563,344)	(725,159)
Net Other Financing Sources (Uses)	<u>\$ 305,860</u>	<u>\$ 75,920</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (456,780)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ (114,293)	\$ (234,158)	\$ 9,353	\$ (120,176)	\$ 78,356	\$ (202,194)	\$ (583,112)
CASH BALANCES, JANUARY 1	<u>(519,340)</u>	<u>81,972</u>	<u>47,751</u>	<u>173,002</u>	<u>594,256</u>	<u>950,539</u>	<u>1,328,180</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ (633,633)</u></u>	<u><u>\$ (152,186)</u></u>	<u><u>\$ 57,104</u></u>	<u><u>\$ 52,826</u></u>	<u><u>\$ 672,612</u></u>	<u><u>\$ 748,345</u></u>	<u><u>\$ 745,068</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Solid Waste Transfer Station	Capital Improvement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 404,475	\$ 599,497	\$ -	\$ -	\$ -	\$ 519,407	\$ 1,523,379
Sales and use taxes	772,490	-	-	-	772,175	388,634	1,933,299
Intergovernmental	1,506,264	656,720	185,776	-	-	292,705	2,641,465
Charges for services	253,455	-	218	1,247,599	-	115,379	1,616,651
Interest	-	1,597	3,855	-	1,136	37,238	43,826
Insurance proceeds	-	153,479	-	-	-	67,831	221,310
Other	124,717	85,131	-	-	-	224,940	434,788
Total Receipts	<u>\$ 3,061,401</u>	<u>\$ 1,496,424</u>	<u>\$ 189,849</u>	<u>\$ 1,247,599</u>	<u>\$ 773,311</u>	<u>\$ 1,646,134</u>	<u>\$ 8,414,718</u>
DISBURSEMENTS							
General county government	\$ 1,425,270	\$ -	\$ -	\$ -	\$ 570,461	\$ 87,352	\$ 2,083,083
Financial administration	145,662	-	-	-	-	-	145,662
Property valuation and recording	65,555	-	271,678	-	-	29,979	367,212
Administration of justice and enforcement	1,619,815	-	-	-	-	710,382	2,330,197
Maintenance of roads	-	1,330,514	-	-	-	175,910	1,506,424
Other	-	-	-	1,239,430	-	255,475	1,494,905
Total Disbursements	<u>\$ 3,256,302</u>	<u>\$ 1,330,514</u>	<u>\$ 271,678</u>	<u>\$ 1,239,430</u>	<u>\$ 570,461</u>	<u>\$ 1,259,098</u>	<u>\$ 7,927,483</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (194,901)</u>	<u>\$ 165,910</u>	<u>\$ (81,829)</u>	<u>\$ 8,169</u>	<u>\$ 202,850</u>	<u>\$ 387,036</u>	<u>\$ 487,235</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 521,254	\$ 5,093	\$ 75,000	\$ -	\$ -	\$ 115,898	\$ 717,245
Transfers out	(123,101)	(6,576)	-	(4,167)	-	(583,401)	(717,245)
Net Other Financing Sources (Uses)	<u>\$ 398,153</u>	<u>\$ (1,483)</u>	<u>\$ 75,000</u>	<u>\$ (4,167)</u>	<u>\$ -</u>	<u>\$ (467,503)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ 203,252	\$ 164,427	\$ (6,829)	\$ 4,002	\$ 202,850	\$ (80,467)	\$ 487,235
CASH BALANCES, JANUARY 1	<u>(722,592)</u>	<u>(82,455)</u>	<u>54,580</u>	<u>169,000</u>	<u>391,406</u>	<u>1,031,006</u>	<u>840,945</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ (519,340)</u></u>	<u><u>\$ 81,972</u></u>	<u><u>\$ 47,751</u></u>	<u><u>\$ 173,002</u></u>	<u><u>\$ 594,256</u></u>	<u><u>\$ 950,539</u></u>	<u><u>\$ 1,328,180</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

ASSETS	
Cash and cash equivalents	\$ <u>158,846</u>
TOTAL ASSETS	\$ <u><u>158,846</u></u>
 NET ASSETS	
Restricted	\$ <u>158,846</u>
TOTAL NET ASSETS	\$ <u><u>158,846</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PEMISCOT COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>109,324</u>
TOTAL ASSETS	\$ <u><u>109,324</u></u>
NET ASSETS	
Restricted	\$ <u>109,324</u>
TOTAL NET ASSETS	\$ <u><u>109,324</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Pemiscot, Missouri ("County") is governed by a three-member board of commissioners, established in 1851. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Pemiscot County, Missouri as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Pemiscot County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's health center, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Pemiscot County, Missouri as of December 31, 2008 and 2007, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. For information on the health center, please contact the Pemiscot County Health Center at (573-359-1656) or write to 810 East Reed St., Hayti, MO 63851.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Pemiscot County, Missouri only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Pemiscot County, Missouri at year-end. The statement of activities presents a comparison between direct expenditures and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among program revenues are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Revenue Fund, Special Road and Bridge Fund, Assessment Fund, Solid Waste Transfer Station Fund, and Capital Improvement Sales Tax Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds are reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds, summarized by type, are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Revenue Fund – The General Revenue Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Special Road and Bridge Fund – A special revenue fund is used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – This fund is used to handle all county assessment costs.

Solid Waste Transfer Station Fund – The fund is used to handled receipts and disbursements of the Solid Waste Transfer Station (closed December 31, 2008).

Capital Improvement Sales Tax Fund – The fund receives the sales tax dollars for the sales tax levy for capital improvements.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consist of the Pass Through Funds.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Accounting Changes

For the years ended December 31, 2008 and 2007, the County implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. As Note 1.B discusses, the basic financial statements now include government-wide financial statements that report information for the County as a whole and fund financial statements that focus on major funds. However, as Note 1.C discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the basis of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the County's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation were:

	<u>2008</u>	<u>2007</u>
Real Estate	\$169,182,369	\$172,861,442
Personal Property	\$ 41,585,255	\$ 41,035,617
Railroad and Utilities	\$ 30,527,971	\$ 30,187,088

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2008</u>	<u>2007</u>
General Revenue Fund	.1811	.1811
Road and Bridge	.2946	.2946
Hospital Maintenance	.3789	.3789
M & M Replacement	.2600	.2600

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Pemiscot County, Missouri will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Governmental Funds Balance Sheet-Cash Basis.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or are legally restricted for a specific purpose.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Deputy Sheriff Salary Supplement	2008
Law Library	2008 and 2007
Circuit Clerk Interest	2008 and 2007
Circuit Division Time Payment Fee	2008 and 2007
Tax Maintenance	2008 and 2007
Associate Division Interest	2008 and 2007
Associate Division Time Payment	2008 and 2007

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2008 and 2007
Special Road and Bridge	2008
Assessment	2008 and 2007
Solid Waste Transfer Station	2007
Johnson Grass	2008
Drainage District #6	2007
Drainage District #8	2008 and 2007
Drainage District #8 Improvement	2008
Emergency 911	2007
Federal Forfeiture	2007
Bootheel Drug Task	2008

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Budgets and Budgetary Practices (continued)

<u>Fund</u>	<u>Years Ended December 31</u>
D.A.R.E.	2007
Domestic Violence	2008
Law Enforcement Sales Tax	2007
Sheriff's Civil Fees	2008 and 2007
Juvenile Grant	2007
Recorder's	2008
Election Service	2007
Sheltered Workshop	2007
Prosecuting Attorney Bad Check	2008
Law Enforcement Restitution	2008 and 2007
MO Smart	2007
Sheriff's Revolving	2007
Deputy Sheriff Salary Supplement	2008

Although Section 50.740, RSMo, requires a balanced budget. The following funds reported a deficit budget balance for the years ended December 31, 2008 and 2007.

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2008 and 2007
Special Road and Bridge	2008 and 2007
Solid Waste Transfer Station	2008
Emergency 911	2008
Firing Range	2008 and 2007
Federal Forfeiture	2008
Juvenile Grant	2008 and 2007

L. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. Pemiscot County, Missouri has published all funds as of December 31, 2008 and 2007.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Governmental Funds Balance Sheet arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008, the carrying amount of the County's deposits are \$608,681, the bank balance was \$1,534,573. At December 31, 2007, the carrying amount of the County's deposits was \$1,189,239, the bank balance was \$1,027,317.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008 and 2007, as follows:

	2008 & 2007 <u>Maturity</u>	2008 <u>Book Balance</u>	2007 <u>Book Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$608,681	\$1,189,239
Investments	N/A	-	-
Total Deposits		<u>\$608,681</u>	<u>\$1,189,239</u>
Included in the following fund financial statement captions:			
Governmental Funds Balance Sheet-Cash Basis			
Cash & Cash Equivalents		\$608,681	\$1,189,239
Investments		-	-
Total		<u>\$608,681</u>	<u>\$1,189,239</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The County's investments are not exposed to custodial credit risk at December 31, 2008 and 2007.

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investments held at December 31, 2008 and 2007 are provided in the above schedules.

Investment Credit Risk

The County does not have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (continued)

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does not have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
	<u>Transfers In (Out)</u>	<u>Transfers In (Out)</u>
Major Funds		
General Fund	\$305,860	\$398,153
Special Road and Bridge	75,920	(1,483)
Assessment	75,000	75,000
Solid Waste Transfer Station	-	(4,167)
Non-major Funds	<u>(456,780)</u>	<u>(467,503)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in any county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years of age and with eight or more years of creditable service may retire with full benefits. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of any active member upon the member's death.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued)

B. Pension Benefits (continued)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five, with reduced benefit, is allowed for the police department, and the age of sixty for all other departments in the County. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of \$23,453 for 2008 and \$16,455 for 2007.

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with State Statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$0 for the year ended December 31, 2008 and \$4,468 for 2007.

6. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County does not have any material litigation issues for years ended December 31, 2008 and 2007.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at one half day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

7. CLAIMS, COMMITMENTS AND CONTINGENCIES (continued)

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, would be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to State Statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

9. PROPERTY TAX

Through December 31, 2008, Pemiscot County, Missouri collected excess property taxes. Section 67.505 RSMo, requires the County to reduce property taxes for a percentage of sales tax collected. Pemiscot County, Missouri voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were reduced for actual sales tax collections.

Required Supplementary Information

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SUMMARY OF FUNDS
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - ALL FUNDS</u>						
RECEIPTS	\$ 8,493,400	\$ 8,838,315	\$ 344,915	\$ 8,497,526	\$ 9,131,963	\$ 634,437
DISBURSEMENTS	<u>8,815,567</u>	<u>9,421,427</u>	<u>(605,860)</u>	<u>8,391,652</u>	<u>8,644,728</u>	<u>(253,076)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (322,167)	\$ (583,112)	\$ (260,945)	\$ 105,874	\$ 487,235	\$ 381,361
CASH, JANUARY 1	<u>1,328,180</u>	<u>1,328,180</u>	<u>-</u>	<u>840,945</u>	<u>840,945</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 1,006,013</u>	<u>\$ 745,068</u>	<u>\$ (260,945)</u>	<u>\$ 946,819</u>	<u>\$ 1,328,180</u>	<u>\$ 381,361</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

GENERAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	\$ 405,000	\$ 320,206	\$ (84,794)	\$ 430,000	\$ 404,475	\$ (25,525)
Sales and use taxes	705,000	690,904	(14,096)	775,000	772,490	(2,510)
Intergovernmental	1,554,970	1,593,903	38,933	1,433,200	1,506,264	73,064
Charges for services	235,100	204,408	(30,692)	247,800	253,455	5,655
Other	211,780	217,433	5,653	92,800	124,717	31,917
Transfers in	395,040	467,675	72,635	465,000	521,254	56,254
Total Receipts	\$ 3,506,890	\$ 3,494,529	\$ (12,361)	\$ 3,443,800	\$ 3,582,655	\$ 138,855
DISBURSEMENTS						
County Commission	\$ 87,593	\$ 88,466	\$ (873)	\$ 93,200	\$ 87,593	\$ 5,607
County Clerk	71,998	72,229	(231)	77,810	67,745	10,065
Elections	112,100	134,387	(22,287)	103,600	42,110	61,490
Buildings and grounds	332,366	410,769	(78,403)	320,360	463,563	(143,203)
Employee fringe benefits	525,500	521,757	3,743	496,500	465,444	31,056
County Treasurer	46,200	46,162	38	42,600	42,469	131
County Collector	101,800	106,456	(4,656)	101,100	103,193	(2,093)
Recorder of Deeds	70,848	69,531	1,317	68,900	65,555	3,345
Circuit Clerk	6,500	6,606	(106)	16,350	14,922	1,428
Associate Circuit Court	11,500	9,579	1,921	14,700	11,301	3,399
Associate Circuit (Probate) Court	3,000	2,801	199	2,700	2,030	670
Court administration	4,100	2,200	1,900	7,900	8,419	(519)
Public Administrator	27,700	26,748	952	27,700	26,663	1,037
Sheriff	677,827	670,333	7,494	640,948	670,264	(29,316)
Jail	599,530	589,315	10,215	545,180	551,965	(6,785)
Prosecuting Attorney	297,131	298,545	(1,414)	248,580	256,583	(8,003)
Juvenile Officer	22,100	18,348	3,752	25,800	23,933	1,867
County Coroner	28,000	25,304	2,696	28,700	18,256	10,444
Court reporter	5,000	4,665	335	1,700	1,294	406
Information technology	48,700	48,568	132	65,700	46,662	19,038
Federal inmate program	70,000	54,642	15,358	55,000	52,848	2,152
Insurance	150,000	154,128	(4,128)	145,000	150,859	(5,859)
Publication cost	8,000	7,784	216	7,200	7,323	(123)
University Extension	12,000	12,000	-	12,000	12,000	-
Civil defense	-	-	-	5,000	7,119	(2,119)
Soil conservation	6,000	6,000	-	6,000	6,000	-
Dues, fees and contributions	4,500	4,165	335	10,000	4,048	5,952
Public Defender	8,500	9,208	(708)	-	8,000	(8,000)

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 GENERAL REVENUE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>GENERAL REVENUE FUND</u>						
DISBURSEMENTS						
Bonds	\$ 4,500	\$ -	\$ 4,500	\$ -	\$ 4,710	\$ (4,710)
Miscellaneous	28,707	33,246	(4,539)	-	25,642	(25,642)
Public health and welfare services	17,000	13,065	3,935	7,000	7,789	(789)
Transfers out	100,000	161,815	(61,815)	112,500	123,101	(10,601)
Total Disbursements	<u>\$ 3,488,700</u>	<u>\$ 3,608,822</u>	<u>\$ (120,122)</u>	<u>\$ 3,289,728</u>	<u>\$ 3,379,403</u>	<u>\$ (89,675)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 18,190	\$ (114,293)	\$ (132,483)	\$ 154,072	\$ 203,252	\$ 49,180
CASH, JANUARY 1	<u>(519,340)</u>	<u>(519,340)</u>	<u>-</u>	<u>(722,592)</u>	<u>(722,592)</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (501,150)</u></u>	<u><u>\$ (633,633)</u></u>	<u><u>\$ (132,483)</u></u>	<u><u>\$ (568,520)</u></u>	<u><u>\$ (519,340)</u></u>	<u><u>\$ 49,180</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SPECIAL ROAD AND BRIDGE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 600,000	\$ 496,643	\$ (103,357)	\$ 525,000	\$ 599,497	\$ 74,497
Intergovernmental	560,100	588,127	28,027	610,000	656,720	46,720
Interest	1,850	1,602	(248)	1,850	1,597	(253)
Other	64,832	68,519	3,687	-	85,131	85,131
Insurance proceeds	-	-	-	-	153,479	153,479
Transfers in	50,000	75,920	25,920	7,500	5,093	(2,407)
Total Receipts	<u>\$ 1,276,782</u>	<u>\$ 1,230,811</u>	<u>\$ (45,971)</u>	<u>\$ 1,144,350</u>	<u>\$ 1,501,517</u>	<u>\$ 357,167</u>
DISBURSEMENTS						
Salaries	\$ 274,530	\$ 325,111	\$ (50,581)	\$ 304,000	\$ 266,535	37,465
Employee fringe benefits	142,300	140,641	1,659	123,825	115,330	8,495
Supplies	478,200	452,189	26,011	276,000	301,001	(25,001)
Insurance	35,000	19,848	15,152	33,000	32,922	78
Road and bridge materials	190,000	221,306	(31,306)	399,500	311,287	88,213
Equipment repairs	65,000	90,255	(25,255)	12,500	13,216	(716)
Equipment purchases	175,000	208,564	(33,564)	193,896	198,242	(4,346)
Construction	50,000	-	50,000	80,000	83,468	(3,468)
Other	8,300	7,055	1,245	8,050	8,513	(463)
Transfers out	-	-	-	7,500	6,576	924
Total Disbursements	<u>\$ 1,418,330</u>	<u>\$ 1,464,969</u>	<u>\$ (46,639)</u>	<u>\$ 1,438,271</u>	<u>\$ 1,337,090</u>	<u>\$ 101,181</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (141,548)	\$ (234,158)	\$ (92,610)	\$ (293,921)	\$ 164,427	\$ 458,348
CASH, JANUARY 1	81,972	81,972	-	(82,455)	(82,455)	-
CASH, DECEMBER 31	<u>\$ (59,576)</u>	<u>\$ (152,186)</u>	<u>\$ (92,610)</u>	<u>\$ (376,376)</u>	<u>\$ 81,972</u>	<u>\$ 458,348</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ASSESSMENT FUND

YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	\$ 199,960	\$ 212,963	\$ 13,003	\$ 195,000	\$ 185,776	\$ (9,224)
Charges for services	200	71,645	71,445	250	218	(32)
Interest	3,500	1,419	(2,081)	3,700	3,855	155
Other	41,160	-	(41,160)	-	-	-
Transfers in	75,000	75,000	-	75,000	75,000	-
Total Receipts	<u>\$ 319,820</u>	<u>\$ 361,027</u>	<u>\$ 41,207</u>	<u>\$ 273,950</u>	<u>\$ 264,849</u>	<u>\$ (9,101)</u>
DISBURSEMENTS						
Salary - Assessor	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ 40,000	\$ -
Deputy and clerical salaries	70,000	71,580	(1,580)	66,000	65,700	300
Employee fringe benefits	38,800	36,722	2,078	37,000	36,471	529
Equipment	26,500	29,147	(2,647)	40,000	7,425	32,575
Contract services	100,000	102,350	(2,350)	40,000	84,085	(44,085)
Other	59,950	71,875	(11,925)	15,149	37,997	(22,848)
Total Disbursements	<u>\$ 335,250</u>	<u>\$ 351,674</u>	<u>\$ (16,424)</u>	<u>\$ 238,149</u>	<u>\$ 271,678</u>	<u>\$ (33,529)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (15,430)	\$ 9,353	\$ 24,783	\$ 35,801	\$ (6,829)	\$ (42,630)
CASH, JANUARY 1	<u>47,751</u>	<u>47,751</u>	<u>-</u>	<u>54,580</u>	<u>54,580</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 32,321</u></u>	<u><u>\$ 57,104</u></u>	<u><u>\$ 24,783</u></u>	<u><u>\$ 90,381</u></u>	<u><u>\$ 47,751</u></u>	<u><u>\$ (42,630)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
SOLID WASTE TRANSFER STATION FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SOLID WASTE TRANSFER STATION FUND</u>						
RECEIPTS						
Charges for services	\$ 1,127,500	\$ 1,175,346	\$ 47,846	\$ 1,221,000	\$ 1,247,599	\$ 26,599
Total Receipts	\$ 1,127,500	\$ 1,175,346	\$ 47,846	\$ 1,221,000	\$ 1,247,599	\$ 26,599
DISBURSEMENTS						
Salaries	\$ 111,000	\$ 101,043	\$ 9,957	\$ 110,000	\$ 107,540	\$ 2,460
Employee fringe benefits	43,750	42,145	1,605	34,050	29,111	4,939
Office	50,000	48,135	1,865	54,650	60,273	(5,623)
Equipment purchases and repairs	58,500	86,135	(27,635)	31,000	24,531	6,469
Mileage and training	500	36	464	-	405	(405)
Other	1,037,000	1,018,028	18,972	988,500	1,017,570	(29,070)
Transfers out	-	-	-	-	4,167	(4,167)
Total Disbursements	\$ 1,300,750	\$ 1,295,522	\$ 5,228	\$ 1,218,200	\$ 1,243,597	\$ (25,397)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (173,250)	\$ (120,176)	\$ 53,074	\$ 2,800	\$ 4,002	\$ 1,202
CASH, JANUARY 1	173,002	173,002	-	169,000	169,000	-
CASH, DECEMBER 31	\$ (248)	\$ 52,826	\$ 53,074	\$ 171,800	\$ 173,002	\$ 1,202

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CAPITAL IMPROVEMENT SALES TAX FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	\$ 700,000	\$ 690,889	\$ (9,111)	\$ 775,000	\$ 772,175	\$ (2,825)
Interest	1,400	10,494	9,094	700	1,136	436
Other	-	1,218	1,218	-	-	-
Total Receipts	<u>\$ 701,400</u>	<u>\$ 702,601</u>	<u>\$ 1,201</u>	<u>\$ 775,700</u>	<u>\$ 773,311</u>	<u>\$ (2,389)</u>
DISBURSEMENTS						
Office supplies	\$ 20,000	\$ 18,204	\$ 1,796	\$ 3,200	\$ 6,492	\$ (3,292)
Bond interest payment 1998	270,000	213,615	56,385	305,000	287,096	17,904
Bond payment	360,000	290,856	69,144	275,000	276,873	(1,873)
Bond interest payment 2000	-	56,570	(56,570)	-	-	-
Bond payment	-	45,000	(45,000)	-	-	-
Total Disbursements	<u>\$ 650,000</u>	<u>\$ 624,245</u>	<u>\$ 25,755</u>	<u>\$ 583,200</u>	<u>\$ 570,461</u>	<u>\$ 12,739</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 51,400	\$ 78,356	\$ 26,956	\$ 192,500	\$ 202,850	\$ 10,350
CASH, JANUARY 1	<u>594,256</u>	<u>594,256</u>	<u>-</u>	<u>391,406</u>	<u>391,406</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 645,656</u></u>	<u><u>\$ 672,612</u></u>	<u><u>\$ 26,956</u></u>	<u><u>\$ 583,906</u></u>	<u><u>\$ 594,256</u></u>	<u><u>\$ 10,350</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

JOHNSON GRASS FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	\$ 102,000	\$ 84,125	\$ (17,875)	\$ 83,000	\$ 101,914	\$ 18,914
Interest	4,000	4,093	93	1,000	943	(57)
Other	-	220	220	100	1,189	1,089
Total Receipts	<u>\$ 106,000</u>	<u>\$ 88,438</u>	<u>\$ (17,562)</u>	<u>\$ 84,100</u>	<u>\$ 104,046</u>	<u>\$ 19,946</u>
DISBURSEMENTS						
Salaries	\$ 74,000	\$ 71,034	\$ 2,966	\$ 72,000	\$ 63,869	\$ 8,131
Employee fringe benefits	20,270	19,407	863	22,950	20,443	2,507
Equipment purchase	3,500	700	2,800	3,500	-	3,500
Other	33,100	30,854	2,246	24,600	18,915	5,685
Transfers out	-	40,000	(40,000)	-	-	-
Total Disbursements	<u>\$ 130,870</u>	<u>\$ 161,995</u>	<u>\$ (31,125)</u>	<u>\$ 123,050</u>	<u>\$ 103,227</u>	<u>\$ 19,823</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (24,870)	\$ (73,557)	\$ (48,687)	\$ (38,950)	\$ 819	\$ 39,769
CASH, JANUARY 1	<u>99,134</u>	<u>99,134</u>	<u>-</u>	<u>98,315</u>	<u>98,315</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 74,264</u></u>	<u><u>\$ 25,577</u></u>	<u><u>\$ (48,687)</u></u>	<u><u>\$ 59,365</u></u>	<u><u>\$ 99,134</u></u>	<u><u>\$ 39,769</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

DRAINAGE DISTRICT #6 FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #6 FUND</u>						
RECEIPTS						
Property taxes	\$ 47,000	\$ 50,433	\$ 3,433	\$ 53,000	\$ 51,361	\$ (1,639)
Insurance proceeds	-	-	-	-	32,559	32,559
Interest	1,000	1,010	10	250	332	82
Total Receipts	<u>\$ 48,000</u>	<u>\$ 51,443</u>	<u>\$ 3,443</u>	<u>\$ 53,250</u>	<u>\$ 84,252</u>	<u>\$ 31,002</u>
DISBURSEMENTS						
Salaries	\$ 50,000	\$ 49,011	\$ 989	\$ 48,000	\$ 47,591	\$ 409
Employee fringe benefits	15,400	15,049	351	14,950	15,108	(158)
Equipment repairs	500	395	105	1,600	3,259	(1,659)
Total Disbursements	<u>\$ 65,900</u>	<u>\$ 64,455</u>	<u>\$ 1,445</u>	<u>\$ 64,550</u>	<u>\$ 65,958</u>	<u>\$ (1,408)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (17,900)	\$ (13,012)	\$ 4,888	\$ (11,300)	\$ 18,294	\$ 29,594
CASH, JANUARY 1	<u>54,219</u>	<u>54,219</u>	<u>-</u>	<u>35,925</u>	<u>35,925</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 36,319</u></u>	<u><u>\$ 41,207</u></u>	<u><u>\$ 4,888</u></u>	<u><u>\$ 24,625</u></u>	<u><u>\$ 54,219</u></u>	<u><u>\$ 29,594</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

DRAINAGE DISTRICT #8 FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #8 FUND</u>						
RECEIPTS						
Property taxes	\$ 50,000	\$ 58,724	\$ 8,724	\$ 63,000	\$ 64,389	\$ 1,389
Emergency Watershed Program	-	92,887	92,887	-	-	-
Miscellaneous	-	139,079	139,079	-	-	-
Insurance proceeds	-	-	-	-	35,272	35,272
Interest	1,000	2,141	1,141	1,000	974	(26)
Total Receipts	<u>\$ 51,000</u>	<u>\$ 292,831</u>	<u>\$ 241,831</u>	<u>\$ 64,000</u>	<u>\$ 100,635</u>	<u>\$ 36,635</u>
DISBURSEMENTS						
Salaries	\$ 44,000	\$ 43,090	\$ 910	\$ 41,000	\$ 41,518	\$ (518)
Employee fringe benefits	15,700	13,088	2,612	14,950	14,988	(38)
Contract services	-	139,079	(139,079)	-	-	-
Equipment repairs	45,000	42,808	2,192	35,000	52,794	(17,794)
Emergency Watershed Program	-	55,739	(55,739)	-	-	-
Transfers out	-	25,920	(25,920)	-	-	-
Total Disbursements	<u>\$ 104,700</u>	<u>\$ 319,724</u>	<u>\$ (215,024)</u>	<u>\$ 90,950</u>	<u>\$ 109,300</u>	<u>\$ (18,350)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (53,700)	\$ (26,893)	\$ 26,807	\$ (26,950)	\$ (8,665)	\$ 18,285
CASH, JANUARY 1	<u>91,167</u>	<u>91,167</u>	<u>-</u>	<u>99,832</u>	<u>99,832</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 37,467</u></u>	<u><u>\$ 64,274</u></u>	<u><u>\$ 26,807</u></u>	<u><u>\$ 72,882</u></u>	<u><u>\$ 91,167</u></u>	<u><u>\$ 18,285</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #8 IMPROVEMENT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #8 IMPROVEMENT FUND</u>						
RECEIPTS						
Interest	\$ 1,500	\$ 1,410	\$ (90)	\$ 575	\$ 801	\$ 226
Total Receipts	\$ 1,500	\$ 1,410	\$ (90)	\$ 575	\$ 801	\$ 226
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ 2,500	\$ 652	\$ 1,848
Employee fringe benefits	-	-	-	1,535	-	1,535
Other	-	57,549	(57,549)	10,000	-	10,000
Transfers out	10,000	10,000	0	-	-	0
Total Disbursements	\$ 10,000	\$ 67,549	\$ (57,549)	\$ 14,035	\$ 652	\$ 13,383
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,500)	\$ (66,139)	\$ (57,639)	\$ (13,460)	\$ 149	\$ 13,609
CASH, JANUARY 1	72,942	72,942	-	72,793	72,793	-
CASH, DECEMBER 31	\$ 64,442	\$ 6,803	\$ (57,639)	\$ 59,333	\$ 72,942	\$ 13,609

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #11 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #11 FUND</u>						
RECEIPTS						
Property taxes	\$ 100	\$ 137	\$ 37	\$ 200	\$ 195	\$ (5)
Interest	50	50	-	-	28	28
Total Receipts	<u>\$ 150</u>	<u>\$ 187</u>	<u>\$ 37</u>	<u>\$ 200</u>	<u>\$ 223</u>	<u>\$ 23</u>
DISBURSEMENTS						
Other	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 100
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 150	\$ 187	\$ 37	\$ 100	\$ 223	\$ 123
CASH, JANUARY 1	<u>1,221</u>	<u>1,221</u>	<u>-</u>	<u>998</u>	<u>998</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,371</u></u>	<u><u>\$ 1,408</u></u>	<u><u>\$ 37</u></u>	<u><u>\$ 1,098</u></u>	<u><u>\$ 1,221</u></u>	<u><u>\$ 123</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #12 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #12 FUND</u>						
RECEIPTS						
Property taxes	\$ 750	\$ 652	\$ (98)	\$ 725	\$ 720	\$ (5)
Interest	250	245	(5)	100	123	23
Total Receipts	<u>\$ 1,000</u>	<u>\$ 897</u>	<u>\$ (103)</u>	<u>\$ 825</u>	<u>\$ 843</u>	<u>\$ 18</u>
DISBURSEMENTS						
Other	\$ 500	\$ -	\$ 500	\$ 500	\$ -	\$ 500
Total Disbursements	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 500	\$ 897	\$ 397	\$ 325	\$ 843	\$ 518
CASH, JANUARY 1	<u>5,937</u>	<u>5,937</u>	<u>-</u>	<u>5,094</u>	<u>5,094</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 6,437</u></u>	<u><u>\$ 6,834</u></u>	<u><u>\$ 397</u></u>	<u><u>\$ 5,419</u></u>	<u><u>\$ 5,937</u></u>	<u><u>\$ 518</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #14 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #14 FUND</u>						
RECEIPTS						
Property taxes	\$ 375	\$ 331	\$ (44)	\$ 360	\$ 365	\$ 5
Interest	150	144	(6)	75	83	8
Total Receipts	<u>\$ 525</u>	<u>\$ 475</u>	<u>\$ (50)</u>	<u>\$ 435</u>	<u>\$ 448</u>	<u>\$ 13</u>
DISBURSEMENTS						
Other	\$ 500	\$ -	\$ 500	\$ 500	\$ -	\$ 500
Total Disbursements	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 25	\$ 475	\$ 450	\$ (65)	\$ 448	\$ 513
CASH, JANUARY 1	<u>3,414</u>	<u>3,414</u>	<u>-</u>	<u>2,966</u>	<u>2,966</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 3,439</u></u>	<u><u>\$ 3,889</u></u>	<u><u>\$ 450</u></u>	<u><u>\$ 2,901</u></u>	<u><u>\$ 3,414</u></u>	<u><u>\$ 513</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #16 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #16 FUND</u>						
RECEIPTS						
Property taxes	\$ 1,500	\$ 1,591	\$ 91	\$ 1,600	\$ 1,657	\$ 57
Interest	750	650	(100)	175	212	37
Total Receipts	<u>\$ 2,250</u>	<u>\$ 2,241</u>	<u>\$ (9)</u>	<u>\$ 1,775</u>	<u>\$ 1,869</u>	<u>\$ 94</u>
DISBURSEMENTS						
Other	\$ 2,000	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Total Disbursements	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 250	\$ 2,241	\$ 1,991	\$ (225)	\$ 1,869	\$ 2,094
CASH, JANUARY 1	<u>15,994</u>	<u>15,994</u>	<u>-</u>	<u>14,125</u>	<u>14,125</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 16,244</u></u>	<u><u>\$ 18,235</u></u>	<u><u>\$ 1,991</u></u>	<u><u>\$ 13,900</u></u>	<u><u>\$ 15,994</u></u>	<u><u>\$ 2,094</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #17 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #17 FUND</u>						
RECEIPTS						
Property taxes	\$ 1,000	\$ 974	\$ (26)	\$ 900	\$ 878	\$ (22)
Interest	400	401	1	175	199	24
Total Receipts	<u>\$ 1,400</u>	<u>\$ 1,375</u>	<u>\$ (25)</u>	<u>\$ 1,075</u>	<u>\$ 1,077</u>	<u>\$ 2</u>
DISBURSEMENTS						
Other	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Total Disbursements	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,600)	\$ 1,375	\$ 4,975	\$ (3,925)	\$ 1,077	\$ 5,002
CASH, JANUARY 1	<u>9,493</u>	<u>9,493</u>	<u>-</u>	<u>8,416</u>	<u>8,416</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 5,893</u></u>	<u><u>\$ 10,868</u></u>	<u><u>\$ 4,975</u></u>	<u><u>\$ 4,491</u></u>	<u><u>\$ 9,493</u></u>	<u><u>\$ 5,002</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DRAINAGE DISTRICT #19 FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICT #19 FUND</u>						
RECEIPTS						
Property taxes	\$ 800	\$ 838	\$ 38	\$ 800	\$ 782	\$ (18)
Interest	400	384	(16)	150	171	21
Total Receipts	<u>\$ 1,200</u>	<u>\$ 1,222</u>	<u>\$ 22</u>	<u>\$ 950</u>	<u>\$ 953</u>	<u>\$ 3</u>
DISBURSEMENTS						
Other	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,200	\$ 1,222	\$ 22	\$ (4,050)	\$ 953	\$ 5,003
CASH, JANUARY 1	<u>8,138</u>	<u>8,138</u>	<u>-</u>	<u>7,185</u>	<u>7,185</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 9,338</u></u>	<u><u>\$ 9,360</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ 3,135</u></u>	<u><u>\$ 8,138</u></u>	<u><u>\$ 5,003</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

EMERGENCY 911 FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Property taxes	\$ 120,000	\$ 125,564	\$ 5,564	\$ 135,000	\$ 125,162	\$ (9,838)
Other	-	-	-	-	6	6
Transfers in	25,000	25,000	-	37,500	7,500	(30,000)
Total Receipts	<u>\$ 145,000</u>	<u>\$ 150,564</u>	<u>\$ 5,564</u>	<u>\$ 172,500</u>	<u>\$ 132,668</u>	<u>\$ (39,832)</u>
DISBURSEMENTS						
Salaries	\$ 93,000	\$ 90,496	\$ 2,504	\$ 99,360	\$ 95,545	\$ 3,815
Employee fringe benefits	28,200	25,625	2,575	25,900	26,651	(751)
Equipment purchases	-	725	(725)	-	5,725	(5,725)
Other	34,000	34,422	(422)	9,800	27,534	(17,734)
Total Disbursements	<u>\$ 155,200</u>	<u>\$ 151,268</u>	<u>\$ 3,932</u>	<u>\$ 135,060</u>	<u>\$ 155,455</u>	<u>\$ (20,395)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (10,200)	\$ (704)	\$ 9,496	\$ 37,440	\$ (22,787)	\$ (60,227)
CASH, JANUARY 1	<u>(31,554)</u>	<u>(31,554)</u>	<u>-</u>	<u>(8,767)</u>	<u>(8,767)</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (41,754)</u></u>	<u><u>\$ (32,258)</u></u>	<u><u>\$ 9,496</u></u>	<u><u>\$ 28,673</u></u>	<u><u>\$ (31,554)</u></u>	<u><u>\$ (60,227)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT TRAINING FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 10,318	\$ 10,517	\$ 199	\$ 14,000	\$ 13,767	\$ (233)
Interest	200	188	(12)	500	496	(4)
Total Receipts	<u>\$ 10,518</u>	<u>\$ 10,705</u>	<u>\$ 187</u>	<u>\$ 14,500</u>	<u>\$ 14,263</u>	<u>\$ (237)</u>
DISBURSEMENTS						
Public safety	\$ 20,700	\$ 18,416	\$ 2,284	\$ 18,200	\$ 15,994	\$ 2,206
Total Disbursements	<u>\$ 20,700</u>	<u>\$ 18,416</u>	<u>\$ 2,284</u>	<u>\$ 18,200</u>	<u>\$ 15,994</u>	<u>\$ 2,206</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (10,182)	\$ (7,711)	\$ 2,471	\$ (3,700)	\$ (1,731)	\$ 1,969
CASH, JANUARY 1	<u>11,337</u>	<u>11,337</u>	<u>-</u>	<u>13,068</u>	<u>13,068</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 1,155</u></u>	<u><u>\$ 3,626</u></u>	<u><u>\$ 2,471</u></u>	<u><u>\$ 9,368</u></u>	<u><u>\$ 11,337</u></u>	<u><u>\$ 1,969</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

FIRING RANGE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>FIRING RANGE FUND</u>						
RECEIPTS						
Property taxes	\$ 1,000	\$ 3,281	\$ 2,281	\$ -	\$ 2,229	\$ 2,229
Intergovernmental	3,600	3,159	(441)	5,000	2,542	(2,458)
Charges for services	-	-	-	2,500	-	(2,500)
Transfers in	-	-	-	-	3,750	3,750
Total Receipts	<u>\$ 4,600</u>	<u>\$ 6,440</u>	<u>\$ 1,840</u>	<u>\$ 7,500</u>	<u>\$ 8,521</u>	<u>\$ 1,021</u>
DISBURSEMENTS						
Salaries	\$ 3,000	\$ 2,649	\$ 351	\$ 5,000	\$ 2,048	\$ 2,952
Fringe benefits	495	232	263	495	225	270
Contract services	2,000	770	1,230	1,000	160	840
Supplies	4,300	3,242	1,058	4,900	2,855	2,045
Total Disbursements	<u>\$ 9,795</u>	<u>\$ 6,893</u>	<u>\$ 2,902</u>	<u>\$ 11,395</u>	<u>\$ 5,288</u>	<u>\$ 6,107</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,195)	\$ (453)	\$ 4,742	\$ (3,895)	\$ 3,233	\$ 7,128
CASH, JANUARY 1	<u>(853)</u>	<u>(853)</u>	<u>-</u>	<u>(4,086)</u>	<u>(4,086)</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (6,048)</u></u>	<u><u>\$ (1,306)</u></u>	<u><u>\$ 4,742</u></u>	<u><u>\$ (7,981)</u></u>	<u><u>\$ (853)</u></u>	<u><u>\$ 7,128</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY TRAINING FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ 2,500	\$ 2,447	\$ (53)	\$ 2,800	\$ 2,846	\$ 46
Total Receipts	\$ 2,500	\$ 2,447	\$ (53)	\$ 2,800	\$ 2,846	\$ 46
DISBURSEMENTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,500	\$ 2,447	\$ (53)	\$ 2,800	\$ 2,846	\$ 46
CASH, JANUARY 1	13,908	13,908	-	11,062	11,062	-
CASH, DECEMBER 31	\$ 16,408	\$ 16,355	\$ (53)	\$ 13,862	\$ 13,908	\$ 46

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

FEDERAL FORFEITURE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>FEDERAL FORFEITURE FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ -	\$ -	\$ 9,500	\$ 8,724	\$ (776)
Interest	60	59	(1)	400	429	29
Transfers in	200	194	(6)	-	-	-
Total Receipts	<u>\$ 260</u>	<u>\$ 253</u>	<u>\$ (7)</u>	<u>\$ 9,900</u>	<u>\$ 9,153</u>	<u>\$ (747)</u>
DISBURSEMENTS						
Operating expenses	\$ 8,000	\$ 7,697	\$ 303	\$ 10,000	\$ -	\$ 10,000
Transfers out	-	-	-	-	12,705	(12,705)
Total Disbursements	<u>\$ 8,000</u>	<u>\$ 7,697</u>	<u>\$ 303</u>	<u>\$ 10,000</u>	<u>\$ 12,705</u>	<u>\$ (2,705)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,740)	\$ (7,444)	\$ 296	\$ (100)	\$ (3,552)	\$ (3,452)
CASH, JANUARY 1	<u>7,444</u>	<u>7,444</u>	<u>-</u>	<u>10,996</u>	<u>10,996</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (296)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 296</u></u>	<u><u>\$ 10,896</u></u>	<u><u>\$ 7,444</u></u>	<u><u>\$ (3,452)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

BOOTHEEL DRUG TASK FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>BOOTHEEL DRUG TASK FUND</u>						
RECEIPTS						
Intergovernmental	\$ 148,830	\$ 149,379	\$ 549	\$ 193,100	\$ 106,363	\$ (86,737)
Interest	100	208	108	-	89	89
Transfers in	-	24,000	24,000	-	42,000	42,000
Total Receipts	<u>\$ 148,930</u>	<u>\$ 173,587</u>	<u>\$ 24,657</u>	<u>\$ 193,100</u>	<u>\$ 148,452</u>	<u>\$ (44,648)</u>
DISBURSEMENTS						
Salaries	\$ 96,036	\$ 127,675	\$ (31,639)	\$ 99,952	\$ 103,522	\$ (3,570)
Employee fringe benefits	35,848	29,064	6,784	29,300	25,228	4,072
Insurance	-	-	-	2,700	2,764	(64)
Office supplies	1,200	953	247	1,200	795	405
Equipment purchase and repairs	10,300	8,583	1,717	16,280	17,395	(1,115)
Mileage and training	-	-	-	21,384	-	21,384
Other	-	-	-	4,800	129	4,671
Total Disbursements	<u>\$ 143,384</u>	<u>\$ 166,275</u>	<u>\$ (22,891)</u>	<u>\$ 175,616</u>	<u>\$ 149,833</u>	<u>\$ 25,783</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 5,546	\$ 7,312	\$ 1,766	\$ 17,484	\$ (1,381)	\$ (18,865)
CASH, JANUARY 1	<u>841</u>	<u>841</u>	<u>-</u>	<u>2,222</u>	<u>2,222</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 6,387</u></u>	<u><u>\$ 8,153</u></u>	<u><u>\$ 1,766</u></u>	<u><u>\$ 19,706</u></u>	<u><u>\$ 841</u></u>	<u><u>\$ (18,865)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

D.A.R.E. FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>D.A.R.E. FUND</u>						
RECEIPTS						
Interest	\$ 2,000	\$ 2,202	\$ 202	\$ -	\$ 2,000	\$ 2,000
Other	41,500	36,500	(5,000)	36,500	44,508	8,008
Total Receipts	<u>\$ 43,500</u>	<u>\$ 38,702</u>	<u>\$ (4,798)</u>	<u>\$ 36,500</u>	<u>\$ 46,508</u>	<u>\$ 10,008</u>
DISBURSEMENTS						
Salaries	\$ 29,643	\$ 27,650	\$ 1,993	\$ 10,800	\$ 17,168	\$ (6,368)
Employee fringe benefits	9,177	7,945	1,232	-	6,034	(6,034)
Office supplies	4,800	2,977	1,823	31,800	30,518	1,282
Total Disbursements	<u>\$ 43,620</u>	<u>\$ 38,572</u>	<u>\$ 5,048</u>	<u>\$ 42,600</u>	<u>\$ 53,720</u>	<u>\$ (11,120)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (120)	\$ 130	\$ 250	\$ (6,100)	\$ (7,212)	\$ (1,112)
CASH, JANUARY 1	<u>54,096</u>	<u>54,096</u>	<u>-</u>	<u>61,308</u>	<u>61,308</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 53,976</u></u>	<u><u>\$ 54,226</u></u>	<u><u>\$ 250</u></u>	<u><u>\$ 55,208</u></u>	<u><u>\$ 54,096</u></u>	<u><u>\$ (1,112)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DOMESTIC VIOLENCE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 775	\$ 680	\$ (95)	\$ 800	\$ 765	\$ (35)
Interest	1,000	829	(171)	1,000	1,066	66
Total Receipts	<u>\$ 1,775</u>	<u>\$ 1,509</u>	<u>\$ (266)</u>	<u>\$ 1,800</u>	<u>\$ 1,831</u>	<u>\$ 31</u>
DISBURSEMENTS						
Operating expenses	\$ -	\$ 12,000	\$ (12,000)	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,775	\$ (10,491)	\$ (12,266)	\$ 1,800	\$ 1,831	\$ 31
CASH, JANUARY 1	<u>23,884</u>	<u>23,884</u>	<u>-</u>	<u>22,053</u>	<u>22,053</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 25,659</u></u>	<u><u>\$ 13,393</u></u>	<u><u>\$ (12,266)</u></u>	<u><u>\$ 23,853</u></u>	<u><u>\$ 23,884</u></u>	<u><u>\$ 31</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT SALES TAX FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	\$ 350,000	\$ 345,448	\$ (4,552)	\$ 387,500	\$ 386,092	\$ (1,408)
Interest	1,000	742	(258)	1,000	971	(29)
Total Receipts	<u>\$ 351,000</u>	<u>\$ 346,190</u>	<u>\$ (4,810)</u>	<u>\$ 388,500</u>	<u>\$ 387,063</u>	<u>\$ (1,437)</u>
DISBURSEMENTS						
Transfers out	\$ 350,000	\$ 346,190	\$ 3,810	\$ 400,000	\$ 420,277	\$ (20,277)
Total Disbursements	<u>\$ 350,000</u>	<u>\$ 346,190</u>	<u>\$ 3,810</u>	<u>\$ 400,000</u>	<u>\$ 420,277</u>	<u>\$ (20,277)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,000	\$ -	\$ (1,000)	\$ (11,500)	\$ (33,214)	\$ (21,714)
CASH, JANUARY 1	-	-	-	33,214	33,214	-
CASH, DECEMBER 31	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ 21,714</u>	<u>\$ -</u>	<u>\$ (21,714)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SHERIFF'S CIVIL FEES FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	\$ 75,000	\$ 80,823	\$ 5,823	\$ 38,000	\$ 37,936	\$ (64)
Interest	1,800	2,040	240	1,550	1,657	107
Transfers in	-	-	-	-	6,487	6,487
Total Receipts	<u>\$ 76,800</u>	<u>\$ 82,863</u>	<u>\$ 6,063</u>	<u>\$ 39,550</u>	<u>\$ 46,080</u>	<u>\$ 6,530</u>
DISBURSEMENTS						
Salary	\$ 2,000	\$ 1,950	\$ 50	\$ -	\$ 12,974	\$ (12,974)
Sheriff and jail	25,000	28,608	(3,608)	35,000	19,729	15,271
Employee fringe benefits	700	403	297	-	992	(992)
Equipment purchases	23,000	25,663	(2,663)	-	6,853	(6,853)
Transfers out	2,000	1,624	376	-	-	-
Total Disbursements	<u>\$ 52,700</u>	<u>\$ 58,248</u>	<u>\$ (5,548)</u>	<u>\$ 35,000</u>	<u>\$ 40,548</u>	<u>\$ (5,548)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 24,100	\$ 24,615	\$ 515	\$ 4,550	\$ 5,532	\$ 982
CASH, JANUARY 1	<u>39,844</u>	<u>39,844</u>	<u>-</u>	<u>34,312</u>	<u>34,312</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 63,944</u></u>	<u><u>\$ 64,459</u></u>	<u><u>\$ 515</u></u>	<u><u>\$ 38,862</u></u>	<u><u>\$ 39,844</u></u>	<u><u>\$ 982</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

JUVENILE GRANT FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>JUVENILE GRANT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 105,000	\$ 106,879	\$ 1,879	\$ 115,000	\$ 114,269	\$ (731)
Interest	-	9	9	-	6	6
Total Receipts	<u>\$ 105,000</u>	<u>\$ 106,888</u>	<u>\$ 1,888</u>	<u>\$ 115,000</u>	<u>\$ 114,275</u>	<u>\$ (725)</u>
DISBURSEMENTS						
Salary	\$ 79,380	\$ 79,380	\$ -	\$ 77,760	\$ 81,118	\$ (3,358)
Employee fringe benefits	21,280	18,190	3,090	17,150	17,873	(723)
Mileage and training	7,405	7,503	(98)	6,000	6,012	(12)
Miscellaneous	-	-	-	-	1,106	(1,106)
Total Disbursements	<u>\$ 108,065</u>	<u>\$ 105,073</u>	<u>\$ 2,992</u>	<u>\$ 100,910</u>	<u>\$ 106,109</u>	<u>\$ (5,199)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,065)	\$ 1,815	\$ 4,880	\$ 14,090	\$ 8,166	\$ (5,924)
CASH, JANUARY 1	<u>(14,504)</u>	<u>(14,504)</u>	<u>-</u>	<u>(22,670)</u>	<u>(22,670)</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ (17,569)</u></u>	<u><u>\$ (12,689)</u></u>	<u><u>\$ 4,880</u></u>	<u><u>\$ (8,580)</u></u>	<u><u>\$ (14,504)</u></u>	<u><u>\$ (5,924)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 RECORDER'S FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S FUND</u>						
RECEIPTS						
Intergovernmental	\$ 9,500	\$ 8,837	\$ (663)	\$ 11,500	\$ 10,687	\$ (813)
Interest	1,600	1,589	(11)	2,600	2,277	(323)
Total Receipts	<u>\$ 11,100</u>	<u>\$ 10,426</u>	<u>\$ (674)</u>	<u>\$ 14,100</u>	<u>\$ 12,964</u>	<u>\$ (1,136)</u>
DISBURSEMENTS						
Office supplies	\$ 24,000	\$ 24,007	\$ (7)	\$ 20,000	\$ 5,969	\$ 14,031
Transfers out	12,360	12,360	-	-	11,723	(11,723)
Total Disbursements	<u>\$ 36,360</u>	<u>\$ 36,367</u>	<u>\$ (7)</u>	<u>\$ 20,000</u>	<u>\$ 17,692</u>	<u>\$ 2,308</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (25,260)	\$ (25,941)	\$ (681)	\$ (5,900)	\$ (4,728)	\$ 1,172
CASH, JANUARY 1	<u>54,939</u>	<u>54,939</u>	<u>-</u>	<u>59,667</u>	<u>59,667</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 29,679</u></u>	<u><u>\$ 28,998</u></u>	<u><u>\$ (681)</u></u>	<u><u>\$ 53,767</u></u>	<u><u>\$ 54,939</u></u>	<u><u>\$ 1,172</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

ELECTION SERVICE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 3,900	\$ -	\$ (3,900)	\$ -	\$ 1,215	\$ 1,215
Interest	-	-	-	100	349	249
Other	-	3,677	3,677	175	163	(12)
Total Receipts	<u>\$ 3,900</u>	<u>\$ 3,677</u>	<u>\$ (223)</u>	<u>\$ 275</u>	<u>\$ 1,727</u>	<u>\$ 1,452</u>
DISBURSEMENTS						
Equipment and supplies	\$ 4,000	\$ 3,800	\$ 200	\$ -	\$ 16,318	\$ (16,318)
Transfers out	-	-	-	-	2,000	(2,000)
Total Disbursements	<u>\$ 4,000</u>	<u>\$ 3,800</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 18,318</u>	<u>\$ (18,318)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (100)	\$ (123)	\$ (23)	\$ 275	\$ (16,591)	\$ (16,866)
CASH, JANUARY 1	<u>506</u>	<u>506</u>	<u>-</u>	<u>17,097</u>	<u>17,097</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 406</u></u>	<u><u>\$ 383</u></u>	<u><u>\$ (23)</u></u>	<u><u>\$ 17,372</u></u>	<u><u>\$ 506</u></u>	<u><u>\$ (16,866)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SHELTERED WORKSHOP FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHELTERED WORKSHOP FUND</u>						
RECEIPTS						
Property taxes	\$ 170,000	\$ 168,595	\$ (1,405)	\$ 160,000	\$ 169,755	\$ 9,755
Interest	7,600	8,701	1,101	5,950	7,875	1,925
Total Receipts	<u>\$ 177,600</u>	<u>\$ 177,296</u>	<u>\$ (304)</u>	<u>\$ 165,950</u>	<u>\$ 177,630</u>	<u>\$ 11,680</u>
DISBURSEMENTS						
Pemiscot Progressive Industries	\$ 168,000	\$ 168,000	\$ -	\$ 150,000	\$ 152,248	\$ (2,248)
Total Disbursements	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 152,248</u>	<u>\$ (2,248)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 9,600	\$ 9,296	\$ (304)	\$ 15,950	\$ 25,382	\$ 9,432
CASH, JANUARY 1	<u>139,456</u>	<u>139,456</u>	<u>-</u>	<u>114,074</u>	<u>114,074</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 149,056</u></u>	<u><u>\$ 148,752</u></u>	<u><u>\$ (304)</u></u>	<u><u>\$ 130,024</u></u>	<u><u>\$ 139,456</u></u>	<u><u>\$ 9,432</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY BAD CHECK FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 36,000	\$ 38,365	\$ 2,365	\$ 40,000	\$ 38,159	\$ (1,841)
Interest	2,500	2,372	(128)	1,300	1,985	685
Total Receipts	<u>\$ 38,500</u>	<u>\$ 40,737</u>	<u>\$ 2,237</u>	<u>\$ 41,300</u>	<u>\$ 40,144</u>	<u>\$ (1,156)</u>
DISBURSEMENTS						
Salary	\$ 16,000	\$ 21,450	\$ (5,450)	\$ 19,600	\$ 17,950	\$ 1,650
Employee fringe benefits	2,750	2,632	118	3,200	2,420	780
Miscellaneous	6,000	6,675	(675)	3,500	5,472	(1,972)
Total Disbursements	<u>\$ 24,750</u>	<u>\$ 30,757</u>	<u>\$ (6,007)</u>	<u>\$ 26,300</u>	<u>\$ 25,842</u>	<u>\$ 458</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 13,750	\$ 9,980	\$ (3,770)	\$ 15,000	\$ 14,302	\$ (698)
CASH, JANUARY 1	<u>48,723</u>	<u>48,723</u>	<u>-</u>	<u>34,421</u>	<u>34,421</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 62,473</u></u>	<u><u>\$ 58,703</u></u>	<u><u>\$ (3,770)</u></u>	<u><u>\$ 49,421</u></u>	<u><u>\$ 48,723</u></u>	<u><u>\$ (698)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT RESTITUTION FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Interest	\$ 3,500	\$ 3,457	\$ (43)	\$ 4,200	\$ 5,972	\$ 1,772
Restitution fees	110,000	108,646	(1,354)	150,000	173,834	23,834
Other	-	-	-	2,500	5,240	2,740
Transfers in	-	50,370	50,370	-	3,060	3,060
Total Receipts	<u>\$ 113,500</u>	<u>\$ 162,473</u>	<u>\$ 48,973</u>	<u>\$ 156,700</u>	<u>\$ 188,106</u>	<u>\$ 31,406</u>
DISBURSEMENTS						
Expenses	\$ 42,000	\$ 67,091	\$ (25,091)	\$ 42,000	\$ 139,156	\$ (97,156)
Miscellaneous	-	-	-	-	5,449	(5,449)
Office supplies	-	-	-	-	899	(899)
Transfers out	70,880	127,250	(56,370)	75,000	112,000	(37,000)
Total Disbursements	<u>\$ 112,880</u>	<u>\$ 194,341</u>	<u>\$ (81,461)</u>	<u>\$ 117,000</u>	<u>\$ 257,504</u>	<u>\$ (140,504)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 620	\$ (31,868)	\$ (32,488)	\$ 39,700	\$ (69,398)	\$ (109,098)
CASH, JANUARY 1	100,934	100,934	-	170,332	170,332	-
CASH, DECEMBER 31	<u>\$ 101,554</u>	<u>\$ 69,066</u>	<u>\$ (32,488)</u>	<u>\$ 210,032</u>	<u>\$ 100,934</u>	<u>\$ (109,098)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 1

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

MO SMART FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
MO SMART FUND						
RECEIPTS						
Intergovernmental	\$ 106,150	\$ 45,696	\$ (60,454)	\$ 55,416	\$ 21,637	\$ (33,779)
Interest	150	303	153	500	142	(358)
Transfers in	-	7,000	7,000	10,000	53,101	43,101
Total Receipts	<u>\$ 106,300</u>	<u>\$ 52,999</u>	<u>\$ (53,301)</u>	<u>\$ 65,916</u>	<u>\$ 74,880</u>	<u>\$ 8,964</u>
DISBURSEMENTS						
Salary	\$ 42,372	\$ 38,463	\$ 3,909	\$ 48,872	\$ 37,295	\$ 11,577
Employee fringe benefits	10,541	9,922	619	8,573	9,061	(488)
Equipment purchases	-	710	(710)	-	2,254	(2,254)
Telephone	1,700	838	862	1,700	3,968	(2,268)
Vehicle expenses	-	-	-	9,193	6,194	2,999
Miscellaneous	-	576	(576)	-	-	-
Uniforms	-	-	-	-	281	(281)
Transfers out	-	-	-	-	21,636	(21,636)
Total Disbursements	<u>\$ 54,613</u>	<u>\$ 50,509</u>	<u>\$ 4,104</u>	<u>\$ 68,338</u>	<u>\$ 80,689</u>	<u>\$ (12,351)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 51,687	\$ 2,490	\$ (49,197)	\$ (2,422)	\$ (5,809)	\$ (3,387)
CASH, JANUARY 1	<u>(2,898)</u>	<u>(2,898)</u>	<u>-</u>	<u>2,911</u>	<u>2,911</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 48,789</u></u>	<u><u>\$ (408)</u></u>	<u><u>\$ (49,197)</u></u>	<u><u>\$ 489</u></u>	<u><u>\$ (2,898)</u></u>	<u><u>\$ (3,387)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

SHERIFF'S REVOLVING FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ 7,000	\$ 8,575	\$ 1,575	\$ 3,000	\$ 3,714	\$ 714
Other	-	-	-	2,000	-	(2,000)
Interest	200	197	(3)	650	221	(429)
Total Receipts	<u>\$ 7,200</u>	<u>\$ 8,772</u>	<u>\$ 1,572</u>	<u>\$ 5,650</u>	<u>\$ 3,935</u>	<u>\$ (1,715)</u>
DISBURSEMENTS						
Office supplies	\$ 5,000	\$ 4,875	\$ 125	\$ 5,000	\$ 2,839	\$ 2,161
Equipment purchases	6,000	5,898	102	3,000	4,685	(1,685)
Transfers out	-	-	-	-	3,060	(3,060)
Total Disbursements	<u>\$ 11,000</u>	<u>\$ 10,773</u>	<u>\$ 227</u>	<u>\$ 8,000</u>	<u>\$ 10,584</u>	<u>\$ (2,584)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,800)	\$ (2,001)	\$ 1,799	\$ (2,350)	\$ (6,649)	\$ (4,299)
CASH, JANUARY 1	<u>3,836</u>	<u>3,836</u>	<u>-</u>	<u>10,485</u>	<u>10,485</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 36</u></u>	<u><u>\$ 1,835</u></u>	<u><u>\$ 1,799</u></u>	<u><u>\$ 8,135</u></u>	<u><u>\$ 3,836</u></u>	<u><u>\$ (4,299)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DEPUTY SHERIFF SALARY SUPPLEMENT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DEPUTY SHERIFF SALARY SUPPLEMENT FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ -
Deputy sheriff supplemental	-	4,650	4,650	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 4,665</u>	<u>\$ 4,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS						
State disbursements	\$ -	\$ 2,450	\$ (2,450)	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ -</u>	<u>\$ 2,450</u>	<u>\$ (2,450)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 2,215	\$ 2,215	\$ -	\$ -	\$ -
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 2,215</u></u>	<u><u>\$ 2,215</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

LAW LIBRARY FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 9,830	\$ 9,830	\$ -	\$ 9,453	\$ 9,453
Total Receipts	\$ -	\$ 9,830	\$ 9,830	\$ -	\$ 9,453	\$ 9,453
DISBURSEMENTS						
Office	\$ -	\$ 8,390	\$ (8,390)	\$ -	\$ 4,565	\$ (4,565)
Total Disbursements	\$ -	\$ 8,390	\$ (8,390)	\$ -	\$ 4,565	\$ (4,565)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 1,440	\$ 1,440	\$ -	\$ 4,888	\$ 4,888
CASH, JANUARY 1	10,472	10,472	-	5,584	5,584	-
CASH, DECEMBER 31	\$ 10,472	\$ 11,912	\$ 1,440	\$ 5,584	\$ 10,472	\$ 4,888

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

CIRCUIT CLERK INTEREST FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 4,592	\$ 4,592	\$ -	\$ 3,583	\$ 3,583
Total Receipts	\$ -	\$ 4,592	\$ 4,592	\$ -	\$ 3,583	\$ 3,583
DISBURSEMENTS						
Office	\$ -	\$ 3,631	\$ (3,631)	\$ -	\$ 2,687	\$ (2,687)
Total Disbursements	\$ -	\$ 3,631	\$ (3,631)	\$ -	\$ 2,687	\$ (2,687)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 961	\$ 961	\$ -	\$ 896	\$ 896
CASH, JANUARY 1	4,226	4,226	-	3,330	3,330	-
CASH, DECEMBER 31	\$ 4,226	\$ 5,187	\$ 961	\$ 3,330	\$ 4,226	\$ 896

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 CIRCUIT DIVISION TIME PAYMENT FEE FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

		Year Ended December 31,					
		2008			2007		
		Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT DIVISION TIME PAYMENT FEE FUND</u>							
RECEIPTS							
Interest	\$	-	\$ 950	\$ 950	\$ -	\$ 672	\$ 672
Total Receipts	\$	-	\$ 950	\$ 950	\$ -	\$ 672	\$ 672
DISBURSEMENTS							
Other	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$	-	\$ 950	\$ 950	\$ -	\$ 672	\$ 672
CASH, JANUARY 1		1,265	1,265	-	593	593	-
CASH, DECEMBER 31	\$	1,265	2,215	950	593	1,265	672

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS

TAX MAINTENANCE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 30,430	\$ 30,430	\$ -	\$ 26,199	\$ 26,199
Interest	-	2,516	2,516	-	2,728	2,728
Total Receipts	<u>\$ -</u>	<u>\$ 32,946</u>	<u>\$ 32,946</u>	<u>\$ -</u>	<u>\$ 28,927</u>	<u>\$ 28,927</u>
DISBURSEMENTS						
County Collector	\$ -	\$ 34,062	\$ (34,062)	\$ -	\$ 24,010	\$ (24,010)
Total Disbursements	<u>\$ -</u>	<u>\$ 34,062</u>	<u>\$ (34,062)</u>	<u>\$ -</u>	<u>\$ 24,010</u>	<u>\$ (24,010)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (1,116)	\$ (1,116)	\$ -	\$ 4,917	\$ 4,917
CASH, JANUARY 1	<u>86,270</u>	<u>86,270</u>	<u>-</u>	<u>81,353</u>	<u>81,353</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 86,270</u></u>	<u><u>\$ 85,154</u></u>	<u><u>\$ (1,116)</u></u>	<u><u>\$ 81,353</u></u>	<u><u>\$ 86,270</u></u>	<u><u>\$ 4,917</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ASSOCIATE DIVISION INTEREST FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

	Year Ended December 31,					
	2008			2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 474	\$ 474	\$ -	\$ 854	\$ 854
Total Receipts	\$ -	\$ 474	\$ 474	\$ -	\$ 854	\$ 854
DISBURSEMENTS						
Circuit Clerk	\$ -	\$ 750	\$ (750)	\$ -	\$ 1,000	\$ (1,000)
Total Disbursements	\$ -	\$ 750	\$ (750)	\$ -	\$ 1,000	\$ (1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (276)	\$ (276)	\$ -	\$ (146)	\$ (146)
CASH, JANUARY 1	14,302	14,302	-	14,448	14,448	-
CASH, DECEMBER 31	\$ 14,302	\$ 14,026	\$ (276)	\$ 14,448	\$ 14,302	\$ (146)

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 ASSOCIATE DIVISION TIME PAYMENT FUND
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 UNAUDITED

Year Ended December 31,						
2008			2007			
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	
<u>ASSOCIATE DIVISION TIME PAYMENT FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 3,497	\$ 3,497	\$ -	\$ 12,350	\$ 12,350
Total Receipts	\$ -	\$ 3,497	\$ 3,497	\$ -	\$ 12,350	\$ 12,350
DISBURSEMENTS						
Circuit Clerk	\$ -	\$ 8,010	\$ (8,010)	\$ -	\$ 8,294	\$ (8,294)
Total Disbursements	\$ -	\$ 8,010	\$ (8,010)	\$ -	\$ 8,294	\$ (8,294)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (4,513)	\$ (4,513)	\$ -	\$ 4,056	\$ 4,056
CASH, JANUARY 1	22,406	22,406	-	18,350	18,350	-
CASH, DECEMBER 31	\$ 22,406	\$ 17,893	\$ (4,513)	\$ 18,350	\$ 22,406	\$ 4,056

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Required Supplementary Information

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures		County Match Percentage Required
			2008	2007	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Passed through State:					
Emergency Watershed Program	10.923	2008	\$ 231,967	\$ -	0%
<u>U.S. DEPARTMENT OF JUSTICE</u>					
Passed through State Department of Public Safety:					
Juvenile Accountability Block Grants	16.523	AOC08380382	40,164	-	0%
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	ERO172-315	67,901	-	0%
Edward Byrne Memorial Formula Grant Program	16.579	2007JAG016	106,355	-	0%
Edward Byrne Memorial Formula Grant Program	16.579	2006JAG008	-	106,730	0%
Local Law Enforcement Block Grants Program	16.592	2009JAGDTF020	33,620	-	0%
		2007LBGJ074	5,629	-	0%
Passed through Missouri Sheriff's Association:					
Domestic Cannabis Eradication/Suppression Program	16.000	DPS2008- MOSMART-001	40,098	40,098	0%
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed through State:					
Highway and Transportation Commission:					
Highway Planning and Construction	20.205	BRO-B078(45)	28,423	-	0%
Department of Public Safety-MODOT Highway Safety		09-PT-02-105	5,990	-	0%
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Passed through State Department of Public Safety					
Public Assistance Grants	97.036	DR-1749	64,733	-	25%
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 624,880	\$ 146,828	

Notes to the Required Supplementary Information

PEMISCOT COUNTY, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and that Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pemiscot County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants, or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2008 and 2007.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Pemiscot County, Missouri

Compliance

We have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008 and 2007. The County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Pemiscot County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2008 and 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as findings 08-3.

Internal Control Over Compliance

The management of Pemiscot County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of the County's internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, we identified a deficiency in internal control over compliance that we considered a significant deficiency.

A *control deficiency* in the entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described as finding 08-3 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We do not consider the significant deficiency referred to above to be a material weakness.

The responses of Pemiscot County, Missouri to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, audit committee, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

July 10, 2009

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? yes X no
- Significant deficiencies identified that are not considered to be a material weakness? X yes none reported

Noncompliance material to the financial statement noted?

 yes X no

Federal Awards

Internal control over major program:

- Material weaknesses identified? yes X no
- Significant deficiencies identified that is not considered to be a material weakness? X yes none reported

Type of auditors' report issued on compliance for major program:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 X yes no

Identification of major program:

CFDA or
Other Identifying
Number

Program Title

10.923
16.579

Emergency Watershed Program
Edward Byrne Memorial Formula Grant Program

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

08-1 Financial Condition

The General Revenue Fund has continued its deterioration. Cash balances were expected to improve in 2007, however the improvement was not as expected. In 2008, further erosion occurred.

The Special Road and Bridge Fund cash balance improved during 2007, however it declined significantly during 2008.

The County changed its policy of selling property for unpaid real estate taxes during 2007 from a three year delinquency to a two year delinquency. This was in part why the cash positions did not deteriorate more. Those three years in arrears and two years in arrears paid in 2007 creating a one-time revenue windfall.

The County Commission needs to address the financial position of the County both short and long-term. Close monitoring of all financial activities is essential.

This is a repeat finding.

We Recommend:

The County Commission monitor the County's financial position and take appropriate and necessary steps to increase revenue and reduce spending.

Auditee's Response and Plan for Corrective Action:

The County Commission will continue to monitor the financial position and take whatever actions they are able to implement.

08-2 Budgetary Practices

The County Commission approved deficit budgets for several funds and allowed disbursements to exceed budgeted amounts in a number of funds. Appropriate amended budgets were not approved. Additionally, some funds were not budgeted.

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

A. Budgeted deficit balances were in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Fund	2008 and 2007
Special Road and Bridge	2008 and 2007
Solid Waste Transfer Station	2008
Emergency 911	2008
Firing Range	2008 and 2007
Federal Forfeiture	2008
Juvenile Grant	2008 and 2007

Disbursements exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2008 and 2007
Special Road and Bridge	2008
Assessment	2008 and 2007
Solid Waste Transfer Station	2007
Johnson Grass	2008
Drainage District #6	2007
Drainage District #8	2008 and 2007
Drainage District #8 Improvement	2008
Emergency 911	2007
Federal Forfeiture	2007
Bootheel Drug Task	2008
D.A.R.E.	2007
Domestic Violence	2008
Law Enforcement Sales Tax	2007
Sheriff's Civil Fees	2008 and 2007
Juvenile Grant	2007
Recorder's	2008
Election Service	2007
Sheltered Workshop	2007
Prosecuting Attorney Bad Check	2008
Law Enforcement Restitution	2008 and 2007
MO Smart	2007
Sheriff's Revolving	2007
Law Enforcement Revolving	2008

B. The following funds were not budgeted:

<u>Fund</u>	<u>Years Ended December 31,</u>
Deputy Sheriff Salary Supplement	2008
Law Library	2008 and 2007
Circuit Clerk Interest	2008 and 2007
Circuit Division Time Payment Fee	2008 and 2007
Tax Maintenance	2008 and 2007
Associate Division Interest	2008 and 2007
Associate Division Time Payment	2008 and 2007

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

C. Ensure fund transfers are properly classified.

The above are repeat findings.

We Recommend:

The County Commission:

- A. Deficit budgeting be discontinued and disbursements not be authorized in excess of budgeted amounts. If a necessity exists to exceed a budget, the appropriate procedures should be followed to amend the appropriate budget.
- B. Prepare budgets for all County funds.
- C. Ensure fund transfers are properly classified as fund transfers.

Auditee's Response and Plan for Corrective Action:

- A. They will discontinue deficit budgets as soon as possible.
- B,C Both will be implemented.

Section III – Federal Award Findings and Questioned Costs

08-3 Schedule of Expenditures of Federal Awards

The County does not have procedures in place to track federal awards to prepare an accurate Schedule of Expenditures of Federal Awards (SEFA). As a result, errors occurred in 2008 and 2007.

The Pemiscot County, Missouri has a new County Clerk who was not provided correct guidance as to how the SEFA schedule was to be prepared. As a result, some items were listed in both 2008 and 2007 while others reflected funds received and not funds spent as required.

This is a repeat finding.

We Recommend:

The County Commission and County Clerk prepare an accurate Schedule of Federal Awards.

Auditee's Response and Plan for Corrective Action:

They were unaware of the exact requirements. The previous clerk left no guidance. The current clerk understands what is needed and will see that accurate SEFA schedules are prepared in the future.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Pemiscot County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006.

06-1 Financial Condition

The County has a poor financial condition in both its General Revenue and Special Road and Bridge Funds. Both funds are at deficit balances and have experienced poor budgeting. In addition the County did not properly roll back the property tax levy as required to reflect excess property tax collections in previous years.

Recommendation:

The County Commission takes appropriate actions (both short term and long term) to correct the poor financial conditions. Additionally, the Commission should take appropriate actions to properly reduce the property tax levy reflecting excess property taxes collected in previous years.

Status:

Implemented to extent possible.

06-2 Budgetary Practices

The County Commission approved deficit budgets for several funds and approved expenditures in excess of budgeted amounts for numerous funds. In addition, numerous fund budgets were not prepared and interest income and fund transfers were not properly classified.

Recommendation:

- A. Discontinue deficit budgeting.
- B. Ensure budgets are prepared for all county funds.
- C. Ensure interest income and fund transfers are properly classified.

Status:

Not implemented

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133.

PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2008 AND 2007

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2006, included several audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-3 Schedule of Expenditures of Federal Awards

The County does not have adequate procedures in place to track federal awards resulting in errors and omissions on the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation:

The County Commission and County Clerk ensure complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented (It should be noted the County has a new clerk who could only follow the previous clerk's policies and procedures.)

06-4 Cash Management

The County received federal project dollars and failed to distribute those dollars to vendors in an acceptable time frame. In some instances, the County must, by state law, disburse funds within two days of receipt of the funds.

Recommendation:

The County Commission establish procedures to minimize the time between receipt and disbursement of funds to comply with state law where required.

Status:

Implemented

PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2008 AND 2007

06-5 Suspension and Debarment Compliance

The County Commission failed to ensure vendors providing services complied with grant provisions. Essentially all vendors receiving over \$25,000 may not be suspended or debarred (including principals of those firms). The County was unaware of this provision. The County was not in violation of this provision.

Recommendation:

The County Commission establish procedures for future grants to ensure vendors are not suspended or debarred.

Status:

Implemented

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

PEMISCOT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2008 AND 2007

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances, and Statements of Fiduciary Net Assets-Cash Basis of Pemiscot County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009. We also have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 10, 2009.

We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR Findings resulted from our audit of the financial statements of Pemiscot County, Missouri or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. There are no findings to report.

Follow-Up on Prior Audit Findings

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Pemiscot County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2006. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the County should consider implementing those recommendations.

1. County Procedures

The County Clerk and County Collector's control over property tax additions are not adequate in that property tax additions are not appropriate. Additionally, the treasurer is not properly bonded. All activity required to be published was not published, and timely publishing of the financial statements did not occur. Additionally, County officials have not timely filed reports with the County Commission. Lastly, fees collected have not been disbursed.

Recommendation:

- A. The County Clerk and County Collector maintain an account book.
- B. The County Clerk should prepare all additions to the tax books and charge the County Collector with the same in conjunction with County Commission approval.
- C. Ensure adequate bonding of county officials.
- D. Ensure old outstanding checks are handled in accordance with state law.
- E. Ensure all required financial information for all county funds are reported in a timely manner in published financial statements.
- F. Require county officials to prepare monthly fee reports in accordance with state law.
- G. Ensure fund monies are distributed in a timely manner.

Status:

- A. Not implemented
- B. Not implemented
- C. Not implemented
- D. Implemented
- E. Implemented
- F. Partly Implemented
- G. Implemented

2. Bidding and Contracts

The Assessor failed to solicit bids for a new appraisal system. The County failed to enter into formal written contracts with two attorneys, one who is related to a commissioner and officeholder.

Recommendation:

- A. All major purchases should utilize a competitive procurement process and documentation of the decision should be maintained.
- B. Written contracts should be entered into when appropriate to protect the County.

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Status:

A, B Not completely implemented

3. Personnel Issues

The County Clerk does not maintain centralized leave records for the county employees or time sheets for the Sheriffs Department, Road and Bridge Department, or Solid Waste Transfer Station. Liability was incurred due to improper compensation.

Recommendation:

- A. Ensure the County Clerk maintains centralized time sheets and leave records and that they are monitored to ensure County policy is followed.
- B. Ensure employees are compensated properly and in compliance with FLSA(Fair Labor Standards Act).

Status:

A,B Not implemented

4. Commission Minutes and Public Records

Minutes of closed meetings held by the County Commission are not taken unless a vote is taken. In addition, the minutes are not sufficient to reflect matters discussed. The County does not have a formal policy regarding public access to County records.

Recommendation:

- A. Ensure minutes are taken for all closed sessions.
- B. Ensure complete and accurate minutes are taken of the Commission's meetings.
- C. Ensure Commission minutes are signed by the clerk and commissioner.
- D. Develop a policy to allow public access of or copies of public records.

Status:

A,B,C,D Not implemented

5. Capital Assets

Property records and procedures to account for County property are not adequate. Monitoring procedures for County vehicles are not sufficient.

Recommendation:

- A. The County should establish a written policy for handling and accounting of capital assets. Possible inclusions are: record keeping guidance, definitions, inventory maintenance and inspections, and control tags.
- B. Require usage logs for all county vehicles along with reviews and reconciliations.

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Status:

A,B Not implemented

6. Computer Controls

The computer system is susceptible to compromise due to failing to not periodically change passwords.

Recommendation:

The County change passwords periodically to prevent unauthorized access.

Status:

Not implemented

7. Solid Waste Transfer Station

The County operates a solid waste transfer station. Users are billed monthly, however collection reports are not reconciled to billing and to accounts receivable schedules. Accordingly, controls relating to billing assurance, overdue accounts, etc. were not in place and problems were discovered.

Recommendation:

The County Commissioner establish formal procedures for reconciling amounts billed to amounts collected to an accounts receivable balance including collection procedures for overdue amounts.

Status:

The Solid Waste Transfer Station is closed.

8. Health Center;s Accounting Controls and Procedures

The health center is not part of the 2007-2008 financial audit.

9. Probate Accounting Controls and Procedures

Receipts are not posted timely and are not timely deposited. Additionally, checks were not endorsed until deposited presenting a safeguard issue.

Recommendation:

Ensure all receipts are posted timely and endorsed immediately upon receipt.

Status:

Implemented

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

10. Sheriff's Accounting Controls and Procedures

The department did not use pre-numbered receipts. Some funds received from the social security administration were not paid to the county treasurer, as required, and a reconciliation of inmate cash balance was not performed.

Recommendation:

- A. Use pre-numbered receipts for all monies received.
- B. Transfer social security funds to the county treasurer.
- C1. Reconcile the bank monthly including inmate balances. Ensure released inmates receive monies timely.
- C2. Contact attempts for old balances should be made and if unsuccessful, turn over funds in accordance with statutory provisions.

Status:

A,B,C1,C2 Implemented

11. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not properly segregated and monies are not transmitted timely. Pre-numbered receipts are not accounted for.

Recommendation:

- A. Segregate accounting duties and ensure periodic supervisory reviews are performed and documented.
- B. Transmit all monies daily or when accumulated receipts exceed \$100.
- C. Account for numerical receipts in a proper fashion.

Status:

A,B,C Implemented

12. Associate Division's Accounting Controls and Procedures

Old outstanding checks (over six months) should be either reissued if the vendor can be located or disposed of in accordance with state law.

Recommendation:

Associate Circuit Judge should adopt procedures to ensure old outstanding checks are reissued or are handled in accordance with state law.

Status:

Implemented

13. Circuit Clerk's Accounting Controls and Procedures

The Circuit Clerk is holding funds where the payees of cases cannot be located. The monies should be disposed of in accordance with state law.

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Recommendation:

The circuit clerk should dispose of funds where the payees of cases cannot be located. The monies should be disposed of in accordance with state law.

Status:

Implemented

14. Recorder of Deeds' Accounting Controls and Procedures

The Recorder of Deeds works on verbal agreements with abstract companies. These companies are charged fixed monthly fees. No copy record or evaluation of the services provided the abstract companies is maintained to allow evaluation of the costs incurred and fees charged.

Recommendation:

The Recorder of Deeds should obtain written agreements with the abstract companies and review the rates these abstract companies are charged.

Status:

Not implemented



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Holt County, Missouri

The Office of the State Auditor, in cooperation with Holt County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-143

ANNUAL FINANCIAL REPORT

HOLT COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

HOLT COUNTY, MISSOURI
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	14

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	21
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	23
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Federal Expenditures of Federal Awards	26
Schedule of Federal Findings and Questioned Costs	27
Findings and Recommendations	29
Schedule of Prior Year Audit Findings	31

INTRODUCTORY SECTION

HOLT COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Mark Sitherwood

Associate Commissioner – Bill Gordon

Associate Commissioner – Don Holstine

Other Elected Officials

Assessor – Carla Markt

Circuit Clerk, Recorder – Vicki Book

Collector – Billie Sharp

Coroner – Susan Lentz

County Clerk – Kathy Kunkel

Prosecuting Attorney – Robert Shepherd

Public Administrator – Ed Meng

Sheriff – Scott Wedlock

Treasurer – Gay Quick

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Holt County, Missouri

We have audited the accompanying financial statements of Holt County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Holt County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Holt County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Holt County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 15, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holt County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
July 15, 2009

FINANCIAL SECTION

HOLT COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ 234,934	\$ 1,375,272	\$ 1,275,162	\$ 335,044	\$ 1,474,928	\$ 1,498,379	\$ 311,593
Special Road and Bridge	19,212	1,857,863	1,565,779	311,296	1,573,121	1,562,210	322,207
Assessment	12,086	123,428	107,898	27,616	123,741	114,187	37,170
Law Enforcement Training	8,005	6,155	7,821	6,339	6,006	7,686	4,659
Prosecuting Attorney Training	3,840	1,104	752	4,192	1,041	1,065	4,168
Recorders Special	25,285	5,584	2,395	28,474	4,300	1,531	31,243
Local CART	5,629	178,829	175,000	9,458	208,007	200,000	17,465
State CART	298,498	368,493	400,000	266,991	343,240	300,000	310,231
Sheriff Civil Fees	6,575	7,582	7,765	6,392	9,037	10,380	5,049
Prosecuting Attorney Bad Check	868	274	50	1,092	417	70	1,439
Neighborhood Improvement District	3,944	3,305	3,431	3,818	3,033	3,327	3,524
Clerk's Election Fee	5,796	1,416	885	6,327	3,033	3,300	6,060
Victims of Domestic Violence	245	165	-	410	166	-	576
Election Improvement	9,611	1,295	5,577	5,329	-	5,329	-
Johnson Grass	47,729	18,682	27,964	38,447	29,490	52,594	15,343
Cemetery Trust	27,571	1,284	366	28,489	1,280	364	29,405
Community Development Block Grant	-	-	-	-	4,100	4,100	-
Collector's Tax Maintenance	2,716	11,253	2,999	10,970	8,960	1,348	18,582
Senior Citizen Services	8,209	41,089	42,273	7,025	42,417	44,155	5,287
911	48,022	99,849	89,463	58,408	101,400	82,554	77,254
Law Library	310	3,238	3,147	401	3,668	3,857	212
Prosecuting Attorney Delinquent Tax	2,269	-	2,269	-	-	-	-
Total	<u>\$ 771,354</u>	<u>\$ 4,106,160</u>	<u>\$ 3,720,996</u>	<u>\$ 1,156,518</u>	<u>\$ 3,941,385</u>	<u>\$ 3,896,436</u>	<u>\$ 1,201,467</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 306,500	\$ 299,114	\$ 306,500	\$ 297,997
Sales taxes	348,000	356,395	355,000	395,294
Intergovernmental	331,025	373,819	542,200	488,609
Charges for services	193,300	183,990	191,100	184,368
Interest	18,000	18,297	20,000	5,762
Other	22,400	41,732	16,100	7,946
Transfers in	117,712	101,925	82,052	94,952
Total Receipts	<u>\$ 1,336,937</u>	<u>\$ 1,375,272</u>	<u>\$ 1,512,952</u>	<u>\$ 1,474,928</u>
DISBURSEMENTS				
County Commission	\$ 71,500	\$ 70,509	\$ 73,000	\$ 72,011
County Clerk	93,100	89,242	98,500	83,937
Elections	28,775	24,662	65,500	61,660
Buildings and grounds	38,500	29,973	45,000	45,184
Employee fringe benefits	257,000	232,239	290,000	219,870
Treasurer	38,500	37,491	38,500	37,011
Collector	62,772	60,755	63,700	63,165
Recorder of Deeds	19,880	17,305	22,180	19,411
Associate Circuit Court	12,500	6,747	12,000	4,073
Court administration	10,900	199	10,900	2,043
Public Administrator	14,945	14,576	15,245	15,093
Sheriff	175,650	159,616	204,316	198,457
Jail	160,000	148,762	157,800	154,655
Prosecuting Attorney	72,404	67,580	73,104	68,345
Juvenile Officer	10,450	7,466	11,425	7,521
Coroner	13,275	11,404	13,275	9,723
Other general revenue	307,252	282,886	437,266	419,433
Health and welfare	4,750	4,750	5,350	5,350
Transfers out	12,500	9,000	14,000	11,437
Emergency fund	41,819	-	42,000	-
Total Disbursements	<u>\$ 1,446,472</u>	<u>\$ 1,275,162</u>	<u>\$ 1,693,061</u>	<u>\$ 1,498,379</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (109,535)	\$ 100,110	\$ (180,109)	\$ (23,451)
CASH, JANUARY 1	<u>234,934</u>	<u>234,934</u>	<u>335,044</u>	<u>335,044</u>
CASH, DECEMBER 31	<u><u>\$ 125,399</u></u>	<u><u>\$ 335,044</u></u>	<u><u>\$ 154,935</u></u>	<u><u>\$ 311,593</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 350,000	\$ 341,731	\$ 345,000	\$ 306,173	\$ -	\$ -	\$ -	\$ -
Sales taxes	170,000	178,162	180,000	197,632	-	-	-	-
Intergovernmental	981,500	731,854	563,500	548,263	105,995	110,606	112,400	112,039
Charges for services	2,000	580	500	5,020	1,700	1,900	2,000	2,100
Interest	10,500	9,785	10,000	4,541	1,800	1,922	2,000	602
Other	35,000	15,751	15,000	11,492	-	-	-	-
Transfers in	685,000	580,000	705,000	500,000	9,000	9,000	9,000	9,000
Total Receipts	<u>\$ 2,234,000</u>	<u>\$ 1,857,863</u>	<u>\$ 1,819,000</u>	<u>\$ 1,573,121</u>	<u>\$ 118,495</u>	<u>\$ 123,428</u>	<u>\$ 125,400</u>	<u>\$ 123,741</u>
DISBURSEMENTS								
Salaries	\$ 290,000	\$ 226,426	\$ 290,000	\$ 249,105	\$ 87,385	\$ 85,131	\$ 85,131	\$ 84,885
Employee fringe benefits	121,000	87,258	115,000	84,596	11,655	8,238	11,655	8,062
Materials and Supplies	308,000	203,969	345,000	274,677	16,000	6,170	24,100	10,656
Services and Other	112,200	106,580	118,700	123,687	11,000	8,359	26,200	10,584
Capital Outlay	68,000	97,244	68,000	51,041	-	-	-	-
Construction	885,000	770,980	910,000	712,204	-	-	-	-
Transfers out	90,710	73,322	54,000	66,900	-	-	-	-
Total Disbursements	<u>\$ 1,874,910</u>	<u>\$ 1,565,779</u>	<u>\$ 1,900,700</u>	<u>\$ 1,562,210</u>	<u>\$ 126,040</u>	<u>\$ 107,898</u>	<u>\$ 147,086</u>	<u>\$ 114,187</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 359,090	\$ 292,084	\$ (81,700)	\$ 10,911	\$ (7,545)	\$ 15,530	\$ (21,686)	\$ 9,554
CASH, JANUARY 1	<u>234,934</u>	<u>19,212</u>	<u>311,296</u>	<u>311,296</u>	<u>12,086</u>	<u>12,086</u>	<u>27,616</u>	<u>27,616</u>
CASH, DECEMBER 31	<u>\$ 594,024</u>	<u>\$ 311,296</u>	<u>\$ 229,596</u>	<u>\$ 322,207</u>	<u>\$ 4,541</u>	<u>\$ 27,616</u>	<u>\$ 5,930</u>	<u>\$ 37,170</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,290	2,011	2,300	1,929	-	-	-	-
Charges for services	4,800	3,855	4,000	4,020	1,100	971	1,000	1,004
Interest	400	289	300	57	110	133	125	37
Other	50	-	50	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,540</u>	<u>\$ 6,155</u>	<u>\$ 6,650</u>	<u>\$ 6,006</u>	<u>\$ 1,210</u>	<u>\$ 1,104</u>	<u>\$ 1,125</u>	<u>\$ 1,041</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,400	-	1,200	358	-	-	-	-
Services and Other	12,800	7,775	9,300	7,328	4,000	752	4,000	1,065
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	46	-	-	-	-	-	-
Total Disbursements	<u>\$ 15,200</u>	<u>\$ 7,821</u>	<u>\$ 10,500</u>	<u>\$ 7,686</u>	<u>\$ 4,000</u>	<u>\$ 752</u>	<u>\$ 4,000</u>	<u>\$ 1,065</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (7,660)	\$ (1,666)	\$ (3,850)	\$ (1,680)	\$ (2,790)	\$ 352	\$ (2,875)	\$ (24)
CASH, JANUARY 1	<u>8,005</u>	<u>8,005</u>	<u>6,339</u>	<u>6,339</u>	<u>3,840</u>	<u>3,840</u>	<u>4,192</u>	<u>4,192</u>
CASH, DECEMBER 31	<u>\$ 345</u>	<u>\$ 6,339</u>	<u>\$ 2,489</u>	<u>\$ 4,659</u>	<u>\$ 1,050</u>	<u>\$ 4,192</u>	<u>\$ 1,317</u>	<u>\$ 4,168</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDERS SPECIAL FUND				LOCAL CART FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	162,500	178,162	180,000	197,633
Intergovernmental	-	-	-	-	17,800	-	20,000	10,026
Charges for services	4,500	4,717	4,500	4,067	-	-	-	-
Interest	900	867	900	233	550	667	700	348
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,400</u>	<u>\$ 5,584</u>	<u>\$ 5,400</u>	<u>\$ 4,300</u>	<u>\$ 180,850</u>	<u>\$ 178,829</u>	<u>\$ 200,700</u>	<u>\$ 208,007</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	11,000	1,339	17,000	478	-	-	-	-
Services and Other	13,200	1,056	10,300	1,053	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	180,000	175,000	200,000	200,000
Total Disbursements	<u>\$ 24,200</u>	<u>\$ 2,395</u>	<u>\$ 27,300</u>	<u>\$ 1,531</u>	<u>\$ 180,000</u>	<u>\$ 175,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (18,800)	\$ 3,189	\$ (21,900)	\$ 2,769	\$ 850	\$ 3,829	\$ 700	\$ 8,007
CASH, JANUARY 1	<u>25,285</u>	<u>25,285</u>	<u>28,474</u>	<u>28,474</u>	<u>5,629</u>	<u>5,629</u>	<u>9,458</u>	<u>9,458</u>
CASH, DECEMBER 31	<u>\$ 6,485</u>	<u>\$ 28,474</u>	<u>\$ 6,574</u>	<u>\$ 31,243</u>	<u>\$ 6,479</u>	<u>\$ 9,458</u>	<u>\$ 10,158</u>	<u>\$ 17,465</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	STATE CART FUND				SHERIFF CIVIL FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	375,000	357,323	375,000	340,781	-	788	500	1,497
Charges for services	-	-	-	-	6,000	5,774	6,000	7,113
Interest	9,000	11,170	12,000	2,459	300	222	250	52
Other	-	-	-	-	-	798	1,000	375
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 384,000</u>	<u>\$ 368,493</u>	<u>\$ 387,000</u>	<u>\$ 343,240</u>	<u>\$ 6,300</u>	<u>\$ 7,582</u>	<u>\$ 7,750</u>	<u>\$ 9,037</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	10,500	7,765	12,500	10,380
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	500,000	400,000	500,000	300,000	-	-	-	-
Total Disbursements	<u>\$ 500,000</u>	<u>\$ 400,000</u>	<u>\$ 500,000</u>	<u>\$ 300,000</u>	<u>\$ 10,500</u>	<u>\$ 7,765</u>	<u>\$ 12,500</u>	<u>\$ 10,380</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (116,000)	\$ (31,507)	\$ (113,000)	\$ 43,240	\$ (4,200)	\$ (183)	\$ (4,750)	\$ (1,343)
CASH, JANUARY 1	<u>298,498</u>	<u>298,498</u>	<u>266,991</u>	<u>266,991</u>	<u>6,575</u>	<u>6,575</u>	<u>6,392</u>	<u>6,392</u>
CASH, DECEMBER 31	<u>\$ 182,498</u>	<u>\$ 266,991</u>	<u>\$ 153,991</u>	<u>\$ 310,231</u>	<u>\$ 2,375</u>	<u>\$ 6,392</u>	<u>\$ 1,642</u>	<u>\$ 5,049</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	PROSECUTING ATTORNEY BAD CHECK FUND				NEIGHBORHOOD IMPROVEMENT DISTRICT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,400	\$ 3,305	\$ 3,400	\$ 3,033
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	250	274	300	417	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	200	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 250	\$ 274	\$ 300	\$ 417	\$ 3,600	\$ 3,305	\$ 3,400	\$ 3,033
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	600	50	1,100	70	5,000	3,431	5,000	3,327
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 600	\$ 50	\$ 1,100	\$ 70	\$ 5,000	\$ 3,431	\$ 5,000	\$ 3,327
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (350)	\$ 224	\$ (800)	\$ 347	\$ (1,400)	\$ (126)	\$ (1,600)	\$ (294)
CASH, JANUARY 1	868	868	1,092	1,092	3,944	3,944	3,818	3,818
CASH, DECEMBER 31	\$ 518	\$ 1,092	\$ 292	\$ 1,439	\$ 2,544	\$ 3,818	\$ 2,218	\$ 3,524

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	CLERK'S ELECTION FEE FUND				VICTIMS OF DOMESTIC VIOLENCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	1,208	3,000	2,437	200	165	200	166
Interest	-	208	250	52	-	-	-	-
Other	-	-	-	544	-	-	-	-
Transfers in	1,000	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,000</u>	<u>\$ 1,416</u>	<u>\$ 3,250</u>	<u>\$ 3,033</u>	<u>\$ 200</u>	<u>\$ 165</u>	<u>\$ 200</u>	<u>\$ 166</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	5,000	885	7,500	3,300	245	-	450	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 885</u>	<u>\$ 7,500</u>	<u>\$ 3,300</u>	<u>\$ 245</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,000)	\$ 531	\$ (4,250)	\$ (267)	\$ (45)	\$ 165	\$ (250)	\$ 166
CASH, JANUARY 1	<u>5,796</u>	<u>5,796</u>	<u>6,327</u>	<u>6,327</u>	<u>245</u>	<u>245</u>	<u>410</u>	<u>410</u>
CASH, DECEMBER 31	<u><u>\$ 1,796</u></u>	<u><u>\$ 6,327</u></u>	<u><u>\$ 2,077</u></u>	<u><u>\$ 6,060</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 410</u></u>	<u><u>\$ 160</u></u>	<u><u>\$ 576</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION IMPROVEMENT FUND				JOHNSON GRASS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 24,255	\$ 16,523	\$ 25,000	\$ 18,463
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	961	1,000	-	100	83	100	534
Charges for services	-	-	-	-	-	-	-	-
Interest	250	334	200	-	2,400	2,076	2,500	420
Other	-	-	-	-	500	-	-	-
Transfers in	-	-	-	-	-	-	10,000	10,073
Total Receipts	<u>\$ 2,750</u>	<u>\$ 1,295</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 27,255</u>	<u>\$ 18,682</u>	<u>\$ 37,600</u>	<u>\$ 29,490</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 16,896	\$ 20,000	\$ 18,668
Employee fringe benefits	-	-	-	-	2,000	1,293	2,000	2,284
Materials and Supplies	2,500	-	-	-	21,000	7,775	45,000	29,642
Services and Other	9,000	5,577	5,500	5,329	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	2,000	2,000	2,000	2,000
Total Disbursements	<u>\$ 11,500</u>	<u>\$ 5,577</u>	<u>\$ 5,500</u>	<u>\$ 5,329</u>	<u>\$ 45,000</u>	<u>\$ 27,964</u>	<u>\$ 69,000</u>	<u>\$ 52,594</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,750)	\$ (4,282)	\$ (4,300)	\$ (5,329)	\$ (17,745)	\$ (9,282)	\$ (31,400)	\$ (23,104)
CASH, JANUARY 1	<u>9,611</u>	<u>9,611</u>	<u>5,329</u>	<u>5,329</u>	<u>47,729</u>	<u>47,729</u>	<u>38,447</u>	<u>38,447</u>
CASH, DECEMBER 31	<u>\$ 861</u>	<u>\$ 5,329</u>	<u>\$ 1,029</u>	<u>\$ -</u>	<u>\$ 29,984</u>	<u>\$ 38,447</u>	<u>\$ 7,047</u>	<u>\$ 15,343</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CEMETERY TRUST FUND				COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	469,000	4,100
Charges for services	-	-	-	-	-	-	-	-
Interest	800	1,284	2,000	1,280	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 800</u>	<u>\$ 1,284</u>	<u>\$ 2,000</u>	<u>\$ 1,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,000</u>	<u>\$ 4,100</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	28,000	366	6,000	364	-	-	469,000	4,100
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 28,000</u>	<u>\$ 366</u>	<u>\$ 6,000</u>	<u>\$ 364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,000</u>	<u>\$ 4,100</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (27,200)	\$ 918	\$ (4,000)	\$ 916	\$ -	\$ -	\$ -	\$ -
CASH, JANUARY 1	<u>27,571</u>	<u>27,571</u>	<u>28,489</u>	<u>28,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 371</u>	<u>\$ 28,489</u>	<u>\$ 24,489</u>	<u>\$ 29,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR'S TAX MAINTENANCE FUND				SENIOR CITIZENS SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 9,500	\$ -	\$ -	\$ -	\$ 41,100	\$ 40,369	\$ 42,000	\$ 41,099
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,800	201	500	1,186
Charges for services	-	11,253	12,000	8,960	-	-	-	-
Interest	-	-	-	-	1,200	519	600	132
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 9,500</u>	<u>\$ 11,253</u>	<u>\$ 12,000</u>	<u>\$ 8,960</u>	<u>\$ 44,100</u>	<u>\$ 41,089</u>	<u>\$ 43,100</u>	<u>\$ 42,417</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,700	995	5,900	35	150	78	150	-
Services and Other	2,000	901	2,000	761	41,450	42,195	45,350	44,155
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,002	1,103	552	552	-	-	-	-
Total Disbursements	<u>\$ 8,702</u>	<u>\$ 2,999</u>	<u>\$ 8,452</u>	<u>\$ 1,348</u>	<u>\$ 41,600</u>	<u>\$ 42,273</u>	<u>\$ 45,500</u>	<u>\$ 44,155</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 798	\$ 8,254	\$ 3,548	\$ 7,612	\$ 2,500	\$ (1,184)	\$ (2,400)	\$ (1,738)
CASH, JANUARY 1	<u>2,716</u>	<u>2,716</u>	<u>10,970</u>	<u>10,970</u>	<u>8,209</u>	<u>8,209</u>	<u>7,025</u>	<u>7,025</u>
CASH, DECEMBER 31	<u>\$ 3,514</u>	<u>\$ 10,970</u>	<u>\$ 14,518</u>	<u>\$ 18,582</u>	<u>\$ 10,709</u>	<u>\$ 7,025</u>	<u>\$ 4,625</u>	<u>\$ 5,287</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	911 FUND				LAW LIBRARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	85,500	89,087	91,000	98,817	-	-	-	-
Intergovernmental	-	28	-	-	-	3,232	4,000	3,668
Charges for services	-	-	-	-	-	-	-	-
Interest	2,500	1,875	2,000	483	-	6	6	-
Other	2,000	8,859	2,000	2,100	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 90,000</u>	<u>\$ 99,849</u>	<u>\$ 95,000</u>	<u>\$ 101,400</u>	<u>\$ -</u>	<u>\$ 3,238</u>	<u>\$ 4,006</u>	<u>\$ 3,668</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	6,500	10,177	6,500	2,945	-	-	-	-
Services and Other	84,900	48,286	85,600	53,609	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	33,500	31,000	33,500	26,000	3,510	3,147	4,050	3,857
Total Disbursements	<u>\$ 124,900</u>	<u>\$ 89,463</u>	<u>\$ 125,600</u>	<u>\$ 82,554</u>	<u>\$ 3,510</u>	<u>\$ 3,147</u>	<u>\$ 4,050</u>	<u>\$ 3,857</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (34,900)	\$ 10,386	\$ (30,600)	\$ 18,846	\$ (3,510)	\$ 91	\$ (44)	\$ (189)
CASH, JANUARY 1	<u>48,022</u>	<u>48,022</u>	<u>58,408</u>	<u>58,408</u>	<u>310</u>	<u>310</u>	<u>401</u>	<u>401</u>
CASH, DECEMBER 31	<u><u>\$ 13,122</u></u>	<u><u>\$ 58,408</u></u>	<u><u>\$ 27,808</u></u>	<u><u>\$ 77,254</u></u>	<u><u>\$ (3,200)</u></u>	<u><u>\$ 401</u></u>	<u><u>\$ 357</u></u>	<u><u>\$ 212</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

PROSECUTING ATTORNEY DELINQUENT TAX FUND				
Year Ended December 31,				
	2007		2008	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	2,269	2,269	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ 2,269</u>	<u>\$ 2,269</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (2,269)	\$ (2,269)	\$ -	\$ -
CASH, JANUARY 1	<u>2,269</u>	<u>2,269</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HOLT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holt County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Holt County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices, and districts that are considered by the Missouri State Auditor's Office to comprise the County's legal entity. The financial statements also include the Senior Citizens Board and Johnson Grass Board which are separate legal entities within the County that are required by the Missouri State Auditor's Office to be included in the County's reporting entity for financial reporting purposes.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. The County adopted a formal budget for all funds in accordance with State statutes.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Senior Citizens fund in 2007.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 50,267,360	\$ 49,599,850
Personal Property	20,982,095	20,146,170

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ 0.3237	\$ 0.3365
Special Road & Bridge	0.4357	0.4357
Johnson Grass	0.0400	0.0200
Senior Citizens	0.0500	0.0500

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$1,201,467 and \$1,156,518, respectively. In addition, at December 31, 2008 and 2007 the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue. These monies amounted to \$4,594,320 and \$4,417,409 at December 31, 2008 and 2007, respectively. The corresponding bank balances were \$5,844,759 and \$5,642,677, respectively. Of the bank balance, \$2,445,632 and \$579,101 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$3,399,127 and \$5,063,576, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two, or a reduced benefit annuity at age 55. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% of gross compensation is required for all participants hired on or after February 2002. A contribution of 0% is required of employees hired before February 2002. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$11,477 and \$11,616, respectively, for the years then ended, equal to the required contributions.

4. LOCAL GOVERNMENT EMPLOYEE RETIREMENT SYSTEM

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. Plan Description

Holt County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that

includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Funding Status

Nodaway County's full-time employees contribute 4% of gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 0.3% (general), 2.9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008 and 2007, the political subdivision's annual pension costs were \$12,474.18 and \$19,072.74 respectively. These amounts were equal to the required and actual contribution.

5. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

6. CLAIMS, COMMITMENT AND CONTINGENCIES

1. Compensated Absences

The County provides full time employees and part-time employees who receive benefits with four hours of sick leave on the first day of each month, up to a maximum of 240 hours. Twenty-four hours of sick leave is accrued on January 1 of each year. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of one week per year for employees with one year of service; two weeks per year for employees with 2 to 19 years of service; and 3 weeks for employees with 20 or more years of service up to a maximum of 120 hours. Upon termination, the employee is compensated for accrued vacation, up to a maximum of 120 hours.

2. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Rural Services Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Holt County, Missouri

We have audited the accompanying financial statements of Holt County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 15, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Holt County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Holt County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Holt County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Holt County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Holt County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Holt County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Holt County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holt County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08-1 through 08-4.

Holt County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Holt County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 15, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Holt County, Missouri

Compliance

We have audited the compliance of Holt County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Holt County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Holt County, Missouri's management. Our responsibility is to express an opinion on Holt County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Holt County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Holt County, Missouri's compliance with those requirements.

In our opinion, Holt County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Item 08-1 through 08-4.

Internal Control Over Compliance

The management of Holt County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Holt County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Holt County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

Holt County, Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Holt County, Missouri's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 15, 2009

HOLT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2008
U.S DEPARTMENT OF AGRICULTURE				
Passed through state:				
10.557	Department of Health and Senior Services - Special Supplemental Nutrition Program for Women, Infants, and Children Summer Food Service Program for Children	ERS0458143	\$ -	\$ 14,562
		ERS0457143	17,304	-
10.923	Natural Resource Conservation Service Emergency Watershed Protection Projects		-	114,480
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
14.228	Department of Economic Development - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		-	4,100
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
	State Department of Public Safety Local Law Enforcement Block Grants Program	2007-LBGJ-022	3,085	2,028
U.S DEPARTMENT OF TRANSPORTATION				
Passed through state:				
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO-27	295,424	-
		BRO-28	25,906	325,629
		BRO-29	20,203	27
		BRO-30	28,473	8,358
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.036	Disaster Grants - Public Assistance Grants (Presidentially declared disasters)	FEMA-DR-1708	235,403	-
		FEMA DR-1736	-	14,362
		FEMA DR-1773	-	13,207
97.042	Homeland Security Grants Program		-	437
Total Expenditures of Federal Awards			\$ 625,798	\$ 497,190

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HOLT COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

HOLT COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☒ Yes ☐ No

Identification of Major Program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

See Findings and Recommendations section:

- 08-1. Schedule of Expenditures of Federal Award
- 08-2. Outstanding Checks
- 08-3. Expenditures
- 08-4. Budgetary Controls

Summary of Schedule of Prior Audit Findings

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Governmental Audit Standards

See No. 08-1 in the Findings and Recommendations section:

Finding 08-1. Schedule of Expenditure of Federal Awards

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Highway Planning and Construction
Pass Through Entity Identifying Number: BRO (27), (28), (29) and (30)
Award Years: 2008 and 2007
Questioned Costs: None

Summary Schedule of Prior Federal Award Findings

06-1. U.S. Department of Transportation Bid Documentation and Reporting

Condition: The County did not submit proposals or requests for their engineering services related to all BRO projects during 2005 and 2006.

Current Status: Corrected.

FINDINGS AND RECOMMENDATIONS

HOLT COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

08-1. Schedule of Expenditures of Federal Awards (SEFA)

Condition: The County Clerk did not prepare an accurate SEFA for the year ended December 31, 2007 as required by Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300(A). Amounts reported as federal expenditures related to Highway Planning and Construction projects varied from amounts actually spent by \$1,802. Smaller variations in the individual BRO projects contributed to the overall difference.

Recommendation: We recommend that the County Clerk accurately monitor expenditures of federal awards by project in order to completely and accurately prepare the SEFA.

County's Response: The County Clerk will implement project accounting for future BRO projects to maintain accuracy in SEFA reporting.

08-2. Outstanding Checks

Condition: As of December 31, 2008, the County Treasurer listed on the bank reconciliation 13 outstanding checks that were written prior to 2008, with one check going as far back as February 2005. Five checks totaling \$251 were written in 2005 and had been outstanding for more than three years as of December 31, 2008. All of these checks were for minor amounts with the largest being \$110. None of these checks had been voided or the subject of a stop payment order.

According to RSMo 447.532.1, "All intangible personal property... that has remained unclaimed by the owner for more than three years is deemed abandoned and shall be turned over immediately to the treasurer pursuant to section 447.543." The Missouri State Treasurer has defined unclaimed property to include stale outstanding checks. Furthermore, as long as the County has stale outstanding checks older than three years, a Report of Unclaimed Property should be filed annually by November 1st as provided in RSMo 447.539.

Recommendation: We recommend that the County remit dollars represented by the outstanding checks that are older than three years to the State's Unclaimed Property Fund as required and submit Reports of Unclaimed Property annually, if applicable, to the Missouri State Treasurer according to RSMo 447.

County's Response: The County Treasurer and County Clerk will work to identify proper owners of the outstanding checks, voiding those which can be reissued and properly filing the remainder with the State Treasurer.

08-3. Expenditures

Condition: Our expenditure testwork revealed two instances in which purchasing procedures were inconsistent with statutory requirements. They were the following:

- A. The County did not provide adequate documentation to support two Sheriff's department fuel expenditures. Purchases of fuel in May 2007 for \$1,360 and in June 2008 for \$2,169.65 were not properly supported with vendor invoices. Instead, the Sheriff submitted a hand written note with in the vendor name and amount as documentation for the Commission to approve the payment.

Recommendation: We recommend that the County maintain adequate documentation to support all purchases.

County's Response: The prior Sheriff is no longer with the County. All office holders are required to submit full documentation in order for a payment to be processed.

08-4. Budgetary Controls

Condition: The County had expenditures in excess of budgeted amounts for the Senior Citizens Fund in 2007. By law, the County is prohibited from having actual expenditures in excess of budgeted amounts for each individual fund.

Recommendation: We recommend that the County strictly adhere to the budget, and properly amend the budget if circumstances arise during the year that require or allow for additional expenditures.

County's Response: The Senior Citizens Fund has a separate Board of Directors who submitted drafts exceeding the budgetary allowance for 2007. The Board is now aware that they cannot exceed the budgetary allowance in a given year without requesting an amendment to their departmental budget.

HOLT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Holt County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. 911 Revenue Maximization

The County does not have written contracts with the various political subdivisions in the County to which they provide dispatching services.

Status: *Implemented.*

2. Personnel Policies and Leave Balances

The County does not require standardized time sheets for all employees and the County Clerk does not maintain adequate centralized sick leave and vacation records.

Status: *Implemented*

3. Transfers

Transfers from the Road & Bridge fund to the General Revenue fund were excessive and did not maintain adequate documentation to support amounts and reasons for transfers between funds.

Status: *Implemented.*

Note: The prior auditors' findings pertaining to the audits of County fee offices (No.s 4, 5, 6, 7 and 8) are excluded from the listing above because they are beyond the scope of this audit.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Warren County, Missouri

The Office of the State Auditor, in cooperation with Warren County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-142

ANNUAL FINANCIAL REPORT

WARREN COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

WARREN COUNTY, MISSOURI
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials	i
FINANCIAL SECTION	
Independent Auditors' Report	ii
BASIC FINANCIAL STATEMENTS:	
Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	19
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	26
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	28
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Federal Expenditures of Federal Awards	31
Schedule of Federal Findings and Questioned Costs	32
Findings and Recommendations	34
Schedule of Prior Year Audit Findings	36

INTRODUCTORY SECTION

WARREN COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Arden Engelage

Associate Commissioner – Dan Hampson

Associate Commissioner – Hubert Kluesner

Other Elected Officials

Assessor – Wendy Nordwald

Circuit Clerk, Recorder – Jerri Jordan

Collector – Linda Stude

Coroner – Roger Mauzy

County Clerk – Barbara Daly

Prosecuting Attorney – Michael Wright

Public Administrator – Jeff Hoelscher

Sheriff – Kevin Harrison

Treasurer – Gene Cornell

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Warren County, Missouri

We have audited the accompanying financial statements of Warren County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Warren County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Warren County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Warren County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 16, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
July 16, 2009

FINANCIAL SECTION

WARREN COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ 2,354,264	\$ 3,250,770	\$ 3,188,487	\$ 2,416,547	\$ 3,184,967	\$ 3,564,739	\$ 2,036,775
Special Road and Bridge	939,031	1,775,825	1,612,611	1,102,245	2,220,709	2,020,066	1,302,888
Assessment	124,171	469,059	446,129	147,101	478,886	444,073	181,914
Law Enforcement	75,294	2,956,934	2,929,699	102,529	3,021,100	3,032,124	91,505
Officer's Training	8,307	32,318	23,738	16,887	22,190	20,344	18,733
Prosecuting Attorney Training	26,684	3,425	-	30,109	3,640	-	33,749
Capital Improvement	5,200,459	1,603,434	827,748	5,976,145	1,768,988	2,897,362	4,847,771
Delinquent Tax	17,293	3,739	6,449	14,583	1,070	7,371	8,282
Bad Check	36,677	20,204	21,864	35,017	20,446	17,379	38,084
Recorder User	59,843	25,780	-	85,623	21,486	11,568	95,541
Sheriff's Civil Fees	6,832	43,712	24,320	26,224	39,804	58,310	7,718
Road and Bridge Capital	645,619	174,821	250,496	569,944	157,505	667,890	59,559
Prosecuting Attorney Forfeiture	6,008	277	793	5,492	97	747	4,842
Election Services	15,000	6,242	4,209	17,033	7,560	5,503	19,090
Recorder Tech	8,231	12,907	-	21,138	9,776	-	30,914
Sheriff's Forfeiture Fund	1,320	55	150	1,225	1,981	-	3,206
Tax Maintenance	127,268	59,563	20,852	165,979	60,543	10,174	216,348
Sheriff's Revolving	1,098	7,326	1,354	7,070	11,988	11,393	7,665
County Clerk's Help America Vote	20,070	6,486	26,556	-	4,605	4,605	-
Federal Grant	1	304,867	304,868	-	24,236	24,236	-
Local Emergency Planning Committee	12,756	5,426	3,623	14,559	4,350	7,974	10,935
Dare	7,410	525	1,000	6,935	124	1,000	6,059
Vending	400	473	261	612	601	412	801
Inmate Security	-	10,811	5,241	5,570	13,761	10,125	9,206
Senate Bill 40	332,862	773,076	711,470	394,468	784,713	730,088	449,093
Domestic Violence	3,484	10,366	3,485	10,365	1,242	-	11,607
Law Library	27,539	18,158	29,698	15,999	18,936	17,763	17,172
Time Payment Fee	6,386	3,486	163	9,709	4,378	-	14,087
Circuit Clerk	71,588	25,692	36,496	60,784	6,675	4,842	62,617
Juvenile Assessment	3,357	238	-	3,595	246	-	3,841
Drug Court	1,416	-	1,416	-	-	-	-
Deputy Sheriff's Salary Supplementation	-	-	-	-	2,838	1,838	1,000
Total	\$ 10,140,668	\$ 11,605,995	\$ 10,483,176	\$ 11,263,487	\$ 11,899,441	\$ 13,571,926	\$ 9,591,002

The accompanying Notes to the Financial Statements are an integral part of this statement.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 409,000	\$ 421,656	\$ 451,000	\$ 527,845
Sales taxes	1,400,000	1,357,081	1,380,000	1,307,894
Intergovernmental	222,574	246,396	369,676	319,087
Charges for services	980,250	928,103	953,800	844,828
Interest	100,000	123,760	100,000	49,713
Other	179,000	173,774	169,000	135,600
Transfers in	-	-	-	-
Total Receipts	<u>\$ 3,290,824</u>	<u>\$ 3,250,770</u>	<u>\$ 3,423,476</u>	<u>\$ 3,184,967</u>
DISBURSEMENTS				
County Commission	\$ 125,045	\$ 116,943	\$ 124,908	\$ 119,939
County Clerk	175,937	162,931	182,499	173,114
Recorder	113,913	102,447	108,283	87,284
Circuit Clerk	39,337	36,665	63,004	62,084
Prosecuting Attorney	422,183	387,916	484,839	459,229
Collector	260,970	230,719	278,581	229,154
Surveyor	7,620	6,056	7,831	4,896
Sanitation Office	76,171	67,503	76,010	67,857
Emergency Manager	49,221	47,867	64,838	61,868
Associate Division II	4,500	2,689	10,000	3,546
Coroner	26,949	26,865	27,667	27,092
Treasurer	46,904	46,430	47,505	46,322
Juvenile Officer	124,964	115,500	124,964	116,608
Public Administrator	28,373	22,956	28,368	23,108
Court Reporter	5,000	1,739	4,500	2,148
Public Health	238,353	216,053	363,642	283,083
Circuit Judge	30,040	19,021	28,010	9,617
Planning and Zoning	111,100	63,091	101,847	69,782
Building and Grounds	661,960	480,910	496,000	390,033
Elections	52,300	21,749	169,914	149,476
Administration	641,969	448,913	658,121	494,934
Transfers out	489,651	489,651	595,000	595,000
Emergency Fund	200,000	-	200,000	-
Child Support Enforcement	39,564	37,773	42,014	39,430
Victim Advocate	39,525	36,100	40,756	37,850
Drug Court	-	-	16,450	11,285
Total Disbursements	<u>\$ 4,011,549</u>	<u>\$ 3,188,487</u>	<u>\$ 4,345,551</u>	<u>\$ 3,564,739</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (720,725)	\$ 62,283	\$ (922,075)	\$ (379,772)
CASH, JANUARY 1	<u>2,354,264</u>	<u>2,354,264</u>	<u>2,416,547</u>	<u>2,416,547</u>
CASH, DECEMBER 31	<u><u>\$ 1,633,539</u></u>	<u><u>\$ 2,416,547</u></u>	<u><u>\$ 1,494,472</u></u>	<u><u>\$ 2,036,775</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 732,500	\$ 856,960	\$ 907,400	\$ 859,047	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,163,200	822,504	1,182,500	1,131,648	432,085	451,665	457,300	465,402
Charges for services	-	-	-	-	-	-	-	-
Interest	47,500	58,089	45,000	28,564	6,000	10,302	7,000	4,976
Other	55,000	38,272	260,000	201,450	8,500	7,092	10,500	8,508
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,998,200</u>	<u>\$ 1,775,825</u>	<u>\$ 2,394,900</u>	<u>\$ 2,220,709</u>	<u>\$ 446,585</u>	<u>\$ 469,059</u>	<u>\$ 474,800</u>	<u>\$ 478,886</u>
DISBURSEMENTS								
Salaries	\$ 339,550	\$ 273,681	\$ 346,415	\$ 317,886	\$ 290,100	\$ 258,752	\$ 287,682	\$ 249,953
Employee fringe benefits	106,288	87,933	114,996	94,526	66,317	53,718	65,008	56,351
Materials and Supplies	691,000	524,593	722,000	604,625	77,825	43,676	145,040	48,708
Services and Other	527,000	374,846	406,000	221,358	120,625	89,983	112,265	89,061
Capital Outlay	140,000	97,045	264,000	239,016	-	-	-	-
Construction	562,000	104,513	495,000	392,655	-	-	-	-
Transfers out	150,000	150,000	150,000	150,000	-	-	-	-
Total Disbursements	<u>\$ 2,515,838</u>	<u>\$ 1,612,611</u>	<u>\$ 2,498,411</u>	<u>\$ 2,020,066</u>	<u>\$ 554,867</u>	<u>\$ 446,129</u>	<u>\$ 609,995</u>	<u>\$ 444,073</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (517,638)	\$ 163,214	\$ (103,511)	\$ 200,643	\$ (108,282)	\$ 22,930	\$ (135,195)	\$ 34,813
CASH, JANUARY 1	<u>939,031</u>	<u>939,031</u>	<u>1,102,245</u>	<u>1,102,245</u>	<u>124,171</u>	<u>124,171</u>	<u>147,101</u>	<u>147,101</u>
CASH, DECEMBER 31	<u>\$ 421,393</u>	<u>\$ 1,102,245</u>	<u>\$ 998,734</u>	<u>\$ 1,302,888</u>	<u>\$ 15,889</u>	<u>\$ 147,101</u>	<u>\$ 11,906</u>	<u>\$ 181,914</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT FUND				OFFICER'S TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,400,000	1,357,085	1,380,000	1,307,917	-	-	-	-
Intergovernmental	324,900	319,217	336,900	358,883	-	-	-	-
Charges for services	666,000	724,089	775,625	661,660	22,393	27,837	27,888	21,462
Interest	5,500	5,084	4,100	2,167	200	424	425	348
Other	76,350	61,808	65,000	95,473	1,100	4,057	3,800	380
Transfers in	489,651	489,651	595,000	595,000	-	-	-	-
Total Receipts	<u>\$ 2,962,401</u>	<u>\$ 2,956,934</u>	<u>\$ 3,156,625</u>	<u>\$ 3,021,100</u>	<u>\$ 23,693</u>	<u>\$ 32,318</u>	<u>\$ 32,113</u>	<u>\$ 22,190</u>
DISBURSEMENTS								
Salaries	\$ 1,767,000	\$ 1,732,394	\$ 1,866,232	\$ 1,845,171	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	390,593	348,025	408,810	383,468	-	-	-	-
Materials and Supplies	269,800	245,099	287,500	240,926	-	-	-	-
Services and Other	610,300	604,181	642,600	562,559	32,000	23,738	49,000	20,344
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,037,693</u>	<u>\$ 2,929,699</u>	<u>\$ 3,205,142</u>	<u>\$ 3,032,124</u>	<u>\$ 32,000</u>	<u>\$ 23,738</u>	<u>\$ 49,000</u>	<u>\$ 20,344</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (75,292)	\$ 27,235	\$ (48,517)	\$ (11,024)	\$ (8,307)	\$ 8,580	\$ (16,887)	\$ 1,846
CASH, JANUARY 1	<u>75,294</u>	<u>75,294</u>	<u>102,529</u>	<u>102,529</u>	<u>8,307</u>	<u>8,307</u>	<u>16,887</u>	<u>16,887</u>
CASH, DECEMBER 31	<u>\$ 2</u>	<u>\$ 102,529</u>	<u>\$ 54,012</u>	<u>\$ 91,505</u>	<u>\$ -</u>	<u>\$ 16,887</u>	<u>\$ -</u>	<u>\$ 18,733</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				CAPITAL IMPROVEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	1,400,000	1,357,074	1,380,000	1,307,918
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,200	2,142	2,100	3,071	-	-	-	-
Interest	1,000	1,283	1,200	569	248,000	246,360	260,000	105,308
Other	-	-	-	-	-	-	360,000	355,762
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,200</u>	<u>\$ 3,425</u>	<u>\$ 3,300</u>	<u>\$ 3,640</u>	<u>\$ 1,648,000</u>	<u>\$ 1,603,434</u>	<u>\$ 2,000,000</u>	<u>\$ 1,768,988</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	50,000	-	50,000	400
Services and Other	7,500	-	7,500	-	885,000	827,748	5,448,364	2,896,962
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 935,000</u>	<u>\$ 827,748</u>	<u>\$ 5,498,364</u>	<u>\$ 2,897,362</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,300)	\$ 3,425	\$ (4,200)	\$ 3,640	\$ 713,000	\$ 775,686	\$ (3,498,364)	\$ (1,128,374)
CASH, JANUARY 1	<u>26,684</u>	<u>26,684</u>	<u>30,109</u>	<u>30,109</u>	<u>5,200,459</u>	<u>5,200,459</u>	<u>5,976,145</u>	<u>5,976,145</u>
CASH, DECEMBER 31	<u>\$ 22,384</u>	<u>\$ 30,109</u>	<u>\$ 25,909</u>	<u>\$ 33,749</u>	<u>\$ 5,913,459</u>	<u>\$ 5,976,145</u>	<u>\$ 2,477,781</u>	<u>\$ 4,847,771</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DELINQUENT TAX FUND				BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,000	2,983	4,000	858	19,000	18,551	19,000	19,663
Interest	600	756	580	212	1,500	1,653	1,400	643
Other	-	-	-	-	-	-	-	140
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,600</u>	<u>\$ 3,739</u>	<u>\$ 4,580</u>	<u>\$ 1,070</u>	<u>\$ 20,500</u>	<u>\$ 20,204</u>	<u>\$ 20,400</u>	<u>\$ 20,446</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 10,101	\$ 15,000	\$ 848
Employee fringe benefits	-	-	-	-	1,382	945	1,367	80
Materials and Supplies	1,000	-	-	-	10,000	-	10,000	-
Services and Other	7,500	6,449	10,000	7,371	15,000	10,818	20,000	16,451
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,500</u>	<u>\$ 6,449</u>	<u>\$ 10,000</u>	<u>\$ 7,371</u>	<u>\$ 41,382</u>	<u>\$ 21,864</u>	<u>\$ 46,367</u>	<u>\$ 17,379</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,900)	\$ (2,710)	\$ (5,420)	\$ (6,301)	\$ (20,882)	\$ (1,660)	\$ (25,967)	\$ 3,067
CASH, JANUARY 1	<u>17,293</u>	<u>17,293</u>	<u>14,583</u>	<u>14,583</u>	<u>36,677</u>	<u>36,677</u>	<u>35,017</u>	<u>35,017</u>
CASH, DECEMBER 31	<u>\$ 13,393</u>	<u>\$ 14,583</u>	<u>\$ 9,163</u>	<u>\$ 8,282</u>	<u>\$ 15,795</u>	<u>\$ 35,017</u>	<u>\$ 9,050</u>	<u>\$ 38,084</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	RECORDER USER FUND				SHERIFF'S CIVIL FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	27,000	22,553	18,000	19,794	37,694	40,175	40,000	38,589
Interest	2,500	3,227	2,300	1,692	475	920	850	503
Other	-	-	-	-	-	2,617	2,427	712
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 29,500</u>	<u>\$ 25,780</u>	<u>\$ 20,300</u>	<u>\$ 21,486</u>	<u>\$ 38,169</u>	<u>\$ 43,712</u>	<u>\$ 43,277</u>	<u>\$ 39,804</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ 9,005	\$ 1,419	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	909	109	-	-	-	-
Materials and Supplies	-	-	-	-	45,000	24,320	69,500	58,310
Services and Other	50,000	-	50,000	10,040	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 59,914</u>	<u>\$ 11,568</u>	<u>\$ 45,000</u>	<u>\$ 24,320</u>	<u>\$ 69,500</u>	<u>\$ 58,310</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (20,500)	\$ 25,780	\$ (39,614)	\$ 9,918	\$ (6,832)	\$ 19,392	\$ (26,224)	\$ (18,506)
CASH, JANUARY 1	<u>59,843</u>	<u>59,843</u>	<u>85,623</u>	<u>85,623</u>	<u>6,832</u>	<u>6,832</u>	<u>26,224</u>	<u>26,224</u>
CASH, DECEMBER 31	<u><u>\$ 39,343</u></u>	<u><u>\$ 85,623</u></u>	<u><u>\$ 46,009</u></u>	<u><u>\$ 95,541</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,224</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,718</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	ROAD AND BRIDGE CAPITAL FUND				PROSECUTING ATTORNEY FORFEITURE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	12,000	24,821	7,000	7,505	200	277	220	97
Other	-	-	-	-	-	-	-	-
Transfers in	150,000	150,000	150,000	150,000	-	-	-	-
Total Receipts	<u>\$ 162,000</u>	<u>\$ 174,821</u>	<u>\$ 157,000</u>	<u>\$ 157,505</u>	<u>\$ 200</u>	<u>\$ 277</u>	<u>\$ 220</u>	<u>\$ 97</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	25,000	973	10,000	1,006	500	5	500	-
Services and Other	160,000	138,057	5,000	483	3,000	788	3,000	747
Capital Outlay	-	-	-	-	-	-	-	-
Construction	612,000	111,466	700,000	666,401	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 797,000</u>	<u>\$ 250,496</u>	<u>\$ 715,000</u>	<u>\$ 667,890</u>	<u>\$ 3,500</u>	<u>\$ 793</u>	<u>\$ 3,500</u>	<u>\$ 747</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	<u>\$ (635,000)</u>	<u>\$ (75,675)</u>	<u>\$ (558,000)</u>	<u>\$ (510,385)</u>	<u>\$ (3,300)</u>	<u>\$ (516)</u>	<u>\$ (3,280)</u>	<u>\$ (650)</u>
CASH, JANUARY 1	<u>645,619</u>	<u>645,619</u>	<u>569,944</u>	<u>569,944</u>	<u>6,008</u>	<u>6,008</u>	<u>5,492</u>	<u>5,492</u>
CASH, DECEMBER 31	<u><u>\$ 10,619</u></u>	<u><u>\$ 569,944</u></u>	<u><u>\$ 11,944</u></u>	<u><u>\$ 59,559</u></u>	<u><u>\$ 2,708</u></u>	<u><u>\$ 5,492</u></u>	<u><u>\$ 2,212</u></u>	<u><u>\$ 4,842</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				RECORDER TECH FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	5,523	4,000	5,862	13,500	12,239	10,000	9,312
Interest	600	719	680	333	350	668	300	464
Other	-	-	-	1,365	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,100</u>	<u>\$ 6,242</u>	<u>\$ 4,680</u>	<u>\$ 7,560</u>	<u>\$ 13,850</u>	<u>\$ 12,907</u>	<u>\$ 10,300</u>	<u>\$ 9,776</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	1,907	12,000	4,424	-	-	-	-
Services and Other	5,000	2,302	6,000	1,079	10,000	-	10,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 15,000</u>	<u>\$ 4,209</u>	<u>\$ 18,000</u>	<u>\$ 5,503</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (10,900)	\$ 2,033	\$ (13,320)	\$ 2,057	\$ 3,850	\$ 12,907	\$ 300	\$ 9,776
CASH, JANUARY 1	<u>15,000</u>	<u>15,000</u>	<u>17,033</u>	<u>17,033</u>	<u>8,231</u>	<u>8,231</u>	<u>21,138</u>	<u>21,138</u>
CASH, DECEMBER 31	<u>\$ 4,100</u>	<u>\$ 17,033</u>	<u>\$ 3,713</u>	<u>\$ 19,090</u>	<u>\$ 12,081</u>	<u>\$ 21,138</u>	<u>\$ 21,438</u>	<u>\$ 30,914</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S FORFEITURE FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	1,951	50,000	52,312	52,000	56,997
Interest	56	55	25	30	2,500	7,251	5,000	3,546
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 56</u>	<u>\$ 55</u>	<u>\$ 25</u>	<u>\$ 1,981</u>	<u>\$ 52,500</u>	<u>\$ 59,563</u>	<u>\$ 57,000</u>	<u>\$ 60,543</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	1,371	150	1,250	-	108,000	18,151	98,000	9,234
Services and Other	-	-	-	-	49,000	2,701	59,000	940
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,371</u>	<u>\$ 150</u>	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ 157,000</u>	<u>\$ 20,852</u>	<u>\$ 157,000</u>	<u>\$ 10,174</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,315)	\$ (95)	\$ (1,225)	\$ 1,981	\$ (104,500)	\$ 38,711	\$ (100,000)	\$ 50,369
CASH, JANUARY 1	<u>1,320</u>	<u>1,320</u>	<u>1,225</u>	<u>1,225</u>	<u>127,268</u>	<u>127,268</u>	<u>165,979</u>	<u>165,979</u>
CASH, DECEMBER 31	<u>\$ 5</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 3,206</u>	<u>\$ 22,768</u>	<u>\$ 165,979</u>	<u>\$ 65,979</u>	<u>\$ 216,348</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				COUNTY CLERK'S HELP AMERICA VOTE ACT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,600	5,681	21,364	3,240
Charges for services	2,787	7,150	6,481	11,900	-	-	-	-
Interest	120	176	150	88	1,000	805	50	-
Other	-	-	-	-	-	-	-	1,365
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,907</u>	<u>\$ 7,326</u>	<u>\$ 6,631</u>	<u>\$ 11,988</u>	<u>\$ 6,600</u>	<u>\$ 6,486</u>	<u>\$ 21,414</u>	<u>\$ 4,605</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	4,000	-	10,500	7,000	2,000	11,000	12,258	1,365
Services and Other	-	1,354	3,200	4,393	15,556	15,556	9,156	3,240
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,000</u>	<u>\$ 1,354</u>	<u>\$ 13,700</u>	<u>\$ 11,393</u>	<u>\$ 17,556</u>	<u>\$ 26,556</u>	<u>\$ 21,414</u>	<u>\$ 4,605</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,093)	\$ 5,972	\$ (7,069)	\$ 595	\$ (10,956)	\$ (20,070)	\$ -	\$ -
CASH, JANUARY 1	<u>1,098</u>	<u>1,098</u>	<u>7,070</u>	<u>7,070</u>	<u>20,070</u>	<u>20,070</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 5</u>	<u>\$ 7,070</u>	<u>\$ 1</u>	<u>\$ 7,665</u>	<u>\$ 9,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	FEDERAL GRANT FUND				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	363,950	304,867	620,000	24,236	4,440	4,748	4,100	2,855
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	470	678	580	255
Other	-	-	-	-	-	-	-	1,240
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 363,950</u>	<u>\$ 304,867</u>	<u>\$ 620,000</u>	<u>\$ 24,236</u>	<u>\$ 4,910</u>	<u>\$ 5,426</u>	<u>\$ 4,680</u>	<u>\$ 4,350</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	7,850	1,509	4,175	3,324
Services and Other	28,950	25,505	60,000	23,486	4,500	2,114	9,853	4,650
Capital Outlay	-	-	-	-	-	-	-	-
Construction	335,000	279,363	560,000	750	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 363,950</u>	<u>\$ 304,868</u>	<u>\$ 620,000</u>	<u>\$ 24,236</u>	<u>\$ 12,350</u>	<u>\$ 3,623</u>	<u>\$ 14,028</u>	<u>\$ 7,974</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (1)	\$ -	\$ -	\$ (7,440)	\$ 1,803	\$ (9,348)	\$ (3,624)
CASH, JANUARY 1	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>12,756</u>	<u>12,756</u>	<u>14,559</u>	<u>14,559</u>
CASH, DECEMBER 31	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,316</u></u>	<u><u>\$ 14,559</u></u>	<u><u>\$ 5,211</u></u>	<u><u>\$ 10,935</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DARE FUND				VENDING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	330	325	300	124	40	21	25	12
Other	290	200	165	-	660	452	600	589
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 620</u>	<u>\$ 525</u>	<u>\$ 465</u>	<u>\$ 124</u>	<u>\$ 700</u>	<u>\$ 473</u>	<u>\$ 625</u>	<u>\$ 601</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	8,000	1,000	7,400	1,000	500	261	650	412
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,000</u>	<u>\$ 1,000</u>	<u>\$ 7,400</u>	<u>\$ 1,000</u>	<u>\$ 500</u>	<u>\$ 261</u>	<u>\$ 650</u>	<u>\$ 412</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,380)	\$ (475)	\$ (6,935)	\$ (876)	\$ 200	\$ 212	\$ (25)	\$ 189
CASH, JANUARY 1	<u>7,410</u>	<u>7,410</u>	<u>6,935</u>	<u>6,935</u>	<u>400</u>	<u>400</u>	<u>612</u>	<u>612</u>
CASH, DECEMBER 31	<u>\$ 30</u>	<u>\$ 6,935</u>	<u>\$ -</u>	<u>\$ 6,059</u>	<u>\$ 600</u>	<u>\$ 612</u>	<u>\$ 587</u>	<u>\$ 801</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	INMATE SECURITY FUND				SENATE BILL 40 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 768,194	\$ 768,194	\$ 778,894	\$ 778,894
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	9,800	10,636	11,650	13,633	-	-	-	-
Interest	200	175	280	128	4,882	4,882	5,819	5,819
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,000</u>	<u>\$ 10,811</u>	<u>\$ 11,930</u>	<u>\$ 13,761</u>	<u>\$ 773,076</u>	<u>\$ 773,076</u>	<u>\$ 784,713</u>	<u>\$ 784,713</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	4,536	11,500	9,585	-	-	-	-
Services and Other	-	705	6,000	540	654,750	654,750	705,584	705,584
Capital Outlay	-	-	-	-	56,720	56,720	24,504	24,504
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 5,241</u>	<u>\$ 17,500</u>	<u>\$ 10,125</u>	<u>\$ 711,470</u>	<u>\$ 711,470</u>	<u>\$ 730,088</u>	<u>\$ 730,088</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 5,570	\$ (5,570)	\$ 3,636	\$ 61,606	\$ 61,606	\$ 54,625	\$ 54,625
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>5,570</u>	<u>5,570</u>	<u>332,862</u>	<u>332,862</u>	<u>394,468</u>	<u>394,468</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 5,570</u>	<u>\$ -</u>	<u>\$ 9,206</u>	<u>\$ 394,468</u>	<u>\$ 394,468</u>	<u>\$ 449,093</u>	<u>\$ 449,093</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DOMESTIC VIOLENCE FUND				LAW LIBRARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	18,158	-	18,936
Interest	-	-	-	-	-	-	-	-
Other	10,366	10,366	1,242	1,242	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,366</u>	<u>\$ 10,366</u>	<u>\$ 1,242</u>	<u>\$ 1,242</u>	<u>\$ -</u>	<u>\$ 18,158</u>	<u>\$ -</u>	<u>\$ 18,936</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,485	3,485	-	-	-	29,698	-	17,763
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,485</u>	<u>\$ 3,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,698</u>	<u>\$ -</u>	<u>\$ 17,763</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 6,881	\$ 6,881	\$ 1,242	\$ 1,242	\$ -	\$ (11,540)	\$ -	\$ 1,173
CASH, JANUARY 1	<u>3,484</u>	<u>3,484</u>	<u>10,365</u>	<u>10,365</u>	<u>-</u>	<u>27,539</u>	<u>-</u>	<u>15,999</u>
CASH, DECEMBER 31	<u>\$ 10,365</u>	<u>\$ 10,365</u>	<u>\$ 11,607</u>	<u>\$ 11,607</u>	<u>\$ -</u>	<u>\$ 15,999</u>	<u>\$ -</u>	<u>\$ 17,172</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	TIME PAYMENT FEE FUND				CIRCUIT CLERK INTEREST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	3,486	-	4,378	-	-	-	-
Interest	-	-	-	-	-	25,692	-	6,675
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 3,486</u>	<u>\$ -</u>	<u>\$ 4,378</u>	<u>\$ -</u>	<u>\$ 25,692</u>	<u>\$ -</u>	<u>\$ 6,675</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	163	-	-	-	36,496	-	4,842
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,496</u>	<u>\$ -</u>	<u>\$ 4,842</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 3,323	\$ -	\$ 4,378	\$ -	\$ (10,804)	\$ -	\$ 1,833
CASH, JANUARY 1	-	6,386	-	9,709	-	71,588	-	60,784
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 9,709</u>	<u>\$ -</u>	<u>\$ 14,087</u>	<u>\$ -</u>	<u>\$ 60,784</u>	<u>\$ -</u>	<u>\$ 62,617</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	JUVENILE ASSESSMENT FUND				DRUG COURT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	238	-	246	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	1,416	1,416	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,416</u>	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 238	\$ -	\$ 246	\$ (1,416)	\$ (1,416)	\$ -	\$ -
CASH, JANUARY 1	<u>-</u>	<u>3,357</u>	<u>-</u>	<u>3,595</u>	<u>1,416</u>	<u>1,416</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 3,595</u>	<u>\$ -</u>	<u>\$ 3,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

DEPUTY SHERIFF'S SALARY SUPPLEMENTATION FUND				
Year Ended December 31,				
2007		2008		
Budget	Actual	Budget	Actual	
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	2,838	2,838
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,838</u>	<u>\$ 2,838</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ 1,838	\$ 1,838
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,838</u>	<u>\$ 1,838</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ -	\$ -	\$ 1,000	\$ 1,000
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

WARREN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Warren County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/ Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Warren County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity. The financial statements also include the Senate Bill 40 Board which is a separate legal entity within the County that is required by the Missouri State Auditor's Office to be included in the County's reporting entity for financial reporting purposes. The E-911 Board is audited and separately reported on by other independent auditors and the related fund is not presented in the financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the

benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law. Although a budget was found in the County Clerk's file, the County did not adopt or publish a formal budget in either 2007 and 2008 for the following funds:

- Juvenile Assessment
- Law Library
- Time Payment Fee
- Circuit Clerk Interest

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceed budgeted amounts for the County Clerk's Help America Vote Act fund in 2007.

E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 393,554,480	\$ 378,480,150
Personal Property	94,465,867	90,038,833
Railroad and Utilities	31,779,094	31,378,402

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ 0.1048	\$ 0.9930
Special Road & Bridge	0.1681	0.1681
Developmentally Disabled	0.1600	0.1600

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$9,591,002 and \$253,122, respectively, and the bank balances were \$9,905,018 and \$11,885,077, respectively. Of the bank balances, \$250,000 and \$100,000 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$9,905,018 and \$11,785,077, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2008 and 2007, the Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the General Revenue, Special Road and Bridge and Senate Bill 40 funds. These collections, all of which were fully collateralized, amounted to \$15,950,712 and \$14,580,044 at December 31, 2008 and 2007, respectively.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two, or a reduced benefit annuity at age 55. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$372,381 and \$348,787, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 8 hours of sick leave with pay credit every 208 hours worked to a maximum of 80 hours per year. Full-time employees may accumulate sick leave with pay to a maximum of 240 hours. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of one week for first year of service, two weeks after two years of service, and three weeks after ten years of service. Vacation must be used within one year of earning the leave or the time is forfeited.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County retired its outstanding bonded debt during 2008 by applying reserve funds of approximately \$130,000 and making a debt service payment of \$2,896,962, which included interest of \$103,364.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Warren County, Missouri

We have audited the accompanying financial statements of Warren County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 16, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Warren County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warren County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Warren County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Warren County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Warren County, Missouri's internal control. We consider the deficiency described in the schedule of findings and recommendations as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will

not be prevented or detected by the Warren County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is identified as item 08-2.

We also noted a certain matter that we reported to management of Warren County, Missouri, in the findings and recommendations section as item 08-3.

Warren County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Warren County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 16, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Warren County, Missouri

Compliance

We have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Warren County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren County, Missouri's management. Our responsibility is to express an opinion on Warren County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Warren County, Missouri's compliance with those requirements.

In our opinion, Warren County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Warren County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Warren County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 16, 2009

WARREN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31	
			2007	2008
	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Passed through State Department of Economic Development Community Development Block Grant	2004-PF-53 2007-ED-08	\$ 304,867 -	\$ - 24,236
	U.S. DEPARTMENTMENT OF JUSTICE			
16.575	Passed through State Department of Public Safety Crime Victims Assistance	2005-VOCA-0082 2006-VOCA-0080	27,259	- 26,385
16.738	Local Law Enforcement Block Grants Program	2006-LBGJ-072 2007-LBGJ-117	8,949 -	- 8,949
16.xxx	Passed through Missouri Sheriff's Association Domestic Cannabis Eradication/Supression Program	N/A	1,606	-
	U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Passed through State Highway and Transportation Commission Highway Planning and Construction	BRO-109(10) BRO-109(11) BRO-109(12)	1,275 4,840 47,398	- - 405,727
	GENERAL SERVICES ADMINISTRATION			
39.003	Passed through State: Office of Administration Donation of Federal Surplus Personal Property	N/A	35	15,222
39.011	Secretary of State Election Reform Payments	N/A	25,398	-
	ELECTION ASSISTANCE COMMISSION			
90.401	Passed through State Secretary of State Help America Vote Act - Requirements Payments	HAVA20002Fed	1,157	4,605
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.283	Passed through State Department of Health and Senior Services: Public Health Emergency Preparedness	CCU716971-08	-	34,242
93.563	Child Support Enforcement	N/A	38,635	47,341
93.996	Bioterrorism Training and Curriculum Development	AOC08380209	62,216	-
	U. S. DEPARTMENT OF HOMELAND SECURITY			
97.036	Passed through State Department of Public Safety Disaster Grants - Public Assistance Grants	FEMA 1736 DR	-	50,895
97.042	Emergency Management Performance Grants	EMPG	19,515	22,757
	Total Expenditures of Federal Awards		<u>\$ 543,150</u>	<u>\$ 640,359</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

WARREN COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

WARREN COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/States Program
20.205	Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

See Findings and Recommendations section:

- 08-1 Pre-numbered Receipt Slips
- 08-2 Competitive Bidding Procedures

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2006

- 06-1 Election Reform Payments Grant

Condition: Monies were not always disbursed within 30 days to minimize the time elapsing between the transfer of funds from the state to the county and the disbursement of those funds.

Current Status: Corrected.

FINDINGS AND RECOMMENDATIONS

WARREN COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Pre-numbered Receipt Slips

Condition: Receipt slips issued by the County Treasurer through a computer-generated system do not provide effective internal controls over cash receipts. The computer system software allows the Treasurer to make changes to or void previously issued receipt slips. This capability effectively negates the control benefits of the pre-numbered receipt system.

Recommendation: We recommend that the County Treasurer ensure that the pre-numbered receipts system is modified to prohibit changes to any previously issued receipt slip. The first step to effect this should be to contact the software manufacturer and request appropriate modifications to the system.

County's Response: The County has addressed options to ensure the integrity of the pre-numbered receipts issued by the Treasurer's Office.

ITEMS OF NONCOMPLIANCE

2. Competitive Bidding Procedures

Bids were not always solicited or bid documentation was not always retained for all purchases. For example: We were advised that repairs costing \$7,785 were made to a vehicle without a bid solicitation because the County had found the selected vendor to have the lowest bids in the past. In another instance, a damaged floor was repaired for \$12,350 without soliciting a bid because unusual circumstances dictated the need for a particular vendor. However, bid files contained no documentation of a sole source requirement.

Section 50.660, RSMo, requires advertisement for bids on all purchases of \$6,000 or more from any one person, firm or corporation during any period of ninety days.

Recommendation: We recommend the County Commission solicit bids on all purchases as required by law. Documentation of bids and awards should include basis for award if not given to low bidder and justification for any sole source procurement.

County's Response: The County will work to increase its efforts to ensure that documentation exists to demonstrate that all County purchases are made in accordance with State and local laws and regulations.

OTHER MATTER

In planning and performing our audit of the financial statements of Warren County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. Our comment and suggestion regarding this matter is summarized below. We previously reported on the County's internal control in our report dated July 16, 2009, contained herein. This document does not affect that report dated July 16, 2009.

3. Invoices

Condition: Documentation to support expenditures should contain original vendor invoices unless exempted under a contract provision. One instance was noted where a \$19,341 payment was made without a vendor invoice. Files supporting the expenditures contained only an internally generated invoice.

Recommendation: We recommend that the County Commission ensure that all expenditures are properly supported by original vendor invoices whenever appropriate.

County's Response: The County will work to ensure that all expenditures are properly supported by vendor invoices and the proper documentation as required.

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Warren County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. Budgetary Practices – Budgets for some funds contained unreasonable estimates of disbursements. Overestimating disbursements may have been done to effect operating reserves for future years. However, the practice results in inaccurate financial information and decreases the effectiveness of the budget.

Status: Budgets of disbursements continued to exceed actual disbursements for some funds but to a lesser extent and for more justifiable reasons. Therefore, no finding is reported in the current audit.

2. Budgets filed by the Circuit Clerk were incomplete for several funds and did not include the actual or budgeted amounts for the previous two years. Also, budgets for two funds were not presented to the County Clerk.

Status: No similar conditions were noted during the current audit.

3. Bids for procurement of major items were not always solicited or bid documentation was not always retained for various purchases. Also records did not always documents price comparisons or reason for sole source purchases.

Status: Condition Not Corrected – See Finding and Recommendation number 2.

4. Contracts were not entered into for some services procured.

Status: No similar conditions were noted during the current audit.

5. County Commission minutes did not always include sufficient detail of matters discussed or the reasons behind actions taken in both open and closed sessions.

Status: No similar conditions were noted during the current audit.

6. Procedures related to voiding receipt slips are in need of improvement. The County Treasurer can void a computer generated receipt slip, make changes to that receipts slip and then reissue that receipt slip.

Status: Condition Not Corrected – See Finding and Recommendation number 1.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Grundy County, Missouri

The Office of the State Auditor, in cooperation with Grundy County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-141

**GRUNDY COUNTY, MISSOURI
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2008**

Grundy County, Missouri
Table of Contents

Financial Statements:	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
 Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis - December 31, 2008	8
Statement of Net Assets - Cash Basis - December 31, 2007	9
Statement of Activities - Cash Basis - December 31, 2008	10
Statement of Activities - Cash Basis - December 31, 2007	11
 Fund Financial Statements:	
Balance Sheet - Cash Basis - Governmental Funds - December 31, 2008	12
Balance Sheet - Cash Basis - Governmental Fund - December 31, 2007	13
Statement of Revenues, Expenditures and Changes in Fund Balances- Cash Basis - Governmental Funds - December 31, 2008	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis - Governmental Funds - December 31, 2007	15
Statement of Fiduciary Net Assets - Cash Basis - December 31, 2008	16
Statement of Fiduciary Net Assets - Cash Basis - December 31, 2007	17
 Notes to Financial Statements	18-24
 Required Supplementary Information	
Budgetary Comparison Schedule - Cash Basis - General Fund	25
Budgetary Comparison Schedule - Cash Basis - Road and Bridge Fund	26
Budgetary Comparison Schedule - Ambulance Fund	27
Budgetary Comparison Schedule - Law Enforcement Center Fund	28
Budgetary Comparison Schedule - Law Enforcement Construction Fund	29
Budgetary Comparison Schedule - Cash Basis - Assessment Fund	30
Budgetary Comparison Schedule - Cash Basis - Law Enforcement Training Fund	31
Budgetary Comparison Schedule - Cash Basis - P.A. Bad Check Fund	32
Budgetary Comparison Schedule - Cash Basis - Special Elections Fund	33
Budgetary Comparison Schedule - Cash Basis - P.A. Training Fund	34
Budgetary Comparison Schedule - Cash Basis - Sheriff Revolving Fund	35
Budgetary Comparison Schedule - Cash Basis - Recorder Preservation Fund	36
Budgetary Comparison Schedule - Cash Basis - LEPC Fund	37
Budgetary Comparison Schedule - Cash Basis - Enhanced 911 Fund	38
Budgetary Comparison Schedule - Cash Basis - Victims of Domestic Violence Fund	39
Budgetary Comparison Schedule - Cash Basis - Election Services Fund	40
Budgetary Comparison Schedule - Cash Basis - Records Technology Fund	41
Budgetary Comparison Schedule - Cash Basis - Drug Court - Local Fund	42
Budgetary Comparison Schedule - Cash Basis - Drug Court - Federal Grant Fund	43

Grundy County, Missouri
Table of Contents

	<u>Page</u>
Required Supplementary Information (Concluded)	
Budgetary Comparison Schedule - Cash Basis - Juvenile Programs Fund	44
Budgetary Comparison Schedule - Cash Basis - Juvenile Restitution Fund	45
Budgetary Comparison Schedule - Cash Basis - Law Enforcement Restitution Fund	46
Budgetary Comparison Schedule - Cash Basis - Tax Maintenance Fund	47
Budgetary Comparison Schedule - Cash Basis - Inmate Security Fund	48
Budgetary Comparison Schedule - Cash Basis - P.A. Delinquent Tax Fund	49
Budgetary Comparison Schedule - Cash Basis - Senate Bill 40 Fund	50
Budgetary Comparison Schedule - Cash Basis - Senior Citizens Tax Fund	51
Budgetary Comparison Schedule - Cash Basis - Cemetery Trust Fund	52
Budgetary Comparison Schedule - Cash Basis - Associate Division Interest Fund	53
Budgetary Comparison Schedule - Cash Basis - Law Library Fund	54
Budgetary Comparison Schedule - Cash Basis - Circuit Clerk Interest Fund	55
Budgetary Comparison Schedule - Cash Basis - Sheriffs Telephone Fund	56
Budgetary Comparison Schedule - Cash Basis - Sheriff Commissary Fund	57
Notes to the Required Supplementary Information	58
Federal Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	61-63
Schedule of Expenditures of Federal Awards	64-65
Notes to the Supplementary Schedule	66-67
Schedule of Findings and Questioned Costs	68-69
Follow Up on Prior Audit Findings for an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	70
Summary Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	71-72

Independent Auditors' Report

To the County Commission of
Grundy County, Missouri
Grundy, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grundy County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2008 and 2007, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Independent Auditors' Report (Concluded)

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2009, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on them.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Grundy County, Missouri. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Original signed by auditor

Kevin G. Hudson, C.P.A.
Trenton, Missouri
September 23, 2009

Grundy County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2008

The discussion and analysis of Grundy County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2008 and 2007. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2008 and 2007 are as follows:

- The county's total governmental expenditures exceeded total receipts by \$799,089 for the year ended December 31, 2008. Of this deficit, \$1,010,823 was related to the construction of the new law enforcement center. When taking this into consideration, revenues would have exceeded expenditures by 211,734. The total expenditures exceeded governmental receipts by \$3,004,218 for the year ended December 31, 2007. Of this deficit, \$3,289,376 was related to the construction of the new law enforcement center. When taking this into consideration, revenues would have exceeded expenditures by \$285,158.
- The county's governmental funds ended the year ended December 31, 2008 with a combined cash balance of \$2,662,117 and the year ended December 31, 2007 of \$3,461,206.
- County revenues for the year ended December 31, 2008 of \$4,923,958 increased by \$271,317 over the county revenues for the year ended December 31, 2007 of \$4,652,641.
- County expenditures for the year ended December 31, 2008 of \$5,736,790 decreased by \$1,991,319 over the county expenditures for the year ended December 31, 2007 of \$7,728,109. Of these expenditures \$1,030,552 was related to the construction of the new law enforcement center for the year ended December 31, 2008 and \$3,420,367 for the year ended December 31, 2007.

Overview of the Financial Statements

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

Grundy County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2008

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-24 of this report.

Grundy County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2008

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedules for all governmental, special revenue funds and capital projects funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-wide Financial Analysis

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2008 and 2007.

	<u>Year Ended December 31,</u> <u>2008</u>	<u>2007</u>
Net Assets	\$2,662,117	\$ 3,461,206
Program Receipts	2,663,480	2,393,877
General Receipts	2,274,221	2,330,014
Disbursements	5,736,790	7,728,109
Change in Net Assets	(799,089)	(3,004,218)

For the two years disclosed in the audit, the change in Net Assets is primarily due to the Law Enforcement Construction Fund. This fund had net assets \$1,485,094 in 2007 as compared to \$474,271 in 2008 due to the fact that construction on the jail was completed in 2008. Program receipts and general receipts did not fluctuate much between 2007 and 2008. During 2007 the county incurred a deficit of \$3,289,376 in the Law Enforcement Construction Fund and in 2008 the county incurred a \$1,010,823 deficit in the Law Enforcement Construction Fund, thus accounting for the differences in the Change in Net Assets.. Disbursements decreased between 2007 and 2008 due to the Law Enforcement Construction fund. There was a decrease of \$2,389,815 in disbursements in this fund between the two years.

Financial Analysis of the County's Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

Grundy County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2008

As of December 31, 2008, the county's governmental funds reported combined ending fund balances of \$2,662,117, an decrease of \$799,089 over the prior years fund balance of \$3,461,206. The unreserved portion of fund balance was \$527,985 for 2008 and \$196,878 for the year ended 2007. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the County. At the end of the fiscal year 2008, unreserved fund balance of the General Fund was \$527,985 and of the unreserved fund balance of the General Fund for fiscal year 2007 was \$196,878. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The unreserved fund balance of the General Fund increased by \$331,107 for fiscal year 2008 as compared to an increase of \$1,344 for fiscal year 2007.

County Revenue Fund Budgeting Highlights

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the County Revenue Fund.

The original and final budgeted revenues for the general fund were \$1,321,959 for 2008 and \$1,215,081 for 2007. The original and final budgeted expenditures were \$1,526,643 for 2008 and \$1,492,454 for 2007.

The County did not make some small budget amendments to various funds.

Capital Assets and Debt Administration

During 2006 the county issued General Obligation Bonds in the amount of \$4,995,000 for the construction of a new law enforcement facility. The balance of these bonds were \$4,895,000 for the year ended December 31, 2008.

Economic Factors and Next Year's Budgets

The opening of the new law enforcement center will add greatly to both the physical and economic well being of the citizens of Grundy County. The county sales taxes have remained constant in the past two years, which is a positive sign.

Grundy County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2008

The Counties General Fund has increased \$332,451 over the two year period that was audited. This is encouraging due to the current economic times. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kristi Urich County Clerk, 700 Main Street, Trenton, Missouri 64683, (660) 359-4040.

GOVERNMENT WIDE FINANCIAL STATEMENTS

Grundy County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2008

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,662,117
Total Assets	<u>\$ 2,662,117</u>
NET ASSETS:	
Restricted	\$ 2,134,132
Unrestricted	<u>527,985</u>
Total Net Assets	<u>\$ 2,662,117</u>

The accompanying notes to the financial statements
 are an integral part of this financial statement

Grundy County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental
	<u>Activities</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 3,461,206</u>
Total Assets	<u>\$ 3,461,206</u>
 NET ASSETS:	
Restricted	\$ 3,264,328
Unrestricted	<u>196,878</u>
Total Net Assets	<u>\$ 3,461,206</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Grundy County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2008

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
Governmental Activities:				
General County Government	\$ 1,907,269	\$ 385,713	\$ 504,342	\$ (1,017,214)
Roads and Bridges	1,311,953	-	1,234,372	(77,581)
Ambulance	937,946	507,598	-	(430,348)
Law Enforcement Center	549,070	-	31,455	(517,615)
Law Enforcement Construction	<u>1,030,552</u>	<u>-</u>	<u>-</u>	<u>(1,030,552)</u>
Total Governmental Activities	<u>\$ 5,736,790</u>	<u>\$ 893,311</u>	<u>\$ 1,770,169</u>	<u>\$ (3,073,310)</u>
 Total Grundy County	 <u>\$ 5,736,790</u>	 <u>\$ 893,311</u>	 <u>\$ 1,770,169</u>	 <u>\$ (3,073,310)</u>
 General Revenues:				
Property Taxes				332,710
Sales Taxes				1,378,073
Interest				65,053
Other				484,642
Transfers				<u>13,743</u>
Total General Revenues				<u>2,274,221</u>
 Change in Net Assets				 (799,089)
 Net Assets - Beginning				 <u>3,461,206</u>
 Net Assets - Ending				 <u>\$ 2,662,117</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Grundy County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2007

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	Governmental <u>Activities</u>
Governmental Activities:				
General County Government	\$ 1,969,772	\$ 236,029	\$ 570,760	\$ (1,162,983)
Roads and Bridges	1,202,434	-	1,082,574	(119,860)
Ambulance	771,354	504,514	-	(266,840)
Law Enforcement Center	364,182	-	-	(364,182)
Law Enforcement Construction	<u>3,420,367</u>	<u>-</u>	<u>-</u>	<u>(3,420,367)</u>
Total Governmental Activities	<u>\$ 7,728,109</u>	<u>\$ 740,543</u>	<u>\$ 1,653,334</u>	<u>\$ (5,334,232)</u>
 Total Grundy County	 <u>\$ 7,728,109</u>	 <u>\$ 740,543</u>	 <u>\$ 1,653,334</u>	 <u>\$ (5,334,232)</u>
 General Revenues:				
Property Taxes				274,172
Sales Taxes				1,402,022
Interest				224,118
Other				358,452
Transfers				<u>71,250</u>
Total General Revenues				<u>2,330,014</u>
 Change in Net Assets				 (3,004,218)
 Net Assets - Beginning				 <u>6,465,424</u>
 Net Assets - Ending				 <u>\$ 3,461,206</u>

The accompanying notes to the financial statements are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

Grundy County, Missouri
Balance Sheet - Cash Basis
Governmental Fund
For the Year Ended December 31, 2008

	General Fund	Special Road & Bridge Fund	Ambulance Fund	Law Enforcement Center Fund	Law Enforcement Construction Fund	Other Governmental Funds	2008 Total Government Funds
ASSETS							
Cash and Cash Equivalents	\$ 527,985	\$ 559,362	\$ 402,418	\$ 230,587	\$ 474,271	\$ 467,494	\$ 2,662,117
TOTAL ASSETS	<u>\$ 527,985</u>	<u>\$ 559,362</u>	<u>\$ 402,418</u>	<u>\$ 230,587</u>	<u>\$ 474,271</u>	<u>\$ 467,494</u>	<u>\$ 2,662,117</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unreserved, Reported in:							
General Fund	\$ 527,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,985
Special Revenue Funds	-	559,362	402,418	230,587	-	-	1,192,367
Capital Projects Fund	-	-	-	-	474,271	-	474,271
Nonmajor Funds	-	-	-	-	-	467,494	467,494
TOTAL FUND BALANCES	<u>\$ 527,985</u>	<u>\$ 559,362</u>	<u>\$ 402,418</u>	<u>\$ 230,587</u>	<u>\$ 474,271</u>	<u>\$ 467,494</u>	<u>\$ 2,662,117</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Grundy County, Missouri
Balance Sheet - Cash Basis
Governmental Fund
For the Year Ended December 31, 2007

	General <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Ambulance <u>Fund</u>	Law Enforcement Center <u>Fund</u>	Law Enforcement Construction <u>Fund</u>	Other Governmental <u>Funds</u>	2007 Total Government <u>Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 196,878	\$ 507,589	\$ 598,549	\$ 231,528	\$ 1,485,094	\$ 441,568	\$ 3,461,206
TOTAL ASSETS	<u>\$ 196,878</u>	<u>\$ 507,589</u>	<u>\$ 598,549</u>	<u>\$ 231,528</u>	<u>\$ 1,485,094</u>	<u>\$ 441,568</u>	<u>\$ 3,461,206</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unreserved, Reported in:							
General Fund	\$ 196,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,878
Special Revenue Funds	-	507,589	598,549	231,528	-	-	1,337,666
Capital Projects Fund	-	-	-	-	1,485,094	-	1,485,094
Nonmajor Funds	-	-	-	-	-	441,568	441,568
TOTAL FUND BALANCES	<u>\$ 196,878</u>	<u>\$ 507,589</u>	<u>\$ 598,549</u>	<u>\$ 231,528</u>	<u>\$ 1,485,094</u>	<u>\$ 441,568</u>	<u>\$ 3,461,206</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Grundy County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2008

	General <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Ambulance <u>Fund</u>	Law Enforcement Center <u>Fund</u>	Law Enforcement Construction <u>Fund</u>	Other Governmental <u>Funds</u>	2008 Total Government <u>Funds</u>
REVENUES:							
Taxes - Sales	\$ 459,895	\$ -	\$ 459,145	\$ 459,033	\$ -	\$ -	\$ 1,378,073
Taxes - Property	186,431	-	-	-	-	146,279	332,710
Intergovernmental Revenues	222,346	1,234,372	-	31,455	-	281,996	1,770,169
Charges for Services	317,415	-	507,598	-	-	68,298	893,311
Interest Income	8,649	12,128	14,236	6,684	8,259	15,097	65,053
Other	165,197	117,226	10,836	5,957	11,470	173,956	484,642
TOTAL REVENUES	<u>1,359,933</u>	<u>1,363,726</u>	<u>991,815</u>	<u>503,129</u>	<u>19,729</u>	<u>685,626</u>	<u>4,923,958</u>
EXPENDITURES:							
General County Government	1,191,569	-	-	-	-	715,700	1,907,269
Roads and Bridges	-	1,311,953	-	-	-	-	1,311,953
Ambulance	-	-	937,946	-	-	-	937,946
Law Enforcement Center	-	-	-	549,070	-	-	549,070
Law Enforcement Construction	-	-	-	-	1,030,552	-	1,030,552
TOTAL EXPENDITURES	<u>1,191,569</u>	<u>1,311,953</u>	<u>937,946</u>	<u>549,070</u>	<u>1,030,552</u>	<u>715,700</u>	<u>5,736,790</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>168,364</u>	<u>51,773</u>	<u>53,869</u>	<u>(45,941)</u>	<u>(1,010,823)</u>	<u>(30,074)</u>	<u>(812,832)</u>
OTHER FINANCING SOURCES (USES)							
Transfer To/From Other Funds	162,743	-	(250,000)	45,000	-	56,000	13,743
TOTAL OTHER FINANCING SOURCES (USES)	<u>162,743</u>	<u>-</u>	<u>(250,000)</u>	<u>45,000</u>	<u>-</u>	<u>56,000</u>	<u>13,743</u>
Net Change in Fund Balances	331,107	51,773	(196,131)	(941)	(1,010,823)	25,926	(799,089)
Fund Balance - Beginning of Year	<u>196,878</u>	<u>507,589</u>	<u>598,549</u>	<u>231,528</u>	<u>1,485,094</u>	<u>441,568</u>	<u>3,461,206</u>
Fund Balance - End of Year	<u>\$ 527,985</u>	<u>\$ 559,362</u>	<u>\$ 402,418</u>	<u>\$ 230,587</u>	<u>\$ 474,271</u>	<u>\$ 467,494</u>	<u>\$ 2,662,117</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Grundy County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Special Road & Bridge Fund	Ambulance Fund	Law Enforcement Center Fund	Law Enforcement Construction Fund	Other Governmental Funds	2007 Total Government Funds
REVENUES:							
Taxes - Sales	\$ 468,052	\$ -	\$ 467,199	\$ 466,771	\$ -	\$ -	\$ 1,402,022
Taxes - Property	175,087	-	-	-	-	99,085	274,172
Intergovernmental Revenues	287,343	1,082,574	-	-	-	283,417	1,653,334
Charges for Services	170,108	-	504,514	-	-	65,921	740,543
Interest Income	10,717	27,001	26,309	11,580	130,991	17,520	224,118
Other	129,859	37,644	3,420	20,945	-	166,584	358,452
TOTAL REVENUES	<u>1,241,166</u>	<u>1,147,219</u>	<u>1,001,442</u>	<u>499,296</u>	<u>130,991</u>	<u>632,527</u>	<u>4,652,641</u>
EXPENDITURES:							
General County Government	1,316,072	-	-	-	-	653,700	1,969,772
Roads and Bridges	-	1,202,434	-	-	-	-	1,202,434
Ambulance	-	-	771,354	-	-	-	771,354
Law Enforcement Center	-	-	-	364,182	-	-	364,182
Law Enforcement Construction	-	-	-	-	3,420,367	-	3,420,367
TOTAL EXPENDITURES	<u>1,316,072</u>	<u>1,202,434</u>	<u>771,354</u>	<u>364,182</u>	<u>3,420,367</u>	<u>653,700</u>	<u>7,728,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(74,906)</u>	<u>(55,215)</u>	<u>230,088</u>	<u>135,114</u>	<u>(3,289,376)</u>	<u>(21,173)</u>	<u>(3,075,468)</u>
OTHER FINANCING SOURCES (USES)							
Transfer To/From Other Funds	76,250	-	(65,000)	-	-	60,000	71,250
TOTAL OTHER FINANCING SOURCES (USES)	<u>76,250</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>71,250</u>
Net Change in Fund Balances	1,344	(55,215)	165,088	135,114	(3,289,376)	38,827	(3,004,218)
Fund Balance - Beginning of Year	<u>195,534</u>	<u>562,804</u>	<u>433,461</u>	<u>96,414</u>	<u>4,774,470</u>	<u>402,741</u>	<u>6,465,424</u>
Fund Balance - End of Year	<u>\$ 196,878</u>	<u>\$ 507,589</u>	<u>\$ 598,549</u>	<u>\$ 231,528</u>	<u>\$ 1,485,094</u>	<u>\$ 441,568</u>	<u>\$ 3,461,206</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Grundy County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2008

	Governmental
	<u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,251,637
Total Assets	<u>\$ 5,251,637</u>
NET ASSETS:	
Restricted	\$ 5,251,637
Unrestricted	<u>-</u>
Total Net Assets	<u><u>\$ 5,251,637</u></u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Grundy County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 5,352,010</u>
Total Assets	<u>\$ 5,352,010</u>
NET ASSETS:	
Restricted	\$ 5,352,010
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 5,352,010</u>

The accompanying notes to the financial statements
 are an integral part of this financial statement

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 1: Summary of Significant Accounting Policies

The financial statements of Grundy County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

A. Reporting Entity

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

B. Basis of Presentation

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2008 and 2007, the county had only governmental activities.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Special Road and Bridge Fund, Law Enforcement Center Fund and Ambulance Funds are all considered Special Revenue Funds.

Capital Projects Funds - The Capital Projects Fund is used to account for resources designated to construct or acquire capital assets and major improvements. Revenues are derived primarily from the issuance of long-term liabilities, intergovernmental revenues, grants and earnings on investments. The Law Enforcement Construction Fund is considered a Capital Project Fund.

The county's nonmajor governmental funds are also special revenue funds.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, Unclaimed Fees Fund, School Fines Fund, School Overplus Fund and County Employees Retirement Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

D. Vacation, Personal and Sick Leave

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personal days, but comp time can be earned by working overtime.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15th of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. A few budget amendments were made for 2008 and 2007. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

F. Inventories and Capital Assets

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

G. Long-Term Debt

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Risk of Loss

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

Note 2: Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the two years ended December 31, 2008, the County had an excess of expenditures over appropriations in the Recorder Preservation Fund, Prosecuting Attorney Delinquent Tax Fund, Victims of Domestic Fund, Drug Court - Local Fund, Circuit Clerk Interest Fund and Cemetery Trust. The Sheriffs Telephone Fund and Sheriffs Commissary Fund did not prepare budgets for both the years ended December 31, 2008 and December 31, 2007. The Senior Citizens Tax Fund and Law Library Fund did not have a budget prepared for the year ended December 31, 2008.

Net Assets/Fund Balance Deficit

At December 31, 2008, the County has a deficit balance of \$8,685 in net assets for the Drug Court - Federal Grant Fund. At December 31, 2007 the Drug Court - Federal Grant Fund had a deficit net asset balance of \$8,177.

Note 3: Cash and Investments

Deposits - At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$2,198,215 and \$1,876,921 respectively. The bank balance for the year ended December 31, 2008 and 2007 was \$2,106,900 and \$1,964,632 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,098,215 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2008 and \$1,776,921 for the year ended December 31, 2007.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 3: Cash and Investments (Concluded)

The Senior Citizens Tax Fund and the Senate Bill 40 Fund deposits at December 31, 2008 and 2007, and the County's Collector's deposits at December 31, 2008 and 2007, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by collateral securities held by the county's or board's custodial bank in the county's or board's name.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. At December 31, 2008 and 2007 the County had \$150,000 and \$150,000 invested in Certificates of Deposit for each year respectively.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

Investment Credit Risk - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Credit Risk - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2008, the County had no concentration of credit risk.

Grundy County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2008

Note 4: Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1st and payable by December 31st of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2008 and 2007 for purposes of County taxation was as follows:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 60,289,220	\$ 59,765,350
Personal Property	34,918,790	32,219,615
Railroad and Utilities	<u>11,478,062</u>	<u>11,380,709</u>
Total	<u>\$ 106,686,072</u>	<u>\$ 103,365,674</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2008 and 2007 for purposes of County taxation was:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$.1547	\$.1823
Total	<u>\$.1547</u>	<u>\$.1823</u>

Note 5: Commitments and Contingencies

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
General Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 450,000	\$ 450,000	\$ 459,895	\$ 9,895	\$ 440,000	\$ 440,000	\$ 468,052	\$ 28,052
Taxes - Property	170,000	170,000	186,431	16,431	140,000	140,300	175,087	34,787
Intergovernmental Revenues	344,694	344,694	222,346	(122,348)	308,378	395,238	287,343	(107,895)
Charges for Services	317,600	317,600	317,415	(185)	155,000	155,000	170,108	15,108
Interest Income	10,000	10,000	8,649	(1,351)	15,000	15,000	10,717	(4,283)
Other	29,665	29,665	165,197	135,532	156,703	69,543	129,859	60,316
Total Revenue	<u>1,321,959</u>	<u>1,321,959</u>	<u>1,359,933</u>	<u>37,974</u>	<u>1,215,081</u>	<u>1,215,081</u>	<u>1,241,166</u>	<u>26,085</u>
Expenditures:								
County Commission	81,450	81,450	81,038	412	76,710	78,210	76,541	1,669
County Clerk	112,253	112,253	108,236	4,017	91,550	91,550	81,918	9,632
Elections	50,265	50,265	33,775	16,490	22,470	13,470	162	13,308
Buildings and Grounds	90,250	80,250	58,055	22,195	65,178	65,178	64,441	737
Employee Fringe Benefits	143,500	143,500	127,940	15,560	130,938	130,938	119,571	11,367
County Treasurer	101,400	101,400	94,068	7,332	96,465	96,465	82,598	13,867
Circuit Clerk	33,973	33,973	30,679	3,294	30,377	30,377	27,126	3,251
Associate Circuit Clerk	11,550	11,550	7,508	4,042	10,250	10,250	7,533	2,717
Court Administration	12,597	12,597	8,512	4,085	12,911	12,911	8,888	4,023
Public Administrator	42,980	42,980	41,785	1,195	40,109	40,109	39,053	1,056
Sheriff	356,823	360,823	251,759	109,064	318,771	318,771	295,550	23,221
Jail	34,239	34,239	32,438	1,801	127,133	134,633	135,018	(385)
Prosecuting Attorney	78,429	78,429	77,473	956	77,728	77,728	75,018	2,710
Juvenile Officer	58,914	58,914	16,315	42,599	110,542	110,542	38,094	72,448
County Coroner	18,050	18,050	12,866	5,184	16,590	16,590	15,617	973
Childrens Advocacy	145,088	145,088	107,245	37,843	127,074	127,074	153,687	(26,613)
Emergency Fund	48,800	48,800	-	48,800	39,500	39,500	-	39,500
Other	106,082	112,082	101,877	10,205	98,158	98,158	95,257	2,901
Total Expenditures	<u>1,526,643</u>	<u>1,526,643</u>	<u>1,191,569</u>	<u>335,074</u>	<u>1,492,454</u>	<u>1,492,454</u>	<u>1,316,072</u>	<u>176,382</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(204,684)</u>	<u>(204,684)</u>	<u>168,364</u>	<u>373,048</u>	<u>(277,373)</u>	<u>(277,373)</u>	<u>(74,906)</u>	<u>202,467</u>
Fund Balance - Beginning of Year	196,878	196,878	196,878	-	195,534	195,534	195,534	-
Transfers In	304,000	304,000	304,000	-	157,000	157,000	136,250	(20,750)
Transfers Out	(146,000)	(146,000)	(141,257)	4,743	(75,000)	(75,000)	(60,000)	15,000
Fund Balance - End of Year	<u>\$ 150,194</u>	<u>\$ 150,194</u>	<u>\$ 527,985</u>	<u>\$ 377,791</u>	<u>\$ 161</u>	<u>\$ 161</u>	<u>\$ 196,878</u>	<u>\$ 196,717</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Special Road and Bridge Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	48,000	48,000	-	(48,000)	49,000	49,000	-	(49,000)
Intergovernmental Revenues	908,561	1,224,561	1,234,372	9,811	1,475,731	1,561,731	1,082,574	(479,157)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	25,000	25,000	12,128	(12,872)	18,000	18,000	27,001	9,001
Other	18,000	18,000	117,226	99,226	5,000	5,000	37,644	32,644
Total Revenue	<u>999,561</u>	<u>1,315,561</u>	<u>1,363,726</u>	<u>48,165</u>	<u>1,547,731</u>	<u>1,633,731</u>	<u>1,147,219</u>	<u>(486,512)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administrator	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	1,045,742	1,322,242	1,311,953	10,289	1,546,006	1,632,006	1,202,434	429,572
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,045,742</u>	<u>1,322,242</u>	<u>1,311,953</u>	<u>10,289</u>	<u>1,546,006</u>	<u>1,632,006</u>	<u>1,202,434</u>	<u>429,572</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(46,181)</u>	<u>(6,681)</u>	<u>51,773</u>	<u>58,454</u>	<u>1,725</u>	<u>1,725</u>	<u>(55,215)</u>	<u>(56,940)</u>
Fund Balance - Beginning of Year	507,589	507,589	507,589	-	562,804	562,804	562,804	-
Transfers In	41,000	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 502,408</u>	<u>\$ 500,908</u>	<u>\$ 559,362</u>	<u>\$ 58,454</u>	<u>\$ 564,529</u>	<u>\$ 564,529</u>	<u>\$ 507,589</u>	<u>\$ (56,940)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Ambulance Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 450,000	\$ 450,000	\$ 459,145	\$ 9,145	\$ 440,000	\$ 440,000	\$ 467,199	\$ 27,199
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	475,000	475,000	507,598	32,598	420,000	420,000	504,514	84,514
Interest Income	25,000	25,000	14,236	(10,764)	25,150	25,150	26,309	1,159
Other	<u>3,000</u>	<u>3,000</u>	<u>10,836</u>	<u>7,836</u>	<u>4,500</u>	<u>4,500</u>	<u>3,420</u>	<u>(1,080)</u>
Total Revenue	<u>953,000</u>	<u>953,000</u>	<u>991,815</u>	<u>38,815</u>	<u>889,650</u>	<u>889,650</u>	<u>1,001,442</u>	<u>111,792</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	1,213,519	1,213,519	937,946	275,573	838,287	838,287	771,354	66,933
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,213,519</u>	<u>1,213,519</u>	<u>937,946</u>	<u>275,573</u>	<u>838,287</u>	<u>838,287</u>	<u>771,354</u>	<u>66,933</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(260,519)</u>	<u>(260,519)</u>	<u>53,869</u>	<u>314,388</u>	<u>51,363</u>	<u>51,363</u>	<u>230,088</u>	<u>178,725</u>
Fund Balance - Beginning of Year	598,549	598,549	598,549	-	433,461	433,461	433,461	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Fund Balance - End of Year	<u>\$ 338,030</u>	<u>\$ 338,030</u>	<u>\$ 402,418</u>	<u>\$ 64,388</u>	<u>\$ 484,824</u>	<u>\$ 484,824</u>	<u>\$ 598,549</u>	<u>\$ 113,725</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Center Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 450,000	\$ 450,000	\$ 459,033	\$ 9,033	\$ 440,000	\$ 440,000	\$ 466,771	\$ 26,771
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	60,328	60,328	31,455	(28,873)	19,070	19,070	-	(19,070)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	10,000	10,000	6,684	(3,316)	7,100	7,100	11,580	4,480
Other	<u>850</u>	<u>850</u>	<u>5,957</u>	<u>5,107</u>	<u>1,825</u>	<u>1,825</u>	<u>20,945</u>	<u>19,120</u>
Total Revenue	<u>521,178</u>	<u>521,178</u>	<u>503,129</u>	<u>(18,049)</u>	<u>467,995</u>	<u>467,995</u>	<u>499,296</u>	<u>31,301</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	558,800	558,800	549,070	9,730	419,925	419,925	364,182	55,743
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>558,800</u>	<u>558,800</u>	<u>549,070</u>	<u>9,730</u>	<u>419,925</u>	<u>419,925</u>	<u>364,182</u>	<u>55,743</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(37,622)</u>	<u>(37,622)</u>	<u>(45,941)</u>	<u>(8,319)</u>	<u>48,070</u>	<u>48,070</u>	<u>135,114</u>	<u>87,044</u>
Fund Balance - Beginning of Year	231,528	231,528	231,528	-	96,414	96,414	96,414	-
Transfers In	50,000	50,000	45,000	(5,000)	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 243,906</u>	<u>\$ 243,906</u>	<u>\$ 230,587</u>	<u>\$ (13,319)</u>	<u>\$ 144,484</u>	<u>\$ 144,484</u>	<u>\$ 231,528</u>	<u>\$ 87,044</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Construction Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	8,000	8,000	8,259	259	23,000	23,000	130,991	107,991
Other	-	-	11,470	11,470	281,000	281,000	-	(281,000)
Total Revenue	<u>8,000</u>	<u>8,000</u>	<u>19,729</u>	<u>11,729</u>	<u>304,000</u>	<u>304,000</u>	<u>130,991</u>	<u>(173,009)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	1,045,853	1,045,853	1,030,552	15,301	4,631,229	4,631,229	3,420,367	1,210,862
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,045,853</u>	<u>1,045,853</u>	<u>1,030,552</u>	<u>15,301</u>	<u>4,631,229</u>	<u>4,631,229</u>	<u>3,420,367</u>	<u>1,210,862</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,037,853)</u>	<u>(1,037,853)</u>	<u>(1,010,823)</u>	<u>27,030</u>	<u>(4,327,229)</u>	<u>(4,327,229)</u>	<u>(3,289,376)</u>	<u>1,037,853</u>
Fund Balance - Beginning of Year	1,485,094	1,485,094	1,485,094	-	4,327,229	4,327,229	4,774,470	447,241
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 447,241</u>	<u>\$ 447,241</u>	<u>\$ 474,271</u>	<u>\$ 27,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,094</u>	<u>\$ 1,485,094</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Assessment Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	156,800	156,800	147,088	(9,712)	146,500	146,500	150,271	3,771
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	600	600	411	(189)	2,500	2,500	579	(1,921)
Other	900	900	1,535	635	850	850	3,233	2,383
Total Revenue	<u>158,300</u>	<u>158,300</u>	<u>149,034</u>	<u>(9,266)</u>	<u>149,850</u>	<u>149,850</u>	<u>154,083</u>	<u>4,233</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	218,415	218,415	210,447	7,968	224,517	224,517	208,581	15,936
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>218,415</u>	<u>218,415</u>	<u>210,447</u>	<u>7,968</u>	<u>224,517</u>	<u>224,517</u>	<u>208,581</u>	<u>15,936</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(60,115)</u>	<u>(60,115)</u>	<u>(61,413)</u>	<u>(1,298)</u>	<u>(74,667)</u>	<u>(74,667)</u>	<u>(54,498)</u>	<u>20,169</u>
Fund Balance - Beginning of Year	5,621	5,621	5,621	-	119	119	119	-
Transfers In	55,000	55,000	56,000	1,000	75,000	75,000	60,000	15,000
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 506</u>	<u>\$ 506</u>	<u>\$ 208</u>	<u>\$ (298)</u>	<u>\$ 452</u>	<u>\$ 452</u>	<u>\$ 5,621</u>	<u>\$ 5,169</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Training Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	1,000	1,000	-	(1,000)
Charges for Services	3,000	3,000	1,877	(1,123)	2,800	2,800	1,456	(1,344)
Interest Income	75	75	30	(45)	50	50	67	17
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>3,075</u>	<u>3,075</u>	<u>1,907</u>	<u>(1,168)</u>	<u>3,850</u>	<u>3,850</u>	<u>1,523</u>	<u>(2,327)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	3,050	3,050	1,464	1,586	4,000	4,000	1,665	2,335
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>3,050</u>	<u>3,050</u>	<u>1,464</u>	<u>1,586</u>	<u>4,000</u>	<u>4,000</u>	<u>1,665</u>	<u>2,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25</u>	<u>25</u>	<u>443</u>	<u>418</u>	<u>(150)</u>	<u>(150)</u>	<u>(142)</u>	<u>8</u>
Fund Balance - Beginning of Year	1,080	1,080	1,080	-	1,222	1,222	1,222	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,105</u>	<u>\$ 1,105</u>	<u>\$ 1,523</u>	<u>\$ 418</u>	<u>\$ 1,072</u>	<u>\$ 1,072</u>	<u>\$ 1,080</u>	<u>\$ 8</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Bad Check Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	34,000	34,000	35,696	1,696	30,000	30,000	35,421	5,421
Interest Income	700	700	805	105	500	500	1,316	816
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>34,700</u>	<u>34,700</u>	<u>36,501</u>	<u>1,801</u>	<u>30,500</u>	<u>30,500</u>	<u>36,737</u>	<u>6,237</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	29,154	29,154	28,031	1,123	28,080	28,080	25,342	2,738
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>29,154</u>	<u>29,154</u>	<u>28,031</u>	<u>1,123</u>	<u>28,080</u>	<u>28,080</u>	<u>25,342</u>	<u>2,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,546</u>	<u>5,546</u>	<u>8,470</u>	<u>2,924</u>	<u>2,420</u>	<u>2,420</u>	<u>11,395</u>	<u>8,975</u>
Fund Balance - Beginning of Year	30,380	30,380	30,380	-	18,985	18,985	18,985	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 35,926</u>	<u>\$ 35,926</u>	<u>\$ 38,850</u>	<u>\$ 2,924</u>	<u>\$ 21,405</u>	<u>\$ 21,405</u>	<u>\$ 30,380</u>	<u>\$ 8,975</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Special Elections Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	6,047	6,047	-	-	9,133	9,133
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>6,047</u>	<u>6,047</u>	<u>-</u>	<u>-</u>	<u>9,133</u>	<u>9,133</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	6,047	(6,047)	-	-	9,133	(9,133)
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>6,047</u>	<u>(6,047)</u>	<u>-</u>	<u>-</u>	<u>9,133</u>	<u>(9,133)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Training Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	365	365	314	(51)	300	300	368	68
Interest Income	235	235	106	(129)	100	100	235	135
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>600</u>	<u>600</u>	<u>420</u>	<u>(180)</u>	<u>400</u>	<u>400</u>	<u>603</u>	<u>203</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	600	600	80	520	900	900	630	270
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>600</u>	<u>600</u>	<u>80</u>	<u>520</u>	<u>900</u>	<u>900</u>	<u>630</u>	<u>270</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>340</u>	<u>340</u>	<u>(500)</u>	<u>(500)</u>	<u>(27)</u>	<u>473</u>
Fund Balance - Beginning of Year	4,447	4,447	4,447	-	4,474	4,474	4,474	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 4,447</u>	<u>\$ 4,447</u>	<u>\$ 4,787</u>	<u>\$ 340</u>	<u>\$ 3,974</u>	<u>\$ 3,974</u>	<u>\$ 4,447</u>	<u>\$ 473</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriffs Revolving Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,000	1,000	3,760	2,760	400	2,900	2,180	(720)
Interest Income	50	50	73	23	35	35	49	14
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>1,050</u>	<u>1,050</u>	<u>3,833</u>	<u>2,783</u>	<u>435</u>	<u>2,935</u>	<u>2,229</u>	<u>(706)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	1,000	1,000	720	280	200	1,700	1,124	576
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>720</u>	<u>280</u>	<u>200</u>	<u>1,700</u>	<u>1,124</u>	<u>576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>50</u>	<u>50</u>	<u>3,113</u>	<u>3,063</u>	<u>235</u>	<u>1,235</u>	<u>1,105</u>	<u>(130)</u>
Fund Balance - Beginning of Year	1,819	1,819	1,819	-	714	714	714	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,869</u>	<u>\$ 1,869</u>	<u>\$ 4,932</u>	<u>\$ 3,063</u>	<u>\$ 949</u>	<u>\$ 1,949</u>	<u>\$ 1,819</u>	<u>\$ (130)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Recorder Preservation Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	4,000	4,000	3,670	(330)	4,000	4,000	4,021	21
Interest Income	50	50	16	(34)	250	250	34	(216)
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>4,050</u>	<u>4,050</u>	<u>3,686</u>	<u>(364)</u>	<u>4,250</u>	<u>4,250</u>	<u>4,055</u>	<u>(195)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	4,100	4,100	2,556	1,544	4,000	4,000	4,174	(174)
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>4,100</u>	<u>4,100</u>	<u>2,556</u>	<u>1,544</u>	<u>4,000</u>	<u>4,000</u>	<u>4,174</u>	<u>(174)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(50)</u>	<u>(50)</u>	<u>1,130</u>	<u>1,180</u>	<u>250</u>	<u>250</u>	<u>(119)</u>	<u>(369)</u>
Fund Balance - Beginning of Year	276	276	276	-	395	395	395	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 226</u>	<u>\$ 226</u>	<u>\$ 1,406</u>	<u>\$ 1,180</u>	<u>\$ 645</u>	<u>\$ 645</u>	<u>\$ 276</u>	<u>\$ (369)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
LEPC Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	3,400	3,400	3,741	341	3,500	3,500	3,781	281
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	300	300	110	(190)	300	300	312	12
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>3,700</u>	<u>3,700</u>	<u>3,851</u>	<u>151</u>	<u>3,800</u>	<u>3,800</u>	<u>4,093</u>	<u>293</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>4,573</u>	<u>4,573</u>	<u>4,428</u>	<u>145</u>	<u>5,673</u>	<u>5,673</u>	<u>4,513</u>	<u>1,160</u>
Total Expenditures	<u>4,573</u>	<u>4,573</u>	<u>4,428</u>	<u>145</u>	<u>5,673</u>	<u>5,673</u>	<u>4,513</u>	<u>1,160</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(873)</u>	<u>(873)</u>	<u>(577)</u>	<u>296</u>	<u>(1,873)</u>	<u>(1,873)</u>	<u>(420)</u>	<u>1,453</u>
Fund Balance - Beginning of Year	7,163	7,163	7,163	-	7,583	7,583	7,583	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 6,290</u>	<u>\$ 6,290</u>	<u>\$ 6,586</u>	<u>\$ 296</u>	<u>\$ 5,710</u>	<u>\$ 5,710</u>	<u>\$ 7,163</u>	<u>\$ 1,453</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Enhanced 911 Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	1,000	1,000	260	(740)	1,900	1,900	1,357	(543)
Other	<u>76,000</u>	<u>76,000</u>	<u>105,880</u>	<u>29,880</u>	<u>90,000</u>	<u>90,000</u>	<u>86,268</u>	<u>(3,732)</u>
Total Revenue	<u>77,000</u>	<u>77,000</u>	<u>106,140</u>	<u>29,140</u>	<u>91,900</u>	<u>91,900</u>	<u>87,625</u>	<u>(4,275)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>104,525</u>	<u>104,525</u>	<u>98,492</u>	<u>6,033</u>	<u>106,500</u>	<u>106,500</u>	<u>98,641</u>	<u>7,859</u>
Total Expenditures	<u>104,525</u>	<u>104,525</u>	<u>98,492</u>	<u>6,033</u>	<u>106,500</u>	<u>106,500</u>	<u>98,641</u>	<u>7,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(27,525)</u>	<u>(27,525)</u>	<u>7,648</u>	<u>35,173</u>	<u>(14,600)</u>	<u>(14,600)</u>	<u>(11,016)</u>	<u>3,584</u>
Fund Balance - Beginning of Year	7,901	7,901	7,901	-	18,917	18,917	18,917	-
Transfers In	20,000	20,000	-	(20,000)	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 376</u>	<u>\$ 376</u>	<u>\$ 15,549</u>	<u>\$ 15,173</u>	<u>\$ 4,317</u>	<u>\$ 4,317</u>	<u>\$ 7,901</u>	<u>\$ 3,584</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Victims of Domestic Violence
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	500	500	410	(90)	430	430	460	30
Interest Income	10	10	3	(7)	20	20	11	(9)
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>510</u>	<u>510</u>	<u>413</u>	<u>(97)</u>	<u>450</u>	<u>450</u>	<u>471</u>	<u>21</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>510</u>	<u>510</u>	<u>314</u>	<u>196</u>	<u>450</u>	<u>450</u>	<u>481</u>	<u>(31)</u>
Total Expenditures	<u>510</u>	<u>510</u>	<u>314</u>	<u>196</u>	<u>450</u>	<u>450</u>	<u>481</u>	<u>(31)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>99</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(10)</u>
Fund Balance - Beginning of Year	12	12	12	-	22	22	22	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 111</u>	<u>\$ 99</u>	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ (10)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Election Services Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	7,000	7,000	2,557	(4,443)	4,627	6,700	7,754	1,054
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	100	100	42	(58)	100	100	113	13
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>7,100</u>	<u>7,100</u>	<u>2,599</u>	<u>(4,501)</u>	<u>4,727</u>	<u>6,800</u>	<u>7,867</u>	<u>1,067</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	8,600	8,600	4,280	4,320	1,000	3,100	2,800	300
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>8,600</u>	<u>8,600</u>	<u>4,280</u>	<u>4,320</u>	<u>1,000</u>	<u>3,100</u>	<u>2,800</u>	<u>300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,681)</u>	<u>(181)</u>	<u>3,727</u>	<u>3,700</u>	<u>5,067</u>	<u>1,367</u>
Fund Balance - Beginning of Year	2,849	2,849	2,849	-	(2,218)	(2,218)	(2,218)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,349</u>	<u>\$ 1,349</u>	<u>\$ 1,168</u>	<u>\$ (181)</u>	<u>\$ 1,509</u>	<u>\$ 1,482</u>	<u>\$ 2,849</u>	<u>\$ 1,367</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Recorders Technology Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,300	2,300	2,004	(296)	2,250	2,250	2,220	(30)
Interest Income	90	90	41	(49)	70	70	63	(7)
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>2,390</u>	<u>2,390</u>	<u>2,045</u>	<u>(345)</u>	<u>2,320</u>	<u>2,320</u>	<u>2,283</u>	<u>(37)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	3,700	3,700	3,001	699	1,000	1,000	750	250
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>3,700</u>	<u>3,700</u>	<u>3,001</u>	<u>699</u>	<u>1,000</u>	<u>1,000</u>	<u>750</u>	<u>250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,310)</u>	<u>(1,310)</u>	<u>(956)</u>	<u>354</u>	<u>1,320</u>	<u>1,320</u>	<u>1,533</u>	<u>213</u>
Fund Balance - Beginning of Year	1,877	1,877	1,877	-	344	344	344	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 567</u>	<u>\$ 567</u>	<u>\$ 921</u>	<u>\$ 354</u>	<u>\$ 1,664</u>	<u>\$ 1,664</u>	<u>\$ 1,877</u>	<u>\$ 213</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Drug Court -Local Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	20,800	20,800	16,344	(4,456)	13,800	13,800	15,510	1,710
Charges for Services	3,400	3,400	-	(3,400)	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	3,500	3,500	-	(3,500)
Total Revenue	<u>24,200</u>	<u>24,200</u>	<u>16,344</u>	<u>(7,856)</u>	<u>17,300</u>	<u>17,300</u>	<u>15,510</u>	<u>(1,790)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	15,331	15,331	15,673	(342)	14,100	14,100	13,804	296
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>15,331</u>	<u>15,331</u>	<u>15,673</u>	<u>(342)</u>	<u>14,100</u>	<u>14,100</u>	<u>13,804</u>	<u>296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,869</u>	<u>8,869</u>	<u>671</u>	<u>(8,198)</u>	<u>3,200</u>	<u>3,200</u>	<u>1,706</u>	<u>(1,494)</u>
Fund Balance - Beginning of Year	12,374	12,374	12,374	-	10,668	10,668	10,668	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 21,243</u>	<u>\$ 21,243</u>	<u>\$ 13,045</u>	<u>\$ (8,198)</u>	<u>\$ 13,868</u>	<u>\$ 13,868</u>	<u>\$ 12,374</u>	<u>\$ (1,494)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Drug Court - Federal Grant Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	126,652	126,652	108,196	(18,456)	134,934	134,934	101,380	(33,554)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>126,652</u>	<u>126,652</u>	<u>108,196</u>	<u>(18,456)</u>	<u>134,934</u>	<u>134,934</u>	<u>101,380</u>	<u>(33,554)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	118,475	118,475	108,704	9,771	127,228	127,228	101,851	25,377
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>118,475</u>	<u>118,475</u>	<u>108,704</u>	<u>9,771</u>	<u>127,228</u>	<u>127,228</u>	<u>101,851</u>	<u>25,377</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,177</u>	<u>8,177</u>	<u>(508)</u>	<u>(8,685)</u>	<u>7,706</u>	<u>7,706</u>	<u>(471)</u>	<u>(8,177)</u>
Fund Balance - Beginning of Year	(8,177)	(8,177)	(8,177)	-	(7,706)	(7,706)	(7,706)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,685)</u>	<u>\$ (8,685)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,177)</u>	<u>\$ (8,177)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Juvenile Programs Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	77,910	77,910	-	(77,910)	69,281	69,281	-	(69,281)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	20	20	3	(17)
Other	<u>1,168</u>	<u>1,168</u>	<u>50,845</u>	<u>49,677</u>	<u>1,100</u>	<u>1,100</u>	<u>52,516</u>	<u>51,416</u>
Total Revenue	<u>79,078</u>	<u>79,078</u>	<u>50,845</u>	<u>(28,233)</u>	<u>70,401</u>	<u>70,401</u>	<u>52,519</u>	<u>(17,882)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	57,612	57,612	46,225	11,387	71,529	71,529	44,111	27,418
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>57,612</u>	<u>57,612</u>	<u>46,225</u>	<u>11,387</u>	<u>71,529</u>	<u>71,529</u>	<u>44,111</u>	<u>27,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,466</u>	<u>21,466</u>	<u>4,620</u>	<u>(16,846)</u>	<u>(1,128)</u>	<u>(1,128)</u>	<u>8,408</u>	<u>9,536</u>
Fund Balance - Beginning of Year	15,887	15,887	15,887	-	7,479	7,479	7,479	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 37,353</u>	<u>\$ 37,353</u>	<u>\$ 20,507</u>	<u>\$(16,846)</u>	<u>\$ 6,351</u>	<u>\$ 6,351</u>	<u>\$ 15,887</u>	<u>\$ 9,536</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Juvenile Restitution Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	300	300	235	(65)	250	250	-	(250)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	136	136
Total Revenue	<u>300</u>	<u>300</u>	<u>235</u>	<u>(65)</u>	<u>250</u>	<u>250</u>	<u>136</u>	<u>(114)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	239	(239)
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	700	700	65	635	500	500	-	500
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>700</u>	<u>700</u>	<u>65</u>	<u>635</u>	<u>500</u>	<u>500</u>	<u>239</u>	<u>261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(400)</u>	<u>(400)</u>	<u>170</u>	<u>570</u>	<u>(250)</u>	<u>(250)</u>	<u>(103)</u>	<u>147</u>
Fund Balance - Beginning of Year	691	691	691	-	794	794	794	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 291</u>	<u>\$ 291</u>	<u>\$ 861</u>	<u>\$ 570</u>	<u>\$ 544</u>	<u>\$ 544</u>	<u>\$ 691</u>	<u>\$ 147</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Restitution Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	250	250	182	(68)	50	50	236	186
Other	<u>3,000</u>	<u>3,000</u>	<u>4,660</u>	<u>1,660</u>	<u>3,000</u>	<u>3,000</u>	<u>6,118</u>	<u>3,118</u>
Total Revenue	<u>3,250</u>	<u>3,250</u>	<u>4,842</u>	<u>1,592</u>	<u>3,050</u>	<u>3,050</u>	<u>6,354</u>	<u>3,304</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	2,000	2,000	1,903	97	2,500	2,500	2,270	230
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,903</u>	<u>97</u>	<u>2,500</u>	<u>2,500</u>	<u>2,270</u>	<u>230</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,250</u>	<u>1,250</u>	<u>2,939</u>	<u>1,689</u>	<u>550</u>	<u>550</u>	<u>4,084</u>	<u>3,534</u>
Fund Balance - Beginning of Year	7,018	7,018	7,018	-	2,934	2,934	2,934	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,268</u>	<u>\$ 8,268</u>	<u>\$ 9,957</u>	<u>\$ 1,689</u>	<u>\$ 3,484</u>	<u>\$ 3,484</u>	<u>\$ 7,018</u>	<u>\$ 3,534</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Tax Maintenance Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	14,150	14,150	13,320	(830)	8,700	8,700	10,367	1,667
Interest Income	1,200	1,200	571	(629)	1,000	1,000	1,100	100
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>15,350</u>	<u>15,350</u>	<u>13,891</u>	<u>(1,459)</u>	<u>9,700</u>	<u>9,700</u>	<u>11,467</u>	<u>1,767</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	15,850	15,850	10,769	5,081	9,950	9,950	4,229	5,721
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>15,850</u>	<u>15,850</u>	<u>10,769</u>	<u>5,081</u>	<u>9,950</u>	<u>9,950</u>	<u>4,229</u>	<u>5,721</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500)</u>	<u>(500)</u>	<u>3,122</u>	<u>3,622</u>	<u>(250)</u>	<u>(250)</u>	<u>7,238</u>	<u>7,488</u>
Fund Balance - Beginning of Year	25,131	25,131	25,131	-	17,893	17,893	17,893	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 24,631</u>	<u>\$ 24,631</u>	<u>\$ 28,253</u>	<u>\$ 3,622</u>	<u>\$ 17,643</u>	<u>\$ 17,643</u>	<u>\$ 25,131</u>	<u>\$ 7,488</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Inmate Security Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,000	2,000	1,200	(800)	100	100	295	195
Interest Income	10	10	15	5	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>2,010</u>	<u>2,010</u>	<u>1,215</u>	<u>(795)</u>	<u>100</u>	<u>100</u>	<u>295</u>	<u>195</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	1,500	1,500	-	1,500	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>510</u>	<u>510</u>	<u>1,215</u>	<u>705</u>	<u>100</u>	<u>100</u>	<u>295</u>	<u>195</u>
Fund Balance - Beginning of Year	295	295	295	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 805</u>	<u>\$ 805</u>	<u>\$ 1,510</u>	<u>\$ 705</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 295</u>	<u>\$ 195</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
P.A. Delinquent Tax Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	10	10	84	74
Charges for Services	15	15	-	(15)	-	-	-	-
Interest Income	10	10	6	(4)	10	10	14	4
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>25</u>	<u>25</u>	<u>6</u>	<u>(19)</u>	<u>20</u>	<u>20</u>	<u>98</u>	<u>78</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	25	25	-	25	-	-	25	(25)
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>25</u>	<u>25</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>(25)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>20</u>	<u>20</u>	<u>73</u>	<u>53</u>
Fund Balance - Beginning of Year	274	274	274	-	201	201	201	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 274</u>	<u>\$ 274</u>	<u>\$ 280</u>	<u>\$ 6</u>	<u>\$ 221</u>	<u>\$ 221</u>	<u>\$ 274</u>	<u>\$ 53</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Senate Bill 40 Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	90,000	90,000	97,606	7,606	90,000	90,000	99,085	9,085
Intergovernmental Revenues	5,549	5,549	3,835	(1,714)	6,924	6,924	4,637	(2,287)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	100	100	2,856	2,756	100	100	5,865	5,765
Other	-	-	1,467	1,467	-	-	2,670	2,670
Total Revenue	<u>95,649</u>	<u>95,649</u>	<u>105,764</u>	<u>10,115</u>	<u>97,024</u>	<u>97,024</u>	<u>112,257</u>	<u>15,233</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	154,654	154,654	113,099	41,555	111,479	111,479	110,993	486
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>154,654</u>	<u>154,654</u>	<u>113,099</u>	<u>41,555</u>	<u>111,479</u>	<u>111,479</u>	<u>110,993</u>	<u>486</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,005)</u>	<u>(59,005)</u>	<u>(7,335)</u>	<u>51,670</u>	<u>(14,455)</u>	<u>(14,455)</u>	<u>1,264</u>	<u>15,719</u>
Fund Balance - Beginning of Year	86,414	86,414	86,414	-	85,150	85,150	85,150	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 27,409</u>	<u>\$ 27,409</u>	<u>\$ 79,079</u>	<u>\$ 51,670</u>	<u>\$ 70,695</u>	<u>\$ 70,695</u>	<u>\$ 86,414</u>	<u>\$ 15,719</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Senior Citizens Tax Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	48,673	48,673	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>48,673</u>	<u>48,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	39,993	(39,993)	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>39,993</u>	<u>(39,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>8,680</u>	<u>8,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,680</u>	<u>\$ 8,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Cemetery Trust Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	6,000	6,000	9,488	3,488	10,000	10,000	6,017	(3,983)
Other	<u>300</u>	<u>300</u>	<u>144</u>	<u>(156)</u>	<u>-</u>	<u>-</u>	<u>381</u>	<u>381</u>
Total Revenue	<u>6,300</u>	<u>6,300</u>	<u>9,632</u>	<u>3,332</u>	<u>10,000</u>	<u>10,000</u>	<u>6,398</u>	<u>(3,602)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>5,000</u>	<u>5,000</u>	<u>2,973</u>	<u>2,027</u>	<u>3,030</u>	<u>3,030</u>	<u>4,886</u>	<u>(1,856)</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>2,973</u>	<u>2,027</u>	<u>3,030</u>	<u>3,030</u>	<u>4,886</u>	<u>(1,856)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,300</u>	<u>1,300</u>	<u>6,659</u>	<u>5,359</u>	<u>6,970</u>	<u>6,970</u>	<u>1,512</u>	<u>(5,458)</u>
Fund Balance - Beginning of Year	207,492	207,492	207,492	-	205,980	205,980	205,980	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 208,792</u>	<u>\$ 208,792</u>	<u>\$ 214,151</u>	<u>\$ 5,359</u>	<u>\$ 212,950</u>	<u>\$ 212,950</u>	<u>\$ 207,492</u>	<u>\$ (5,458)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Associate Division Interest Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	35	35	33	(2)	30	30	31	1
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>35</u>	<u>35</u>	<u>33</u>	<u>(2)</u>	<u>30</u>	<u>30</u>	<u>31</u>	<u>1</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35</u>	<u>35</u>	<u>33</u>	<u>(2)</u>	<u>30</u>	<u>30</u>	<u>31</u>	<u>1</u>
Fund Balance - Beginning of Year	928	928	928	-	897	897	897	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 963</u>	<u>\$ 963</u>	<u>\$ 961</u>	<u>\$ (2)</u>	<u>\$ 927</u>	<u>\$ 927</u>	<u>\$ 928</u>	<u>\$ 1</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Library Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	5,775	5,775	-	-	6,238	6,238
Total Revenue	-	-	5,775	5,775	-	-	6,238	6,238
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	12,915	(12,915)	14,700	14,700	9,594	5,106
Total Expenditures	-	-	12,915	(12,915)	14,700	14,700	9,594	5,106
Excess (Deficiency) of Revenues Over Expenditures	-	-	(7,140)	(7,140)	(14,700)	(14,700)	(3,356)	11,344
Fund Balance - Beginning of Year	19,343	19,343	19,343	-	22,699	22,699	22,699	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 19,343</u>	<u>\$ 19,343</u>	<u>\$ 12,203</u>	<u>\$ (7,140)</u>	<u>\$ 7,999</u>	<u>\$ 7,999</u>	<u>\$ 19,343</u>	<u>\$ 11,344</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Circuit Clerk Interest Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	200	200	49	(151)	-	-	118	118
Other	<u>3,000</u>	<u>3,000</u>	<u>2,725</u>	<u>(275)</u>	<u>-</u>	<u>-</u>	<u>5,130</u>	<u>5,130</u>
Total Revenue	<u>3,200</u>	<u>3,200</u>	<u>2,774</u>	<u>(426)</u>	<u>-</u>	<u>-</u>	<u>5,248</u>	<u>5,248</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>1,500</u>	<u>1,500</u>	<u>2,298</u>	<u>(798)</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>2,298</u>	<u>(798)</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,700</u>	<u>1,700</u>	<u>476</u>	<u>(1,224)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>5,248</u>	<u>8,248</u>
Fund Balance - Beginning of Year	10,100	10,100	10,100	-	4,852	4,852	4,852	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 11,800</u>	<u>\$ 11,800</u>	<u>\$ 10,576</u>	<u>\$ (1,224)</u>	<u>\$ 1,852</u>	<u>\$ 1,852</u>	<u>\$ 10,100</u>	<u>\$ 8,248</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriffs Telephone Fund
For the Two Years Ended December 31, 2008

	Original 2008 <u>Budget</u>	Final 2008 <u>Budget</u>	Actual <u>2008</u>	Variance With Final Budget 2008 Favorable <u>(Unfavorable)</u>	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	683	683	-	-	1,478	1,478
Total Revenue	-	-	683	683	-	-	1,478	1,478
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	940	(940)	-	-	1,538	(1,538)
Total Expenditures	-	-	940	(940)	-	-	1,538	(1,538)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(257)	(257)	-	-	(60)	(60)
Fund Balance - Beginning of Year	195	195	195	-	255	255	255	-
Transfers In	-	-	137	137	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 195</u>	<u>\$ 195</u>	<u>\$ 75</u>	<u>\$ (120)</u>	<u>\$ 255</u>	<u>\$ 255</u>	<u>\$ 195</u>	<u>\$ (60)</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriff Commissary Fund
For the Two Years Ended December 31, 2008

	Original 2008	Final 2008	Actual	Variance With Final Budget 2008	Original 2007	Final 2007	Actual	Variance With Final Budget 2007
	<u>Budget</u>	<u>Budget</u>	<u>2008</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	242	242	-	-	2,416	2,416
Total Revenue	<u>-</u>	<u>-</u>	<u>242</u>	<u>242</u>	<u>-</u>	<u>-</u>	<u>2,416</u>	<u>2,416</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	283	(283)	-	-	2,326	(2,326)
Total Expenditures	<u>-</u>	<u>-</u>	<u>283</u>	<u>(283)</u>	<u>-</u>	<u>-</u>	<u>2,326</u>	<u>(2,326)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>(41)</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>90</u>
Fund Balance - Beginning of Year	178	178	178	-	88	88	88	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(137)	(137)	-	-	-	-
Fund Balance - End of Year	<u>\$ 178</u>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ (178)</u>	<u>\$ 88</u>	<u>\$ 88</u>	<u>\$ 178</u>	<u>\$ 90</u>

The accompanying notes to financial statements are an integral part of this statement

Grundy County, Missouri
Notes to the Required Supplementary Information
For the Two Years Ended December 31, 2008

Note 1: Budgeting and Budgetary Practices

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

Note 2: Budgetary Basis of Accounting

The County budget is adopted on the cash basis of accounting.

Note 3: Expenditures in Excess of Appropriations

For the two years ended December 31, 2008, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2008</u>	<u>2007</u>
Recorder Preservation Fund	\$ -	\$ 174
Prosecuting Attorney Delinquent Tax Fund	\$ -	\$ 25
Victims of Domestic Violence Fund	\$ -	\$ 31
Drug Court - Local Fund	\$ 342	\$ -
Cemetery Trust Fund	\$ -	\$ 1,856
Circuit Clerk Interest Fund	\$ -	\$ 798

FEDERAL COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the County Commission of
Grundy County, Missouri
Trenton, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grundy County, Missouri as of and for the years then ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued my report thereon dated September 23, 2009. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government
Auditing Standards*
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 23, 2009

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners
Grundy County, Missouri
Trenton, Missouri

Compliance

I have audited the compliance of the Grundy County, Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008. Grundy County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular No. 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Continued)**

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Concluded)**

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 23, 2009

Grundy County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2008 and 2007

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Granters Number</u>	<u>Federal Expenditures Year Ended December 31,</u>	
			<u>2008</u>	<u>2007</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services			
14.231	Emergency Shelter Grants Program	ERO1640743	\$ 11,555	\$ 11,555
	Total U.S. Department of Housing and Urban Development		<u>11,555</u>	<u>11,555</u>
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state:			
	State Department of Public Safety			
16.592	Local Law Enforcement Block Grant	N/A	5,328	-
16.585	Drug Court Grant	2005DCBX0022	108,196	101,852
	Missouri Sheriff's Association -			
16/Unknown	Domestic Cannabis Eradication/Suppression Program	N/A	-	1,492
	Total U.S. Department of Justice		<u>113,524</u>	<u>103,344</u>
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-B040(19)	135,760	303,688
		BRO-B040(22)	<u>347,852</u>	<u>265,508</u>
	Total U.S. Department of Transportation		<u>483,612</u>	<u>569,196</u>
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	2,910	422
	Passed through Office of Secretary of State			
39.011	Election Reform Payments	47-0601-0-1-808	-	4,127
	Total General Services Administration		<u>2,910</u>	<u>4,549</u>
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	95-1650-0-1-808	117	2,037
	Total Election Assistance Commission		<u>117</u>	<u>2,037</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Grundy County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2008 and 2007

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Grantors Number</u>	<u>Federal Expenditures Year Ended December 31,</u>	
			<u>2008</u>	<u>2007</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services -			
93.569	Community Services Grant	HPC-42	17,471	17,471
93.569	Juvenile Court Diversion Program	ER0172260	32,797	-
93.643	CJA (Advocacy Center Grant Funds)	AOCO5380061	17,957	24,163
93.669	CA/N (Advocacy Center Grant Funds)	AOCO5380061	<u>17,957</u>	<u>24,163</u>
	Total U.S. Department of Health and Human Services		<u>86,182</u>	<u>65,797</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety:			
97.067	Homeland Security Grant Program	2005-GET5-0022	-	19,070
97.036	Public Assistance Grants	DR1736	306,093	-
		DR1708	<u>-</u>	<u>85,665</u>
	Total U.S. Department of Homeland Security		<u>306,093</u>	<u>104,735</u>
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through state Office of Administration:			
10.766	Community Facilities Loans and Grants	0348-0004	<u>-</u>	<u>3,490</u>
	Total U.S. Department of Agriculture		<u>-</u>	<u>3,490</u>
	Total Expenditures of Federal Awards		<u>\$ 1,003,993</u>	<u>\$ 864,703</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Grundy County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2008 and 2007

Note 1: Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Grundy County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule include expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Grundy County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2008 and 2007

Note 2: Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2008 and 2007.

Grundy County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2008 and 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

20.205	Highway Planning and Construction
--------	-----------------------------------

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
---	------------

Auditee qualified as low-risk auditee	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---------------------------------------	---

Grundy County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2008 and 2007

Section II - Financial Statement Findings

This section contains no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

Grundy County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Grundy County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Grundy County, Missouri for the two years ended December 31, 2006.

Grundy County, Missouri
Summary Schedule of Prior Audit Findings In Accordance
with OMB Circular A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings - Two Years Ended December 31, 2006

06-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants and Children

Pass-Through Entity	
Identifying Number:	ERS045-7139 and ERS045-4139
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	16.585
Program Title:	Drug Court Discretion Grant Program
Pass-Through Entity	
Identifying Number	2005DCBX0022
Award Years:	2006 and 2005
Questioned Costs	Not Applicable

Grundy County, Missouri
Summary Schedule of Prior Audit Findings In Accordance
with OMB Circular A-133

06-1. Schedule of Expenditures of Federal Awards (Concluded)

Federal Grantor:	Election Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity	
Identifying Number:	95-1650-0-1-808
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	97.067
Program Title:	Homeland Security Grant Program
Pass-Through Entity	
Identifying Number	2005-GET5-0022
Award Years:	2006
Questioned Costs	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions.

Recommendation:

The County Clerk and her staff prepare a complete and accurate Schedule of Expenditures of Federal Awards.

Status:

Implemented. It appears that procedures were put into place to accurately track federal financial assistance and the Schedule of Federal Awards for the years ended December 31, 2008 and December 31, 2007 were prepared accurately and were complete.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Ste. Genevieve County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Ste. Genevieve County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

December 2009
Report No. 2009-140

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6-7
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	8-9
Reconciliation of the County Funds Balance Sheet with the Statement of Net Assets – Modified Cash Basis.....	10-11
Reconciliation of the County Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-Wide Statement of Activities – Modified Cash Basis.....	12-13
Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds.....	14
Notes to the Financial Statements.....	15-29
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual – Modified Cash Basis – General Fund – Unaudited.....	30
Departmental Schedule of Expenditures – Non-GAAP Budget Basis and Actual – Modified Cash Basis - General Fund – Unaudited.....	31-32
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual – Modified Cash Basis – Special Revenue – Road and Bridge Fund – Unaudited.....	33

**THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Assessment Fund – Unaudited.....	34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Community Center Sales Tax Fund – Unaudited.....	35
Schedule of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Law Enforcement Sales Tax Fund – Unaudited.....	36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis - Special Revenue Major Fund – Non- GAAP Budget Basis and Actual – Mental Health Services Fund – Unaudited.....	37
Notes to Required Supplementary Information.....	38
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	39-40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	41-42
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	43-44
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	45-46

**THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>SUPPLEMENTARY INFORMATION (concluded)</u>	
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008.....	47
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007.....	48
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	49
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Schedule of Findings and Responses.....	52-53

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Ste. Genevieve, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Ste. Genevieve (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, is required to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. In accordance with accounting principles generally accepted in the United States of America as applicable to the modified cash basis of accounting, the Health Department of Ste. Genevieve County, the Ste. Genevieve County SB40 and the Ste. Genevieve County Memorial Hospital, have issued separate reporting entity financial statements. For information on these component units, please contact the Ste. Genevieve County Health Department at 573-883-7411, the Ste. Genevieve County SB40 at 573-883-6500 and the Ste. Genevieve County Memorial Hospital at 573-883-7787.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note XI, the Primary Government has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*," GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*" and GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," as of and for the years ended December 31, 2008, and December 31, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2009, on our consideration of the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 30 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 39 through 48 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 49 through 53 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 2009

FINANCIAL STATEMENTS

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED

	December 31, 2008 Total Governmental Activities	December 31, 2007 Total Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$ 1,203,165.79	\$ 1,405,161.91
Investments	<u>629,602.36</u>	<u>604,700.00</u>
TOTAL ASSETS	<u><u>1,832,768.15</u></u>	<u><u>2,009,861.91</u></u>
NET ASSETS		
Unrestricted	9,901.66	147,981.54
Restricted for Specific Purpose	<u>1,822,866.49</u>	<u>1,861,880.37</u>
TOTAL NET ASSETS	<u><u>1,832,768.15</u></u>	<u><u>2,009,861.91</u></u>
TOTAL FUND BALANCE	<u><u>\$ 1,832,768.15</u></u>	<u><u>\$ 2,009,861.91</u></u>

See accompanying notes to the financial statements

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 3,344,462.73	\$ 2,862,652.53	\$ 169,391.47	\$ -	\$ (312,418.73)
Road and Bridge	1,369,395.32	-	-	-	(1,369,395.32)
Financial Administration	188,753.74	-	-	-	(188,753.74)
Other Offices and Grants	458,563.33	-	-	-	(458,563.33)
Administration of Justice and Law Enforcement	3,855,852.50	-	78,495.95	-	(3,777,356.55)
Consulting	139,295.10	-	-	-	(139,295.10)
Fees, Licenses and Permits	-	987,518.46	-	-	987,518.46
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	15,768.50	-	98,512.69	-	82,744.19
Debt Service:					
Principal	195,000.00	-	-	-	(195,000.00)
Interest and Fiscal Charges	121,548.93	-	-	-	(121,548.93)
Capital Outlay:					
Construction of Hospital	339,228.85	-	-	-	(339,228.85)
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,027,869.00	\$ 3,850,170.99	\$ 346,400.11	\$ -	(5,831,297.90)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied					1,605,445.05
Sales Tax					2,418,688.52
Investment Income					96,029.44
Miscellaneous					1,534,041.13
TOTAL GENERAL REVENUES					5,654,204.14
CHANGE IN NET ASSETS					(177,093.76)
NET ASSETS, BEGINNING OF YEAR					2,009,861.91
NET ASSETS, END OF YEAR					\$ 1,832,768.15

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 2,956,639.71	\$ 2,758,437.57	\$ 250,289.49	\$ -	\$ 52,087.35
Road and Bridge	1,094,567.70	797,234.21	-	-	(297,333.49)
Financial Administration	182,869.78	-	-	-	(182,869.78)
Other Offices and Grants	385,258.19	-	-	-	(385,258.19)
Consulting	128,256.47	-	-	-	(128,256.47)
Permits and Fees	-	192,266.49	-	-	192,266.49
Administration of Justice and Law Enforcement	3,408,398.27	-	79,325.93	-	(3,329,072.34)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	17,492.93	-	134,394.36	-	116,901.43
Debt Service:					
Principal	355,000.00	-	-	-	(355,000.00)
Interest and Fiscal Charges	254,091.18	-	-	-	(254,091.18)
Capital Outlay:					
Construction of Hospital	357,934.12	-	-	-	(357,934.12)
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 9,140,508.35	\$ 3,747,938.27	\$ 464,009.78	\$ -	(4,928,560.30)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied					1,429,401.46
Sales Tax					2,032,290.07
Investment Income					141,961.47
Miscellaneous					1,375,566.50
TOTAL GENERAL REVENUES					4,979,219.50
CHANGE IN NET ASSETS					50,659.20
NET ASSETS, BEGINNING OF YEAR					1,959,202.71
NET ASSETS, END OF YEAR					\$ 2,009,861.91

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008							
	General	Special Road and Bridge	Assessment Fund	Community Center Sales Tax Fund	Law Enforcement Sales Tax Fund	Mental Health Services	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 9,901.66	\$ 15,603.82	\$ 120,988.04	\$ 463,470.70	\$ 100.00	\$ 201,738.87	\$ 391,362.70	\$ 1,203,165.79
Investments	-	885.07	200,885.07	-	-	402,655.21	25,177.01	629,602.36
								-
TOTAL ASSETS	9,901.66	16,488.89	321,873.11	463,470.70	100.00	604,394.08	416,539.71	1,832,768.15
FUND BALANCES				-				-
Unreserved:								
General Fund	9,901.66	-		-	-	-	-	9,901.66
Special Revenue Funds	-	16,488.89	321,873.11	463,470.70	100.00	604,394.08	416,539.71	1,822,866.49
TOTAL FUND BALANCES	9,901.66	16,488.89	321,873.11	463,470.70	100.00	604,394.08	416,539.71	1,832,768.15
TOTAL FUND BALANCES	\$ 9,901.66	\$ 16,488.89	\$ 321,873.11	\$ 463,470.70	\$ 100.00	\$ 604,394.08	\$ 416,539.71	\$ 1,832,768.15

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2007							
	General	Special Road and Bridge	Assessment Fund	Community Center Sales Tax Fund	Law Enforcement Sales Tax Fund	Mental Health Services	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 147,981.54	\$ 301,519.20	\$ 184,933.89	\$ 225,450.80	\$ -	\$ 389,305.79	\$ 155,970.69	\$ 1,405,161.91
Investments		100,000.00	100,000.00	-	-	400,000.00	4,700.00	604,700.00
								-
TOTAL ASSETS	147,981.54	401,519.20	284,933.89	225,450.80	-	789,305.79	160,670.69	2,009,861.91
FUND BALANCES								
Unreserved:								
General Fund	147,981.54	-					-	147,981.54
Special Revenue Funds	-	401,519.20	284,933.89	225,450.80	-	789,305.79	160,670.69	1,861,880.37
TOTAL FUND BALANCES	147,981.54	401,519.20	284,933.89	225,450.80	-	789,305.79	160,670.69	2,009,861.91
TOTAL FUND BALANCES	\$ 147,981.54	\$ 401,519.20	\$ 284,933.89	\$ 225,450.80	\$ -	\$ 789,305.79	\$ 160,670.69	\$ 2,009,861.91

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2008							
	General	Special Road and Bridge	Assessment Fund	Community Center Sales Tax Fund	Law Enforcement Sales Tax Fund	Mental Health Services	Non-Major Governmental Funds	Total Governmental Funds
REVENUES								
Property Tax	\$ 799,722.18	\$ 473,511.55	\$ -	\$ -	\$ -	\$ 332,211.32	\$ -	\$ 1,605,445.05
Sales Tax	820,766.00	-	-	820,682.90	777,239.62	-	-	2,418,688.52
Inter-Governmental Revenue	-	-	-	-	-	-	29,433.50	29,433.50
Charges for Services	2,127,188.89	-	-	-	4,687.32	-	730,776.32	2,862,652.53
Grants, Distributions and Reimbursements	169,391.47	-	98,512.69	-	78,495.95	-	-	346,400.11
Fees, Licenses and Permits	8,220.84	767,018.11	212,279.51	-	-	-	-	987,518.46
Interest	18,699.43	17,694.89	12,596.48	6,711.41	437.40	35,699.16	4,190.67	96,029.44
Other	293,115.50	145,369.31	3,923.62	114,538.92	27,176.27	3,600.66	916,883.35	1,504,607.63
TOTAL REVENUES	4,237,104.31	1,403,593.86	327,312.30	941,933.23	888,036.56	371,511.14	1,681,283.84	9,850,775.24
EXPENDITURES								
Current:								
General County Government	746,180.88	-	290,373.08	114,447.14	-	556,422.85	1,637,038.78	3,344,462.73
Road and Bridge	-	1,369,395.32	-	-	-	-	-	1,369,395.32
Financial Administration	188,753.74	-	-	-	-	-	-	188,753.74
Other Offices and Grants	458,563.33	-	-	-	-	-	-	458,563.33
Property Valuation and Recording	139,295.10	-	-	-	-	-	-	139,295.10
Supplies	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-
Administration of Justice and Law	2,388,088.66	-	-	-	1,412,970.54	-	54,793.30	3,855,852.50
Continued Progress	-	-	-	-	-	-	-	-
Capital Outlay:								-
Construction	-	339,228.85	-	-	-	-	-	339,228.85
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,920,881.71	1,708,624.17	290,373.08	114,447.14	1,412,970.54	556,422.85	1,691,832.08	9,695,551.57
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	316,222.60	(305,030.31)	36,939.22	827,486.09	(524,933.98)	(184,911.71)	(10,548.24)	155,223.67
OTHER FINANCING SOURCES (USES)								
Transfers In	86,500.00	-	-	-	525,033.98	-	272,917.26	884,451.24
Transfers Out	(525,033.98)	(80,000.00)	-	(272,917.26)	-	-	(6,500.00)	(884,451.24)
Emergency Fund	(15,768.50)	-	-	-	-	-	-	(15,768.50)
Debt Service:								
Principal Payment	-	-	-	(195,000.00)	-	-	-	(195,000.00)
Interest and Fiscal Charges	-	-	-	(121,548.93)	-	-	-	(121,548.93)
TOTAL OTHER FINANCING SOURCES (USES)	(454,302.48)	(80,000.00)	-	(589,466.19)	525,033.98	-	266,417.26	(332,317.43)
NET CHANGE IN FUND BALANCE	(138,079.88)	(385,030.31)	36,939.22	238,019.90	100.00	(184,911.71)	255,869.02	(177,093.76)
FUND BALANCE - BEGINNING OF YEAR	147,981.54	401,519.20	284,933.89	225,450.80	-	789,305.79	160,670.69	2,009,861.91
FUND BALANCE - END OF YEAR	\$ 9,901.66	\$ 16,488.89	\$ 321,873.11	\$ 463,470.70	\$ 100.00	\$ 604,394.08	\$ 416,539.71	\$ 1,832,768.15

See accompanying notes to the financial statments.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007							
	General	Special Road and Bridge	Assessment Fund	Community Center Sales Tax Fund	Law Enforcement Sales Tax Fund	Mental Health Services	Non-Major Governmental Funds	Total Governmental Funds
REVENUES								
Property Tax	\$ 719,550.96	\$ 414,747.88	\$ -	\$ -	\$ -	\$ 295,102.62	\$ -	\$ 1,429,401.46
Sales Tax	796,218.87	-	-	796,037.74	440,033.46	-	-	2,032,290.07
Inter-Governmental Revenue	-	-	-	-	-	-	29,651.50	29,651.50
Charges for Services	2,128,503.16	-	-	-	-	-	629,934.41	2,758,437.57
Grants, Distributions and Reimbursements	220,637.99	-	134,394.36	-	79,325.93	-	-	434,358.28
Fees, Licenses and Permits	4,641.04	797,234.21	187,625.45	-	-	-	-	989,500.70
Interest	34,419.96	34,282.82	15,099.27	6,123.90	503.27	44,863.16	6,669.09	141,961.47
Other	261,314.05	165,709.41	3,788.16	231,708.00	49,496.77	7,470.95	656,079.16	1,375,566.50
TOTAL REVENUES	4,165,286.03	1,411,974.32	340,907.24	1,033,869.64	569,359.43	347,436.73	1,322,334.16	9,191,167.55
EXPENDITURES								
Current:								
General County Government	674,441.21	-	272,908.93	108,109.42	-	360,620.21	1,540,559.94	2,956,639.71
Road and Bridge	-	1,094,567.70	-	-	-	-	-	1,094,567.70
Financial Administration	182,869.78	-	-	-	-	-	-	182,869.78
Other Offices and Grants	385,258.19	-	-	-	-	-	-	385,258.19
Property Valuation and Recording	128,256.47	-	-	-	-	-	-	128,256.47
Supplies	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-
Administration of Justice and Law	2,115,302.09	-	-	-	1,251,176.46	-	41,919.72	3,408,398.27
Continued Progress	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction	-	357,934.12	-	-	-	-	-	357,934.12
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,486,127.74	1,452,501.82	272,908.93	108,109.42	1,251,176.46	360,620.21	1,582,479.66	8,513,924.24
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	679,158.29	(40,527.50)	67,998.31	925,760.22	(681,817.03)	(13,183.48)	(260,145.50)	677,243.31
OTHER FINANCING SOURCES (USES)								
Transfers In	79,125.09	-	-	-	681,817.03	-	286,695.56	1,047,637.68
Transfers Out	(681,817.03)	(72,625.09)	-	(286,695.56)	-	-	(6,500.00)	(1,047,637.68)
Emergency Fund	(17,492.93)	-	-	-	-	-	-	(17,492.93)
Debt Service:								
Principal Payment	-	-	-	(355,000.00)	-	-	-	(355,000.00)
Interest and Fiscal Charges	-	-	-	(254,091.18)	-	-	-	(254,091.18)
TOTAL OTHER FINANCING SOURCES (USES)	(620,184.87)	(72,625.09)	-	(895,786.74)	681,817.03	-	280,195.56	(626,584.11)
NET CHANGE IN FUND BALANCE	58,973.42	(113,152.59)	67,998.31	29,973.48	-	(13,183.48)	20,050.06	50,659.20
FUND BALANCE - BEGINNING OF YEAR	89,008.12	514,671.79	216,935.58	195,477.32	-	802,489.27	140,620.63	1,959,202.71
FUND BALANCE - END OF YEAR	\$ 147,981.54	\$ 401,519.20	\$ 284,933.89	\$ 225,450.80	\$ -	\$ 789,305.79	\$ 160,670.69	\$ 2,009,861.91

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,832,768.15
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u>\$ 1,832,768.15</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 2,009,861.91
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 2,009,861.91</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (177,093.76)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (177,093.76)</u>

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ 50,659.20
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 50,659.20</u>

See accompanying notes to the financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	DECEMBER 31, 2008 <u>AGENCY FUNDS</u>	DECEMBER 31, 2007 <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	\$ 256,105.71	\$ 393,613.32
Investments	<u>180,708.08</u>	<u>100,000.00</u>
TOTAL ASSETS	<u><u>436,813.79</u></u>	<u><u>493,613.32</u></u>
LIABILITIES		
Due to Other Funds	<u>436,813.79</u>	<u>493,613.32</u>
TOTAL LIABILITIES	<u><u>\$ 436,813.79</u></u>	<u><u>\$ 493,613.32</u></u>

See accompanying notes to financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ste. Genevieve, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1812 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Ste. Genevieve County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, is required to be reported with the financial data of the Primary Government.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Special Road and Bridge Fund, Assessment Fund, Community Center Sales Tax Fund, Law Enforcement Sales Tax Fund and Mental Health Services Fund are all major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – The Special Road and Bridge Fund is a special revenue fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – The Assessment Fund is a special revenue fund used to account for receipts of the assessor's office for tax money, maps and related expenditures.

Community Center Sales Tax Fund – The Community Center Sales Tax Fund is used to collect sales tax revenue to be used for the funding of the Primary Government's Community Center.

Law Enforcement Sales Tax Fund – The Law Enforcement Sales Tax Fund is a special revenue fund used to account for the receipts of the Primary Government's sales taxes and related law enforcement expenditures.

Mental Health Fund – The Mental Health Fund is a special revenue fund used to account for county tax levy receipts and any other receipts and related expenditures to provide services.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 253,526,660	\$ 245,079,670
Personal Property	92,434,190	85,555,932
Railroad and Utilities	<u>19,625,124</u>	<u>19,430,880</u>
	<u>\$ 365,585,974</u>	<u>\$ 350,066,482</u>

During 2008 and 2007, the County Commission approved a \$.5943 and \$.5769, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$.2382	\$.2208
Special Road and Bridge Fund	.2628	.2628
Mental Health Fund	<u>.0933</u>	<u>.0933</u>
	<u>\$.5943</u>	<u>\$.5769</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$1,832,768.15 and \$2,009,861.91, the bank balance was \$2,370,857.72 and \$2,511,451.89 respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,203,165.79
Investments	629,602.36
Restricted Cash	-
Total Deposits & Investments as of December 31, 2008	\$ <u>1,832,768.15</u>

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,405,161.91
Investments	604,700.00
Restricted Cash	-
Total Deposits & Investments as of December 31, 2007	\$ <u>2,009,861.91</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. LONG-TERM DEBT

The County entered into an agreement as lessee along with the Community Center Foundation of Ste. Genevieve County, for \$7,520,000 Certificates of Participation, Series 1998. This Series requires bi-annual interest and principal payments on 2/1 and 8/1. Principal payments vary from \$70,000 - \$330,000. The term of the Series ranges from February 1, 1999 to February 1, 2018. The interest rate is variable ranging from 4.00% to 5.250%. This Series was entered into for the Ste. Genevieve Community Center Project.

On March 1, 2007, the Series 2007 A & B Hospital Revenue Bonds were issued in the original amount of \$11,625,000 to finance the renovation of the existing ER department, power plant and a new imaging center as well as to refund the proceeds of the Series 2006 Hospital Revenue Bonds. The bonds are secured by the net revenues of the Ste. Genevieve County Memorial Hospital who also pays the payments. Interest on the bonds range from 4.1% to 4.85%, principal and interest are due each March 1, through maturity at March 1, 2037. The County is only responsible for these debt payments should the Hospital not be able to make them.

On April 2, 2004, Series 2004 Hospital Revenue Bonds were issued in the original amount of \$1,150,000 to finance the purchase of a clinical practice. The bonds are secured by the net revenues of the Hospital. Interest on the bonds is fixed at 3.74%, payable in monthly principal and interest installments, through maturity on April 2, 2011. The County is only responsible for these debt payments should the Hospital not be able to make them.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (continued)

Long-term debt at December 31, 2007 consists of the following:

Ste. Genevieve County, Missouri Insured Leasehold Revenue Bonds, Series 1998
(Ste. Genevieve Community Center Project)

BEGINNING BALANCE 12/31/2006	ADDITIONS	PAYMENTS	ENDING BALANCE 12/31/2007
\$ 5,805,000.00	\$ -	\$ (355,000.00)	\$ 5,450,000.00

Principal and interest due on long-term debt obligations are as follows:

2008	\$ 395,000.00	\$ 271,850.00	\$ 666,850.00
2009	425,000.00	252,827.50	677,827.50
2010	445,000.00	232,077.50	677,077.50
2011	475,000.00	209,787.50	684,787.50
2012	495,000.00	185,726.25	680,726.25
2013-2017	2,885,000.00	516,825.00	3,401,825.00
2018	330,000.00	8,662.50	338,662.50
	<u>\$ 5,450,000.00</u>	<u>\$ 1,677,756.25</u>	<u>\$ 7,127,756.25</u>

During May 2008, the Series 1998 Certificates of Participation were refunded through obtaining \$5,320,000 Certificates of Participation Series 2008. Annual principal payments are made on February 1 through maturity on February 1, 2018. Principal payments range from \$510,000 to \$615,000. Bi-annual interest payments are made on February 1 and August 1. Interest rates vary from 3.1% to 4.15%.

Long-term debt at December 31, 2008 consists of the following:

Ste. Genevieve County, Missouri Insured Leasehold Revenue Bonds, Series 1998
(Ste. Genevieve Community Center Project)

BEGINNING BALANCE 12/31/2007	ADDITIONS	PAYMENTS	REFUNDING	ENDING BALANCE 12/31/2008
\$ 5,450,000.00	\$ -	\$ (195,000.00)	\$ (5,255,000.00)	\$ -

COP (Refunding) Series 2008

BEGINNING BALANCE 12/31/2007	ADDITIONS	PAYMENTS	REFUNDING	ENDING BALANCE 12/31/2008
\$ -	\$ -	\$ -	\$ 5,320,000.00	\$ 5,320,000.00

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (concluded)

Principal and interest due on long-term debt obligations are as follows:

2009	\$	510,000.00	\$	194,698.98	\$	704,698.98
2010		465,000.00		167,110.00		632,110.00
2011		480,000.00		151,532.50		631,532.50
2012		500,000.00		135,842.50		635,842.50
2013		510,000.00		118,922.50		628,922.50
2014-2018		2,855,000.00		292,866.25		3,147,866.25
	\$	<u>5,320,000.00</u>	\$	<u>1,060,972.73</u>	\$	<u>6,380,972.73</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 86,500.00	\$ 525,033.98	\$ 79,125.09	\$ 681,817.03
Road and Bridge Fund	-	80,000.00	-	72,625.09
Assessment Fund	-	-	-	-
Community Center Sales Tax Fund	-	272,917.26	-	286,695.56
Law Enforcement Sales Tax Fund	525,033.98	-	681,817.03	-
Mental Health Services Fund	-	-	-	-
School Fund Principal	-	-	-	-
NON-MAJOR FUNDS	<u>272,917.26</u>	<u>6,500.00</u>	<u>286,695.56</u>	<u>6,500.00</u>
TOTAL	\$ <u>884,451.24</u>	\$ <u>884,451.24</u>	\$ <u>1,047,637.68</u>	\$ <u>1,047,637.68</u>

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employees whose position requires the actual performance of duties not less than (1,000) one thousand hours per year in each County of the State, except for any City not within a County and County of the first classification having a charter form of government.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

A. Plan Description (concluded)

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$46,361.25 and \$35,080.00, respectively, for the years then ended.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Ste. Genevieve County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Ste. Genevieve County's full time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 1.4% (general) and 3.9% (police) of annual covered payroll for 2008. The 2007 rate was 2.4 % (general) and 4.9% (police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$215,775 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and /or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. For 2007, the political subdivision's annual pension cost of \$209,744 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2005 and/or February 28, 2006 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

C. Annual Pension Cost (concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008 was 15 years.

THREE YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 227,356	100%	\$ 0
6/30/2007	209,744	100%	0
6/30/2008	215,775	100%	0

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	4,554,337	3,935,482	(618,855)	116%	2,859,535	0%
2/28/2007	4,964,758	4,016,474	(948,284)	124%	2,549,235	0%
2/29/2008	5,349,511	4,381,446	(968,065)	122%	3,165,598	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contract the LAGERS office in Jefferson City.

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is not involved in litigation at December 31, 2008.

B. Compensated Absences

The County provides employees with up to five weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

XI. ACCOUNTING CHANGE

For the years ended December 31, 2008, and December 31, 2007, the Primary Government has implemented GASB Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments.*" GASB 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments. The Primary Government's implementation was prepared on the modified cash basis of accounting. Therefore, significant assets (i.e. capital assets) and significant liabilities (i.e. general obligation bonds) are not presented in the financial statements of the Primary Government.

In addition, for the years ended December 31, 2008, and December 31, 2007, the Primary Government has implemented GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*" and GASB Statement No. 38, "*Certain Financial Statement Note Disclosures.*"

At December 31, 2008, there was no effect on fund balance as a result of implementing these GASB Statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 800,335.63	\$ 800,335.63	\$ 799,722.18	\$ (613.45)	\$ 772,500.00	\$ 772,500.00	\$ 719,550.96	\$ (52,949.04)
Sales Tax	825,000.00	825,000.00	820,766.00	(4,234.00)	775,000.00	775,000.00	796,218.87	21,218.87
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	2,177,582.00	2,177,582.00	2,127,188.89	(50,393.11)	2,100,362.00	2,100,362.00	2,128,503.16	28,141.16
Grants, Distributions and Reimbursements	287,956.50	287,956.50	169,391.47	(118,565.03)	216,904.00	216,904.00	220,637.99	3,733.99
Fees, Licenses and Permits	4,356.00	4,356.00	8,220.84	3,864.84	3,310.00	3,310.00	4,641.04	1,331.04
Interests	30,000.00	30,000.00	18,699.43	(11,300.57)	25,000.00	25,000.00	34,419.96	9,419.96
Other	267,529.31	267,529.31	293,115.50	25,586.19	249,150.00	249,150.00	261,314.05	12,164.05
TOTAL REVENUES	4,392,759.44	4,392,759.44	4,237,104.31	(155,655.13)	4,142,226.00	4,142,226.00	4,165,286.03	23,060.03
EXPENDITURES								
Current:								
General County Government	758,149.28	758,149.28	746,180.88	(11,968.40)	658,985.87	658,985.87	674,441.21	15,455.34
Financial Administration	195,370.72	195,370.72	188,753.74	(6,616.98)	187,500.75	187,500.75	182,869.78	(4,630.97)
Other Offices and Grants	462,952.29	462,952.29	458,563.33	(4,388.96)	352,819.13	352,819.13	385,258.19	32,439.06
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	140,642.43	140,642.43	139,295.10	(1,347.33)	129,368.84	129,368.84	128,256.47	(1,112.37)
Administration of Justice and Law	2,448,299.48	2,448,299.48	2,388,088.66	(60,210.82)	2,191,721.64	2,191,721.64	2,115,302.09	(76,419.55)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,005,414.20	4,005,414.20	3,920,881.71	(84,532.49)	3,520,396.23	3,520,396.23	3,486,127.74	(34,268.49)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	387,345.24	387,345.24	316,222.60	(71,122.64)	621,829.77	621,829.77	679,158.29	57,328.52
OTHER FINANCING SOURCES (USES)								
Transfers In	86,500.00	86,500.00	86,500.00	-	88,133.45	88,133.45	79,125.09	(9,008.36)
Transfers Out	(482,853.36)	(482,853.36)	(525,033.98)	(42,180.62)	(657,918.77)	(657,918.77)	(681,817.03)	(23,898.26)
Emergency Fund	(134,377.79)	(134,377.79)	(15,768.50)	118,609.29	(125,823.79)	(125,823.79)	(17,492.93)	108,330.86
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(530,731.15)	(530,731.15)	(454,302.48)	76,428.67	(695,609.11)	(695,609.11)	(620,184.87)	75,424.24
NET CHANGE IN FUND BALANCE	(143,385.91)	(143,385.91)	(138,079.88)	5,306.03	(73,779.34)	(73,779.34)	58,973.42	132,752.76
FUND BALANCE - BEGINNING OF YEAR	147,981.54	147,981.54	147,981.54	-	89,008.12	89,008.12	89,008.12	-
FUND BALANCE - END OF YEAR	\$ 4,595.63	\$ 4,595.63	\$ 9,901.66	\$ 5,306.03	\$ 15,228.78	\$ 15,228.78	\$ 147,981.54	\$ 132,752.76

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 133,689.10	\$ 133,689.10	\$ 133,090.58	\$ (598.52)	\$ 124,795.36	\$ 124,795.36	\$ 129,635.36	\$ 4,840.00
County Clerk	161,464.79	161,464.79	158,926.60	(2,538.19)	124,494.55	124,494.55	124,897.79	403.24
Elections	60,000.00	60,000.00	48,910.57	(11,089.43)	30,537.33	30,537.33	31,629.09	1,091.76
Buildings and Grounds	105,819.89	105,819.89	98,920.44	(6,899.45)	99,300.11	99,300.11	102,296.71	2,996.60
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Other Expenses	297,175.50	297,175.50	306,332.69	9,157.19	279,858.52	279,858.52	285,982.26	6,123.74
	758,149.28	758,149.28	746,180.88	(11,968.40)	658,985.87	658,985.87	674,441.21	15,455.34
Financial Administration:								
Collector	112,652.44	112,652.44	113,695.86	1,043.42	118,251.32	118,251.32	116,738.79	(1,512.53)
Treasurer	82,718.28	82,718.28	75,057.88	(7,660.40)	69,249.43	69,249.43	66,130.99	(3,118.44)
	195,370.72	195,370.72	188,753.74	(6,616.98)	187,500.75	187,500.75	182,869.78	(4,630.97)
Other Offices and Grants:								
Other Offices and Grants	462,952.29	462,952.29	458,563.33	(4,388.96)	352,819.13	352,819.13	385,258.19	32,439.06
	462,952.29	462,952.29	458,563.33	(4,388.96)	352,819.13	352,819.13	385,258.19	32,439.06
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	140,642.43	140,642.43	139,295.10	(1,347.33)	129,368.84	129,368.84	128,256.47	(1,112.37)
Administration of Justice and Law Enforcement:								
Associate Circuit	9,856.00	9,856.00	11,520.52	1,664.52	11,056.00	11,056.00	10,382.70	(673.30)
Circuit Clerk	6,050.00	6,050.00	5,263.74	(786.26)	5,000.00	5,000.00	5,820.17	820.17
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	12,951.52	12,951.52	15,398.58	2,447.06	12,590.66	12,590.66	12,909.47	318.81
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	2,104,103.93	2,104,103.93	2,035,090.11	(69,013.82)	1,871,367.68	1,871,367.68	1,800,067.28	(71,300.40)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	63,419.80	63,419.80	63,419.80	-	63,419.80	63,419.80	63,419.80	-
Medical Examiner	37,487.17	37,487.17	35,692.17	(1,795.00)	44,103.12	44,103.12	31,057.97	(13,045.15)
Sheriff's Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	191,752.77	191,752.77	199,322.36	7,569.59	162,000.56	162,000.56	169,912.32	7,911.76
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	22,678.29	22,678.29	22,381.38	(296.91)	22,183.82	22,183.82	21,732.38	(451.44)
	2,448,299.48	2,448,299.48	2,388,088.66	(60,210.82)	2,191,721.64	2,191,721.64	2,115,302.09	(76,419.55)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 4,005,414.20	\$ 4,005,414.20	\$ 3,920,881.71	\$ (84,532.49)	\$ 3,520,396.23	\$ 3,520,396.23	\$ 3,486,127.74	\$ (34,268.49)

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS - SPECIAL REVENUE
ROAD AND BRIDGE FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 411,900.00	\$ 411,900.00	\$ 473,511.55	\$ 61,611.55	\$ 411,900.00	\$ 411,900.00	\$ 414,747.88	\$ 2,847.88
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	779,000.00	779,000.00	767,018.11	(11,981.89)	775,458.25	775,458.25	797,234.21	21,775.96
Interests	34,000.00	34,000.00	17,694.89	(16,305.11)	35,000.00	35,000.00	34,282.82	(717.18)
Other	399,064.84	399,064.84	145,369.31	(253,695.53)	180,400.00	180,400.00	165,709.41	(14,690.59)
TOTAL REVENUES	1,623,964.84	1,623,964.84	1,403,593.86	(220,370.98)	1,402,758.25	1,402,758.25	1,411,974.32	9,216.07
EXPENDITURES								
Current:								
Salaries	312,867.20	312,867.20	311,374.40	(1,492.80)	302,261.36	302,261.36	292,091.45	(10,169.91)
Employee Fringe Benefits	72,396.41	72,396.41	80,878.92	8,482.51	70,596.44	70,596.44	72,203.59	1,607.15
Supplies	365,000.00	365,000.00	377,437.26	12,437.26	475,000.00	475,000.00	284,540.39	(190,459.61)
Property and Equipment Insurance	55,000.00	55,000.00	52,146.00	(2,854.00)	50,000.00	50,000.00	46,934.00	(3,066.00)
Equipment Repairs	50,000.00	50,000.00	110,740.41	60,740.41	50,000.00	50,000.00	58,036.23	8,036.23
Rentals	-	-	50.00	50.00	694.54	694.54	50.00	(644.54)
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	421,166.00	421,166.00	436,768.33	15,602.33	407,250.00	407,250.00	340,712.04	(66,537.96)
Capital Outlay:								
Construction of Roads and Bridges	436,072.82	436,072.82	339,228.85	(96,843.97)	325,000.00	325,000.00	357,934.12	32,934.12
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,712,502.43	1,712,502.43	1,708,624.17	(3,878.26)	1,680,802.34	1,680,802.34	1,452,501.82	(228,300.52)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,537.59)	(88,537.59)	(305,030.31)	(216,492.72)	(278,044.09)	(278,044.09)	(40,527.50)	237,516.59
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(130,000.00)	(130,000.00)	(80,000.00)	50,000.00	(81,633.45)	(81,633.45)	(72,625.09)	9,008.36
TOTAL OTHER FINANCING SOURCES (USES)	(130,000.00)	(130,000.00)	(80,000.00)	50,000.00	(81,633.45)	(81,633.45)	(72,625.09)	9,008.36
NET CHANGE IN FUND BALANCE	(218,537.59)	(218,537.59)	(385,030.31)	(166,492.72)	(359,677.54)	(359,677.54)	(113,152.59)	246,524.95
FUND BALANCE - BEGINNING OF YEAR	401,519.20	401,519.20	401,519.20	-	514,671.79	514,671.79	514,671.79	-
FUND BALANCE - END OF YEAR	\$ 182,981.61	\$ 182,981.61	\$ 16,488.89	\$ (166,492.72)	\$ 154,994.25	\$ 154,994.25	\$ 401,519.20	\$ 246,524.95

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
ASSESSMENT FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	111,888.00	111,888.00	98,512.69	(13,375.31)	111,096.00	111,096.00	134,394.36	23,298.36
Fees, Licenses and Permits	217,000.00	217,000.00	212,279.51	(4,720.49)	190,300.00	190,300.00	187,625.45	(2,674.55)
Interest	15,000.00	15,000.00	12,596.48	(2,403.52)	12,000.00	12,000.00	15,099.27	3,099.27
Other	2,300.00	2,300.00	3,923.62	1,623.62	2,300.00	2,300.00	3,788.16	1,488.16
TOTAL REVENUES	346,188.00	346,188.00	327,312.30	(18,875.70)	315,696.00	315,696.00	340,907.24	25,211.24
EXPENDITURES								
Assessment Fund	326,532.05	326,532.05	290,373.08	(36,158.97)	271,486.57	271,486.57	272,908.93	1,422.36
TOTAL EXPENDITURES	326,532.05	326,532.05	290,373.08	(36,158.97)	271,486.57	271,486.57	272,908.93	1,422.36
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,655.95	19,655.95	36,939.22	17,283.27	44,209.43	44,209.43	67,998.31	23,788.88
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	19,655.95	19,655.95	36,939.22	17,283.27	44,209.43	44,209.43	67,998.31	23,788.88
FUND BALANCE - BEGINNING OF YEAR	408,357.39	408,357.39	284,933.89	(123,423.50)	216,935.58	216,935.58	216,935.58	-
FUND BALANCE - END OF YEAR	\$ 428,013.34	\$ 428,013.34	\$ 321,873.11	\$ (106,140.23)	\$ 261,145.01	\$ 261,145.01	\$ 284,933.89	\$ 23,788.88

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
COMMUNITY CENTER SALES TAX FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	820,000.00	820,000.00	820,682.90	682.90	780,000.00	780,000.00	796,037.74	16,037.74
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	4,750.00	4,750.00	6,711.41	1,961.41	5,000.00	5,000.00	6,123.90	1,123.90
Other	250,000.00	250,000.00	114,538.92	(135,461.08)	250,000.00	250,000.00	231,708.00	(18,292.00)
TOTAL REVENUES	1,074,750.00	1,074,750.00	941,933.23	(132,816.77)	1,035,000.00	1,035,000.00	1,033,869.64	(1,130.36)
EXPENDITURES								
Community Center	117,075.00	117,075.00	114,447.14	(2,627.86)	97,577.00	97,577.00	108,109.42	10,532.42
TOTAL EXPENDITURES	117,075.00	117,075.00	114,447.14	(2,627.86)	97,577.00	97,577.00	108,109.42	10,532.42
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	957,675.00	957,675.00	827,486.09	(130,188.91)	937,423.00	937,423.00	925,760.22	(11,662.78)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(320,000.00)	(320,000.00)	(272,917.26)	(47,082.74)	(313,050.00)	(313,050.00)	(286,695.56)	26,354.44
Debt Service:								
Principle	(395,000.00)	(395,000.00)	(195,000.00)	(200,000.00)	(355,000.00)	(355,000.00)	(355,000.00)	-
Interest	(250,000.00)	(250,000.00)	(121,548.93)	(128,451.07)	(275,000.00)	(275,000.00)	(254,091.18)	20,908.82
TOTAL OTHER FINANCING SOURCES (USES)	(965,000.00)	(965,000.00)	(589,466.19)	(375,533.81)	(943,050.00)	(943,050.00)	(895,786.74)	47,263.26
NET CHANGE IN FUND BALANCE	(7,325.00)	(7,325.00)	238,019.90	245,344.90	(5,627.00)	(5,627.00)	29,973.48	35,600.48
FUND BALANCE - BEGINNING OF YEAR	408,357.39	408,357.39	225,450.80	(182,906.59)	195,477.32	195,477.32	195,477.32	-
FUND BALANCE - END OF YEAR	\$ 401,032.39	\$ 401,032.39	\$ 463,470.70	\$ 62,438.31	\$ 189,850.32	\$ 189,850.32	\$ 225,450.80	\$ 35,600.48

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	800,000.00	800,000.00	777,239.62	(22,760.38)	400,000.00	400,000.00	440,033.46	40,033.46
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	4,687.32	4,687.32	-	-	-	-
Grants, Distributions and Reimbursements	69,443.00	69,443.00	78,495.95	9,052.95	76,500.00	76,500.00	79,325.93	2,825.93
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	1,000.00	1,000.00	437.40	(562.60)	1,000.00	1,000.00	503.27	(496.73)
Other	28,000.00	28,000.00	27,176.27	(823.73)	16,500.00	16,500.00	49,496.77	32,996.77
TOTAL REVENUES	898,443.00	898,443.00	888,036.56	(10,406.44)	494,000.00	494,000.00	569,359.43	75,359.43
EXPENDITURES								
Law Enforcement Sales Tax	1,359,353.36	1,359,353.36	1,412,970.54	53,617.18	1,203,987.77	1,203,987.77	1,251,176.46	47,188.69
TOTAL EXPENDITURES	1,359,353.36	1,359,353.36	1,412,970.54	53,617.18	1,203,987.77	1,203,987.77	1,251,176.46	47,188.69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(460,910.36)	(460,910.36)	(524,933.98)	(64,023.62)	(709,987.77)	(709,987.77)	(681,817.03)	28,170.74
OTHER FINANCING SOURCES (USES)								
Transfers In	453,853.36	453,853.36	525,033.98	71,180.62	628,918.77	628,918.77	681,817.03	52,898.26
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	453,853.36	453,853.36	525,033.98	71,180.62	628,918.77	628,918.77	681,817.03	52,898.26
NET CHANGE IN FUND BALANCE	(7,057.00)	(7,057.00)	100.00	7,157.00	(81,069.00)	(81,069.00)	-	81,069.00
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ (7,057.00)</u>	<u>\$ (7,057.00)</u>	<u>\$ 100.00</u>	<u>\$ 7,157.00</u>	<u>\$ (81,069.00)</u>	<u>\$ (81,069.00)</u>	<u>\$ -</u>	<u>\$ 81,069.00</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
MENTAL HEALTH SERVICES FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 317,300.00	\$ 317,300.00	\$ 332,211.32	\$ 14,911.32	\$ 308,148.48	\$ 308,148.48	\$ 295,102.62	\$ (13,045.86)
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	45,000.00	45,000.00	35,699.16	(9,300.84)	47,000.00	47,000.00	44,863.16	(2,136.84)
Other	6,600.00	6,600.00	3,600.66	(2,999.34)	3,537.15	3,537.15	7,470.95	3,933.80
TOTAL REVENUES	368,900.00	368,900.00	371,511.14	2,611.14	358,685.63	358,685.63	347,436.73	(11,248.90)
EXPENDITURES								
Mental Health Services	443,800.00	643,800.00	556,422.85	87,377.15	452,800.00	452,800.00	360,620.21	(92,179.79)
TOTAL EXPENDITURES	443,800.00	643,800.00	556,422.85	87,377.15	452,800.00	452,800.00	360,620.21	(92,179.79)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(74,900.00)	(274,900.00)	(184,911.71)	89,988.29	(94,114.37)	(94,114.37)	(13,183.48)	80,930.89
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(74,900.00)	(274,900.00)	(184,911.71)	89,988.29	(94,114.37)	(94,114.37)	(13,183.48)	80,930.89
FUND BALANCE - BEGINNING OF YEAR	789,305.79	789,305.79	789,305.79	-	802,489.27	802,489.27	802,489.27	-
FUND BALANCE - END OF YEAR	<u>\$ 714,405.79</u>	<u>\$ 514,405.79</u>	<u>\$ 604,394.08</u>	<u>\$ 89,988.29</u>	<u>\$ 708,374.90</u>	<u>\$ 708,374.90</u>	<u>\$ 789,305.79</u>	<u>\$ 80,930.89</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the Assessment, Community Center Sales Tax and Law Enforcement Sales Tax Funds. Also, the Law Enforcement Sales Tax Fund was deficit budgeted. During the year ended December 31, 2008, the Law Enforcement Sales Tax Fund's actual expenditures exceeded the budgeted expenditures and it was deficit budgeted.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Law Enforcement Training Fund	P.A. Training Fund	Capital Improvement Sales Tax	Law Enforcement Restitution Fund	911 Emergency Fund	Victims of Domestic Violence Fund	P. A. Bad Check Fund	C.A.F.A. Fund	P. A. Delinquent Fund	Sheriff Revolving Fund	Recorders Fund	Community Center Operating Fund
ASSETS												
Cash and Cash Equivalents	\$ 5,639.22	\$ 3,939.84	\$ 6,388.86	\$ 28,659.77	\$ 28,697.21	\$ 1,000.41	\$ 579.83	\$24,925.96	\$ 2,118.96	\$ 10,363.24	\$ 25,998.87	\$ 823.32
Investments	-	-	-	-	-	-	-	-	-	-	20,177.01	-
TOTAL ASSETS	<u>5,639.22</u>	<u>3,939.84</u>	<u>6,388.86</u>	<u>28,659.77</u>	<u>28,697.21</u>	<u>1,000.41</u>	<u>579.83</u>	<u>24,925.96</u>	<u>2,118.96</u>	<u>10,363.24</u>	<u>46,175.88</u>	<u>823.32</u>
				-								
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>5,639.22</u>	<u>3,939.84</u>	<u>6,388.86</u>	<u>28,659.77</u>	<u>28,697.21</u>	<u>1,000.41</u>	<u>579.83</u>	<u>24,925.96</u>	<u>2,118.96</u>	<u>10,363.24</u>	<u>46,175.88</u>	<u>823.32</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,639.22</u>	<u>\$ 3,939.84</u>	<u>\$ 6,388.86</u>	<u>\$ 28,659.77</u>	<u>\$ 28,697.21</u>	<u>\$ 1,000.41</u>	<u>\$ 579.83</u>	<u>\$24,925.96</u>	<u>\$ 2,118.96</u>	<u>\$ 10,363.24</u>	<u>\$ 46,175.88</u>	<u>\$ 823.32</u>

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Sheriff Fees Fund	Election Services Fund	K-9 Fund	Inmate Security Fund	Capital Improvement	Fees (Land Tax Sale)	Senior Citizen's Services	SurTax	Total
ASSETS									
Cash and Cash Equivalents	\$ 33,509.28	\$ 6,930.30	\$ 818.98	\$ 5,780.37	\$ 149,811.05	\$ 2,767.16	\$ 44,459.48	\$ 8,150.59	\$ 391,362.70
Investments	-	-	-	-	-	5,000.00	-	-	25,177.01
TOTAL ASSETS	<u>33,509.28</u>	<u>6,930.30</u>	<u>818.98</u>	<u>5,780.37</u>	<u>149,811.05</u>	<u>7,767.16</u>	<u>44,459.48</u>	<u>8,150.59</u>	<u>416,539.71</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>33,509.28</u>	<u>6,930.30</u>	<u>818.98</u>	<u>5,780.37</u>	<u>149,811.05</u>	<u>7,767.16</u>	<u>44,459.48</u>	<u>8,150.59</u>	<u>416,539.71</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,509.28</u>	<u>\$ 6,930.30</u>	<u>\$ 818.98</u>	<u>\$ 5,780.37</u>	<u>\$ 149,811.05</u>	<u>\$ 7,767.16</u>	<u>\$ 44,459.48</u>	<u>\$ 8,150.59</u>	<u>\$ 416,539.71</u>

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Law Enforcement Training Fund	P.A. Training Fund	Capital Improvement Sales Tax	Law Enforcement Restitution Fund	911 Emergency Fund	Victims of Domestic Violence Fund	P. A. Bad Check Fund	C.A.F.A Fund	P. A. Delinquent Fund	Sheriff Revolving Fund	Recorders Fund
REVENUES											
Property Tax	-	-	-	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	29,433.50	-	-	-	-	-	-	-
Charges for Services	10,522.92	1,665.79	-	-	378,936.29	1,666.00	17,811.64	-	2,111.87	4,532.00	15,517.00
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-
Interest	76.77	81.19	237.77	633.77	760.89	5.86	2.85	119.67	6.21	216.23	1,069.41
Contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	216,123.20	-	5,948.00	24,437.77	-	-	-
TOTAL REVENUES	10,599.69	1,746.98	237.77	30,067.27	595,820.38	1,671.86	23,762.49	24,557.44	2,118.08	4,748.23	16,586.41
EXPENDITURES											
General Government	-	1,247.99	3,091.92	-	580,827.19	1,431.59	18,372.34	-	131.00	-	4,382.47
Administration of Justice and Law	12,186.87	-	-	21,769.02	-	-	-	-	-	2,630.00	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:											
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-
Debt Service:											
Principal Payment	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	12,186.87	1,247.99	3,091.92	21,769.02	580,827.19	1,431.59	18,372.34	-	131.00	2,630.00	4,382.47
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,587.18)	498.99	(2,854.15)	8,298.25	14,993.19	240.27	5,390.15	24,557.44	1,987.08	2,118.23	12,203.94
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	(6,500.00)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(6,500.00)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,587.18)	498.99	(2,854.15)	8,298.25	14,993.19	240.27	(1,109.85)	24,557.44	1,987.08	2,118.23	12,203.94
FUND BALANCES - BEGINNING OF YEAR	7,226.40	3,440.85	9,243.01	20,361.52	13,704.02	760.14	1,689.68	368.52	131.88	8,245.01	33,971.94
FUND BALANCES - END OF YEAR	5,639.22	3,939.84	6,388.86	28,659.77	28,697.21	1,000.41	579.83	24,925.96	2,118.96	10,363.24	46,175.88

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Community Center Operating Fund	Sheriff Fees Fund	Election Services Fund	K-9 Fund	Inmate Security Fund	Capital Improvement	Fees (Land Tax Sale)	Senior Citizen's Services	SurTax	Total
REVENUES										
Property Tax	-	-	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	29,433.50
Charges for Services	267,721.99	30,290.82	-	-	-	-	-	-	-	730,776.32
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Interest	4.31	577.97	145.71	2.78	64.36	184.92	-	-	-	4,190.67
Contributions	-	-	-	-	-	-	-	-	-	-
Other	164,505.16	457.85	6,690.59	1,624.00	3,774.00	149,626.13	3,267.24	131,461.68	208,967.73	916,883.35
TOTAL REVENUES	432,231.46	31,326.64	6,836.30	1,626.78	3,838.36	149,811.05	3,267.24	131,461.68	208,967.73	1,681,283.84
EXPENDITURES										
General Government	704,325.40	-	7,021.67	-	-	-	2,587.14	108,345.10	205,274.97	1,637,038.78
Administration of Justice and Law	-	17,009.26	-	1,198.15	-	-	-	-	-	54,793.30
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	704,325.40	17,009.26	7,021.67	1,198.15	-	-	2,587.14	108,345.10	205,274.97	1,691,832.08
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	#####	14,317.38	(185.37)	428.63	3,838.36	149,811.05	680.10	23,116.58	3,692.76	(10,548.24)
OTHER FINANCING SOURCES (USES)										
Transfers In	272,917.26	-	-	-	-	-	-	-	-	272,917.26
Transfers Out	-	-	-	-	-	-	-	-	-	(6,500.00)
TOTAL OTHER FINANCING SOURCES (USES)	272,917.26	-	-	-	-	-	-	-	-	266,417.26
NET CHANGE IN FUND BALANCES	823.32	14,317.38	(185.37)	428.63	3,838.36	149,811.05	680.10	23,116.58	3,692.76	255,869.02
FUND BALANCES - BEGINNING OF YEAR	-	19,191.90	7,115.67	390.35	1,942.01	-	7,087.06	21,342.90	4,457.83	160,670.69
FUND BALANCES - END OF YEAR	823.32	33,509.28	6,930.30	818.98	5,780.37	149,811.05	7,767.16	44,459.48	8,150.59	416,539.71

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Law Enforcement Training Fund	P.A. Training Fund	Capital Improvement Sales Tax	Law Enforcement Restitution Fund	911 Emergency Fund	Victims of Domestic Violence Fund	P. A. Bad Check Fund	C.A.F.A Fund	P. A. Delinquent Fund	Sheriff Revolving Fund
ASSETS										
Cash and Cash Equivalents	\$ 7,226.40	\$ 3,440.85	\$ 9,243.01	\$ 20,361.52	\$ 13,704.02	\$ 760.14	\$ 1,689.68	\$ 368.52	\$ 131.88	\$ 8,245.01
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>7,226.40</u>	<u>3,440.85</u>	<u>9,243.01</u>	<u>20,361.52</u>	<u>13,704.02</u>	<u>760.14</u>	<u>1,689.68</u>	<u>368.52</u>	<u>131.88</u>	<u>8,245.01</u>
LIABILITIES AND FUND BALANCES				-						
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>7,226.40</u>	<u>3,440.85</u>	<u>9,243.01</u>	<u>20,361.52</u>	<u>13,704.02</u>	<u>760.14</u>	<u>1,689.68</u>	<u>368.52</u>	<u>131.88</u>	<u>8,245.01</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,226.40</u>	<u>\$ 3,440.85</u>	<u>\$ 9,243.01</u>	<u>\$ 20,361.52</u>	<u>\$ 13,704.02</u>	<u>\$ 760.14</u>	<u>\$ 1,689.68</u>	<u>\$ 368.52</u>	<u>\$ 131.88</u>	<u>\$ 8,245.01</u>

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Recorders Fund	Community Center Operating Fund	Sheriff Fees Fund	Election Services Fund	K-9 Fund	Inmate Security Fund	Fees (Land Tax Sale)	Senior Citizen's Services	SurTax	Total
ASSETS										
Cash and Cash Equivalents	\$ 33,971.94	\$ -	\$ 19,191.90	\$ 7,115.67	\$ 390.35	\$ 1,942.01	\$ 2,387.06	\$ 21,342.90	\$ 4,457.83	\$ 155,970.69
Investments	-	-	-	-	-	-	4,700.00	-	-	4,700.00
TOTAL ASSETS	<u>33,971.94</u>	<u>-</u>	<u>19,191.90</u>	<u>7,115.67</u>	<u>390.35</u>	<u>1,942.01</u>	<u>7,087.06</u>	<u>21,342.90</u>	<u>4,457.83</u>	<u>160,670.69</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>33,971.94</u>	<u>-</u>	<u>19,191.90</u>	<u>7,115.67</u>	<u>390.35</u>	<u>1,942.01</u>	<u>7,087.06</u>	<u>21,342.90</u>	<u>4,457.83</u>	<u>160,670.69</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,971.94</u>	<u>\$ -</u>	<u>\$ 19,191.90</u>	<u>\$ 7,115.67</u>	<u>\$ 390.35</u>	<u>\$ 1,942.01</u>	<u>\$ 7,087.06</u>	<u>\$ 21,342.90</u>	<u>\$ 4,457.83</u>	<u>\$ 160,670.69</u>

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Law Enforcement Training Fund	P.A. Training Fund	Capital Improvement Sales Tax	Law Enforcement Restitution Fund	911 Emergency Fund	Victims of Domestic Violence Fund	P. A. Bad Check Fund	C.A.F.A Fund	P. A. Delinquent Fund	Sheriff Revolving Fund
REVENUES										
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	29,651.50	-	-	-	-	-	-
Charges for Services	11,374.36	2,018.58	-	-	314,532.76	1,511.00	20,972.06	-	547.38	3,762.00
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Interest	78.46	145.65	555.62	593.73	1,613.90	25.49	220.82	16.16	7.86	295.83
Contributions	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	182,806.83	-	-	-	-	-
TOTAL REVENUES	11,452.82	2,164.23	555.62	30,245.23	498,953.49	1,536.49	21,192.88	16.16	555.24	4,057.83
EXPENDITURES										
General Government	-	1,177.40	3,472.71	-	508,739.18	1,743.44	19,533.32	-	646.15	-
Administration of Justice and Law	4,408.62	-	-	14,243.51	-	-	-	-	-	62.00
Highways and Roads	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,408.62	1,177.40	3,472.71	14,243.51	508,739.18	1,743.44	19,533.32	-	646.15	62.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,044.20	986.83	(2,917.09)	16,001.72	(9,785.69)	(206.95)	1,659.56	16.16	(90.91)	3,995.83
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	(6,500.00)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(6,500.00)	-	-	-
NET CHANGE IN FUND BALANCES	7,044.20	986.83	(2,917.09)	16,001.72	(9,785.69)	(206.95)	(4,840.44)	16.16	(90.91)	3,995.83
FUND BALANCES - BEGINNING OF YEAR	182.20	2,454.02	12,160.10	4,359.80	23,489.71	967.09	6,530.12	352.36	222.79	4,249.18
FUND BALANCES - END OF YEAR	\$ 7,226.40	\$ 3,440.85	\$ 9,243.01	\$ 20,361.52	\$ 13,704.02	\$ 760.14	\$ 1,689.68	\$ 368.52	\$ 131.88	\$ 8,245.01

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Recorders Fund	Community Center Operating Fund	Sheriff Fees Fund	Election Services Fund	K-9 Fund	Inmate Security Fund	Fees (Land Tax Sale)	Senior Citizen's Services	SurTax	Total
REVENUES										
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	29,651.50
Charges for Services	10,909.00	243,213.78	19,161.49	-	-	1,932.00	-	-	-	629,934.41
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Interest	1,314.69	168.44	1,055.65	543.49	23.29	10.01	-	-	-	6,669.09
Contributions	-	-	-	-	-	-	-	-	-	-
Other	6,135.00	165,887.82	4,396.00	3,602.12	563.92	-	1,889.09	113,662.84	177,135.54	656,079.16
TOTAL REVENUES	18,358.69	409,270.04	24,613.14	4,145.61	587.21	1,942.01	1,889.09	113,662.84	177,135.54	1,322,334.16
EXPENDITURES										
General Government	14,616.68	697,212.68	-	12,594.98	-	-	4,440.67	98,519.74	177,862.99	1,540,559.94
Administration of Justice and Law	-	-	22,099.67	-	1,105.92	-	-	-	-	41,919.72
Highways and Roads	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	14,616.68	697,212.68	22,099.67	12,594.98	1,105.92	-	4,440.67	98,519.74	177,862.99	1,582,479.66
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,742.01	#####	2,513.47	(8,449.37)	(518.71)	1,942.01	(2,551.58)	15,143.10	(727.45)	(260,145.50)
OTHER FINANCING SOURCES (USES)										
Transfers In	-	286,695.56	-	-	-	-	-	-	-	286,695.56
Transfers Out	-	-	-	-	-	-	-	-	-	(6,500.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	286,695.56	-	-	-	-	-	-	-	280,195.56
NET CHANGE IN FUND BALANCES	3,742.01	(1,247.08)	2,513.47	(8,449.37)	(518.71)	1,942.01	(2,551.58)	15,143.10	(727.45)	20,050.06
FUND BALANCES - BEGINNING OF YEAR	30,229.93	1,247.08	16,678.43	15,565.04	909.06	-	9,638.64	6,199.80	5,185.28	140,620.63
FUND BALANCES - END OF YEAR	\$ 33,971.94	\$ -	\$ 19,191.90	\$ 7,115.67	\$ 390.35	\$ 1,942.01	\$ 7,087.06	\$ 21,342.90	\$ 4,457.83	\$ 160,670.69

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - DECEMBER 31, 2008

	TAX MAINTENANCE FUND	ASSOCIATE CIRCUIT DIV. III INT. FUND	LAW LIBRARY FUND	CIRCUIT CLERK INT. FUND	UNCLAIMED FEES	SCHOOL FUND PRINCIPAL	RECORDER	COLLECTOR	PROSECUTING ATTORNEY	SHERIFF	CIRCUIT CLERK	TOTAL
ASSETS												
Cash and Cash Equivalents	\$ 14,989.37	\$ 720.87	\$ 8,650.41	\$ 679.23	\$ 12.00	\$ 10,408.46	\$ 10,819.25	\$ 2,126.45	\$ 311.31	\$ 19,402.51	\$ 187,985.85	\$ 256,105.71
Investments	-	-	-	-	-	180,708.08	-	-	-	-	-	180,708.08
TOTAL ASSETS	<u>14,989.37</u>	<u>720.87</u>	<u>8,650.41</u>	<u>679.23</u>	<u>12.00</u>	<u>191,116.54</u>	<u>10,819.25</u>	<u>2,126.45</u>	<u>311.31</u>	<u>19,402.51</u>	<u>187,985.85</u>	<u>436,813.79</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>14,989.37</u>	<u>720.87</u>	<u>8,650.41</u>	<u>679.23</u>	<u>12.00</u>	<u>191,116.54</u>	<u>10,819.25</u>	<u>2,126.45</u>	<u>311.31</u>	<u>19,402.51</u>	<u>187,985.85</u>	<u>436,813.79</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,989.37</u>	<u>\$ 720.87</u>	<u>\$ 8,650.41</u>	<u>\$ 679.23</u>	<u>\$ 12.00</u>	<u>\$ 191,116.54</u>	<u>\$ 10,819.25</u>	<u>\$ 2,126.45</u>	<u>\$ 311.31</u>	<u>\$ 19,402.51</u>	<u>\$ 187,985.85</u>	<u>\$ 436,813.79</u>

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - DECEMBER 31, 2007

	TAX MAINTENANCE FUND	ASSOCIATE CIRCUIT DIV. III INT. FUND	LAW LIBRARY FUND	CIRCUIT CLERK INT. FUND	SCHOOL FUND PRINCIPAL	RECORDER	COLLECTOR	PROSECUTING ATTORNEY	SHERIFF	CIRCUIT CLERK	TOTAL
ASSETS											
Cash and Cash Equivalents	\$ 19,494.19	\$ 715.29	\$ 9,012.71	\$ 621.36	\$ 122,790.24	\$ 13,402.75	\$ 34,266.32	\$ 946.28	\$ 36,503.71	\$ 155,860.47	\$ 393,613.32
Investments	-	-	-	-	100,000.00	-	-	-	-	-	100,000.00
TOTAL ASSETS	19,494.19	715.29	9,012.71	621.36	222,790.24	13,402.75	34,266.32	946.28	36,503.71	155,860.47	493,613.32
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	19,494.19	715.29	9,012.71	621.36	222,790.24	13,402.75	34,266.32	946.28	36,503.71	155,860.47	493,613.32
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,494.19	\$ 715.29	\$ 9,012.71	\$ 621.36	\$ 222,790.24	\$ 13,402.75	\$ 34,266.32	\$ 946.28	\$ 36,503.71	\$ 155,860.47	\$ 493,613.32

STATE COMPLIANCE SECTION

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

- A. For the year ended December 31, 2007, the actual expenditures exceeded the budgeted expenditures in the Assessment, Community Center Sales Tax and Law Enforcement Sales Tax Funds. The Law Enforcement Sales Tax Fund was deficit budgeted.
- B. For the year ended December 31, 2008, the Law Enforcement Sales Tax Fund's actual expenditures exceeded the budgeted expenditures and was deficit budgeted.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Ste. Genevieve, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Ste. Genevieve, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated September 9, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02 and 07/08-03, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated September 9, 2009.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 2009

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF STE. GENEVIEVE
STE. GENEVIEVE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Ste. Genevieve County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ste. Genevieve County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Ste. Genevieve County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

September 9, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

07/08-02 **Management's Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- A. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- B. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- C. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 27, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Ste. Genevieve County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Ste. Genevieve County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Ste. Genevieve County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Ste. Genevieve County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 13, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Ste. Genevieve County are described in Note I to the financial statements. New accounting policies adopted during the years ended December 31, 2008, and December 31, 2007, were GASB Statements No. 34, 37 and 38. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 9, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007

TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
<u>FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities and Fund Balance – Cash Basis	5
Statement of Revenues, Expenses and Changes in Fund Balance – Cash Basis	6
Notes to the Financial Statements	7-11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2008	12
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2007	13
Notes to the Required Supplementary Information	14
Schedule of Findings and Responses	15-17

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ste. Genevieve County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Ste. Genevieve County Senate Bill 40 of Missouri, a component unit of Ste. Genevieve County, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Senate Bill 40's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ste. Genevieve County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Ste. Genevieve County Senate Bill 40 of Missouri as of December 31, 2008 and December 31, 2007, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2009, on our consideration of the Ste. Genevieve County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 12 and 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and , in our opinion, are fairly stated in al material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Ste. Genevieve County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Ste. Genevieve County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated September 29, 2009, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ste. Genevieve County Senate Bill 40 of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ste. Genevieve County Senate Bill 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ste. Genevieve County Senate Bill 40's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ste. Genevieve County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ste. Genevieve County Senate Bill 40 in a separate letter dated September 29, 2009.

Ste. Genevieve County Senate Bill 40's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Ste. Genevieve County Senate Bill 40's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

September 29, 2009

FINANCIAL STATEMENTS

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 133,548.52	\$ 147,191.92
Investments	-	-
Total Assets	<u>133,548.52</u>	<u>147,191.92</u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ 133,548.52	\$ 147,191.92
Total Fund Balance	<u>133,548.52</u>	<u>147,191.92</u>
Total Liabilities and Fund Balance	<u>133,548.52</u>	<u>147,191.92</u>

The notes to the financial statements are an integral part of this statement.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Property Tax Revenues	\$ 233,187.75	\$ 210,495.39
	<u>233,187.75</u>	<u>210,495.39</u>
TOTAL REVENUES	233,187.75	210,495.39
EXPENDITURES		
General Administration	1,292.37	4,005.26
SGI (Workshop)	157,852.08	119,018.00
Treasurer Bond	417.50	417.50
D & O Liability	1,476.00	1,476.00
Mental Health Trust Fund	11,104.15	12,929.47
ISL	5,000.00	5,000.00
Ste. Genevieve Group Homes	56,842.39	15,190.00
Adult Day Care Program	-	15,000.00
Targeted Case Management	13,086.42	-
Transportation	<u>-</u>	<u>2,040.00</u>
TOTAL EXPENDITURES	<u>247,070.91</u>	<u>175,076.23</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(13,883.16)	35,419.16
OTHER FINANCING SOURCES (USES)		
Interest	239.76	269.34
Miscellaneous	-	-
Rents	-	-
Donations	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>239.76</u>	<u>269.34</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	(13,643.40)	35,688.50
FUND BALANCE - BEGINNING OF YEAR	<u>147,191.92</u>	<u>111,503.42</u>
FUND BALANCE - END OF YEAR	<u>\$ 133,548.52</u>	<u>\$ 147,191.92</u>

The notes to the financial statements are an integral part of this statement.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ste. Genevieve County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Ste. Genevieve County Senate Bill 40 is a component unit of Ste. Genevieve County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, were fully insured or collateralized as required by state statutes at December 31, 2008 and December 31, 2007. At December 31, 2008, the carrying amount of the District's deposits was \$133,548.52 with respective bank balances totaling \$134,764.71. At December 31, 2007, the carrying amount of the District's deposits was \$147,191.92 with respective bank balances totaling \$151,129.62. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for 2007 and \$250,000 for 2008.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2008 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2008		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 96,634.94
Checking and Money Market Accounts	N/A	<u>36,913.58</u>
TOTAL DEPOSITS		\$ <u>133,548.52</u>

The Deposits held at December 31, 2007 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	147,191.92
Checking and Money Market Accounts	N/A	<u>-</u>
TOTAL DEPOSITS		\$ <u>147,191.92</u>

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was \$359,326,772 and \$344,083,170 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was .0650 and .0650 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2008 or December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET BASIS TO ACTUAL - NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 212,470.00	\$ 233,187.75	\$ 20,717.75
TOTAL REVENUES	<u>212,470.00</u>	<u>233,187.75</u>	<u>20,717.75</u>
EXPENDITURES			
General Administration	20,600.00	1,292.37	(19,307.63)
SIG (Workshop)	157,852.08	157,852.08	-
Treasurer Bond	500.00	417.50	(82.50)
D & O Liability	1,600.00	1,476.00	(124.00)
Mental Health Trust Fund	13,000.00	11,104.15	(1,895.85)
ISL	5,000.00	5,000.00	-
Ste. Genevieve Group Homes	60,705.80	56,842.39	(3,863.41)
Adult Day Care Program	-	-	-
Targeted Case Management	100,000.00	13,086.42	(86,913.58)
Transportation	-	-	-
TOTAL EXPENDITURES	<u>359,257.88</u>	<u>247,070.91</u>	<u>(86,913.58)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(146,787.88)	(13,883.16)	107,631.33
OTHER FINANCING SOURCES (USES)			
Interest	300.00	239.76	(60.24)
Miscellaneous	-	-	-
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>300.00</u>	<u>239.76</u>	<u>(60.24)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(146,487.88)	(13,643.40)	107,571.09
FUND BALANCE BEGINNING OF YEAR	<u>147,191.92</u>	<u>147,191.92</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 704.04</u>	<u>\$ 133,548.52</u>	<u>\$ 107,571.09</u>

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET BASIS TO ACTUAL - NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 210,000.00	210,495.39	\$ 495.39
TOTAL REVENUES	<u>210,000.00</u>	<u>210,495.39</u>	<u>495.39</u>
EXPENDITURES			
General Administration	11,600.00	4,005.26	(7,594.74)
SGI (Workshop)	119,018.00	119,018.00	-
Treasurer Bond	500.00	417.50	(82.50)
D & O Liability	1,500.00	1,476.00	(24.00)
Mental Health Trust Fund	15,000.00	12,929.47	(2,070.53)
ISL	5,000.00	5,000.00	-
Ste. Genevieve Group Homes	42,500.00	15,190.00	(27,310.00)
Adult Day Care Program	23,000.00	15,000.00	(8,000.00)
Targeted Case Management	100,000.00	-	(100,000.00)
Transportation	3,120.00	2,040.00	(1,080.00)
TOTAL EXPENDITURES	<u>321,238.00</u>	<u>175,076.23</u>	<u>(146,161.77)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(111,238.00)	35,419.16	146,657.16
OTHER FINANCING SOURCES (USES)			
Interest	350.00	269.34	(80.66)
Miscellaneous	-	-	-
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>350.00</u>	<u>269.34</u>	<u>(80.66)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(110,888.00)	35,688.50	146,576.50
FUND BALANCE BEGINNING OF YEAR	<u>111,503.42</u>	<u>111,503.42</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 615.42</u>	<u>\$ 147,191.92</u>	<u>\$ 146,576.50</u>

STE. GENEVIEVE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

BUDGETS AND BUDGETARY ACCOUNTING

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Board adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS
(concluded) requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

STE. GENEVIEVE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF STE. GENEVIEVE COUNTY, MISSOURI)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RESPONSES

There were no prior year findings and responses related to *Government Auditing Standards* for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Ste. Genevieve County, Missouri

In planning and performing our audit of the financial statements of the governmental of Ste. Genevieve County Senate Bill 40 as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Senate Bill 40's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate Bill 40's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate Bill 40's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Ste. Genevieve County Senate Bill 40's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

September 29, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

07/08-03 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- A. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- B. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- C. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 29, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 (concluded)

In planning and performing our audit, we considered Ste. Genevieve County Senate Bill 40's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Senate Bill 40's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Ste. Genevieve County Senate Bill 40's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Ste. Genevieve County Senate Bill 40's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Ste. Genevieve County Senate Bill 40's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 29, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Ste. Genevieve County Senate Bill 40 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Susan Montee, JD, CPA
Missouri State Auditor

Seventh Judicial Circuit

City of Mosby Municipal Division



December 2009

Report No. 2009-139

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

December 2009

The following findings were included in our audit report on the Seventh Judicial Circuit, City of Mosby Municipal Division.

Receipts totaling at least \$6,445 were received by the City of Mosby Municipal Division during the period June 2008 through October 2008, but were not deposited. The Chief of Police indicated he reported an alleged fraud to the County Prosecuting Attorney after he discovered some municipal division monies received were not deposited, monthly court reports were not prepared, and Crime Victims Compensation (CVC) monies were not remitted to the state. In addition to the missing monies, the current Court Administrator has been unable to locate many court documents including the following: some case files/tickets, several court dockets, and some deposit slips, monthly court reports, bank statements, and receipt slips. Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Administrator's work, allowed the missing monies to go undetected.

The various duties of the municipal division are not adequately segregated, and the work of the Court Administrator is not adequately reviewed. Receipt slips were not issued for some monies received, the numerical sequence of receipt slips issued from June through October 2008 could not be accounted for, a cash control record was not maintained, and no record was maintained to indicate the individual receipts making up each deposit. In addition, receipts were not deposited intact on a timely basis and bond forms issued by the Police Department are not prenumbered. Prior to January 2009, monthly bank reconciliations for the municipal division bond account were not performed and lists of liabilities were not maintained to account for bonds held for defendants. The current Court Administrator was only able to identify \$2,100 in open bonds as of January 2009, leaving an unidentified difference of \$7,095 in the bond account. Checks and money orders received by the municipal division are not restrictively endorsed until the deposit is prepared. Neither the Court Administrator nor the Police Department account for the numerical sequence and ultimate disposition of traffic tickets issued.

While the city has an ordinance requiring the collection of \$2 per case for Law Enforcement Training (LET), this fee is not collected. Judicial Education Fund (JEF) fees have not been deposited to the JEF bank account since May 2008 and court costs collected on traffic tickets were not always distributed to the state. Monthly summary reports were not always submitted to the Office of State Courts Administrator as required, and a final court docket is not prepared.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	Missing Funds.....5
2.	Internal Controls and Records6
3.	Compliance9
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	12-13
SCHEDULE OF MISSING FINES, COSTS, AND BONDS	14-15

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Mosby, Missouri

We have audited certain operations of the City of Mosby Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the 2 years ended March 31, 2009. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Mosby Municipal Division of the Seventh Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Moulden, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Missing Funds
-----------	----------------------

Receipts totaling at least \$6,445 were received by the City of Mosby Municipal Division during the period June 2008 through October 2008, but were not deposited.

The former Court Administrator was elected to the position of City Collector in April 2008, and also took over the duties of Court Administrator and City Clerk in June 2008, when the prior Court Administrator and City Clerk quit. She was replaced as Court Administrator and City Clerk in November 2008. The Chief of Police indicated he reported an alleged fraud to the county Prosecuting Attorney after he discovered some municipal division monies received were not deposited, monthly court reports were not prepared, and Crime Victims Compensation (CVC) monies were not remitted to the state.

For the period June to October 2008, we compared amounts receipted as cash on the city's and municipal division's receipt slips for court fines, costs, and bonds to cash deposited into the city's General Fund and the municipal division's bond bank account. Recorded fines and costs received as cash, totaling at least \$5,792, were not deposited and are missing. In addition, cash bonds received from the Police Department, totaling \$653, were not deposited, and are missing. The Schedule of Missing Fines, Costs, and Bonds included in this report documents the missing cash receipts.

In addition to the missing monies, the current Court Administrator has been unable to locate many court documents including: some case files/tickets, several court dockets, and some deposit slips, monthly court reports, bank statements, and receipt slips.

Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Administrator's work, as discussed in the remainder of the Management Advisory Report (MAR), allowed the missing monies to go undetected.

WE RECOMMEND the City of Mosby Municipal Division, along with the city, work with law enforcement officials regarding possible criminal prosecution, including restitution of the missing funds, and attempt to locate or recover the missing court records and documents.

AUDITEE'S RESPONSE

The current Court Administrator provided the following response:

The appropriate parties have already been notified and missing records have been located to the extent possible.

2. Internal Controls and Records

Internal controls and procedures regarding accounting functions and records are in need of improvement in the municipal division.

- A. The various duties of the municipal division are not adequately segregated, and the work of the Court Administrator is not adequately reviewed. The Court Administrator performs all of the duties related to the collection of fines, court costs, and bonds and the disbursement of bonds. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Administrator.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this office currently has only one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and an independent review of bank statements and reconciliations. Any unusual items or discrepancies should be investigated and resolved promptly.

- B. Controls over the processing of municipal division receipts and deposits are in need of improvement.

- 1) Between June and October 2008, receipt slips were not issued for some monies received and the numerical sequence of receipt slips issued could not be accounted for properly. A cash control record was not maintained and no record was maintained to indicate the individual receipts making up each deposit. In addition, the composition of receipt slips issued was not compared to the composition of deposits.

The municipal division issues manual receipt slips for the payment of fines and costs, but the former Court Administrator sometimes issued city receipt slips for municipal division receipts and, as a result, the numerical sequence of receipt slips could not be accounted for properly. Neither the city nor the municipal division was able to locate some receipt books used between June and October 2008.

We obtained the deposit detail from the bank for deposits made from June through October 2008 by the former Court Administrator. Receipt slips were either not issued or not located for 32 checks received from defendants, totaling approximately \$2,420, which were included in deposits. As a result, the composition of deposits did not agree to the deposit slips for any deposits made between June and October 2008, and the majority of these deposits had little or no cash, although the receipt slips available indicated significant amounts of cash were received. These discrepancies were not identified by municipal division or city personnel.

To adequately account for all monies received, receipt slips should be issued for all monies received, posted to a cash control, and the numerical sequence of receipt slips should be accounted for periodically. Additionally, the composition of receipt slips should be reconciled to the composition of deposits.

- 2) Receipts were not deposited intact on a timely basis. The deposit frequency for fines and court costs significantly decreased in June 2008. Prior to that time, an average of four deposits were made each month to the fines and costs account, and these deposits averaged approximately \$1,000. Between June and October 2008, the average number of deposits decreased to approximately two per month, and the average deposit amount increased to over \$1,500. From June to October 2008, there were no deposits made to the bond account; bond monies that were deposited, were deposited to the city's General Fund account in error.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact on a timely basis.

- 3) Receipts slips are not issued to the Police Department when cash bonds are transmitted to the municipal division. While the bonds are signed for when received by the Court Administrator, an independent review is not performed to ensure all cash bonds are received and deposited.

- C. Bond forms issued by the Police Department are not prenumbered. Bonds received by the Police Department are given to the Court Administrator, who initials the bond log indicating the monies were received, but there is no sequential number associated with each bond to allow the municipal division to ensure all bonds received have been accounted for properly.

To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance that all bond monies are accounted for properly, prenumbered bond forms should be used and procedures to account for the numerical sequence of bond forms should be established.

- D. Prior to January 2009, monthly bank reconciliations for the municipal division bond account were not performed and lists of liabilities were not maintained to account for bonds held for defendants. The current Court Administrator investigated the bond account in January 2009, and determined the reconciled account balance was \$9,195, but was only able to identify \$2,100 in open bonds, leaving an unidentified difference of \$7,095. As of June 30, 2009, this difference remained undistributed.

Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis. Monthly lists of liabilities should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient. An attempt should to be made to identify and disburse these balances to the appropriate parties.

- E. Checks and money orders received by the municipal division are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- F. Neither the Court Administrator nor the Police Department account for the numerical sequence and ultimate disposition of traffic tickets issued. The current Court Administrator maintains a log of ticket books assigned to officers and posts the ultimate disposition of each ticket to a numerical log; however, between June and October 2008, neither the former Court Administrator nor the Police Department accounted for the numerical sequence and ultimate disposition of traffic tickets issued. In addition, during our review of 40 traffic tickets, 4 tickets could not be located.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued were properly submitted for processing.

WE RECOMMEND the City of Mosby Municipal Division:

- A. Establish a documented periodic review of municipal division records by an independent person.
- B.1. Issue receipt slips for all monies received, maintain a cash control and periodically account for the numerical sequence of receipt slips issued. In addition, the composition of receipt slips issued should be reconciled to the composition of bank deposits.
2. Deposit receipts intact on a timely basis.
3. Establish procedures to ensure all cash bonds are deposited.

- C. Work with the Police Department to ensure prenumbered bond forms are used for all bonds received and establish procedures to account for their numerical sequence.
- D. Prepare bank reconciliations for the bond account monthly and compare the reconciled account balance to a monthly list of liabilities. Any unidentified differences should be investigated and if the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.
- E. Restrictively endorse checks immediately upon receipt.
- F. Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The current Court Administrator provided the following responses:

- A. *We will work with the City Clerk to establish an independent review.*
- B,
E&F. *These recommendations have been implemented.*
- C. *We have discussed the issue with the Police Department and the department ordered prenumbered bond forms that were placed into use on October 1, 2009.*
- D. *We have already begun reconciling the bond account on a monthly basis and continue to investigate the unidentified difference.*

3.

Compliance

- A. While the city has an ordinance requiring the collection of \$2 per case for Law Enforcement Training (LET), this fee is not collected. The city currently collects \$12 court costs, \$1 Peace Officers Standards Training (POST) fee, \$7.50 Crime Victims Compensation (CVC) fee, and \$1 Judicial Education Fund (JEF) fee for a total of \$21.50 per case.

Section 488.5336, RSMo, allows a surcharge of \$2 per case to be collected for LET.

- B. JEF fees have not been deposited to the JEF bank account since May 2008. The division collects \$1 per case for the JEF, which is to be deposited in a bank account for court training by the city, but since May 2008 these fees have been deposited to the city's General Fund account. Section 479.260.1, RSMo, allows JEF fees to be assessed in addition to other court costs and deposited into a fund

to be used for judicial education and training for the Municipal Judge and Court Administrator. The municipal division should determine the amount due to the JEF account and request the city transfer these funds. Without a proper accounting of the JEF fees collected, it cannot be determined whether the monies have been expended only for the purposes allowed by state law.

- C. Court costs collected on traffic tickets were not always distributed to the state. CVC fees were collected but not distributed between June and November 2008 and as of March 31, 2009, the last payment to the state for POST collections was May 1, 2008. State law requires certain court costs be distributed to the applicable state agencies on a monthly basis. Failure to pay court costs collected to the appropriate agencies deprives the state of revenue.
- D. Monthly summary reports were not always submitted to the Office of State Courts Administrator (OSCA) as required. During our review of the municipal division records, we were unable to locate summary reports for January and August 2007, June 2008, and August through October 2008.

The OSCA requires municipal divisions to submit a summary report each month that reports monthly caseload information and monthly collections.

- E. A final court docket is not prepared. The Court Administrator takes notes during court on the working docket but does not post that data to a final docket and the Municipal Judge does not sign the working court dockets.

Section 479.070, RSMo, requires the proceeding for every case commenced before the court to be entered on the docket, along with the ultimate disposition of the case. To ensure the proper disposition of all cases has been entered in the court records, a final court docket should be prepared and the Municipal Judge should sign the dockets after reviewing to ensure their propriety.

WE RECOMMEND the City of Mosby Municipal Division:

- A. Collect \$2 per case for LET in accordance with state law and city ordinance.
- B. Work with the city to determine the amount due from the General Fund to the JEF account and ensure all JEF fees collected are deposited to the proper account in accordance with state law.
- C. Ensure fines and court costs are transmitted to the appropriate parties at least monthly as required by state law and determine the amounts due from prior months.
- D. Prepare summary reports as required and ensure they are submitted to the OSCA timely.

- E. Prepare a final court docket containing information required by state law and ensure the Municipal Judge reviews all court dockets for propriety and signs the dockets to indicate his approval.

AUDITEE'S RESPONSE

The current Court Administrator provided the following responses:

A, B,

&D. These recommendations have been implemented.

C. The amounts due to the state have been determined and checks will be issued in the near future.

E. We will prepare a final court docket beginning with the next court date and will present it to the Municipal Judge for his review and signature.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Mosby Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Rex Gabbert serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At March 31, 2009, the municipal division employees were as follows:

Municipal Judge William Shull
Court Administrator Sally Denney*

* Sally Denney was hired in November 2008 to replace Teresa Dravenstott. Teresa Dravenstott was elected to the position of City Collector in April 2008 and also served as City Clerk and Court Administrator between June and October 2008. Prior to April 2008, Julie Cazzell served as City Collector and prior to June 2008, she also served as City Clerk and Court Administrator and had held these positions for approximately 20 years.

Financial and Caseload Information

	<u>Year Ended March 31,</u>	
	<u>2009</u>	<u>2008</u>
Receipts	N/A	\$73,440
Number of cases filed	N/A	781

Note: 2009 data was not available because of numerous missing court records.

SCHEDULE OF MISSING FINES, COSTS, AND BONDS

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION
SCHEDULE OF MISSING FINES, COSTS, AND BONDS

Missing fines and costs:

<u>Deposit Date</u>	<u>Receipt Numbers</u>	<u>Cash Receipts</u>	<u>Cash Deposited</u>	<u>Missing Receipts</u>
7/17 & 7/25/08	14849-14880 & 862405	\$ 1,652	0	1,652
8/26, 9/3, & 9/16/08	14881-14904, 862408, & 862417-862427	2,824	225	2,599
9/24/2008	14905	53	53	0
10/23/2008	14906-14928 & 862428	1,813	75	1,738
10/29/2008	14929	103	300	(197)
		<u>\$ 6,445</u>	<u>653</u>	<u>5,792</u>

Missing bonds:

<u>Receipt Date</u>	<u>Bond Amount</u>
9/29/2008	\$ 250
10/5/2008	103
10/28/2008	300
	<u>\$ 653</u>



Susan Montee, JD, CPA
Missouri State Auditor

Ste. Genevieve County



December 2009

Report No. 2009-138

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Ste. Genevieve County

Financial Condition	The financial condition of the General Revenue Fund has declined. General Revenue Fund disbursements have exceeded receipts in 7 of the last 10 years. The County Commission indicated it is aware of this concern, but has not developed a formal plan to address the financial condition. While the county has been working on increasing receipts, the County Commission has no specific plans to reduce disbursements.
Disbursements	The county's procedures related to written agreements and fuel use need improvement. The county did not enter into formal written agreements defining services to be provided and benefits to be received for the reoccurring services of microfilming records and quarry assessments. The county's procedures to account for fuel used by the Road and Bridge Department are lacking. Fuel usage logs are maintained to record fuel pumped; however, the county does not reconcile total fuel pumped to total fuel purchased.
Budgets	The county's procedures related to budget preparation and monitoring need improvement. Formal budgets were not prepared for some funds and budgets for the Mental Health Fund, Senior Citizens Fund, and Senate Bill 40 (SB40) Fund were not filed with the State Auditor's office as required. Approved disbursements exceeded budgeted amounts during the years ended December 31, 2008 and 2007, for the Law Enforcement Sales Tax Fund by approximately \$53,600 and \$47,000, respectively.
Closed Minutes	While minutes of closed meetings are required by state law, the county failed to maintain minutes of several closed meetings held by the County Commission.
Community Center	The Community Center's procedures related to timesheets and capital assets need improvement. Timesheets are not prepared by salaried employees of the Community Center. The Community Center's procedures to account for property are not sufficient and property records are not accurate. Written authorization is not obtained from the Community Center Board for the disposition of capital assets. Disposition information such as dates, amounts, and means of disposal are not recorded by Community Center officials in capital asset records, and the Community Center does not perform a physical inventory.



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Senate Bill 40 Board

The SB40 Board does not have adequate disbursement procedures for sheltered workshop and group home services. Not-for-profit (NFP) organizations submit an annual budget request and audit to the SB40 Board each year; however, the SB40 Board did not enter into formal written agreements defining services to be provided and benefits to be received for services. The SB40 Board has not developed an effective method of monitoring services provided by the NFPs. The approved amount is disbursed to the sheltered workshop at the beginning of the year, prior to receiving services.

Sheriff's Commissary

Sheriff commissary procedures related to profits, bank reconciliations, and liabilities need improvement. Profits earned on commissary and phone card sales are held in the Sheriff's Commissary Account and used to make jail purchases outside the control of the normal county disbursement process. Although commissary bank reconciliations are prepared, the Sheriff's department did not clearly document its investigation of unidentified differences, or correct the unidentified differences and reconciling items. A detailed liabilities list is not printed and retained to properly support the liabilities balance.

Associate and Probate Divisions and Circuit Clerk

The Associate and Probate Division accounting duties are not adequately segregated. Receipts are not deposited on a timely basis. Receipts are usually posted to the Justice Information System (JIS) as received; however, manual receipt slips may be issued when the computer system is not available. There is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited.

Other findings in the audit report relate to capital assets and the office of the Public Administrator.

All reports are available on our Web site: auditor.mo.gov

Ste. Genevieve County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Financial Condition4 2. Disbursements5 3. Budgets.....6 4. Closed Minutes.....7 5. Capital Assets8 6. Community Center9 7. Senate Bill 40 Board.....10 8. Sheriff's Commissary11 9. Public Administrator13 10. Associate and Probate Division and Circuit Clerk14
---	---

Organization and Statistical Information	17
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Ste. Genevieve County

We have audited certain operations of Ste. Genevieve County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Ste. Genevieve County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Ste. Genevieve County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie Vollmer, CPA
Audit Staff:	Ashley Lee, MBA
	Kelli Oldham
	M. M. Williams

Ste. Genevieve County Management Advisory Report State Auditor's Findings

1. Financial Condition

The financial condition of the General Revenue Fund has declined and is not expected to improve significantly during the year ended December 31, 2009. The following table reflects the receipts, disbursements, and cash balances of the fund for the years ended December 31, 2008 and 2007, as well as anticipated amounts for the year ended December 31, 2009, per the year ended December 31, 2009, approved budget:

General Revenue Fund	2009 (budgeted)	2008 (actual)	2007 (actual)
Beginning Balance, January 1	\$ 9,902	147,982	89,008
Receipts	4,496,761	4,323,605	4,244,412
Disbursements	(4,493,500)	(4,461,685)	(4,185,438)
Ending Balance, December 31	\$ 13,163	9,902	147,982

General Revenue Fund disbursements have exceeded receipts in 7 of the last 10 years. Although the financial condition of the General Revenue Fund improved in 2007, the ending balance significantly declined from 2007 to 2008. In 2008, budgeted receipts were approximately \$155,000 more than actual receipts due to lower than anticipated revenues from prisoner boarding and recycling grants. In addition, the County Commission approved employee raises of 2 percent and 25 cents an hour in 2008.

The county cannot continue to spend more than it receives in this fund. The County Commission indicated it is aware of the concern, but has not developed a formal plan to address the county's financial condition and has no specific plan to reduce disbursements. The county has been working on increasing receipts by renegotiating its prisoner housing contract with the federal government to increase the daily prisoner rate from \$57 to \$75 and requiring a local company to begin paying \$130,000 annually as payment in lieu of taxes for an industrial development project.

It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.

Recommendations

The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following response:

We are aware of the financial condition of the General Revenue Fund. We have been working on this situation and will continue to work on it.

2. Disbursements

The county's procedures related to written agreements and fuel use need improvement.

2.1 Written agreements

The county did not enter into formal written agreements defining services to be provided and benefits to be received for the following reoccurring services:

Service	2008	2007
Microfilming records \$	8,835	10,147
Quarry assessments	32,502	4,700

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to all parties.

2.2 Fuel use

The county's procedures to account for fuel used by the Road and Bridge Department are lacking. Fuel usage logs are maintained to record fuel pumped; however, the county does not reconcile total fuel pumped to total fuel purchased. The county maintains three bulk fuel tanks at the Road and Bridge Department for use in road and bridge owned vehicles and equipment. During the years ended December 31, 2008 and 2007, the county disbursed approximately \$115,000 and \$64,000, respectively, for bulk fuel.

To ensure the validity and propriety of fuel disbursements and detect fuel loss or misuse on a timely basis, the county should adopt procedures to ensure fuel pumped is reconciled to fuel purchased.

Recommendations

The County Commission:

- 2.1 Enter into written agreements, signed by all parties involved, that clearly specify the services to be rendered, compensation to be paid or benefits received, and the documentation to be provided.
- 2.2 Reconcile fuel purchases to fuel pumped and investigate any differences.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following responses:

2.1 *The county has now entered into a written agreement for quarry assessments. We will continue to work with the Recorder to obtain a written agreement for microfilming services.*

2.2 *This recommendation has been implemented.*

3. Budgets

The county's procedures related to budget preparation and monitoring need improvement.

3.1 Budget preparation

Formal budgets were not prepared for the Associate Circuit Time Payment Fund, Passport Account Fund, and Juvenile Restitution Fund, for the years ended December 31, 2009, 2008, and 2007. Also, the budgets for the Mental Health Fund, Senior Citizens Fund, and Senate Bill 40 (SB40) Fund were not filed with the State Auditor's office. While none of these funds are under the direct control of the County Commission, budgets for these funds are required by state law.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. This chapter also requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

3.2 Budget monitoring

Approved disbursements exceeded budgeted amounts during the years ended December 31, 2008 and 2007, for the Law Enforcement Sales Tax Fund by approximately \$53,600 and \$47,000, respectively. Although disbursements are monitored and compared to budgeted amounts by the County Treasurer and County Clerk, the County Treasurer indicated budget amendments were not prepared because the budget was exceeded in December.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons, which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional revenues), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission:

- 3.1 Work with other elected officials and boards to ensure budgets are prepared and submitted to the State Auditor's office for all county funds.
- 3.2 Ensure disbursements are kept within amounts budgeted and implement procedures to ensure budgets are properly amended if necessary, budget amendments are properly made prior to incurring the actual disbursements, and valid reasons for excess disbursements are documented.

Auditee's Response

The County Commission and County Clerk provided the following responses:

- 3.1 *This recommendation will be implemented.*
- 3.2 *This recommendation has been implemented.*

The Circuit Clerk provided the following response:

- 3.1 *This recommendation will be implemented.*

The Associate Circuit Clerk provided the following response:

- 3.1 *The Associate Circuit Court Time Payment Fee Fund will be budgeted in 2010, when we consolidate with the Circuit Court.*

4. Closed Minutes

While minutes of closed meetings are required by state law, the county failed to maintain minutes of several closed meetings held by the County Commission. Closed meeting minutes are prepared and retained by either the County Commission or Deputy County Clerk (who only attends closed meetings when requested by the County Commission). As a result, no one ensures closed meeting minutes are prepared and retained for all closed meetings.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings and provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

Recommendation

The County Commission ensure minutes are prepared and retained to support all closed meetings.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following response:

We have been working on improving this documentation.

5. Capital Assets

The county's procedures to account for county property are not sufficient and county property records are not accurate. As of the end of 2008, county property, not including buildings and vehicles, was valued at approximately \$760,000 on the county's insurance policy. Currently, each county official is to prepare and submit an inventory list of capital assets to the County Clerk annually, and the County Clerk is to maintain a capital asset list for all other assets owned by the county.

- The County Clerk's office has no procedures in place to identify property purchases and disposals throughout the year. Capital asset purchases are also not reconciled to capital asset records. In October 2007, the Sheriff purchased a vehicle costing \$18,594, and in April 2008, the 911 department purchased radios costing \$60,693 that were not added to capital asset records. Although the 911 department submitted an inventory list to the County Clerk's office, the Deputy County Clerk said she did not add the radios because the list submitted by the 911 department did not clearly document the radios. The Sheriff did not submit an inventory list to the County Clerk's office in 2008 or 2007. The County Clerk's office did not have documentation of follow up requests or reminders sent to the Sheriff's department.
- Written authorization is not obtained from the County Commission for the disposition of capital assets.
- Disposition information such as dates, amounts, and means of disposal are not recorded by county officials in the county capital asset records. When a capital asset is disposed by the county, the capital asset is deleted from the County Clerk's capital asset records. The Deputy County Clerk indicated the capital asset has to be deleted from the County Clerk's capital asset system to remove it from the records.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital asset records. After the first inventory is taken, an explanation of material changes should be attached to subsequent inventories. Remaining property not inventoried by a particular department should be inventoried by the County Clerk.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Recommendation

The County Commission ensure physical inventories are conducted by each department/office and submitted to the County Clerk's office. The County Commission should also implement a procedure for tracking new property items throughout the year, modify insurance coverage promptly, follow up on discrepancies identified during the annual physical inventory process, and ensure capital asset purchases are periodically reconciled to capital asset additions. In addition, the County Commission should also approve all dispositions of county property.

Auditee's Response

The County Commission provided the following response:

The County Clerk's office has been working on implementation of these recommendations. The County Commission has met with elected officials regarding capital asset procedures.

6. Community Center

The Community Center's procedures related to timesheets and capital assets need improvement.

6.1 Timesheets

Timesheets are not prepared by salaried employees of the Community Center. The Community Center pays salaried employees the same amount each pay period unless informed otherwise by the employees' supervisor. Although these employees do not prepare timesheets, they can earn compensatory time.

Detailed timesheets document hours actually worked, provide information necessary to monitor overtime, and leave and compensatory time usage and balances, and are beneficial in demonstrating compliance with county policies and the requirements of the Fair Labor Standards Act of 1938.

6.2 Capital assets

The Community Center's procedures to account for property are not sufficient and Community Center property records are not accurate. As of the end of 2008, the Community Center property, not including buildings, was valued at approximately \$194,790 on the Community Center's insurance policy.

- Written authorization is not obtained from the Community Center Board for the disposition of capital assets.
- Disposition information such as dates, amounts, and means of disposal are not recorded by Community Center officials in capital asset records. For example, exercise equipment, sold on May 15, 2009, was still listed on the capital asset records as of August 10, 2009.
- The Community Center does not perform a physical inventory.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital asset records. After the first inventory is taken, an explanation of material changes should be attached to subsequent inventories.

Recommendations

The Community Center Board:

- 6.1 Require all employees to prepare timesheets. Timesheets should be prepared and signed by the employee and approved by the applicable supervisor.
- 6.2 Implement a procedure for tracking disposed property items throughout the year, modify insurance coverage promptly, and perform an annual physical inventory process. The Community Center Board should also approve all dispositions of Community Center property.

Auditee's Response

The Community Center Director and Office Manager provided the following response:

These recommendations have been implemented.

7. Senate Bill 40 Board

The SB40 Board does not have adequate disbursement procedures for the following services:

Service		2008	2007
Sheltered workshop	\$	157,852	119,018
Group home		56,842	15,190

Not-for-profit (NFP) organizations submit an annual budget request and audit report to the SB40 Board each year. The following concerns were noted during a review of disbursements to the NFPs:

- The SB40 Board did not enter into formal written agreements defining services to be provided and benefits to be received for services.
- The SB40 Board has not developed an effective method of monitoring services provided by the NFPs. Although the NFPs are not required to submit a list of clients serviced, the sheltered workshop submits a list annually. The group home does not provide documentation of clients served to the SB40 Board.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

- The approved amount is disbursed to the sheltered workshop at the beginning of the year, prior to receiving services.
- The SB40 Board paid the sheltered workshop for depreciation expenses. Sheltered workshop personnel indicated the depreciation was to help pay for repairs to the vans. The SB40 Board paid the sheltered workshop \$8,200 for depreciation in 2008.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation to be provided. The inadequate monitoring efforts and informal payment methods used by the SB40 Board do not provide adequate assurance as to how monies are spent. At a minimum, the SB40 Board should ensure documentation is received regarding the specific services to county residents or the number of clients to be served in exchange for funding provided by the SB40 Board.

Recommendations

The SB40 Board enter into written agreements that clearly detail services to be performed and compensation to be paid or benefits received. In addition, the SB40 Board should ensure payments made to the NFPs are made in relation to levels of services provided and/or number of clients served.

Auditee's Response

The Senate Bill 40 Board Chairman and Treasurer provided the following response:

We stopped paying depreciation in January 2009. We will implement these recommendations.

8. Sheriff's Commissary

Sheriff commissary procedures related to profits, bank reconciliations, and liabilities need improvement. The Sheriff processes approximately \$160,000 annually in monies received from inmates for commissary and phone card purchases.

8.1 Profits

Profits earned on commissary and phone card sales are held in the Sheriff's Commissary Account and used to make jail purchases outside the control of the normal county disbursement process. The Sheriff's department turned over excess profits of \$15,000 to the County Treasurer during the 2 years ended December 31, 2008; however, \$2,506 and \$6,838 was used to make purchases in 2008 and 2007, respectively. At June 30, 2009, the Sheriff held profits of approximately \$8,080.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Making disbursements from this account circumvents the county's normal budgeting and disbursement processes. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the county treasurer.

8.2 Bank reconciliations and liabilities

Although commissary bank reconciliations are prepared, the Sheriff's department did not clearly document its investigation of unidentified differences, or correct the unidentified differences and reconciling items. The following concerns were noted during a review of commissary bank reconciliations and liabilities:

- Numerous negative reconciling items totaling \$335 were reflected on the November 30, 2008, bank reconciliation without adequate documentation as to why the adjustments were necessary. The oldest reconciling item dates back to 2002. Sheriff's department personnel indicated the reconciling items were the result of converting to the commissary vendor's computer system; however, documentation was not maintained to adequately explain the items.
- Numerous reconciling items for bank fees, totaling \$311, were shown on the November 30, 2008, bank reconciliation. The oldest bank fee dates back to 2002.
- Differences between the bank balance and liabilities list are not thoroughly investigated and documented. Differences fluctuate each month, and at December 9, 2008, the bank balance shown on the commissary computer system was \$494 more than the liabilities balance. Sheriff's department personnel indicated the difference fluctuates because of timing differences between the bank statement and liability dates and they continuously work with the commissary vendor to try to resolve the difference.
- A detailed liabilities list is not printed and retained to properly support the liabilities balance. Although Sheriff's department personnel were able to print the detailed lists at our request, these detailed lists did not agree with the amounts shown on the liabilities list. Sheriff's department personnel indicated the detailed list did agree with amounts on the liabilities list at the time but they are unable to print the detailed list after the date originally ran.

Bank reconciliation adjustments and differences should be investigated and corrected on a timely basis to ensure the accuracy of cash and liability balances, and to ensure the cash balance is adequate to cover liabilities. Adequate documentation should also be maintained for the reconciliation process.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

Similar conditions
previously reported

Similar conditions to 8.1 and 8.2 were noted in our prior audit report.

Recommendations

The Sheriff:

- 8.1 Turn over commissary profit to the County Treasurer and discontinue the practice of making disbursements from accountable fees.
- 8.2 Investigate and resolve any adjustments, bank fees, and differences. The Sheriff should also maintain detailed documentation to support this process.

Auditee's Response

The Sheriff provided the following responses:

- 8.1 *We plan to retain these monies and continue to purchase items for the jail when needed and turn over excess commissary profit periodically.*
- 8.2 *This recommendation will be implemented.*

9. Public Administrator

The prior Public Administrator made payments to his legal firm from ward accounts which appear to be a conflict of interest. During the 2 years ended December 31, 2008, \$730 was paid from two wards' estates to the Public Administrator's legal firm for legal services. The Probate Judge indicated the prior Public Administrator hired his partner to be his legal counsel during court cases. Without bidding these services, the disbursements give the appearance of a conflict of interest.

Elected officials serve in a fiduciary capacity. The Public Administrator's personal interests in business matters involving wards of the Public Administrator create the appearance of conflicts of interest. The Public Administrator should consider all variables and avoid potential conflicts of interest.

Recommendation

The Public Administrator avoid any disbursements from wards' estates which appear to be conflicts of interest.

Auditee's Response

The current Public Administrator provided the following response:

I took over as Public Administrator in January 2009. I am aware that I should avoid potential conflicts of interest. I have avoided and will continue to avoid conflicts of interest.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

The prior Public Administrator provided the following response:

I was appointed to finish out the term of the previous public administrator when he died quite suddenly. While in office, Mr. Staab used my partner as counsel for the public administrator. Once I took over, it seemed most efficient and easiest to continue with that arrangement and ultimately it saved my wards legal expense not to have to obtain new counsel and start from scratch. All the files were maintained separately in the office. All the payments were scrutinized and approved by the probate judge.

10. Associate and Probate Division and Circuit Clerk

The Associate and Probate Division procedures related to segregation of duties need improvement. The Associate and Probate Division and Circuit Clerk procedures related to deposits and manual receipt slips need improvement. The Associate and Probate Division processes approximately \$660,000 annually in civil and criminal case fees, fines, and bonds. The Circuit Clerk's office processes approximately \$142,000 annually in civil and criminal case fees, fines, and bonds.

10.1 Segregation of duties

Associate and Probate Division accounting duties are not adequately segregated. Currently, one clerk is responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. The Associate Judge signs all checks; however, this action is the only documented review of the work performed by the clerk.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved due to the limited staff available, the Associate Judge should at least review the bank reconciliations and perform periodic comparisons of receipts to deposits.

10.2 Deposits

Receipts are not deposited on a timely basis. Cash, checks, and money orders are accepted. Monies are normally collected each business day, but deposits are usually made only once per week. The following concerns were noted during a review of deposits for the Associate and Probate Division and Circuit Clerk's office:

- For the Associate and Probate Division, the average deposit amount during December 2008, was approximately \$12,620. Our cash count conducted on July 13, 2009, showed monies on hand totaling \$1,852, which included cash of \$860, and was comprised of receipts collected from July 6 to July 13, 2009. In addition, some checks and money orders are not restrictively endorsed immediately upon receipt.



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

- For the Circuit Clerk's office, the average deposit amount during December 2008 was approximately \$935. Our cash count conducted on July 13, 2009, showed monies on hand totaling \$400, comprised of receipts collected from July 1 to July 13, 2009.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt.

A similar condition was noted in our prior audit report.

10.3 Manual receipt slips

Receipts are usually posted to the Justice Information System (JIS) as received; however, manual receipt slips may be issued when the computer system is not available. The following concerns were noted during a review of manual receipt slips for the Associate and Probate Division and Circuit Clerk's office:

- For the Associate and Probate Division, the corresponding JIS receipt slip number is not recorded on the manual receipt slip after the information has been entered in the JIS and there is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited.
- For the Circuit Clerk's office, the corresponding JIS receipt slip number is recorded on the manual receipt slip after the information has been entered in the JIS. However, there is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited.

Recommendations

The Associate and Probate Division:

- 10.1 Adequately segregate accounting duties to the extent possible. At a minimum, the Associate Judge should perform documented supervisory reviews of the accounting records.
- 10.2 And the Circuit Clerk deposit receipts intact on a timely basis. In addition, the Associate and Probate Division should restrictively endorse checks and money orders immediately upon receipt.
- 10.3 Record the corresponding JIS receipt number on the manual receipt slip after the information has been entered in the JIS. In addition,



Ste. Genevieve County
Management Advisory Report - State Auditor's Findings

the Associate and Probate Division and Circuit Clerk should ensure manual receipt slips are recorded on the JIS and accounted for properly by someone independent of the receipt process.

Auditee's Response

The Circuit Clerk provided the following responses:

- 10.1 This recommendation will be implemented when the Circuit Clerk and Associate and Probate Divisions are combined.*
- 10.2 We will work on improving this process.*
- 10.3 This recommendation will be implemented.*

The Associate Circuit Clerk provided the following responses:

- 10.1 Accounting duties will be segregated for JIS when we are consolidated with the Circuit Clerk's office.*
- 10.2 We are trying to get the checks endorsed as soon as we write receipts. We will try to deposit more often.*
- 10.3 We are trying to write JIS receipt numbers on the manual receipt slips now.*

Ste. Genevieve County

Organization and Statistical Information

Ste. Genevieve County is a county-organized, third-class county and is part of the Twenty-Fourth Judicial Circuit. The county seat is Ste. Genevieve.

Ste. Genevieve County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

Elected Officials and Their Compensation Paid

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Albert J. Fults, Presiding Commissioner	\$	32,537
Garry L. Nelson, Associate Commissioner		30,395
Ray Gettinger, Associate Commissioner		30,395
David Gegg, Recorder of Deeds		46,053
Kay A. Basler, County Clerk		46,053
Timothy W. Inman, Prosecuting Attorney		56,763
Gary Stolzer, Sheriff		51,408
Judy E. Thomas, County Treasurer		46,053
Leo C. (Chipper) Basler Jr., County Coroner		16,065
Robert Huelskamp, Public Administrator		15,300
Phyllis A. Vessell, County Collector (1), year ended February 28 (29),	55,399	
Clement F. Donze, County Assessor (2), year ended August 31,		46,440
Gerald Bader, County Surveyor (3)		5,164
State-Paid Officials:		
Carol A. Steiger, Circuit Clerk		52,668
Raymond Weber, Associate Circuit Judge		107,641

- (1) Includes \$9,154 of commissions earned for collecting city property taxes.
- (2) Includes \$688 annual compensation received from the state.
- (3) Compensation on a fee basis.



Ste. Genevieve County
Organization and Statistical Information

**Financing
Arrangements**

A lease-purchase agreement was entered into with the Community Center Foundation of Ste. Genevieve to lease the community center on June 1, 2008. The terms of the agreement are for the Community Center Foundation of Ste. Genevieve to purchase the community center and lease the community center back to the county for payments totaling the principal and interest due on the outstanding Certificates of Participation. The Certificates of Participation were refinanced in June 2008. Payments are made from the Community Center Sales Tax Fund. The Certificates of Participation are scheduled to be paid off in 2018. The remaining principal and interest due on the lease-purchase agreement at December 31, 2008, was \$5.8 million.

In February 2006, the county entered into an agreement to issue taxable Industrial Development Revenue Bonds as authorized by Article VI, Section 27, Missouri Constitution, and Sections 100.010 to 100.200, RSMo. The proceeds of the bonds, which were issued in 2006 in the amount of approximately \$1 billion, are to be used for the acquisition, construction, and furnishing costs related to an industrial development project in Ste. Genevieve County. The bonds are payable solely from lease payments generated by the project, and the county is not liable for ultimate repayment of the bonds. It is expected the company developing the project will receive property tax abatements of \$1 billion until 2020 and will make payments in lieu of taxes during that period.



Susan Montee, JD, CPA
Missouri State Auditor

Texas County



December 2009

Report No. 2009-137

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Texas County

Public Administrator's Controls and Procedures	The Public Administrator has not filed annual settlements in a timely manner as required by state law. Settlements for some cases have not been filed since the current Public Administrator took office in 2001. The Public Administrator does not deposit receipts on a timely basis and does not restrictively endorse checks immediately upon receipt. The Public Administrator does not petition the court to approve fees from the accounts of some wards, and some fees were not distributed to the county in a timely manner.
Prosecuting Attorney's Controls and Procedures	Receipt slips are not issued in numerical sequence, causing difficulties in accounting for all receipt slips. Month-end reconciliation procedures for the bad check account are not sufficient. Bank reconciliations are not properly documented, and the reconciled bank balance is not agreed to applicable accounting records. At December 31, 2008, the bank account balance less outstanding checks was \$11,184; however, the month-end account summary indicated a balance of \$8,046 and the checkbook register showed a balance of \$9,304. Formal policies have not been established to routinely follow up on old outstanding checks.
Circuit Clerk's Controls and Procedures	The Circuit Clerk's controls and procedures for collecting accrued costs should be improved. In addition, budgets are not prepared for the Circuit Clerk Interest Fund.
Associate Circuit Division's Controls and Procedures	The Associate Circuit Division could improve the monitoring and collection of accrued costs owed to the court. In addition, some civil case receipts are not deposited on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt.
Sheriff's Controls and Procedures	Some receipts are not recorded or deposited timely, and the method of payment is not always indicated on receipt slips. Accounting duties are not adequately segregated. One clerk is primarily responsible for performing the duties of receiving, recording, and disbursing monies. In addition, no one clearly documents periodic reviews of the records.

All reports are available on our Web site: auditor.mo.gov

Texas County Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Public Administrator's Controls and Procedures4 2. Prosecuting Attorney's Controls and Procedures7 3. Circuit Clerk's Controls and Procedures9 4. Associate Circuit Division's Controls and Procedures 11 5. Sheriff's Controls and Procedures 13
---	--

Organization and Statistical Information	15
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Texas County

We have audited certain operations of Texas County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Texas County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Texas County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Terese Summers, MSAS, CPA
	Janielle Arens
	Jennifer Weggenmann, MBA

Texas County

Management Advisory Report

State Auditor's Findings

1. Public Administrator's Controls and Procedures

The Public Administrator has not filed annual settlements as required by state law. Receipts are not always deposited timely and checks are not restrictively endorsed immediately upon receipt. Fees are not consistently assessed to the wards and estates, and are not always turned over to the county on a timely basis.

The Public Administrator acts as the court-appointed personal representative for wards or decedent estates of the Probate Division. During the 2 years ended December 31, 2008, the Public Administrator handled approximately 60 cases.

1.1 Annual settlements

The Public Administrator has not filed annual settlements in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held, as well as financial activity, for the year. No annual settlements were filed for five of seven cases reviewed for which settlements were due. Some of the five cases date back to 2001 when the current Public Administrator took office in 2001. For the other two cases, the most recent settlements were filed in 2005 and 2007, respectively. Both of these settlements included more than a year of activity.

In addition, annual and final settlements have not been filed for 15 decedent estates. One ward passed away in October 2005 and the case still remains open. The Probate Division Clerk indicated the majority of these cases are ready to be closed and final settlements should be filed.

The Probate Division Clerk indicated the court does not inform the Public Administrator when an annual settlement is due or follow-up with the Public Administrator regarding delinquent annual settlements. A new Associate Circuit (Probate) Judge took office in January 2009, and he has not reviewed any annual settlements from the Public Administrator as of June 2009. The Public Administrator submitted several settlements in May 2009 to the Probate Division Clerk, who was in the process of reviewing the settlements for mathematical accuracy prior to submission to the Judge.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file with the court an annual settlement for each ward or estate. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

A similar condition was noted in our prior audit report.

1.2 Untimely deposits

The Public Administrator does not deposit receipts on a timely basis and does not restrictively endorse checks immediately upon receipt.



Texas County Management Advisory Report - State Auditor's Findings

While the majority of receipts for the Public Administrator's wards are direct-deposits, some amounts are received by check. Our cash count of monies on June 25, 2009, noted over \$7,000 in checks which had not been deposited. Some of the checks were dated back to July 2008. In addition, the checks were not restrictively endorsed. Most of the checks were in unopened envelopes.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner, and checks should be restrictively endorsed immediately upon receipt.

1.3 Estate fees

The Public Administrator does not petition the court to approve fees from the accounts of some wards. In addition, some fees were not distributed to the county in a timely manner. The Public Administrator receives a salary from the county, and state law allows for fees requested by the Public Administrator and approved by the Probate Division to be paid to the county's General Revenue Fund. While fees totaling \$16,300 from 60 wards were paid to the county in 2008, fees totaling only \$3,400 were paid in 2007. In addition, \$700 in checks issued in May 2009 for fees assessed to wards had not been turned over to the county as of June 25, 2009.

The Public Administrator indicated she had an agreement as outlined in a letter to the former Associate Circuit Judge to charge a \$40 per-hour fee for various duties and a \$25 monthly guardian fee for wards in residential care. However, for annual settlements filed during 2008, the hourly fee was not consistently charged on some estates. From January to September 2008, the Public Administrator recorded only 10 instances of the \$40 hourly fee totaling \$160 (most instances were recorded as fractions of an hour).

To ensure all fees are properly assessed and transmitted to the county, the Public Administrator should work with the Associate Circuit Judge to ensure fees are petitioned from the court for all applicable wards and estates, approved, properly monitored, and collected to the extent possible. In addition, all fees approved by the court should be distributed to the county in a timely manner.

Recommendations

The Public Administrator:

- 1.1 File annual settlements in a timely manner. In addition, the Probate Division should send notices to the Public Administrator when settlements are due and follow up on delinquent settlements.
- 1.2 Deposit receipts on a timely basis and restrictively endorse checks immediately upon receipt.



Texas County
Management Advisory Report - State Auditor's Findings

- 1.3 Work with the Associate Circuit Judge to ensure fees are charged to all applicable estates and wards and are turned over to the county in a timely manner.

Auditee's Response

The Public Administrator provided the following written responses:

- 1.1 *The county has been unable to provide office help for the Public Administrator. Therefore, paperwork has fallen behind while the Public Administrator takes care of the day to day problems (i.e. medical, placement, monetary, behavioral, etc.) of the wards. There are also VA reports, social security reports, and Medicaid reports which have to be done to keep funding intact for the wards. Wards are placed all over the state in order to meet their needs. When I am visiting wards, transporting their possessions, at funeral homes, hospitals, doctor's offices, banks, etc., I cannot be in the office doing clerical work, but I will try to put paperwork ahead of the wards in the future.*
- 1.2 *The Public Administrator will endorse checks upon receipt. Because banks are in several different towns, the deposits will be mailed.*
- 1.3 *The Public Administrator will work with the Probate Judge to set up a flat percentage fee which should reduce clerical time needed for data entry. This should also solve the problem of untimely filing of settlements. Ninety-seven percent of my wards are indigent. With Medicaid cuts, many are having to make co-pays for medicine, pay for dental care and other costs from their \$30/month allowance. The wards' needs must be met before any fees may be reimbursed to the county. Any remaining monies after their needs are met will be applied to county reimbursement.*

The Associate Circuit (Probate) Judge provided the following written responses:

- 1.1 *The Probate Division will send notices to the Public Administrator when settlements are due.*
- 1.3 *We agree and are finalizing an agreement which would change the Public Administrator's current hourly rate being charged to applicable wards and estates to a flat rate fee. We believe that this change will alleviate the Public Administrator's delinquencies due to the tedious timekeeping entries required of the hourly rate.*



Texas County
Management Advisory Report - State Auditor's Findings

2. Prosecuting Attorney's Controls and Procedures

Receipt slips were not issued in numerical order, bank reconciliations are not properly documented, and procedures to follow up on old outstanding checks have not be established.

The Prosecuting Attorney's office collects fees and restitution on bad checks and court-ordered restitution. Receipts totaled approximately \$198,000 and \$207,000 during the years ended December 31, 2008 and 2007, respectively.

2.1 Receipt slips

Receipt slips are not issued in numerical sequence, causing difficulties in accounting for all receipt slips. The Prosecuting Attorney's office uses prenumbered receipt slips printed in booklets, and the booklets are not used in numerical sequence. In addition, some blank receipt slips were noted in some of the used receipt booklets which were not marked as void.

Without accounting for the numerical sequence of receipt slips and properly voiding unused receipt slips, there is less assurance that all monies collected are accounted for properly, deposited, or transmitted to the victim or vendor.

2.2 Bank reconciliations and open items

Month-end reconciliation procedures for the bad check account are not sufficient. While a month-end bad check account summary is prepared, bank reconciliations are not properly documented, and the reconciled bank balance is not agreed to applicable accounting records.

At December 31, 2008, the bank account balance less outstanding checks was \$11,184; however, the month-end account summary indicated a balance of \$8,046 and the checkbook register showed a balance of \$9,304. The amounts on the December 31, 2008, month-end summary did not foot, and Prosecuting Attorney's office personnel could not explain how the \$8,046 balance was calculated. Office personnel could not explain or identify the various differences noted.

In addition, office personnel indicated all fees and restitution received during the month are normally disbursed by the end of the month, so the account should normally have a zero balance at the end of the month. However, as noted above, the accounting records indicate a balance in the account at December 31, 2008, which was not identified to specific cases. Office personnel indicated the balance consisted mainly of accumulated interest income and amounts that should have been disbursed but were held due to various bookkeeping errors.

The monthly preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. The Prosecuting Attorney should adopt procedures to prepare accurate month-end summary reports which agree to the monthly bank reconciliations, and resolve any differences between the various accounting



Texas County Management Advisory Report - State Auditor's Findings

records. Any unidentified amounts held in the account should be investigated and resolved.

2.3 Outstanding checks

Formal policies have not been established to routinely follow up on old outstanding checks. At December 31, 2008, 32 checks totaling \$1,644 had been outstanding for over a year, including 15 checks totaling \$1,208 dating back to 2003 and 2004. The old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can readily be located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

Similar conditions previously reported

Similar conditions to points 2.2 and 2.3 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 2.1 Issue receipt slips for all monies received, account for the numerical sequence of receipt slips, and properly void and retain all unused receipt slips.
- 2.2 Prepare monthly bank reconciliations and accurate month-end account summaries, and ensure the month-end balances recorded on the various accounting records are in agreement. Any discrepancies between the various accounting records and any unidentified amounts held in the account should be investigated and resolved.
- 2.3 Establish formal policies to periodically investigate and reissue old outstanding checks. Amounts which remain unclaimed should be disposed of in accordance with state law.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 2.1 *We are now using receipt slips in numerical sequence. If any receipt slips are not used for whatever reason, we are writing void across the applicable receipt slip.*
- 2.2
& 2.3 *We do prepare a bank reconciliation report each month. This does list the outstanding checks that have not cleared the bank. We have as of July 2009 balanced with the bank statement. We have found and issued new checks to some of the outstanding check victims. We are still trying to find some of the outstanding check victims. We*



Texas County
Management Advisory Report - State Auditor's Findings

have found that there was interest accruing on this account and have disbursed the interest to the Texas County Treasurer.

We have formed a new policy to try to find victims of outstanding checks every six months. If we cannot find the victims, we will escheat the monies to the state as unclaimed property.

3. Circuit Clerk's Controls and Procedures

3.1 Accrued costs

The Circuit Clerk's controls and procedures for collecting accrued costs should be improved, and budgets are not prepared for the Circuit Clerk Interest Fund. The Circuit Clerk's office collected monies for civil and criminal fees and fines totaling approximately \$180,000 and \$149,000 for the years ended December 31, 2008 and 2007, respectively.

The Circuit Clerk could improve the collection of accrued costs owed to the court. A list of accrued costs is maintained in the court's computer system (JIS); however, the Circuit Clerk does not document whether these lists are periodically reviewed. Upon our request, the Circuit Clerk provided a summary report of accrued costs which totaled \$687,832 as of December 31, 2008. Of this amount, delinquent balances of 60 or more days totaled \$652,812 (95 percent), including \$370,100 for jail board bills. The Circuit Clerk indicated a significant portion of these balances represent old uncollectible accounts that should be written off.

The Circuit Clerk ensures the defendants sign written payment plans for amounts due the court, but the Circuit Clerk mainly relies on the defendants' probation officers for the collection of amounts due. In addition, the Circuit Clerk has not taken advantage of the debt collection program established by the Office of State Courts Administrator for collection of monies owed to the court.

The Circuit Clerk should improve procedures to regularly review the amounts owed the court and take appropriate steps to ensure amounts owed are collected, or determine if amounts are uncollectible. Improved collection procedures and monitoring of accrued costs could result in additional receipts due to the state, county, and others.

3.2 Budgeting

Budgets are not prepared for the Circuit Clerk Interest Fund. This fund is held by the Circuit Clerk outside the county treasury and is used for various operating expenses of the court and the Circuit Clerk's office. The Circuit Clerk indicated budgets are not prepared because these monies are not considered county funds, per instructions from the Circuit Judge.

Budgets are an essential tool for the efficient management of funds held by a county official. In addition, Chapter 50, RSMo, requires counties prepare annual budgets for all funds and prohibits the disbursement of public funds without an approved budget that has been filed with the State Auditor's



Texas County
Management Advisory Report - State Auditor's Findings

Office. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

Recommendations

The Circuit Clerk:

- 3.1 Establish procedures to monitor accrued costs and take appropriate steps to ensure amounts owed are collected, including participating in the state's debt collection program.
- 3.2 Prepare annual budgets for the Circuit Clerk Interest Fund.

Auditee's Response

The Circuit Clerk provided the following written responses:

- 3.1 *The clerk does monitor and pursue collection of accrued costs owed as time allows. The clerk does review and run reports monthly, bills on civil cases are mailed out as cases are completed. Criminal costs bills are mailed out timely. The court takes part in the tax off set program. The debt collection program that the state offers was presented to the clerk as a voluntary program. However if the judge orders the clerk to participate in the debt collection program, the clerk will follow the judge's order.*

In the past, the court has taken a proactive approach to assessing all costs due. However, a large portion of these costs are very old and may be uncollectible. Unless defendants are placed on probation when released (which gives the clerk a current address), the Department of Corrections does not give the clerk an address where the defendant will be residing. A review of the accounts receivable noted that in excess of 33 percent of the total receivables involved defendants sentenced to the Department of Corrections.

The audit report does not present a complete picture of the accounts receivable. In excess of \$225,000 in criminal costs has been reimbursed to the county and the court is pursuing state reimbursement. Criminal costs bills are actively sent to the state for county reimbursement. It should also be noted that the court does have a system which tracks all reimbursable incarceration costs.

- 3.2 *Budgets are prepared by the Circuit Clerk for the county, The Interest Fund is only spent by order of the Circuit Judge. In January 2003, the County Commission wrote a letter to the bank where the Interest Fund is being held and requested that the bank remove the county's ID number from this account. The Circuit Clerk was ordered by the Circuit Judge to obtain a Federal EIN number for*



Texas County
Management Advisory Report - State Auditor's Findings

banking purposes for this account. The county does not have access to this account.

Auditor's Comment

- 3.2 No budgets have been provided to the State Auditor's office for the Circuit Clerk Interest Fund for several years. Budgets are an essential tool for all officials to properly manage their funds.

4. Associate Circuit Division's Controls and Procedures

The Associate Circuit Division needs to improve its monitoring and collection of accrued costs, does not deposit some receipts in a timely manner, and does not turn over monies to the Sheriff and Special Processing Server in a timely manner. The Associate Circuit Division processes monies for civil, criminal, and probate cases, traffic tickets, and bonds. Receipts totaled approximately \$491,000 and \$469,000 for the years ended December 31, 2008 and 2007, respectively.

4.1 Accrued costs

The Associate Circuit Division could improve the collection of accrued costs owed to the court. A list of accrued costs is maintained in the court's computer system (JIS); however, division personnel do not periodically review the accrued cost reports generated by the system. Upon our request, the division provided a summary report of accrued costs which totaled \$112,228 as of April 13, 2009. Of this amount, delinquent balances of 60 or more days totaled \$103,606 (92 percent), including \$16,889 for jail board bills and \$29,106 for fines. The division requires defendants sign written payment plans for amounts due the court, but the division has not taken advantage of the debt collection program established by the Office of State Courts Administrator for collection of monies owed to the court.

The Associate Circuit Division should improve procedures to periodically review the amounts owed the court and take appropriate steps to ensure amounts owed are collected, or determine if amounts are uncollectible. Improved collection procedures could result in additional receipts due to the state, county, and others.

4.2 Untimely deposits

Some civil case receipts are not deposited on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. In addition, receipts are not recorded and transmitted timely to the Sheriff and Special Process Server.

Our cash count of monies on hand on July 27, 2009, noted over \$10,000 in checks which had not been deposited. It appears many of the checks payable to the court were received and held for several weeks, and none of the checks were restrictively endorsed. The majority of these receipts had not been recorded on the court's accounting records. Court personnel indicated they had fallen behind on recording and depositing receipts due to staff absences.



Texas County
Management Advisory Report - State Auditor's Findings

In addition, over \$4,000 in checks received were payable to the Sheriff and Special Process Server which had not been recorded or turned over to the appropriate individuals in a timely manner. The court allows checks for paper service fees to be made payable to the Sheriff and Special Process Server but does not record these amounts in the accounting records.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made timely and checks and money orders should be restrictively endorsed immediately upon receipt. In addition, the division should ensure applicable fees for the Sheriff and Special Process Server are recorded in the accounting records and transmitted in a timely manner.

A similar condition was noted in our prior audit report.

Recommendations

The Associate Circuit Division:

- 4.1 Improve procedures to monitor accrued costs and take appropriate steps to ensure amounts owed are collected, including participating in the state's debt collection program.
- 4.2 Deposit receipts on a timely basis and restrictively endorse checks and money orders immediately upon receipt. In addition, the division should ensure applicable monies collected for the Sheriff and Special Processing Server are recorded and transmitted on a timely basis.

Auditee's Response

The Associate Circuit Judge provided the following written responses:

- 4.1 *The court does have a process in place to monitor accounts receivable. The court requires immediate payment of costs and fees unless reason is given that they can't be paid on the date of court. If a stay is granted it is typically for 30 days, and if all costs and fees are not paid in full the court considers alternatives available to it at that time. This includes converting fines to jail time and/or contempt of court. This results in nearly all costs being paid within 30 days.*

The court is finalizing agreements and a memorandum of understanding to participate in the Office of State Courts Administrator's debt collection program. It should also be noted that the court does participate in the tax offset program which is designed to intercept tax refunds when costs are due. A review of the accounts receivable by a CPA from the Office of State Courts Administrator noted that the accounts receivable were less than courts of similar size.



Texas County
Management Advisory Report - State Auditor's Findings

4.2 *The court partially agrees with the recommendation. The court generally prepares deposits two to three times a week, but will try to make deposits daily or when receipts exceed \$100. However, it should be noted that the date on the check does not necessarily mean the court received the check on that date. In addition, the Office of State Court Administrator recommends that Sheriff and Special Process Server checks be paid directly from the plaintiff to the process server or the court can record the financial transaction in the Judicial Information System (JIS). The court has chosen to have the process service fee paid direct. As a result, the only record in the JIS would be a docket entry and proof of service is placed in the case file.*

Auditor's Comment

4.2 The court should consider establishing a log or other means to immediately record all paper service fees payable to the Sheriff or Special Process Server.

5. Sheriff's Controls and Procedures

Some receipts are not recorded or deposited timely, and the method of payment is not always indicated on receipt slips. In addition, accounting duties are not adequately segregated. The Sheriff's office received monies for civil and criminal process fees, gun permits, bonds, and other miscellaneous receipts totaling approximately \$93,000 and \$85,000 during the years ended December 31, 2008 and 2007, respectively.

5.1 Untimely deposits

Some receipts are not recorded or deposited intact on a timely basis. In addition, the method of payment is not always indicated on the receipt slips. The Sheriff's office receives cash, checks, and money orders. Monies are normally collected each business day, but deposits are only made once or twice a week. Our cash count of monies on June 29, 2009, noted \$944 comprised of receipts collected from April 20, 2009 through June 22, 2009. These monies included paper service receipts which are recorded and deposited only after delivery of papers.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be recorded immediately upon receipt and deposited in a timely manner. In addition, to ensure all receipts are accounted for properly and deposited intact, the method of payment should be recorded on all receipt slips and the composition of receipt slips issued should be reconciled to bank deposits.

5.2 Segregation of duties

Accounting duties are not adequately segregated. One clerk is primarily responsible for performing the duties of receiving, recording, and disbursing monies. In addition, no one clearly documents periodic reviews of the records. The Sheriff's Lieutenant explained she reviews the bank reconciliations monthly; however, there is no documentation of this review.



Texas County
Management Advisory Report - State Auditor's Findings

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

Similar conditions
previously reported

Similar conditions to points 5.1 and 5.2 were noted in our prior audit report.

Recommendations

The Sheriff:

- 5.1 Record all monies immediately upon receipt and deposit receipts intact on a timely basis. In addition, the method of payment should be indicated on all receipt slips and the composition of receipts should be reconciled to the composition of deposits.
- 5.2 Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Auditee's Response

The Sheriff provided the following written responses:

- 5.1 *We will do our best to deposit all monies on a timely basis and correctly record the method of payment for all receipt slips.*
- 5.2 *The Sheriff's Lieutenant is now documenting her review of the records by signing off on the bank reconciliations.*

Texas County

Organization and Statistical Information

Texas County is a township-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Houston.

Texas County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

Elected Officials and Their Compensation Paid

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Don Shelhammer, Presiding Commissioner	\$	29,060
Joe B. Whetstine, Associate Commissioner		27,060
Linda L. Garrett, Associate Commissioner		27,060
Donald R. (Don) Troutman, County Clerk		41,000
Mike Anderson, Prosecuting Attorney		106,181
Carl Watson, Sheriff		45,000
Thomas C. Whittaker, County Coroner		13,000
Theresa Campbell, Public Administrator		41,000
Tammy Cantrell, County Collector-Treasurer, year ended March 31,	41,000	
Debbie James, County Assessor (1), year ended August 31,		41,688
Louie Carmack Jr, County Surveyor (2)		
State-Paid Officials:		
Phyllis Staley, Circuit Clerk and Ex Officio Recorder of Deeds		52,668
Bradford E. Ellsworth, Associate Circuit Judge		107,641

- (1) Includes \$688 annual compensation received from the state.
(2) Compensation on a fee basis.



Texas County Organization and Statistical Information

Financing Arrangements

In 2006, the county contracted with an underwriter to finance the building of a new county justice center and jail. Also included in the project was the remodeling of the current courthouse. The financing arrangement required the underwriter to issue \$15 million in certificates of participation (COPs) and for the county to lease the new facility over the 20-year time period that the debt would be paid off. The county's lease payments equal the amount of debt principal and interest, and the county will take ownership of the justice center when the debt is extinguished, which is scheduled for 2025. The remaining principal balance at December 31, 2008, was \$14.1 million.



Susan Montee, JD, CPA
Missouri State Auditor

Crime Victims' Compensation Program



November 2009
Report No. 2009-136

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

Our office conducted an audit of the Crime Victims' Compensation Program.

Missouri state law authorizes the Crime Victims' Compensation Program (the Program) to assist victims who suffer actual bodily harm as a direct result of a crime. The Program, adopted in 1981, had been located within the Department of Labor and Industrial Relations, Division of Workers' Compensation and the Department of Public Safety (DPS). By Executive Order 07-07, the Program is now located entirely within the DPS effective August 28, 2007. The program consists of the Crime Victims' Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund.

The Crime Victims' Compensation Fund was established to determine and award compensation to, or on behalf of, victims of crimes. The fund will pay a crime victim's actual losses for medical bills, lost earnings or support, and other miscellaneous expenses up to a maximum of \$25,000, which are not reimbursed by any other means. The Services to Victims Fund provides funding to local service providers, law enforcement agencies, prosecutors, and other public and private non-profit organizations to assist crime victims in Missouri. The State Forensic Laboratory Fund provides financial assistance to defray expenses of crime laboratories.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

Crime Victims' Compensation Program

Table of Contents

State Auditor's Report	2
------------------------	---

Organization and Statistical Information	4
--	---

Appendixes

Combined Statement of Receipts, Disbursements, and Changes in Cash Balances, Year Ended -	
A-1	June 30, 2009 6
A-2	June 30, 2008 7
A-3	June 30, 2007 8
Statement of Appropriations and Expenditures, Year Ended -	
B-1	June 30, 2009 9
B-2	June 30, 2008 10
B-3	June 30, 2007 11
C	Schedule of Program Payments, Years Ended June 30, 2009, 2008, 2007, 2006, and 2005 12
Crime Victims' Compensation Funds Awarded to Individuals by County, Year Ended -	
D-1	June 30, 2009 15
D-2	June 30, 2008 16
D-3	June 30, 2007 17



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Britt, Director
Department of Public Safety
and
Lawrence G. Rebman, Director
Department of Labor and Industrial Relations
and
Alana M. Barragán-Scott, Director
Department of Revenue
and
Greg Linhares, Administrator
Office of State Courts Administrator
Jefferson City, Missouri

We have audited the Crime Victims' Compensation Program. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2009, 2008, and 2007. The objectives of our audit were to:

1. Evaluate the program's internal controls over significant management and financial functions.
2. Evaluate the program's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing written policies and procedures, financial records, contracts, and other pertinent documents; interviewing various personnel of the program; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the procedures applied in our audit of the program.

No findings resulted from our audit of the Crime Victims' Compensation Program.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct.
Audit Staff:	Eric Borman

Crime Victims' Compensation Program

Organization and Statistical Information

Chapter 595, RSMo, authorizes the Crime Victims' Compensation Program (the Program) to assist victims who suffer actual bodily harm as a direct result of a crime. The Program, adopted in 1981, had been located within the Department of Labor and Industrial Relations, Division of Workers' Compensation and the Department of Public Safety (DPS). By Executive Order 07-07, the Program is now located entirely within the DPS effective August 28, 2007. The agency rules are found in the Code of State Regulations at 8 CSR 50-6.010 and 11 CSR 30-5. The program consists of the Crime Victims' Compensation Fund (CVCF), the Services to Victims Fund (SVF), and the State Forensic Laboratory Fund (SFLF).

The CVCF was established to determine and award compensation to, or on behalf of, victims of crimes. Appropriations from this fund authorize payments directly to the provider of the services for medical or funeral expenses, or expenses for other services as allowed as a last resort for the victim. The fund will pay a crime victim's actual losses for medical bills, lost earnings or support, and other miscellaneous expenses up to a maximum of \$25,000, which are not reimbursed by any other means. The primary purpose of the fund is to assist victims of violent crimes through a period of financial hardship, as a payor of last resort. The crime must have occurred in Missouri or the victim a resident of Missouri for the victim to be eligible for benefits. Specific expenses are subject to a maximum limit established by law. This includes funeral expenses for \$5,000; counseling expenses for \$2,500; lost wages for \$200 per week; and legal expenses for 15 percent of the total award. Other appropriations from this fund pay expenses of the statewide crime victim notification system, court automation, and the Office for Victims of Crime (OVC) within the DPS.

The SVF was established to provide funding to local service providers, law enforcement agencies, prosecutors, and other public or private non-profit organizations to assist victims of crime through direct services, emergency services, crisis intervention counseling, and victim advocacy. Monies may also be spent to provide financial assistance to shelters for victims of domestic violence.

The SFLF was established to provide financial assistance to defray expenses of crime laboratories. Appropriations from this fund authorize distributions to labs making analysis of a controlled substance or analysis of blood, breath, or urine for a court proceeding. Monies may only be used for equipment or capital improvements.

Per Section 595.045, RSMo, funding for the Program is from a \$7.50 court fee on all criminal cases. Except for fees collected from municipal courts, which are deposited 50 percent to the CVCF and 50 percent to the SVF, the Department of Revenue (DOR) distributes the collections by first depositing the amount of \$250,000 to the SFLF annually. Second, administrative and



Crime Victims' Compensation Program Organization and Statistical Information

operational expenses of the OVC and the expenses for the operation of the statewide automated crime victim notification system are allocated 50 percent to the CVCF and 50 percent to the SVF. Third, any remaining funds after allocating such expenses are deposited 50 percent to the CVCF and 50 percent to the SVF. Additional funding for the program is provided from judgments assessed on criminal convictions determined by a graduated scale depending on the seriousness of the offense and from a \$150 court fee in criminal cases for drug law violations where a crime laboratory makes analysis of a controlled substance. These judgments and fees shall be deposited to the CVCF and SFLF, respectively.

The DPS has control over the majority of the CVCF, with the Office of the State Courts Administrator having appropriation authority to expend monies from this fund. In addition, the DPS has control over both the SVF and the SFLF.

Appendix A-1

Crime Victims' Compensation Program
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances
Year Ended June 30, 2009

	Crime Victims' Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memorandum Only)
RECEIPTS				
Court fees and costs	\$ 7,097,602	4,103,491	632,616	11,833,709
Interest	166,273	0	0	166,273
Other	500,972	0	0	500,972
Total Receipts	7,764,847	4,103,491	632,616	12,500,954
DISBURSEMENTS				
Personal services	418,215	23,683	0	441,898
Expense and equipment	2,276,479	60,728	255,930	2,593,137
Employee fringe benefits	188,673	11,188	0	199,861
Program distributions:				
State forensic crime labs	0	0	327,626	327,626
State services to victims	6,514,968	4,721,982	0	11,236,950
Total Disbursements	9,398,335	4,817,581	583,556	14,799,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,633,488)	(714,090)	49,060	(2,298,518)
CASH BALANCE, JULY 1	6,722,745	4,905,226	427,295	12,055,266
CASH BALANCE, JUNE 30	\$ 5,089,257	4,191,136	476,355	9,756,748

Appendix A-2

Crime Victims' Compensation Program
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances
Year Ended June 30, 2008

	Crime Victims' Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memorandum Only)
RECEIPTS				
Court fees and costs	\$ 7,246,130	3,950,821	596,959	11,793,910
Interest	289,062	0	0	289,062
Other	597,998	2,085	0	600,083
Total Receipts	8,133,190	3,952,906	596,959	12,683,055
DISBURSEMENTS				
Personal services	414,398	23,093	0	437,491
Expense and equipment	2,231,009	55,534	235,470	2,522,013
Employee fringe benefits	178,747	11,178	0	189,925
Program distributions:				
State forensic crime labs	0	0	296,486	296,486
State services to victims	4,564,573	4,820,242	0	9,384,815
Total Disbursements	7,388,727	4,910,047	531,956	12,830,730
RECEIPTS OVER (UNDER) DISBURSEMENTS	744,463	(957,141)	65,003	(147,675)
CASH BALANCE, JULY 1	5,978,282	5,862,367	362,292	12,202,941
CASH BALANCE, JUNE 30	\$ 6,722,745	4,905,226	427,295	12,055,266

Appendix A-3

Crime Victims' Compensation Program Combined Statement of Receipts, Disbursements, and Changes in Cash Balances Year Ended June 30, 2007

	Crime Victims' Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memorandum Only)
RECEIPTS				
Court fees and costs	\$ 6,968,867	4,214,579	545,129	11,728,575
Interest	307,788	0	0	307,788
Transfers in (1)	168,230	0	0	168,230
Other	473,969	189	0	474,158
Total Receipts	7,918,854	4,214,768	545,129	12,678,751
DISBURSEMENTS				
Personal services	407,533	22,476	0	430,009
Expense and equipment	2,164,898	53,572	172,646	2,391,116
Employee fringe benefits	179,653	10,865	0	190,518
Program distributions:				
State forensic crime labs	0	0	260,291	260,291
State services to victims	5,974,452	4,407,563	0	10,382,015
Transfers out (1)	0	168,230	0	168,230
Total Disbursements	8,726,536	4,662,706	432,937	13,822,179
RECEIPTS OVER (UNDER) DISBURSEMENTS	(807,682)	(447,938)	112,192	(1,143,428)
CASH BALANCE, JULY 1	6,785,964	6,310,305	250,100	13,346,369
CASH BALANCE, JUNE 30	\$ 5,978,282	5,862,367	362,292	12,202,941

(1) Transfer from the Services to Victims Fund to the Crime Victims' Compensation Fund to correct past fund allocation errors.

Appendix B-1

Crime Victims' Compensation Program
Statement of Appropriations and Expenditures
Year Ended June 30, 2009

	Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS' COMPENSATION FUND			
State services to victims - Department of Public Safety	\$ 7,037,329	6,514,928	522,401
Personal service - Department of Public Safety	483,519	417,020	66,499
Expense and equipment -			
Department of Public Safety	1,471,242	1,278,158	193,084
Office of the State Courts Administrator	887,200	887,200	0
Total expense and equipment	2,358,442	2,165,358	193,084
Total Crime Victims' Compensation Fund	9,879,290	9,097,306	781,984
SERVICES TO VICTIMS FUND			
State services to victims - Department of Public Safety	5,450,000	4,721,982	728,018
Personal service - Department of Public Safety	23,848	23,683	165
Expense and equipment - Department of Public Safety	4,250	3,661	589
Total Services to Victims Fund	5,478,098	4,749,326	728,772
STATE FORENSIC LABORATORY FUND			
Department of Public Safety - state forensic labs	330,000	327,626	2,374
Highway Patrol - crime labs expense and equipment	251,125	250,156	969
Total State Forensic Laboratory Fund	581,125	577,782	3,343
Total All Funds	\$ 15,938,513	14,424,414	1,514,099

Appendix B-2

Crime Victims' Compensation Program Statement of Appropriations and Expenditures Year Ended June 30, 2008

	Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS' COMPENSATION FUND			
State services to victims -			
Department of Labor and Industrial Relations	\$ 6,987,329	4,525,370	2,461,959
Department of Public Safety	50,000	39,203	10,797
Total state services to victims	<u>7,037,329</u>	<u>4,564,573</u>	<u>2,472,756</u>
Personal service -			
Department of Labor and Industrial Relations	314,797	273,173	41,624
Department of Public Safety	156,240	136,116	20,124
Total personal service	<u>471,037</u>	<u>409,289</u>	<u>61,748</u>
Expense and equipment -			
Department of Labor and Industrial Relations	91,942	91,392	550
Department of Public Safety	1,373,190	1,105,835	267,355
Office of the State Courts Administrator	887,200	887,200	0
Total expense and equipment	<u>2,352,332</u>	<u>2,084,427</u>	<u>267,905</u>
Total Crime Victims' Compensation Fund	<u>9,860,698</u>	<u>7,058,289</u>	<u>2,802,409</u>
SERVICES TO VICTIMS FUND			
State services to victims - Department of Public Safety	5,450,000	4,820,242	629,758
Personal service - Department of Public Safety	23,154	23,093	61
Expense and equipment - Department of Public Safety	4,250	3,713	537
Total Services to Victims Fund	<u>5,477,404</u>	<u>4,847,048</u>	<u>630,356</u>
STATE FORENSIC LABORATORY FUND			
Department of Public Safety - state forensic labs	375,000	296,486	78,514
Highway Patrol - crime labs expense and equipment	229,947	229,947	0
Total State Forensic Laboratory Fund	<u>604,947</u>	<u>526,433</u>	<u>78,514</u>
Total All Funds	<u>\$ 15,943,049</u>	<u>12,431,770</u>	<u>3,511,279</u>

Appendix B-3

Crime Victims' Compensation Program
Statement of Appropriations and Expenditures
Year Ended June 30, 2007

	Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS' COMPENSATION FUND			
State services to victims -			
Department of Labor and Industrial Relations	\$ 6,987,329	5,937,710	1,049,619
Department of Public Safety	50,000	36,742	13,258
Total state services to victims	<u>7,037,329</u>	<u>5,974,452</u>	<u>1,062,877</u>
Personal service -			
Department of Labor and Industrial Relations	307,121	253,065	54,056
Department of Public Safety	151,690	142,101	9,589
Total personal service	<u>458,811</u>	<u>395,166</u>	<u>63,645</u>
Expense and equipment -			
Department of Labor and Industrial Relations	91,064	44,496	46,568
Department of Public Safety	1,223,190	1,048,390	174,800
Office of the State Courts Administrator	887,200	887,141	59
Total expense and equipment	<u>2,201,454</u>	<u>1,980,027</u>	<u>221,427</u>
Total Crime Victims' Compensation Fund	<u>9,697,594</u>	<u>8,349,645</u>	<u>1,347,949</u>
SERVICES TO VICTIMS FUND			
State services to victims - Department of Public Safety	5,000,000	4,407,563	592,437
Personal service - Department of Public Safety	22,480	22,477	3
Expense and equipment - Department of Public Safety	4,250	2,946	1,304
Total Services to Victims Fund	<u>5,026,730</u>	<u>4,432,986</u>	<u>593,744</u>
STATE FORENSIC LABORATORY FUND			
Department of Public Safety - state forensic labs	366,000	260,291	105,709
Highway Patrol - crime labs expense and equipment	190,000	168,327	21,673
Total State Forensic Laboratory Fund	<u>556,000</u>	<u>428,618</u>	<u>127,382</u>
Total All Funds	<u>\$ 15,280,324</u>	<u>13,211,249</u>	<u>2,069,075</u>

Appendix C

Crime Victims' Compensation Program Schedule of Program Payments

Fund/Agency	City	Year Ended June 30,				
		2009	2008	2007	2006	2005
CRIME VICTIMS' COMPENSATION FUND						
Citizens Against Domestic Violence	Camdenton	\$ 0	0	0	0	1,524
Safe House for Women, Inc.	Cape Girardeau	40,687	31,004	23,127	0	0
FAITH, Inc.	Clinton	0	0	0	0	1,854
Douglass Community Services	Hannibal	9,313	8,199	9,022	5,585	0
Christian Associates of Table Rock Lake	Kimberling City	0	0	0	2,195	24,148
Audrain County Crisis Intervention	Mexico	0	0	4,593	35,576	0
House of Refuge for Abused Women	Sikeston	0	0	0	2,563	17,041
Total Crime Victims' Compensation Fund		50,000	39,203	36,742	45,919	44,567
SERVICES TO VICTIMS FUND						
Douglas County	Ava	17,956	16,224	21,704	21,567	21,506
Women's Crisis Center of Taney County	Branson	23,473	23,576	22,520	18,045	17,009
Stone County	Branson West	0	0	46	16,297	15,995
Stone County Assistance Team	Branson West	13,425	12,953	12,985	12,985	13,781
Bates County	Butler	11,704	0	0	0	0
Citizens Against Domestic Violence	Camdenton	29,009	27,330	26,636	22,079	16,670
Kids Harbor, Inc.	Camdenton	69,000	57,753	88,864	40,457	0
Safe House for Women, Inc.	Cape Girardeau	0	0	4,065	32,447	13,707
Barry County	Cassville	0	0	0	0	12,812
St. Louis County	Clayton	47,308	44,949	44,864	32,439	0
FAITH, Inc.	Clinton	27,995	29,095	28,450	35,199	31,927
Boone County	Columbia	0	4,686	35,898	34,763	23,719
Comprehensive Human Service, Inc.	Columbia	94,927	100,026	76,842	38,260	39,895
L.E.A.D. Institute	Columbia	81,481	83,227	78,406	74,317	65,936
Ripley County Family Resource Center	Doniphan	30,673	24,677	0	0	0
Susanna Wesley Family Learning Center	East Prairie	45,827	41,566	42,061	41,671	36,625
Whole Health Outreach	Ellington	38,709	37,267	36,138	36,733	35,971
Southeast Missouri Family Violence Council	Farmington	44,327	42,397	40,279	34,065	35,358
Community Treatment, Inc.	Festus	9,831	9,831	9,370	9,075	9,019
Card V/Coalition Against Rape	Fulton	34,942	35,143	31,020	24,610	17,560
City of Grain Valley	Grain Valley	37,362	37,192	14,998	4,115	2,402
AVENUES	Hannibal	68,964	63,267	54,142	59,495	50,617
Cass County	Harrisonville	21,421	21,421	20,720	20,594	18,741
Hope Haven of Cass County	Harrisonville	57,459	53,687	42,871	37,730	25,648
Child Abuse Prevention Association	Independence	50,724	49,213	50,714	32,316	0
City of Independence	Independence	33,066	44,282	24,452	0	0
Hope House, Inc.	Independence	130,336	125,910	113,152	92,823	86,613
Jefferson City Rape & Abuse Crisis Center	Jefferson City	36,649	35,536	35,876	32,059	30,219
Mothers Against Drunk Driving (MADD)	Jefferson City	0	0	3,170	0	0
Missouri Coalition Against Domestic Violence	Jefferson City	109,388	116,799	57,726	20,596	23,534
Missouri Victim Assistance Network (MOVA), Inc.	Jefferson City	60,465	94,494	73,575	95,461	104,165
Children's Center of Southwest Missouri	Joplin	25,923	40,412	39,636	27,457	24,293

Appendix C

Crime Victims' Compensation Program Schedule of Program Payments

Fund/Agency	City	Year Ended June 30,				
		2009	2008	2007	2006	2005
Family Self Help Center	Joplin	0	0	0	7,103	0
Lafayette House	Joplin	0	10,469	88,446	52,052	62,946
Child Protection Center, Inc.	Kansas City	41,356	40,790	0	0	0
City of Kansas City	Kansas City	42,621	35,598	37,408	54,332	45,352
Jackson County	Kansas City	82,876	70,141	103,936	99,372	62,753
Kansas City Antiviolence Project	Kansas City	32,944	33,482	33,644	30,897	28,350
Legal Aid of Western Missouri	Kansas City	42,388	42,388	42,388	42,388	0
Metropolitan Organization to Counter Sexual Assault (MOCSA)	Kansas City	92,114	89,577	87,437	48,026	48,887
NEWHOUSE	Kansas City	80,940	84,125	93,427	73,317	79,545
Rose Brooks Center, Inc.	Kansas City	134,191	141,806	123,289	109,883	77,813
Synergy Services, Inc.	Kansas City	67,325	70,036	73,007	57,261	74,717
Christian Associates of Table Rock Lake	Kimberling City	29,784	29,570	29,551	26,822	2,134
Victim Support Services, Inc.	Kirksville	54,472	52,433	54,473	54,425	59,467
COPE	Lebanon	57,331	58,812	57,454	55,529	51,480
Parents of Murdered Children	Lee Summit	5,349	5,316	3,834	3,260	3,226
Lafayette County	Lexington	36,858	40,171	32,591	30,415	0
House of Hope, Inc.	Lexington	81,056	66,372	87,805	71,678	71,152
House of Refuge for Abused Women	Lexington	19,235	25,629	26,026	21,911	0
Center for Family Resources, Inc.	Malden	49,764	61,451	50,606	53,756	44,417
The Lighthouse Shelter, Inc.	Marshall	99,159	110,290	94,927	66,406	45,630
Webster County	Marshfield	32,876	33,704	30,279	26,440	0
Children's Center of Northwest Missouri	Maryville	79,425	73,887	66,190	35,572	15,009
Audrain County Crisis Intervention	Mexico	64,789	64,209	54,363	1,960	18,986
Safe Passage Domestic Violence	Moberly	41,260	41,968	38,485	21,219	16,743
Lawrence County	Mt Vernon	32,746	33,335	32,761	24,284	0
Agape House, Inc.	Mtn. View	18,586	17,420	16,488	0	0
Council on Families in Crisis, Inc.	Nevada	61,795	50,797	47,725	42,956	39,174
Regional Family Crisis Center	Perryville	77,767	71,766	66,202	47,751	36,765
Platte County	Platte City	13,607	13,920	13,919	13,919	13,919
Haven House, Inc.	Poplar Bluff	58,109	56,830	51,459	37,136	33,110
Washington County	Potosi	0	5,122	28,138	29,706	28,954
C.A.R.E. of Atchison County, Inc.	Rock Port	23,268	28,554	28,478	26,925	0
Phelps County	Rolla	24,644	26,188	25,443	26,428	23,442
Phelps County Family Crisis Services, Inc.	Rolla	73,301	74,424	71,221	71,303	65,796
Child Safe of Central Missouri, Inc.	Sedalia	32,616	35,241	33,881	27,342	0
Citizens Against Spouse Abuse (CASA), Inc.	Sedalia	49,260	61,225	58,629	50,316	38,236
Family Violence Center	Springfield	113,877	104,620	78,747	52,983	59,173
Legal Services of Southern Missouri	Springfield	15,460	19,865	0	0	0
The Victim Center	Springfield	83,982	83,550	61,306	48,895	45,472
Bridgeway Behavioral Health, Inc.	St. Charles	88,824	100,376	99,258	98,305	94,789
St. Charles County	St. Charles	38,029	41,657	42,925	42,376	41,522
Buchanan County	St. Joseph	13,985	41,586	47,772	17,280	17,280
Northwest Missouri Children's Advocacy Center	St. Joseph	18,521	18,517	16,974	18,526	0
Young Women's Christian Association	St. Joseph	25,306	23,916	29,581	28,232	26,836

Appendix C

Crime Victims' Compensation Program Schedule of Program Payments

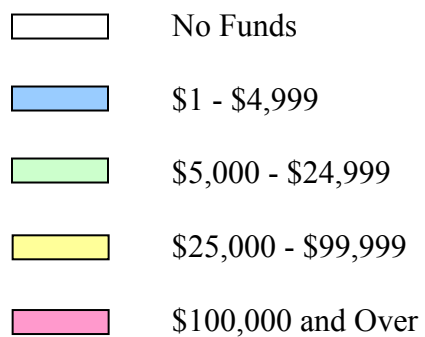
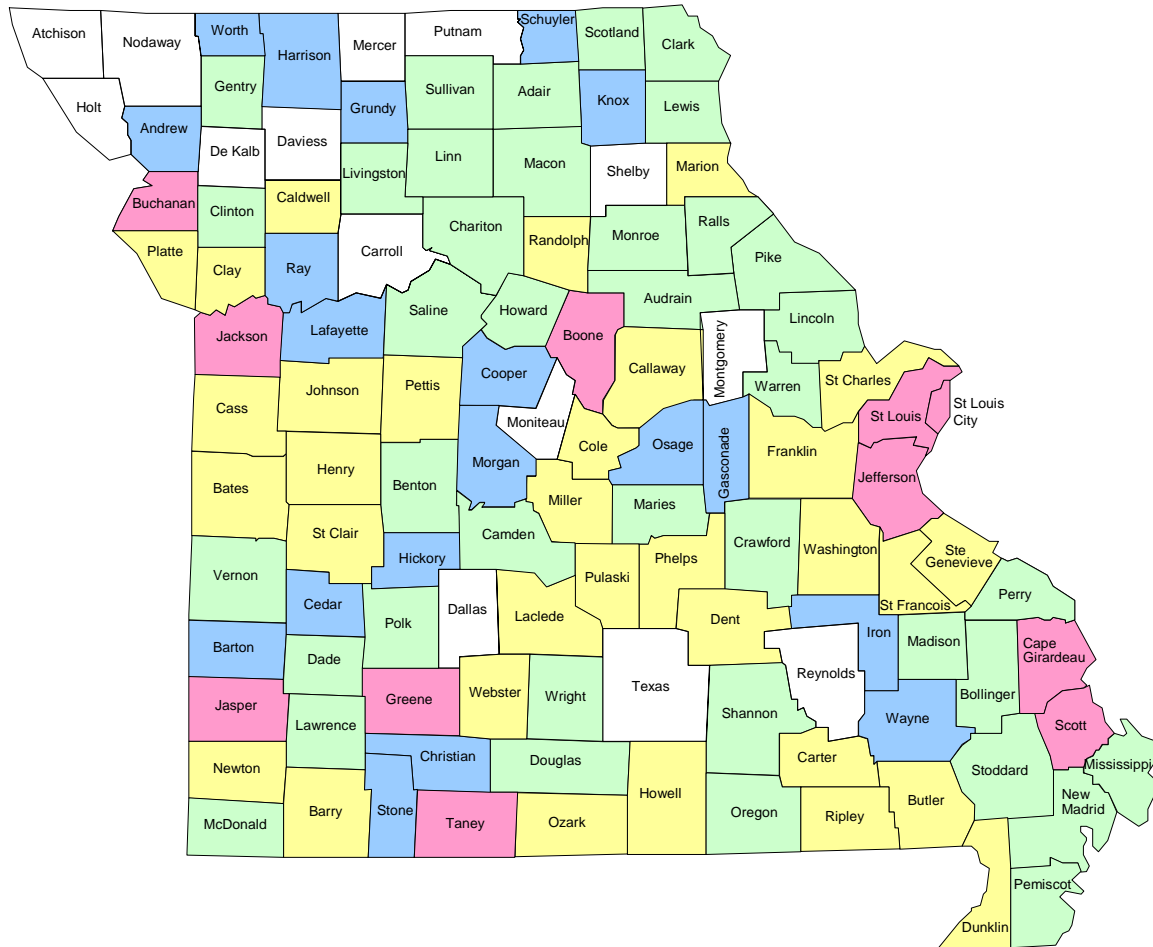
Fund/Agency	City	Year Ended June 30,				
		2009	2008	2007	2006	2005
Aid for Victims of Crime, Inc.	St. Louis	44,370	49,924	39,846	34,431	30,627
ALIVE, Inc.	St. Louis	41,239	41,710	39,899	32,770	0
City of St. Louis	St. Louis	48,552	48,941	43,535	33,842	35,888
Family Resource Center	St. Louis	48,982	51,664	49,217	33,899	24,002
Fortress Outreach	St. Louis	0	0	0	1,507	15,192
Legal Advocates for Abused Women	St. Louis	52,437	47,524	43,604	29,635	15,807
Life Source Consultants	St. Louis	26,183	24,494	19,659	20,366	9,801
Lydia's House, Inc.	St. Louis	100,135	102,026	83,401	72,890	41,048
Redevelopment Opportunities for Women, Inc.	St. Louis	77,277	81,131	62,718	35,165	13,369
South Asian Women Empowerment (SAWERA)	St. Louis	35,700	37,503	10,870	5,675	0
St. Louis Circuit Attorney's Office	St. Louis	117,092	120,056	101,619	78,774	73,264
St. Martha's Hall	St. Louis	67,385	68,145	67,904	63,218	60,111
The Women's Safe House	St. Louis	110,007	117,975	105,109	91,482	80,099
University of Missouri - St. Louis	St. Louis	43,896	46,808	39,726	36,774	28,116
Women's Support & Community Services	St. Louis	87,738	85,733	60,953	47,118	22,321
YWCA of Metropolitan St. Louis	St. Louis	97,544	130,195	82,497	15,538	13,984
Crawford County	Steelville	0	2,066	13,934	0	0
Cedar County	Stockton	26,293	29,748	27,527	27,382	19,302
Emerald City	Tecumseh	0	0	1,974	0	0
Green Hills Community Action Agency	Trenton	68,092	54,547	27,460	0	0
Franklin County	Union	16,303	13,511	15,409	15,521	15,823
Survival Adult Abuse Center, Inc.	Warrensburg	49,285	42,207	46,392	39,202	27,449
Warren County Council Against Domestic Violence	Warrenton	30,774	32,677	21,559	21,391	19,269
Genesis: A Place of New Beginnings	Waynesville	48,964	47,405	43,834	38,507	25,191
Pulaski County	Waynesville	18,720	11,123	16,002	12,531	14,657
Christos House	West Plains	80,874	69,083	51,263	44,842	34,312
Total Services to Victims Fund		4,721,982	4,820,242	4,407,564	3,528,802	2,766,429

STATE FORENSIC LABORATORY FUND

Southeast Missouri State University	Cape Girardeau	0	0	0	27,959	31,190
St. Louis County Police Department	Clayton	83,677	84,119	40,190	36,254	36,024
Independence Police Department	Independence	25,099	24,319	19,294	14,040	11,974
Missouri Southern State University	Joplin	0	0	31,570	35,540	23,749
Kansas City Police Department	Kansas City	75,946	70,199	54,254	36,941	36,978
Truman State University	Kirksville	16,606	17,318	18,405	15,757	15,202
St. Charles County Police Department	St. Charles	37,090	21,900	18,853	13,997	11,891
St. Louis Metropolitan Police Department	St. Louis	89,208	78,631	77,725	41,666	29,102
Total State Forensic Laboratory Fund		327,626	296,486	260,291	222,154	196,110
Total All Funds		\$ 5,099,608	5,155,931	4,704,597	3,796,875	3,007,106

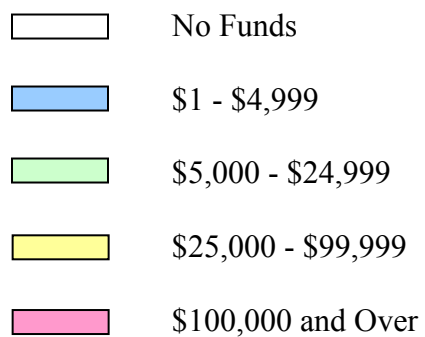
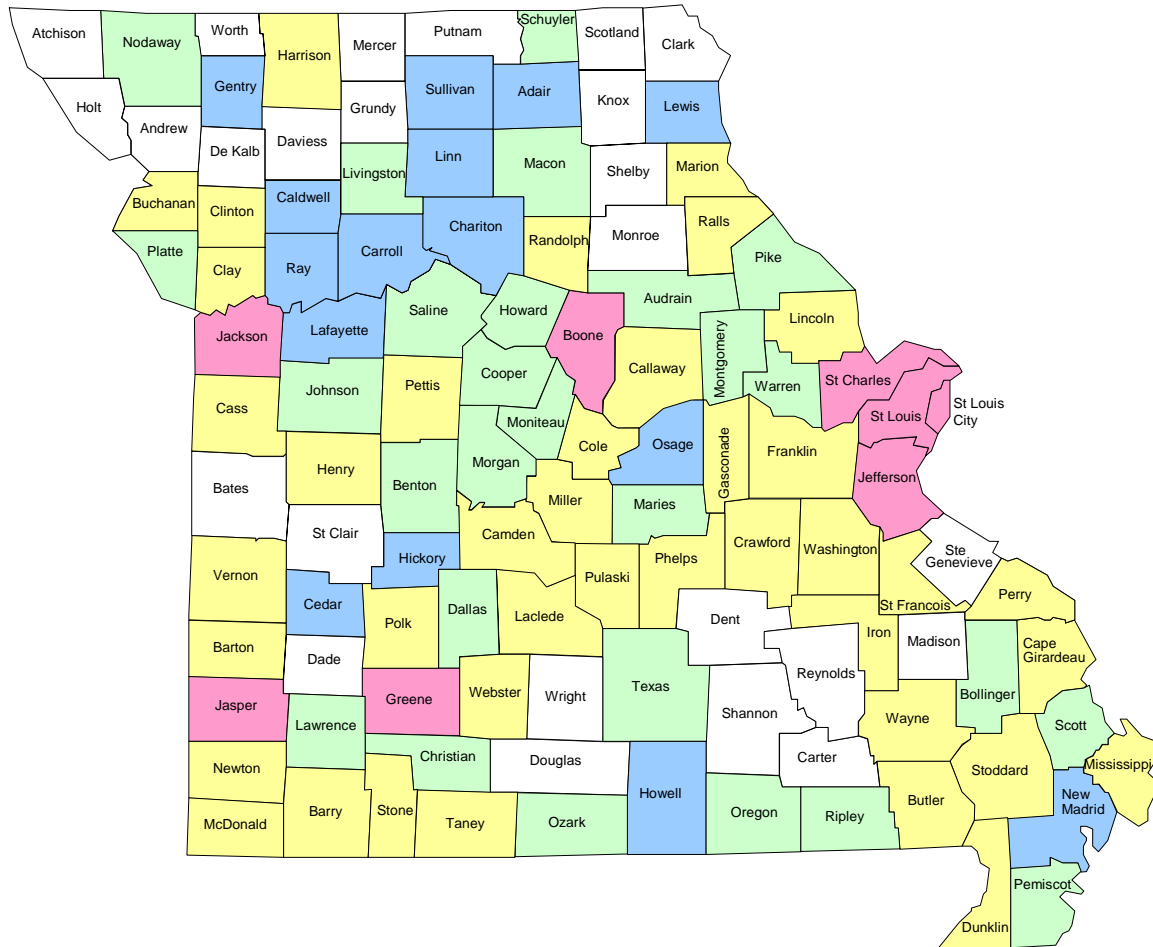
Appendix D-1

Crime Victims' Compensation Funds Awarded to Individuals by County Year Ended June 30, 2009

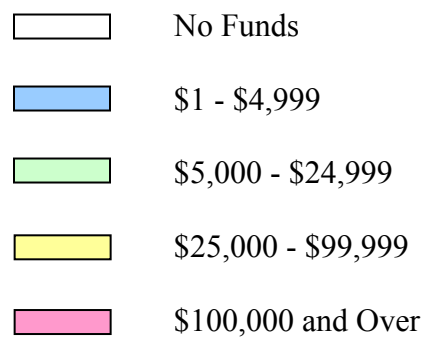


Appendix D-2

Crime Victims' Compensation Funds Awarded to Individuals by County Year Ended June 30, 2008



Crime Victims' Compensation Funds Awarded to Individuals by County
Year Ended June 30, 2007





Susan Montee, JD, CPA
Missouri State Auditor

Gentry County



November 2009
Report No. 2009-135

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report on Gentry County.

Administrative service fee transfers from the Special Road and Bridge (SRB) Fund to the General Revenue Fund were excessive. While the actual transfers made equaled 5 percent of SRB Fund budgeted disbursements, they exceeded 5 percent of the actual disbursements by approximately \$40,000 for the 3 years ended December 31, 2007.

Several problems were identified with the County Commission's handling of closed session meetings. The specific reason for closing a meeting is not always documented in open minutes, and minutes for some closed sessions were not taken or were not maintained. In addition, the County Commission did not document how some topics discussed in closed meetings complied with the Sunshine Law, and the final disposition of matters discussed and voted on in closed session was not always properly disclosed in open session.

Procedures and records to account for capital assets are not adequate. Physical inventories are not performed annually. Records and monitoring procedures for county vehicles and fuel are not sufficient.

The Prosecuting Attorney frequently reduces charges on traffic tickets by requiring the defendants to make a "donation" of up to \$300 to the Gentry County Law Enforcement Restitution (GCLER) Fund as a condition of reducing the charges. Per a review of cases where defendants were required to make a donation to the GCLER Fund, we identified numerous cases of speeding, which are specifically excluded as violations where a donation can be required. Additionally, improvements are needed in the system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints. Money orders received for repayment of bad checks are not deposited but forwarded directly to the victim and documentation is not obtained from the victim to ensure payments are received.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

GENTRY COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	Administrative Service Fee Transfers5
2.	Commission Minutes5
3.	County Property Records and Procedures6
4.	Prosecuting Attorney's Accounting Controls and Procedures8
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	12-14

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Gentry County

We have audited certain operations of Gentry County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Gentry County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Gentry County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	Brian Huff
	Richard Stuck
	Kirk Duncan

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

GENTRY COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Administrative Service Fee Transfers
-----------	---

Administrative service fee transfers from the Special Road and Bridge Fund (SRB) to the General Revenue Fund (GR) were excessive. During the years ended December 31, 2007, 2006, and 2005 the county budgeted and made administrative service fee transfers of \$49,375, \$47,963, and \$48,000, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were equal to 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the 3 years ended December 31, 2007, by a total of \$40,042. This situation resulted from unreasonable budget estimates for the SRB Fund. Budgeted disbursements of the SRB Fund exceeded actual disbursements by more than \$700,000 during the 3 years.

WE RECOMMEND the County Commission should consider developing a repayment plan for the amount due from the GR Fund to the SRB Fund for the excessive administrative service fees. The County Commission should also ensure future administrative service fee transfers do not exceed the statutory allowance.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The 2008 actual administrative transfer was based on actual expense not budgeted. We will establish a repayment plan by January 1, 2010.

2.	Commission Minutes
-----------	---------------------------

Problems were found with the County Commission's handling of numerous closed session meetings.

- Open meeting minutes typically indicate the meeting is being closed; however, the specific reason for closing the meeting is not always documented in open minutes.
- Minutes for some closed sessions were not taken or were not maintained.

- The County Commission did not document how some topics discussed in closed meetings complied with the Sunshine Law. The County Commission discussed county employees' work schedules, salary increases, budgets, domestic dispute policies, and conflict of interest concerns related to the Sheriff's Department, and other county policies in closed session.
- The final disposition of matters discussed and voted on in closed session was not always properly disclosed in open session. The County Commission approved a final settlement in the amount \$81,000 to be paid by the insurance company from litigation involving the county; however, the amount paid was not indicated when the settlement was disclosed.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings and specifies details that must be recorded; states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session; provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be disclosed in open session.

WE RECOMMEND the County Commission ensure the handling of closed session meetings are conducted in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have tried to improve our handling of closed sessions and recently had a training session with the Attorney General's Office regarding sunshine law compliance.

3. County Property Records and Procedures
--

Procedures and records to account for capital assets are not adequate and records of vehicle and fuel use are not maintained or are not reviewed.

- A. Physical inventories of county capital assets are not performed annually. The County Commission designated the County Clerk responsible for maintaining overall county property records; while each county department is responsible for performing annual physical inventories and submitting lists of assets in their custody to the County Clerk. The County Clerk did not provide lists of assets to the elected officials from 2005 to 2007 as required and thus, the overall capital assets list was not updated and physical inventories were not performed during that time. While the County Clerk requested that each official prepare a list of

county property in April 2008 and indicates they were received from each official, some of these reports were not maintained by the County Clerk. It is unclear whether the overall asset list maintained by the County Clerk was updated properly. In addition, property tags are only issued upon request and, as a result, tags identifying property items may not be assigned and affixed to all county property.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining adequate insurance coverage on county property. Physical inventories of county property are necessary to ensure the capital asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. In addition, Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing periodic inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

B. Records and monitoring procedures for county vehicles and fuel are not sufficient. During the 2 years ended December 31, 2007, the county paid approximately \$55,600 for fuel.

- 1) Mileage/usage logs are not maintained for road and bridge vehicles. In addition, although the Sheriff's Department does maintain mileage/usage logs, such information is not reconciled to fuel purchases. As a result, fuel use cannot be reviewed for reasonableness and cannot be reconciled to invoices received and paid by the County Clerk's office.
- 2) Records of fuel use for the Sheriff's Department and road and bridge vehicles and equipment are not maintained. The county has a bulk tank used for diesel vehicles and charge cards are used at local stations for the purchase of gasoline. An inventory record of the bulk diesel fuel showing purchases, use, and fuel on hand is not maintained. The county has no procedures to account for all the diesel fuel usage when re-ordering to ensure all diesel fuel was used appropriately. Gasoline fuel tickets are turned in by the Sheriff Department and Road and Bridge Department, but are not compared to the fuel bill from the local vendors prior to approval for payment, nor are they compared to the usage logs, as discussed above.

Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs. To monitor the

reasonableness and propriety of fuel usage and disbursements, the fuel usage logs should be periodically reviewed and recorded usage reconciled to fuel purchased and on hand. Failure to account for fuel usage could result in theft or misuse.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. And the County Clerk work with the other county departments to ensure annual physical inventories are performed and utilize the reports submitted by the county officials to update overall property records and monitor property additions and dispositions. In addition, a procedure should be implemented for tracking and tagging new property items throughout the year.
- B. Ensure usage logs are maintained for county vehicles and equipment. Fuel use and purchase records should be reviewed for completeness and reasonableness of use, and used to verify vendor billings. In addition, the County Commission should ensure inventory records of bulk fuel tanks are maintained.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We will work with the County Clerk and other county officials to update overall capital asset records.*
- B. *We will work with the Sheriff and Road and Bridge supervisor to ensure adequate usage information is maintained for vehicles and equipment, and will monitor fuel usage in the future. Tracking of bulk fuel usage will be discussed.*

The County Clerk provided the following response:

- A. *I have already implemented new procedures for updating overall county property records and will work closely with the other county officials to ensure assets are tagged, tracked, and inventoried annually.*

4. Prosecuting Attorney's Accounting Controls and Procedures

Some Gentry County Law Enforcement Restitution Fund (GCLER) donations received are not allowed by law. Other problems were identified with accountability for bad check collections.

The Prosecuting Attorney's office collects bad check restitution and fees. The Prosecuting Attorney requires restitution and fees be paid using two money orders, one payable to the merchant for restitution and the other payable to the Prosecuting Attorney

for the collection fee. The Prosecuting Attorney's office collected bad check restitution and fees during the years ended December 31, 2007 and 2006, of approximately \$47,400 and \$32,300, respectively.

- A. Donations to the GCLER Fund are required on some violations that are excluded from collection by law. The Prosecuting Attorney frequently reduces charges on traffic tickets by requiring the defendants to make a "donation" of up to \$300 to the GCLER Fund as a condition of reducing the charges. According to the county budgets, receipts from donations totaled approximately \$19,400 and \$1,900 during 2007 and 2006, respectively. Per a review of cases where defendants were required to make a donation to the GCLER Fund, we identified numerous cases of speeding, which are specifically excluded as violations where a donation can be required.

Section 50.565.6 states, "No court may order the assessment and payment authorized by this section if the plea of guilty or finding of guilt is to the charge of speeding, careless and imprudent driving No assessment and payment ordered pursuant to this section may exceed three hundred dollars for any charged offense."

- B. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, has not been established. Currently, merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system. The complaint form and information regarding the handling of each case is maintained in individual case files and all pending case files are stored together. The computer system assigns a sequential case number as complaints are entered and allows information related to collection, court proceedings, and disposition to be recorded on each case. However, the computer generated number is not documented on the complaint forms or case files, which would provide assurance it was posted to the system. The Prosecuting Attorney's staff has not used reports available from the system or developed another method to account for the numerical sequence of all cases or to ensure cases are appropriately collected or prosecuted as applicable.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, periodic reports of the complaints entered on the computer system should be generated and reviewed. This review should ensure the numerical sequence of each case is accounted for properly and the status or disposition of each case in the computer system is appropriate.

- C. The following issues were noted with bad check fees:

- Receipts are not posted to the computer system timely.

- Transmittal reports documenting the composition of transmittals turned over to the County Treasurer are not always prepared. In addition, the amounts turned over to the County Treasurer are not reconciled to the composition of receipts posted to the system to ensure accuracy.

To ensure monies are accounted for properly, monies should be transmitted intact. In addition, transmittal reports should be prepared and include fees collected and paid out and the composition of receipt slips issued should be reconciled to the receipts posted to the system and composition of transmittals to the County Treasurer.

- D. Money orders received for repayment of bad checks are not deposited but are forwarded directly to the victim, and documentation is not obtained from the victim to ensure payments are received. Good internal control procedures require documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misappropriation of funds will not be detected on a timely basis.

WE RECOMMEND the Prosecuting Attorney:

- A. Reevaluate the practice of requiring donations to the Law Enforcement Restitution Fund as part of reducing charges filed in accordance with state law.
- B. Review reports that account for the completeness and handling of all bad check complaints.
- C. Ensure receipts collected are posted to the cash control record immediately when received and receipts are turned over to the County Treasurer intact and in a timely manner. In addition, recorded receipts should be reconciled to monies transmitted on a periodic basis.
- D. Obtain documentation when money orders are turned over directly to the victim.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *While respectfully disagreeing that donations prohibited by statute were made on some traffic violations to the Gentry County Law Enforcement Restitution Fund, the Auditor's recommendations concerning handling these traffic matters have been implemented.*
- B. *There is now an adequate bad check system in place purchased from Dennis Jones and Associates which tracks all bad check complaints received by the Prosecuting Attorney's office as well as the subsequent disposition of these complaints. Assigning sequential numbers to complaint forms handed out to merchants at different times and in different*

volumes is impracticable and unworkable. Our procedures account for the disposition of each bad check.

To fully implement the recommendations of the state auditor would require the county to hire additional staff dedicated solely to bad check collection.

- C. The reconciliation/receipt suggestions are now in place and our policy is to post receipts as soon as possible upon receipt and not later than weekly. There is a significant volume of bad checks collected, which are handled in a very efficient and responsible manner by the one staff person hired by the County, in addition to that person's many other responsibilities and duties. Monthly reconciliation of recorded receipt of monies transmitted has been adopted as recommended by the auditors.*
- D. Subsequent to the auditor's report, it was discovered that the Treasurer provides individual receipts for each money order given to them by the prosecutor's office. Because of a change in personnel, the Prosecutor's Offices was not aware these receipts were available. Further, the Prosecutor's Office will develop its own reports to be reviewed monthly by merchants to verify the merchants receipt of monies for which complaint has been made.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

GENTRY COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Gentry County is a township-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Albany.

Gentry County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 6,861 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 50,376,050
Personal property	22,259,195
Railroad and utilities	4,661,566
Total	<u>\$ 77,296,811</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Gentry County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	None	%
Use tax	.0100	None	None	
Emergency telephone service	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:		
Rod Dollars, Presiding Commissioner	\$	23,120
Gary Carlson, Associate Commissioner		21,120
Larry B. Wilson, Associate Commissioner		21,120
Carol Reidlinger, County Clerk		32,000
Roger Combs, Prosecuting Attorney		39,000
Eugene Lupfer, Sheriff		38,000
Bryan Polley, County Coroner		9,000
Judith Pickering, Public Administrator		25,000
Sue Hopkins, County Collector-Treasurer, year ended February 28 (29),	32,503	
Sheryl Coburn, County Assessor (1), year ended August 31,		32,688

(1) Includes \$688 annual compensation received from the state.

State-Paid Officials:

John Whitaker, Circuit Clerk and Ex Officio Recorder of Deeds	51,197
Edward Manring, Associate Circuit Judge	101,090



Susan Montee, JD, CPA
Missouri State Auditor

Morgan County



November 2009
Report No. 2009-134

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report of Morgan County.

As similarly noted in our prior report, records and monitoring procedures for county vehicles and equipment and fuel use are not sufficient. The county has not established a written policy regarding allowable use of vehicles and documentation and reporting requirements. Mileage/use logs are not maintained for some vehicles and equipment and no bulk fuel inventory records are maintained. Fuel use is not reviewed or reconciled to fuel billings. In addition, the county does not report taxable benefits associated with county vehicles used for commuting purposes.

Significant problems were noted with the Sheriff's department records and procedures over inmate and commissary monies. Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Substantial amounts of U.S. Immigration and Customs Enforcement inmate monies are held in cash, placing these funds at risk of loss, theft, or misuse. The Sheriff's department does not track the profits from the sale of commissary items and does not generate monthly lists of liabilities from the inmate account computer system; consequently, profits and liabilities are not reconciled with cash balances. In addition, the Sheriff's department does not maintain inventory records of prepaid telephone cards purchased and sold to inmates and does not routinely follow up on outstanding checks of the inmate commissary account balance.

Accounting duties in the Sheriff's department are not adequately segregated, and depositing and transmittal procedures for bonds and civil fee monies are not sufficient. In addition, procedures are not in place to routinely identify month-end liabilities and reconcile to the bond bank account.

The County Commission pays credit card statements without supporting documentation for some charges or proper review and approval by county officials and department heads. The county has not executed current contracts with special road districts and does not monitor the districts' use of County Aid Road Trust and Marine Gas Tax revenues. Additionally, the county has not developed a long-term plan regarding the use of Neighborhood Improvement District maintenance levy monies.

Other findings in the audit report relate to property tax system controls, county property records and procedures, and accounting controls and procedures of the Associate Circuit Division, Prosecuting Attorney, and Senate Bill 40 Board.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MORGAN COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-23
<u>Number</u>	<u>Description</u>
1.	Vehicle and Equipment Policies and Procedures.....5
2.	Property Tax System Controls and Procedures7
3.	County Property Records and Procedures9
4.	Sheriff's Inmate and Commissary Monies10
5.	Sheriff's Accounting Controls and Procedures14
6.	County Procedures and Plans.....16
7.	Associate Circuit Division's Accounting Controls and Procedures.....18
8.	Prosecuting Attorney's Accounting Controls and Procedures20
9.	Senate Bill 40 Board's Procedures22
ORGANIZATION AND STATISTICAL INFORMATION	24-25

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Morgan County

We have audited certain operations of Morgan County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Casey and Company, L.L.C, Certified Public Accountants, has been engaged to audit the financial statements of Morgan County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Morgan County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	James M. Applegate, MBA
	Jessica Jordan
	Michelle Gresham, M.Acct.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MORGAN COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Vehicle and Equipment Policies and Procedures
-----------	--

Records and monitoring procedures for county vehicles and equipment and fuel use are not sufficient. Similar concerns were noted in our prior report and there have been no significant improvements made by the county. During the 2 years ended December 31, 2008, approximately \$382,000 was spent on fuel for the road and bridge department's 22 vehicles and various equipment (i.e., graders, loaders, backhoes, and tractors) and the County Commissioner's 3 assigned vehicles. Also during this time period, approximately \$241,000 was spent on fuel for the Sheriff's 28 vehicles and the 911 department's assigned vehicle. These disbursements for fuel are significant and do not represent the complete cost of operating and maintaining county vehicles and equipment; thus, review and monitoring procedures are essential.

- A. The county has not established a written policy and effective monitoring procedures regarding vehicle and equipment use and fuel costs. Mileage/use logs are not maintained for most vehicles and equipment and fuel use is not reviewed or reconciled to fuel billings. In addition, the county does not report taxable benefits associated with county vehicles used for commuting purposes.
- 1) Road and bridge department employees and County Commissioners dispense fuel into county-owned vehicles and equipment from bulk fuel tanks located at various road and bridge department sites in the county. Mileage/use logs documenting fuel use are not maintained for the vehicles and equipment and no bulk fuel inventory records or logs of fuel dispensed from the tanks are maintained. By not maintaining inventory records and mileage/use logs, the county cannot reconcile fuel purchases to fuel used and on hand.
 - 2) Sheriff's department employees and the 911 Administrator purchase fuel for county-owned vehicles with fuel purchasing cards and the county receives a monthly statement for these purchases. These statements are paid without comparison to individual fuel purchase receipts or records of fuel use, and without review by the Sheriff and the 911 Administrator. The 911 Administrator does not maintain a mileage/use log and does not submit fuel purchase receipts to the County Clerk's office. Although the Sheriff's department maintains an electronic fuel log in which employees are to enter the date, vehicle odometer reading, and the number of gallons dispensed for each fuel purchase; the electronic fuel log is not reconciled to monthly fuel statements.

In addition, our review of the Sheriff's department electronic fuel log determined fuel purchases for several vehicles are not included and it appears the log is not reviewed for reasonableness and accuracy. We also noted instances where odometer readings were not entered in the log and information in the log (i.e., odometer readings or number of gallons purchased) differed from the monthly fuel statements. In addition, we noted instances where the number of gallons purchased exceeded the fuel capacity for the applicable vehicle. For example, a deputy purchased 38 gallons of gasoline on October 8, 2008; however, the fuel capacity of the vehicle assigned to the deputy (Chevy Trailblazer) is approximately one-half the quantity of fuel purchased. The Sheriff indicated employees sometimes use their fuel purchasing cards to fuel other county vehicles at the same time they fuel their assigned vehicle, but these situations were not identified on the fuel log.

Prior to October 2008, the Sheriff's department did not ensure fuel purchasing cards were controlled and accounted for properly. In August 2008, due to concerns about the location of certain cards, the Sheriff's department obtained and reviewed a list of cards issued to the county from the fuel vendor. Two of the cards on the list could not be located and were deactivated. However, the Sheriff did not conduct an investigation to determine whether purchases had been made with the unlocated cards, who made the purchases, and whether the purchases were appropriate. Our review of the July 2008 fuel statement identified fuel purchases totaling \$564 with the two cards. Because the Sheriff's department did not properly control and account for the cards, or perform a review of monthly fuel statements and the fuel log, Sheriff department personnel were unable to determine who had possession of these cards during the time period of concern or if the purchases were proper.

- 3) Each of the County Commissioners and the 911 Administrator are assigned vehicles which are used for commuting purposes. The County Commission indicated these vehicle assignments are necessary to reduce response time when emergencies arise. However, because mileage/use logs are not maintained, business and commuting mileage is not documented. The Internal Revenue Service (IRS) reporting guidelines indicate commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits.

A formal written vehicle policy is needed to inform county officials and employees of the vehicles' allowable use, outline mileage/use log documentation requirements, address and define commuting use of vehicles, and identify applicable IRS guidelines and reporting requirements.

Maintenance and review of vehicle and equipment mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Vehicle and equipment mileage/use logs should provide sufficient details (e.g., the date, driver or operator; purpose and destination of each trip; daily beginning and ending odometer or hour meter readings; and fuel purchased and maintenance services performed) so the county can monitor vehicle and equipment use and monitor fuel and other operating costs. Vehicle mileage/use logs should clearly distinguish between business and commuting use so that taxable benefits can be reported on applicable officials' and employees' W-2 forms.

- B. The fuel charges for the 911 Administrator's assigned vehicle are incorrectly paid from the Law Enforcement Sales Tax Fund. Section 67.582, RSMo, provides disbursements from that fund are legally restricted to law enforcement purposes. These fuel charges totaled \$6,380 during the 2 years ended December 31, 2008. Because the monthly fuel statements are not sufficiently reviewed, the error was not detected by county employees.

WE RECOMMEND the County Commission:

- A. Establish written policies for county-owned vehicles and equipment, maintain appropriately detailed mileage/use logs and bulk fuel inventory records, develop monitoring procedures, and ensure compliance with IRS guidelines for reporting fringe benefits related to commuting use.
- B. Reimburse the Law Enforcement Sales Tax Fund from the 911 Fund for fuel expenses incorrectly charged to the Law Enforcement Sales Tax Fund and ensure future fuel expenses are paid from the proper funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We are currently developing policies and monitoring procedures and will work with the other officials to implement these recommendations.*
- B. *We are in the process of establishing a separate account for 911 fuel purchases; and beginning in January 2010, we will charge 911 fuel costs to the 911 Fund.*

2. Property Tax System Controls and Procedures

The County Clerk and the County Commission do not provide adequate monitoring of property tax system activities. For the 2 years ended February 28, 2009, property taxes

charged to the County Collector totaled approximately \$23 million each year. During the year ended February 28, 2009, property tax additions and abatements totaled approximately \$467,000 and \$303,000, respectively.

- A. The County Clerk does not maintain an account book or other records with the County Collector summarizing property tax transactions and changes. As a result, the County Collector's annual settlements cannot be adequately reviewed. The County Clerk indicated her review of the County Collector's annual settlements is limited to comparing collections to monthly collection reports submitted by the County Collector, and this review is not documented.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts, would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's monthly and annual settlements.

- B. Controls over property tax additions and abatements are not adequate. The County Assessor prepares court orders for additions and abatements, submits the court orders to the County Clerk, and posts the changes to the property tax system. The County Collector prints monthly reports of changes made to the property tax system and submits the reports to the County Clerk. However, the County Commission does not review or approve the court orders, and the County Clerk does not reconcile court orders for additions and abatements to actual changes made to the system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. A reconciliation of approved additions and abatements would satisfy the intent of these statutory provisions and provide confidence that changes to the property tax system records are proper.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector and work with the County Commission to perform a thorough review of the County Collector's annual settlements.

- B. The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *The County Clerk will consult with other county clerks and develop an account book and begin using it to verify the County Collector's annual settlements beginning with the current tax year.*
- B. *The County Commission will begin approving additions and abatements, and the County Clerk will reconcile the court orders to changes to the system.*

3. County Property Records and Procedures
--

As noted in our prior report, procedures and records to account for county property are not adequate.

The County Clerk has no procedures to identify property purchases and dispositions throughout the year. In January 2009, the County Clerk requested inventory reports from all county officials and departments, and received the reports from all except the Prosecuting Attorney and the road and bridge department. These reports had not been updated since previously requested in 2003. The County Commission maintains the road and bridge department inventory list on a more current basis for insurance purposes; however, the list was not submitted to the County Clerk. In addition, there are no procedures in place to ensure an annual physical inventory is performed by each county official and department; and most capital assets purchased since 2003 had not been numbered, tagged, or otherwise identified as county property.

Some problems were noted with the 2009 inventory reports. For example, the road and bridge department's inventory list had not been updated for three motor graders purchased in February 2008. In addition, the 911 department's inventory list did not include one laptop computer, while two laptop computers included on the inventory list could not be located in the 911 office. The 911 Administrator indicated one computer was at his house and the other was at the addressing manager's house. The 911 Administrator stated he uses his laptop computer after hours and while traveling to monitor the weather, which is part of his job duties; and the addressing manager uses her laptop computer for addressing, which she does by traveling throughout the county. The 911 inventory list did not sufficiently disclose the location of these computers.

Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk. Adequate capital asset records and procedures are necessary to ensure effective

internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to inventory reports from the various county departments would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Proper tagging of county property items and specific identification of property locations are necessary to reduce the possibility of improper personal use of county property.

WE AGAIN RECOMMEND the County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement a procedure for tracking and tagging capital asset purchases throughout the year.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

We will work with other officeholders to develop a procedure for notifying the County Clerk upon the purchase of capital assets, whereby the County Clerk will track and record the purchases, and we will require officeholders to conduct annual physical inventories.

4. Sheriff's Inmate and Commissary Monies
--

Significant problems were noted with the records and procedures over inmate and commissary monies.

The Sheriff operates a 130 bed jail, housing Morgan County inmates and inmates for two federal agencies – the U.S. Immigration and Customs Enforcement (ICE) and the U.S. Marshals Service (USMS). The Sheriff's department maintains the inmate monies and operates a commissary for inmates to purchase telephone cards, various snacks, and personal items.

While the Sheriff's department maintains county and USMS inmate monies in the inmate commissary bank account, the ICE inmate monies (primarily in the form of cash) are maintained in envelopes in a safe. Electronic records of the receipts, disbursements, and balance are maintained for each inmate. When monies are received on behalf of an inmate, a receipt slip is issued by the Sheriff's booking department and the amount received is posted to the inmate's account. When an inmate makes a purchase from the commissary, the disbursement is posted to the inmate's account. Approximately twice a month, the commissary bookkeeper prints a report of ICE inmate purchases, removes monies from the inmate envelopes to cover the purchases, and deposits those monies in the inmate commissary bank account. Deposits of county and USMS inmate monies and monies transferred from ICE inmate envelopes for commissary purchases totaled

approximately \$71,200 and \$60,900 during the years ended December 31, 2008 and 2007, respectively.

A. Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. We noted the following concerns:

- 1) Substantial amounts of ICE inmate monies are held in cash, placing these funds at risk of loss, theft, or misuse. A review of monies collected from inmates from September 23, 2008, to November 6, 2008, noted receipts of ICE inmate monies totaled approximately \$29,200, representing over 80 percent of total inmate monies received (approximately \$35,700) during that time period. The Sheriff's department houses an average of 50 ICE inmates per day. The Sheriff indicated ICE inmate monies are maintained in cash because the ICE prefers the inmates be given their monies in cash upon release. ICE inmates are frequently deported to another country upon release, and it is easier for inmates to negotiate cash than checks. However, based on the number of ICE inmates released each day, it appears unnecessary to maintain all ICE inmate monies in cash.
- 2) Deposits of inmate monies are not timely, intact, or adequately documented. As a result, the Sheriff's department is unable to ensure all monies are deposited and accounted for properly.

When monies are received for ICE inmates, the commissary bookkeeper generally places the cash, checks, or money orders received in the respective inmate envelopes. To maintain ICE inmate monies in cash form; twice per month, the commissary bookkeeper removes any checks and money orders from inmate envelopes and replaces with cash in the same amount. The bookkeeper obtains the cash either by cashing the checks and money orders at the bank or cashing the checks and money orders from inmate commissary account cash receipts on hand (county and USMS inmate monies and monies transferred from ICE inmate envelopes for commissary purchases) and later depositing the checks and money orders into the inmate commissary account. The bookkeeper indicated she sometimes cashes the checks and money orders individually immediately when received, but generally only has time to cash the checks and money orders in batches twice a month. A review of bank documentation and receipt slips related to three September 30, 2008, commissary account deposits, consisting of 27 checks and money orders totaling \$2,432 and cash totaling \$286 primarily from ICE inmates, found most of the monies had been received more than 2 weeks prior to deposit, and some had been received more than 1 month prior to deposit. In addition, the checks and money orders are not restrictively endorsed until the deposit is prepared.

Receipt and deposit records do not provide sufficient details to demonstrate that inmate monies were properly deposited or placed in inmate envelopes. Inmate receipt slips do not require, and many do not indicate the method of payment (cash, check, or money order). Receipt slips also do not indicate whether the inmate is a county inmate, a USMS inmate, or an ICE inmate. In addition, the bookkeeper does not retain documentation showing when and how ICE checks and money orders are cashed, and does not maintain a record of monies transferred from ICE inmate envelopes for commissary purchases. Furthermore, a record of inmate monies comprising bank deposits is not prepared by the bookkeeper. Without these details and documentation, receipts cannot be readily agreed to deposits and monies held in inmate envelopes.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt. The Sheriff should consult with the ICE to establish alternative procedures for maintaining cash for ICE inmate releases. Consideration should be given to maintaining a cash fund, on an imprest basis, to maintain and disburse funds for ICE inmate releases.

To ensure all receipts are properly accounted for and deposited, the composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of deposits to the receipt and inmate records, and clearly demonstrate the proper handling of monies for different types of inmates.

- B. The Sheriff's department does not track the profits from the sale of commissary items and does not generate monthly lists of liabilities from the inmate account computer system; consequently, profits and liabilities are not reconciled with cash balances. In addition, the Sheriff maintains profits from the commissary fund outside the county treasury.

Inmate commissary profits consist of discounts received from the commissary and prepaid telephone card vendors. The inmate accounts are charged full price for the commissary items, and the vendors charge the Sheriff a discounted price. The discount amount (full price minus discounted price) represents a profit retained by the Sheriff. The Sheriff's department spends the profits on items for the inmates such as pizzas and movies. The bookkeeper estimated these disbursements average \$70 per week. The inmate commissary account balance increased from approximately \$15,900 at December 31, 2004, to \$31,300 at December 31, 2008. Based on information obtained from the commissary and telephone card vendors, profits (including complimentary telephone cards noted in C below) totaling approximately \$11,700 and \$7,700, were earned in the years ended December 31, 2008 and 2007, respectively.

The Sheriff's department maintains no record of the profits, including profits earned, disbursements, and balances. In addition, the Sheriff does not prepare a monthly list of liabilities. At December 31, 2008, the balance in the commissary bank account exceeded the balance in the county and USMS inmate accounts by approximately \$29,300. Sheriff's department personnel believe all monies exceeding the total of the inmate monies are profits available to be spent. However, without maintaining records of profits and generating lists of liabilities, and reconciling those amounts to the cash balance, there is no assurance commissary monies have been accounted for properly.

In addition, profits from the sale of commissary items represent accountable fees and should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to make disbursements from accountable fees.

- C. The Sheriff's department does not maintain inventory records of prepaid telephone cards purchased and sold to inmates. Batches of telephone cards are periodically purchased from telephone card vendors, and maintained by the bookkeeper until purchased by inmates. In addition, one vendor provided the Sheriff's department 1,200 complimentary telephone cards valued at \$12,000 during the period October 20, 2008, through May 14, 2009. Based on information obtained from the telephone card vendors, the Sheriff's department purchased or received telephone cards valued at approximately \$45,000 during the 2 years ended December 31, 2008.

A detailed inventory ledger is necessary to adequately account for telephone cards. Inventory records should document the beginning number of telephone cards, cards purchased, cards sold, and the ending balance of cards. Periodic physical inventory counts should be performed and reconciled to inventory records. Loss, misuse, or theft of telephone cards may go undetected without adequate inventory records and procedures.

- D. The Sheriff's department does not routinely follow up on outstanding checks of the inmate commissary account. As a result, the number and amount of old outstanding checks has increased. According to the December 31, 2008, bank reconciliation, outstanding checks over a year old totaled \$5,308. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. The Sheriff should adopt procedures to routinely identify and follow up on outstanding checks and reissue checks if payees can be identified and located. If payees cannot be identified or located, these monies should be disposed of in accordance with state law.

Conditions similar to A.2, B, and D were noted in our prior audit.

WE RECOMMEND the Sheriff:

- A. Ensure all receipts are deposited intact on a timely basis, and work with the ICE to establish alternative procedures for maintaining cash for inmate releases. The Sheriff's department should ensure receipt and deposit records are adequately detailed, checks and money orders are restrictively endorsed immediately upon receipt, and receipt slips and records of monies transferred from ICE inmate envelopes are reconciled to deposits and inmate envelopes.
- B. Develop records to adequately track profits of commissary operations, generate monthly lists of liabilities, and reconcile the records and lists to the account balances. In addition, all profits should be turned over to the County Treasurer as accountable fees.
- C. Maintain inventory records for telephone cards and reconcile the records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
- D. Establish procedures to routinely identify and investigate outstanding checks. If the owner of the funds cannot be identified or located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We plan to implement an ICE inmate cash release pool and develop procedures to implement the other recommendations.*
- B. *We will develop a ledger to track profits of the commissary, consult with the computer system vendor about producing monthly reports of open items, and consult with the County Commission about expenditure of the profits.*
- C. *We think the risk of misuse is low because the cards have no value outside the jail; however, we will consider developing procedures to track the cards.*
- D. *We will attempt to locate the payees and remit the unidentified checks to the County Treasurer and monitor outstanding checks more timely in the future.*

5. Sheriff's Accounting Controls and Procedures
--

Accounting duties are not adequately segregated, and controls and procedures over bonds and civil fees are in need of improvement.

In addition to the inmate commissary bank account (see Management Advisory Report finding number 4), the Sheriff's department maintains a bond bank account for bond monies and civil fees. Deposits into this account totaled approximately \$239,000 and \$264,000 during the years ended December 31, 2008 and 2007, respectively.

- A. As noted in two prior audits, accounting duties are not adequately segregated. One bookkeeper is responsible for the bond bank account and the other bookkeeper is responsible for the inmate commissary bank account. Each bookkeeper is responsible for recording, depositing, and disbursing monies; and preparing bank reconciliations for the bank account for which she is responsible. Supervisory or independent reviews of the various functions are not performed. The Sheriff indicated he reviews the bank statements and some bank reconciliations, but some of these documents lacked evidence of his review.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Sheriff.

- B. Depositing and transmittal procedures for bonds and civil fee monies are not sufficient.
- 1) Bond receipts are received by the Sheriff's booking department, recorded on receipt slips and bond forms, and transmitted to the bond bookkeeper. However, the bond bookkeeper does not deposit these receipts until she has received the related bond form from the booking department, which she indicated is often several days to weeks after the monies are received. Our review of 41 bond receipts totaling \$20,349 in cash received from September 23, 2008, to November 6, 2008, determined these bond receipts were deposited an average of 23 days after receipt.
 - 2) Civil fee receipts are received directly by the bond bookkeeper. Of 21 receipts received during 1 week in October 2008, 3 receipts totaling \$76 were not deposited for 6 weeks.
 - 3) When performing deposits, the bookkeeper does not reconcile receipt slips issued to amounts deposited and still on hand. Our review noted a \$1,000 cash bond received in November 2008 of which only \$750 was deposited. The bond bookkeeper identified the error in February 2009 after realizing cash on hand exceeded current bond receipts, and deposited the remaining bond monies. Additionally, the Sheriff's department does not account for the numerical sequence of bond forms.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact and on a timely basis, the composition of

receipt slips issued should be reconciled to the composition of bank deposits, and the numerical sequence of bond forms should be accounted for properly.

Similar conditions were noted in our prior audit.

- C. Procedures are not in place to routinely identify month-end liabilities and reconcile to the bond bank account balance. At our request, the bond bookkeeper determined liabilities as of April 20, 2009. However, the reconciled cash balance of \$6,476 exceeded the identified liabilities by \$66. Liabilities should be identified monthly and reconciled to the cash balance to ensure all monies are accounted for properly, records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated and resolved.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or implement documented independent or supervisory reviews of the accounting records.
- B. Deposit all monies intact on a timely basis, reconcile the composition of receipts and bond forms to the composition of bank deposits, and account for the numerical sequence of bond forms.
- C. Identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will review bank reconciliations and other accounting records periodically and will document my review by initials.*

B&C. We are in the process of implementing these recommendations.

6. County Procedures and Plans

The county's procedures for monitoring credit cards and payments to special road districts are in need of improvement. Additionally, the county has not adequately documented plans for use of Neighborhood Improvement District (NID) maintenance levy monies.

- A. The County Commission pays credit card statements without supporting documentation for some charges or proper review and approval by county officials and department heads. The county's 6 MasterCard and 17 Walmart

credit cards have been assigned to specific departments and employees for purchases of supplies and travel expenses. Total payments on these credit cards were approximately \$47,500 in 2008 and \$23,300 in 2007.

Some items charged did not contain adequate supporting documentation (e.g., invoices) and some supporting documentation did not contain evidence of review and approval by the county official or department head responsible for or knowledgeable about the purchase. The Deputy County Clerk and the County Commission's secretary receive monthly credit card statements from the vendors and are responsible for comparing invoices and supporting documentation received from county officials and department heads to monthly statements. However, they acknowledged this documentation is not always obtained from the officials and departments.

To ensure the validity and propriety of disbursements and compliance with statutory provisions, adequate supporting documentation and approval should be obtained for each charge.

- B. The county has not executed current contracts with special road districts and does not monitor the districts' use of County Aid Road Trust (CART) and Marine Gas Tax revenues. During the 2 years ended December 31, 2008, the county distributed a portion of its CART revenues to three special road districts within the county and a portion of its Marine Gas Tax revenues to one of these districts. County payments to the special road districts totaled approximately \$153,000 and \$235,000 during the years ended December 31, 2008 and 2007, respectively.

The contracts with the special road districts have not been updated since 2005. In addition, although the districts provide annual budgets to the county, the county does not obtain and review periodic financial reports of actual disbursements to ensure CART and Marine Gas Tax monies were properly spent.

Constitutional and statutory provisions restrict the use of CART monies to construction, reconstruction, maintenance, and repairs of county roads, bridges, and highways as directed by the County Commission; and restrict the use of Marine Gas Tax monies to construction, maintenance, and repairs of public roads in the county which connect a state highway with a lake having 100 miles of shoreline or more. Current written agreements, along with monitoring procedures, would help ensure monies are expended in compliance with the constitutional and statutory provisions and as intended by the County Commission.

A similar condition was noted in our prior report.

- C. The county has not developed a long-term plan regarding the use of NID maintenance levy monies. The county collects a maintenance levy on 13 NIDs and is currently accumulating these funds to help pay for future asphalt overlay

projects for the NIDs. As of December 31, 2008, the combined cash balance of the NID maintenance accounts exceeded \$1.1 million, with individual NID balances ranging from approximately \$21,000 to \$235,000. The County Commission has not performed a formal analysis to determine when or if sufficient monies will accumulate to fund future NID asphalt overlay projects. A formal plan documenting future maintenance costs and available funding sources would help the county monitor and plan for the future maintenance projects. Such a plan would demonstrate the county's intentions to the residents within the NIDs.

WE RECOMMEND the County Commission:

- A. Require a thorough review of all credit card statements prior to approving payment and ensure adequate supporting documentation is maintained.
- B. Enter into current written agreements and establish procedures to monitor the special road districts' expenditures of the county monies.
- C. Develop a long-term plan regarding the use of NID maintenance levy monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will implement a policy requiring adequate supporting documentation and appropriate purchase approval before payment, and we will disallow subsequent credit card use to those with outstanding documentation deficiencies.*
- B. *We will update the contracts and include in the contracts a requirement for the districts to report the prior year's actual expenditures on their current budgets.*
- C. *We will develop a 5 to 7 year plan as part of next year's budget based on each NID's road mileage and current prices.*

7. Associate Circuit Division's Accounting Controls and Procedures

Accounting controls and procedures in the Associate Circuit Division are in need of improvement. The Associate Circuit Division processes monies for bonds, court costs, and fines. During the 2 years ended December 31, 2008, the division processed receipts totaling approximately \$1.3 million.

- A. Accounting duties are not adequately segregated. The Associate Circuit Division supervisor is primarily responsible for making deposits and reconciling bank statements. The supervisor and other division clerks share the responsibility of receipting and recording monies, and preparing and signing checks. There are no

documented reviews of the accounting records performed by the Associate Circuit Judge.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Associate Circuit Judge.

- B. The numerical sequence of receipt numbers in the Justice Information System (JIS) is not accounted for and voided transactions are not properly reviewed. The JIS assigns a sequential receipt number and generates a receipt slip each time a payment is entered. Some receipt numbers are later voided or discarded (transactions ended before completed). However, receipt listing reports which detail each receipt number issued, including discarded and voided receipt numbers, are not generated and reviewed to account for the numerical sequence of receipt slips and to review voided transactions. Without accounting for the numerical sequence of receipt numbers issued and reviewing voided transactions, the court cannot ensure all monies received are properly recorded and deposited.
- C. The division has four old bank accounts which have had minimal or no activity since a new checking account was opened in 2005, when the division adopted the state's JIS accounting system. Three accounts, with balances totaling \$23,186 at April 30, 2009, have had no recent activity. No attempt has been made by the division to identify or properly dispose of the monies in these accounts. Another account, the old bond account with a \$26,844 balance at March 31, 2009, has had minimal activity. The division maintains a spreadsheet in which liabilities for this account can be identified; however, no attempt has been made to dispose of these monies.

Maintaining old inactive accounts increases the risk of theft or misuse of funds. The Associate Circuit Division should attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.

- D. The division has not established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2008, 10 primary account checks totaling \$503 were over 1 year old; and at March 31, 2009, 19 old bond account checks totaling \$1,650 were over 3 years old. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate any checks remaining over a specified period of time and reissue checks to those payees who can be readily located. If the payees cannot be located, the amounts should be disposed of in accordance with state law.

Conditions similar to A, C, and D were noted in our prior audit.

WE RECOMMEND the Associate Circuit Division:

- A. Adequately segregate accounting duties to the extent possible, or implement documented supervisory or independent reviews of the accounting records.
- B. Establish procedures to account for the numerical sequence of receipt numbers and review voided transactions.
- C. Attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.
- D. Establish procedures to routinely identify and investigate outstanding checks. If the payees cannot be located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Circuit Division provided the following responses:

- A. *We will implement this recommendation as the courts are consolidated effective January 1, 2010.*
- B&D. *We have implemented these recommendations.*
- C. *We attempted to locate the payees previously. We will turn over unclaimed or unidentified properties properly and close the accounts.*

8. Prosecuting Attorney's Accounting Controls and Procedures

Accounting controls and procedures in the Prosecuting Attorney's office are in need of improvement. During the years ended December 31, 2008 and 2007, the Prosecuting Attorney's office processed receipts totaling approximately \$151,000 and \$107,000, respectively, for bad checks; and approximately \$98,000 and \$47,000, respectively, for victim restitution.

- A. As noted in the prior report, procedures are not in place to identify month-end liabilities and reconcile to cash balances. At our request, office personnel determined liabilities as of December 31, 2008. While the identified liabilities for the victim restitution account agreed to the reconciled account balance, the reconciled bad check account balance of \$7,811 exceeded identified liabilities by approximately \$2,900.

Liabilities should be identified monthly and reconciled to cash balances to ensure all monies are accounted for properly, records are in balance, errors are detected

and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated and resolved.

- B. Although some improvements were noted and many of the old outstanding checks cited in the prior report were resolved, the Prosecuting Attorney's office still has no established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2008, 11 bad check account checks totaling \$1,192 and 17 victim restitution account checks totaling \$1,379 were over 1 year old. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining over a specified period of time and reissue checks to those payees who can be readily located. If the payees cannot be located, the amounts should be disposed of in accordance with state law.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.
- B. Establish procedures to routinely identify and investigate outstanding checks. If the payees cannot be located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

The following will be followed by this office pertaining to money orders received and the checks paid to victims:

Month-end liabilities will be identified and reconciled to cash balances. Each month we shall confirm that: records are in balance, sufficient funds are available for the payment of all liabilities, and errors are detected and corrected; and all outstanding checks more than 180 days old shall be investigated and new checks shall be issued to those payees who can be readily located. If payees cannot be located, the amounts shall be disposed of in accordance with state law.

The "bad check restitution" account shall not be used for new deposits. New deposits shall be deposited into the "victim restitution" account. All payments will be posted to the receipt ledger whenever received. The payment will be posted into the restitution software by the bad check/restitution clerk. This clerk will write the restitution software receipt number on the receipt ledger sheet. All payments to victims will be issued by the restitution software. All deposits will be made by the legal assistant. Reconciliations to the "victim restitution" account will be made by a part-time contracted employee and approved by the office manager. The checking account will be reconciled monthly using an audit form.

The Senate Bill 40 (SB40) Board does not provide adequate oversight of the accounting functions performed for the SB40 Board Fund and does not adequately monitor payments to not-for-profit corporations (NFP).

The Board met twice in 2007 and once in 2008 to approve funding requests and conduct other board business. The majority of SB40 Board disbursements are to the Missouri Department of Mental Health and three NFPs to provide various services to the handicapped and/or developmentally disabled residents of Morgan County. SB40 Board disbursements totaled approximately \$175,000 and \$182,000 during the years ended December 31, 2008 and 2007, respectively; with over 60 percent paid to the three NFPs.

- A. The Board has not entered into written contracts with the three NFPs, and has not adequately monitored funding provided to one NFP. Disbursements to this NFP exceeded \$80,000 annually and were based on monthly invoices for 1/12 of the annual board-approved funding request (\$78,000), plus additional requests of funds to assist with purchasing new vans. The Board did not obtain periodic reports, supporting documentation, or other information from the NFP which would allow the Board to monitor and ensure funds were expended appropriately and for the benefit of Morgan County residents.

Section 205.970(6), RSMo, allows the Board to contract with NFPs to provide services to handicapped residents of the county. Without written contracts, there is less assurance the Board is receiving a reasonable level of services for the consideration paid. In addition, Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts should specify the services to be rendered, the manner and amount of compensation to be paid, and documentation and reporting requirements. Board review of periodic reports or other supporting documentation from NFPs is essential to ensure funds are used appropriately and in accordance with contract terms.

- B. The Board does not review bank reconciliations, bank statements, and canceled checks. The Board Treasurer receives the bank statements, prepares bank reconciliations, and provides periodic financial reports to the Board; however, the Board does not provide an independent review of these records. To safeguard against possible loss or misuse of funds, to ensure proper reconciliations are in place, and to ensure disbursement transactions are in agreement with board approvals, the Board should perform reviews of bank information and canceled checks.

WE RECOMMEND the Senate Bill 40 Board:

- A. Enter into written contracts with the NFPs which clearly detail the responsibilities of each party and establish monitoring procedures to evaluate the NFPs' use of funds and compliance with contract terms.
- B. Ensure periodic independent reviews of bank reconciliations and records are performed and documented.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. *This recommendation will be implemented.*
- B. *We have implemented this recommendation.*

ORGANIZATION AND STATISTICAL INFORMATION

MORGAN COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Morgan County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is Versailles.

Morgan County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
L.M. (Sonny) Earnest, Presiding Commissioner \$		31,700
Warren Anderson, Associate Commissioner		29,700
Dan Murdock, Associate Commissioner		29,700
Cathy Daniels, County Clerk		45,000
Marvin W. Opie, Prosecuting Attorney		107,773
Jim Petty, Sheriff		50,000
Louella Pryor, County Treasurer		33,300
Gary Garber, County Coroner		16,000
Ray Forrest, Public Administrator		45,000
Kathy Francis, County Collector (1), year ended February 28,	49,980	
Bob Raines, County Assessor (2), year ended August 31,		45,688

(1) Includes \$4,980 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Cheryl L. Morris, Circuit Clerk and Ex Officio Recorder of Deeds	52,668
Kevin Schehr, Associate Circuit Judge	107,641



Susan Montee, JD, CPA
Missouri State Auditor

Eighth Judicial Circuit

City of Richmond Municipal Division

November 2009
Report No. 2009-133



auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report of the Eighth Judicial Circuit, City of Richmond Municipal Division.

Improvements are needed in the municipal division related to bonds, accounts receivable, ticket accountability, and reporting. Cash, checks, and money orders received by the police department for bonds are not retrieved by the Court Clerk on a timely basis. The police department issues prenumbered bond forms; however, department personnel do not account for the numerical sequence of the bond forms on the bond log to ensure all bonds are accounted for properly. The municipal division does not prepare a comprehensive accounts receivable control report. An accounts receivable report was generated upon our request and indicated approximately \$47,000 was due to the municipal division as of June 2009. The numerical sequence of all traffic tickets issued by the police department is not accounted for properly and some tickets issued are not posted to the computer system. The Court Clerk does not file a monthly report with the city of all cases heard in court.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

EIGHTH JUDICIAL CIRCUIT
CITY OF RICHMOND
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT.....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDING	4-7
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	8-9

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Eighth Judicial Circuit
and
Municipal Judge
Richmond, Missouri

We have audited certain operations of the City of Richmond Municipal Division of the Eighth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2008. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the City of Richmond Municipal Division of the Eighth Judicial Circuit.

A petition audit of the City of Richmond, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

EIGHTH JUDICIAL CIRCUIT
CITY OF RICHMOND
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Municipal Division Controls and Procedures

Improvements are needed in the municipal division related to bonds, accounts receivable, ticket accountability, and reporting.

A. The following concerns relating to bonds were noted:

- 1) Cash, checks, and money orders received by the police department for bonds are not retrieved by the Court Clerk on a timely basis. The Court Clerk retrieves the bond receipts from the police department once a month before court. As a result, bond monies are not deposited on a timely basis.
- 2) The police department issues prenumbered bond forms; however, department personnel do not account for the numerical sequence of the bond forms on the bond log to ensure all bonds are accounted for properly. The police department also records bonds on the bond log when staff are notified by other political subdivisions that a bond is going to be posted by a defendant picked up on a warrant issued by the Richmond Municipal Division. No follow up is performed to determine if the court ever receives the bond.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. To provide assurance all bond receipts are accounted for properly, the police department should establish procedures to account for the numerical sequence of bond forms. In addition, copies of the bond log should be given to the Court Clerk so she can follow up on bonds posted at other political subdivisions to ensure the bonds have been properly filed with the court.

B. The municipal division does not prepare a comprehensive accounts receivable control report. Individual case files and the municipal division's computerized software track balances due; however, summary information is not regularly reviewed by the Municipal Judge or Court Clerk to ensure amounts due are accurately reported and reasonable, and collection procedures are effective.

Upon our request, an accounts receivable report was generated by the Court Clerk that indicated approximately \$47,000 was due to the municipal division as of June 2009. The Court Clerk indicated she was aware of some inaccuracies contained within this report and was working to correct those problems. An accurate

comprehensive accounts receivable report is necessary to provide increased accountability and to facilitate monitoring of amounts due.

- C. Improvements are needed to account for the numerical sequence of all traffic tickets issued by the police department. The police department maintains a log of ticket books assigned to officers and individual ticket information is supposed to be entered into the police department's computer system; however, records accounting for the numerical sequence of tickets issued are not maintained and some tickets issued are not posted to the system. The computer system is capable of printing a report listing all tickets numerically, which would help identify gaps in sequence; however, this report is not produced and reviewed to ensure all tickets are accounted for properly. Additionally, the disposition of tickets is not posted to this report. At our request, the report was generated and our review of a block of 25 tickets revealed 4 tickets had not been recorded on the police department's report; however, they had been received and processed by the municipal division.

Without a proper accounting for the numerical sequence of tickets, the municipal division cannot be assured all tickets issued are properly submitted to the division for processing. Properly maintained logs would ensure accountability of all tickets.

- D. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the City Clerk. This list should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).

WE RECOMMEND the City of Richmond Municipal Division:

- A. Retrieve bonds daily from the police department and work with department personnel to establish procedures to account for the numerical sequence of bond forms and to follow up on bonds coming from other jurisdictions.
- B. Prepare an accurate monthly accounts receivable report. This report should be reviewed by the Court Clerk and Municipal Judge.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets issued.
- D. Prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge provided the following written responses:

- A. *I have communicated with the police chief, Terri McWilliams, about bond forms and receipts. The Municipal Division will work with the police department so that bond forms are received from them at least once per week, if not more frequently. We will also work with them regarding bonds coming from other jurisdictions. However, because the Municipal Division has no supervisory or policy making authority relative to the police department, we do not have any ability to implement new controls or procedures as to them. That said, we of course will do our best in conjunction with the police department to comply with the recommendation.*
- B. *I have discussed this recommendation with Susan Brunworth and she tells me she will work on preparing a monthly report of unpaid fines and costs. She will need to spend some time working on the computer program to get this accomplished, but she tells me it can be done. In addition, she tells me that due to a change in computer programs a number of years ago, she will need to manually check some old files to verify balances due, if any. This of course may take some time, but Susan tells me it also can be accomplished. The reports, when generated, will be reviewed by her, myself, and other appropriate city personnel.*
- C. *Again, the Municipal Division has no authority over the police department. However, after speaking with Chief McWilliams about this recommendation, she tells me that tickets are being properly accounted for at the present time. You indicated in our meeting that there were a few tickets you requested for your audit that were a bit difficult to find, but all were in fact found. You further indicated that there were no missing tickets. We will of course work with the police department regarding this recommendation and will discuss with them missing tickets, if any, in the future so that all are properly accounted for.*
- D. *I have discussed this recommendation with Susan Brunworth and she tells me that she will prepare a monthly report of cases heard in our court and will file that report with the city. As stated above relative to recommendation "B," she will need to work on the computer program in order to get this accomplished, but tells me she can do so.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

EIGHTH JUDICIAL CIRCUIT
CITY OF RICHMOND
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Richmond Municipal Division is in the Eighth Judicial Circuit, which consists of Ray and Carroll Counties. The Honorable David H. Miller serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At September 30, 2008, the municipal division employees were as follows:

Municipal Judge	Thomas C. Fincham
Court Clerk	Susan Brunworth
Assistant Court Clerk	Sandra Williams

Financial and Caseload Information

Year Ended September 30, 2008,

Receipts	\$171,918
Number of tickets filed	1,261



Susan Montee, JD, CPA
Missouri State Auditor

Summary of State and Local Audit Findings - Legislative Impact



November 2009
Report No. 2009-132

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following report is a summary of State and Local Audit Findings- Legislative Impact.

This report compiles audit issues and recommendations pertaining to statutory provisions and addressed to the General Assembly, state agencies, and/or local governments, or related to information agencies should provide to the General Assembly. This information was compiled using audit reports issued between November 2007 and August 2009 and our prior summary report (No. 2007-75). Unimplemented recommendations from our prior summary report have been repeated in this report. Recommendations address a variety of topics, including the need for new legislation, revisions to existing statutory provisions, clarification of statutory provisions, and the evaluation of agency or local government procedures as compared to statutory provisions. Current status information is provided for each recommendation.

This report serves to improve awareness of the General Assembly regarding the status of legislative issues addressed in our audit reports and to encourage consideration of these recommendations in those cases where action has not been taken.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SUMMARY OF STATE AND LOCAL AUDIT FINDINGS - LEGISLATIVE IMPACT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
EXECUTIVE SUMMARY	4-5
STATE AUDIT ISSUES	6-49
Department of Agriculture.....	7
Department of Economic Development.....	8
Department of Elementary and Secondary Education.....	10
Department of Health and Senior Services.....	16
Department of Insurance, Financial Institutions, and Professional Registration.....	18
Department of Labor and Industrial Relations	19
Department of Natural Resources.....	21
Department of Public Safety.....	22
Department of Revenue	26
Department of Social Services.....	31
Departments of Health and Senior Services, Mental Health, and Social Services.....	33
Governor	36
Lieutenant Governor	37
General Assembly.....	38
Office of Administration.....	39
Department of Natural Resources and Office of Administration	41
Missouri Consolidated Health Care Plan.....	43
Missouri Higher Education Loan Authority	44
Missouri Housing Development Commission	46
LOCAL AUDIT ISSUES	50-53
APPENDIX.....	54-56

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

The Missouri State Auditor's office, as required by Chapter 29, RSMo, and Attorney General's opinion, is responsible for audits of state agencies, boards, and commissions; counties that have not elected a county auditor; all divisions of the circuit court system; and other political subdivisions, such as municipalities, upon petition by the voters of those subdivisions.

This report was compiled using audit reports issued between November 2007 and August 2009 (report no. 2007-67 through 2009-80), our prior report (report no. 2007-75) issued in December 2007, the General Assembly joint bill tracking system, and follow up with various agency personnel. The objectives of this report were to:

1. Identify and provide status information on recent audit issues and recommendations:
 - Addressed to the General Assembly.
 - Addressed to a state agency recommending the agency work with the General Assembly, pursue legislation regarding an issue, or provide information to the General Assembly.
 - Regarding unclear or conflicting provisions of state law.
2. Update the status of unimplemented recommendations included in our prior report that remain applicable and significant.

Our methodology to accomplish these objectives included reviewing audit reports, house and/or senate bills, revisions to statutory provisions, and information obtained from inquiries of various agency officials. The status of recommendations has been determined by reviews and inquiries of the sources noted above. As such, this information, in some cases, has not been audited. The work for this summary was substantially completed by September 2009.

The following Executive Summary, Audit Issues, and Appendix sections are presented for informational purposes.

A handwritten signature in black ink, reading "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, JD, CPA
State Auditor

EXECUTIVE SUMMARY

SUMMARY OF STATE AND LOCAL AUDIT FINDINGS -
LEGISLATIVE IMPACT
EXECUTIVE SUMMARY

This report compiles audit issues and recommendations pertaining to statutory provisions and addressed to the General Assembly, state agencies, and/or local governments, or related to information agencies should provide to the General Assembly. This information was compiled using audit reports issued between November 2007 and August 2009 and our prior summary report (report no. 2007-75). Unimplemented recommendations from our prior summary report have been repeated in this report. The description of these audit issues and the recommendations have not been updated. Recommendations address a variety of topics, including the need for new legislation, revisions to existing statutory provisions, clarification of statutory provisions, and the evaluation of agency or local government procedures as compared to statutory provisions. Current status information is provided for each recommendation. This information was obtained from a variety of sources and is unaudited.

The State Audit Issues section reports on audit issues by state agency. A coordinated effort by the agency and General Assembly is needed to evaluate statutory provisions and take appropriate action.

The Local Audit Issues section reports on audit issues impacting local governments. The issues addressed pertain to multiple local governments.

The Appendix provides a listing of each report and its publication date used as a source for the issues presented.

This report serves to improve awareness of the General Assembly regarding the status of legislative issues addressed in our audit reports and to encourage consideration of these recommendations in those cases where action has not been taken.

STATE AUDIT ISSUES

**SUMMARY OF STATE AND LOCAL AUDIT FINDINGS –
LEGISLATIVE IMPACT
STATE AUDIT ISSUES**

DEPARTMENT OF AGRICULTURE

DEPARTMENT OF AGRICULTURE

Analysis of Fees

The Missouri Department of Agriculture has several programs that are partially funded from license, inspection, and or membership fees in which program expenditures exceed fee revenues. The department had performed a fee analysis for several programs in 2005 but did not propose any adjustments to the fees or report the results of the analysis to the legislature. The fees for these programs are generally set forth in regulations or statutes and some changes would require legislative action. Additional fee revenues would reduce General Revenue funding requirements for the programs.

Recommendation: The department perform an analysis of fees and expenditures for all fee funded programs, consider adjusting fees where possible by administrative action to cover the programs' costs, and report the results of the analysis to the legislature for their consideration.

Status: The department indicated it continues to work with the Governor and the General Assembly to identify appropriate levels of existing fees and the need for any new fees. As part of the fiscal year 2009 budget process the department provided the Governor and appropriation committees with an extensive evaluation of its fiscal year 2007 fee revenues. The department also supported legislation in the 2008 legislative session that included an increase in pesticide registration fees (House Bill 1956) and an increase in grain dealer and warehouse fees (Senate Bill 1111). However, these bills did not pass.

Report Source: 2008-45

DEPARTMENT OF ECONOMIC DEVELOPMENT

MISSOURI DEVELOPMENT FINANCE BOARD

BUILD Tax Credit Program

The Business Use Incentives for Large-Scale Development (BUILD) program is operated by the Missouri Development Finance Board under Sections 100.700 to 100.850, RSMo. This program is an economic development incentive program offered to companies that are considering locating or expanding their investment and employment in Missouri.

The current BUILD program structure unnecessarily increases the amount of state tax credits issued and is overly complex. The board operates the program as a private activity revenue bond issue program, as specified by state law.

The board should evaluate the benefits, including the reduction in the amount of tax credits issued, of changing the BUILD program from a bond issue/loan program to a tax credit program. The board should report the results of that evaluation to the legislature for its consideration of possible changes to state law to enhance the program's effectiveness. In November 2005, the Incentives Review Committee appointed by the Director of the Department of Economic Development issued the Report on Missouri Incentives Programs which included a similar recommendation.

Recommendation: The board evaluate alternative methods for the delivery of tax credits under the BUILD program to eliminate credits issued for unnecessary interest and related fees, and report the results of that evaluation to the legislature for its consideration.

Status: The board indicated an evaluation of the program has not been undertaken. In addition, no legislation to change the program was introduced during the 2009 legislative session.

Report Source: 2007-12

TAX CREDIT ANALYSIS OF THE NEW GENERATION COOPERATIVE INCENTIVE TAX CREDIT PROGRAM

Tax Credit Will Not Create Sufficient Economic Activity

The New Generation Cooperative Incentive tax credit program will not create enough economic activity to offset the tax credits used. The program sunsets December 31, 2010. Because of the minimal economic benefits resulting from program costs, the General Assembly should evaluate

whether the program's social benefits outweigh those costs when considering the program's extension.

Recommendation: The General Assembly evaluate whether the program's social benefits outweigh its costs when considering its extension.

Status: The Missouri Agricultural and Small Business Development Authority (MASBDA) indicated no legislative action has been taken regarding this recommendation; however, the Joint Committee on Tax Policy is in discussions for possible changes.

Report Source: 2007-06

Tax Credit Law Needs Clarification

State law does not require new generation cooperatives to own or operate facilities in Missouri and does not define when a facility would have to be placed in operation to remain eligible for tax credits. In addition, unclear statutes can allow individuals to exceed the \$15,000 tax credit limit per cooperative per producer member. As a result, the tax credit's potential economic benefit to the state is less than it could be and some individuals may be able to benefit from the credit more than the General Assembly intended.

Recommendations: The MASBDA request the General Assembly to:

- Modify state law to ensure new generation cooperatives establish facilities within the state and establish a timeframe by which the facility needs to be in place (for example 3 to 5 years after issuance of the credits).
- Clarify in state law whether entity name or tax identification number controls who is considered a separate producer member for tax credit eligibility.

Status: The MASBDA indicated Senate Bill 252 passed during the 2009 legislative session. This bill amended Section 348.432.2, RSMo, to require facilities to be built in the state of Missouri.

Report Source: 2007-06

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

EDUCATOR CERTIFICATION BACKGROUND CHECKS

Inadequate State Laws For Background Checks Leave Public School Students At Risk

Imprecise language in state law and the omission of other critical requirements from state law and Department of Elementary and Secondary Education (DESE) policies increases the risk an individual who has a criminal background or history of committing other offenses can obtain an educator certificate and actively teach in Missouri's public schools. Family Care Safety Registry (FCSR) background checks cannot be performed using the method required by state law and applicants for an educator certificate are not required to register with the FCSR. As a result, DESE has not required FCSR background checks and has recommended school districts should determine if these checks need to be performed. We found cases of certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect. DESE officials had been aware of some of these cases, determined the educator was not a risk to students and cleared the background. However, DESE officials had not been aware of all of the cases we found because FCSR checks and periodic background checks have not been required.

To help ensure the safety of Missouri's public school students, state laws attempt to prohibit individuals who have disqualifying criminal offenses from obtaining a certificate to teach. However, due to the omission of critical language and the lack of other laws and adequate policies, public school students face being taught by or having contact with educators who have a criminal background or history of other offenses. Adequate funding is also necessary to ensure sufficient resources are available to support the FCSR background checks and other reviews needed to help ensure the safety of Missouri's public school students.

Recommendations: The General Assembly:

- Revise state laws to ensure adequate background checks are performed before an educator can obtain a certificate to teach or have contact with Missouri's public school students. These revisions should include requiring:
 - FCSR background checks be performed using name, date of birth and social security number and clarify which department is responsible for performing the checks.
 - Applicants for an educator certificate to register with the FCSR and consider requiring all active educators to register.

- FCSR background checks prior to issuance of the educator certificate and prior to a new employee in a school district having contact with students.
- Periodic FCSR background checks of all educators and others who have contact with students.
- Ensure adequate funding is available to support FCSR background checks and any resulting process changes at the DESE, the Department of Health and Senior Services, and the Missouri State Highway Patrol.

Status: Senate Bill 41 was proposed during the 2009 legislative session to address the above recommendations. However, the Senate Bill was not approved by the Education Hearing Committee and therefore was not passed by the legislature.

Report Source: 2007-32

SCHOOL DISTRICT PURCHASING PRACTICES

Procurement Procedure Improvements

Officials cannot ensure they are receiving the lowest overall cost and the best value on goods and services purchased if they are not competitively bidding purchases. Current state law does not require districts to competitively select most purchases. Also, the state has not established any type of procurement guidelines to help school districts regarding procurement policies. Other states, such as Texas, Florida and Arkansas, have implemented or are implementing legislation intended to increase the fiscal accountability of school districts. These states have established financial management "best practices," which include guidelines on procurement.

Recommendations: The General Assembly:

- Revise state statutes to require the competitive selection of goods and services at the school district level.
- Implement financial management "best practices" legislation to increase the fiscal accountability of the school districts similar to Texas, Florida, and Arkansas. This legislation should include guidelines on procurement.

Status: The DESE indicted no legislation was passed during the 2009 legislative session which addressed these issues.

Report Source: 2006-43

HIGH SCHOOL GRADUATION RATES

Documentation Is Not Required For Home School Students

State law does not currently require parents and guardians who choose to home school their children to notify the local school. Without notification students are withdrawing to home school, schools are not able to accurately verify these students are not dropouts.

Recommendation: The General Assembly pass legislation requiring persons who home school students to file written documentation with the local school.

Status: The DESE indicated it is not aware of any legislation introduced by the General Assembly relating to this recommendation for home school students.

Report Source: 2006-20

GENERAL OBLIGATION BOND SALES PRACTICES FOLLOW-UP

Competitive Bond Sales Not Always Required By State Law And Issuers Have Not Obtained Independent Financial Advice

Public entity issuers incurred unnecessary interest costs on general obligation bonds due to continued reliance on negotiated sales. This situation has occurred, in part, because state law has not required public school districts and municipalities to use competitive bond sales. While various Missouri statutes require the use of competitive sales in a variety of instances, the statute pertaining to school districts and municipalities does not contain this restriction. Legislation is needed to require school districts and other public entities to use independent financial advisors and use competitive sales of bonds when bond issues have a rating of "A" or higher.

Issuers also did not seek the advice of independent financial advisors. Instead, they have continued to receive and rely on financial services obtained from underwriters of bonds who have a vested interest in using the negotiated sale method in issuing bonds. The underwriter may benefit financially if a negotiated method of sale is chosen. In addition, when underwriters have been used, they have not been selected competitively.

Recommendations: The General Assembly revise Section 108.170, RSMo to require:

- The use of a competitively selected financial advisor, who is independent of the bond sale, when issuing public debt.
- Public entities to use the competitive method of sale for general obligation bond issues with a credit rating of "A" or higher.
- The use of a competitively selected underwriter, when appropriate, for necessary negotiated sales.

Status: The DESE indicated no legislation was passed regarding Section 108.170, RSMo.

Report Source: 2005-101

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION'S CHARTER
SCHOOL OVERSIGHT**

Improvements Are Needed In The Oversight Of Charter Schools

DESE officials believe they have little authority over the charter school program, and are limited in what they can require of sponsors and/or charter schools because charter school law does not specify requirements the department may place on sponsors and/or charter schools. Officials also said they do not have the authority to intervene and penalize schools or require corrective action. However, the DESE has placed departmental and other requirements on charter schools and penalized schools if certain requirements were not met. While state statutes are silent on the DESE's role, we believe it should, as the state agency overseeing public education, assume a proactive approach in ensuring charter schools are fully accountable and comply with state statutes.

Recommendation: The General Assembly enact legislation to give the State Board of Education rule-making authority over the charter school program, authorizing the establishment of commonly recognized standards of accountability.

Status: The DESE indicated legislation has not been passed granting such rule-making authority.

Report Source: 2004-59

MISSOURI WESTERN STATE COLLEGE

A+ Schools Program

Missouri Western State College's (MWSC) participation in the A+ Schools Program (A+ Program) appears to circumvent the intent of state law. Since the college's participation in the A+ Program from fall 2000 through spring 2003, MWSC has received reimbursements totaling approximately \$1,425,000. Section 160.545.5, RSMo, provides for the "reimbursement of the costs of tuition, books, and fees to any public community college or vocational or technical school" for eligible students. Since MWSC is not a community college, the college entered into an agreement with a local vocational technical school (Hillyard) whereby students would be enrolled at Hillyard and could attend classes at MWSC. Hillyard's only function is to request the reimbursements from the DESE. Hillyard requests the A+ reimbursements because the DESE has identified Hillyard, not MWSC, as an eligible institution for the A+ Program.

Recommendation: The General Assembly should evaluate the participation in the A+ program statewide to be certain its implementation is following the intent of the legislation.

Status: The DESE indicated it has evaluated the participation in the A+ program statewide and is certain that the implementation of the program is following the intent of legislation.

Report Source: 2004-24

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION EDUCATIONAL FUNDING

Noncompliance In Funding - Video Instructional Development And Educational Opportunity Program (VIDEO)

Section 170.250, RSMo, requires \$4 million to be transferred from the state's General Revenue Fund to the VIDEO Fund annually. However, only \$1,091,081 and \$1,089,519 were appropriated for school years 2001 and 2002, respectively. Furthermore, due to budget restraints on the state, the funding was eliminated for the VIDEO Fund for school year 2003. This program's purpose was to encourage all educational institutions in Missouri to supplement educational opportunities through telecommunications technology and satellite broadcast instruction.

Recommendation: The DESE continue to request the funding levels for video programs as required by state law.

Status: The DESE indicated funding has not been requested pursuant to Section 170.250, RSMo, nor has there been any legislation proposed.

Report Source: 2003-36

ANALYSIS OF SCHOOL BUS DRIVER COMPLIANCE REQUIREMENTS

Proposed Changes in Law Could Have Strengthened Screenings of Drivers

State law has not required school districts to obtain fingerprint based criminal record checks on bus drivers and/or aides hired prior to January 1, 2005. In addition, state law has not required districts to conduct follow-up criminal record checks on a periodic basis. However, changes proposed in House Bill 1314 during the 2008 legislative session could have strengthened the screening process. If proposed legislation had been enacted, drivers would have been subject to FCSR registration and screening, as of January 1, 2009. Also, the proposed legislation would have required school bus drivers to undergo criminal record checks and FCSR checks on an annual basis. However, the General Assembly did not adopt the proposed legislation. The General Assembly should consider introducing legislation in the next legislative session to strengthen screening of school bus drivers.

Recommendation: The General Assembly strengthen screening of school bus drivers by enacting requirements such as those proposed in House Bill 1314.

Status: The DESE indicated it recommends to school districts and school bus contractors that the employers have policies in place to regularly monitor school bus drivers' criminal records and driving records. In addition, no legislation was passed during the 2009 legislative session which addressed this issue.

Report Source: 2008-36

SAFE SCHOOLS INITIATIVES

Improvements Are Needed in Policies, Procedures, and Programs Related to School Safety

Some school districts have insufficient violence prevention programs, anti-bullying policies, safety procedures and programs, and emergency management plans and safety drills. In addition, Missouri school districts need to better address Internet safety, sex offenders, and the state violence hotline (866-748-7047), and should consider evaluating their policies, procedures, and programs to determine the extent to which improvements are needed.

The state has not appointed a state agency and/or other entity to be responsible for assisting and monitoring school districts for sufficient safety policies, procedures, and programs or compliance with state laws and regulations.

State laws and regulations do not address certain safe schools issues. For example, there is no state law or requirement that school districts have emergency management plans or conduct drills addressing emergencies such as natural disasters (other than earthquakes), intruders, bombs or bomb threats, or other threatening situations.

Recommendations: The DESE:

- In conjunction with the General Assembly; Department of Public Safety (DPS), Office of Homeland Security; other state agencies; and school districts develop state laws and regulations, guidelines, or procedures, as needed, to address the weaknesses identified in the school districts' safe schools policies, procedures, and programs.
- In conjunction with the General Assembly and DPS, Office of Homeland Security, designate an entity to coordinate and monitor safe schools programs, initiatives, and funding.
- In conjunction with the General Assembly; DPS, Office of Homeland Security; other state agencies; and school districts consider whether additional laws or regulations are needed to help strengthen the security and safety of Missouri schools.

Status: The DESE indicated no legislation was passed during the 2009 legislative session to address these issues.

Report Source: 2008-52

DEPARTMENT OF HEALTH AND SENIOR SERVICES

SCHOOL CHILDREN IMMUNIZATION COMPLIANCE REQUIREMENTS

Procedures to Ensure Students are Properly Immunized are Ineffective

State law does not contain provisions to penalize schools that (1) do not submit the required immunization reports to the Department of Health and Senior Services (DHSS), (2) allow non-immunized students to attend school and (3) do not enforce the compulsory attendance state law.

Recommendation: The Director of the DHSS pursue legislation to establish penalty provisions for schools that do not comply with state law or regulations relating to immunization.

Status: The DHSS indicated legislation for this recommendation will not be pursued at this time.

Report Source: 2008-69

PROTECTING CHILDREN AT CHILD CARE PROVIDERS

Increased Penalties Could Deter Illegal Providers

Penalties imposed have not been adequate to deter providers from operating illegally. Prosecutors can only charge illegally operating unlicensed child care providers with an infraction that provides for a maximum \$200 fine for a first violation. Subsequent violations are treated as Class A misdemeanors.

Recommendation: The General Assembly establish state law that increases criminal penalties and/or creates provisions for the department to assess and enforce penalties for illegally operating day cares.

Status: The DHSS indicated House Bill 383 was introduced during the 2009 legislative session to address this recommendation; however, the bill did not pass. If House Bill 383 had passed, any person violating child care licensure requirements or illegally obtaining a child care license, two or more times, would have been guilty of a Class A Misdemeanor and assessed a fine of \$200 per day, not to exceed \$10,000. Unlicensed child care facilities operating illegally would be immediately closed by the DHSS and the county prosecuting attorney could file suit to obtain a permanent order preventing the facility from further operations.

Report Source: 2008-03

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS,
AND PROFESSIONAL REGISTRATION**

INSURANCE

Examination Tax Credit

Missouri is one of only five states to allow insurance companies to receive tax credits for examination costs. Section 148.400, RSMo, allows all insurance companies to deduct the entire cost of examinations from premium taxes paid to the state and deposited into the state's General Revenue Fund. Additionally, this statute allows insurance companies to carry forward these credits for 5 years. In essence, the state's General Revenue Fund is paying a significant portion of the examination costs instead of charging all the costs to insurance companies as a part of doing business in Missouri. For tax years 2006 and 2005, examination tax credits claimed were approximately \$2.1 million and 1.9 million, respectively.

Recommendation: The department review this issue and consider seeking legislation to reduce or eliminate the examination tax credit.

Status: The department indicated it continues to track and provide information on the examination tax credit as well as the other tax credits taken by insurance companies to the General Assembly as required under the Tax Credit Accountability Act - Senate Bill 1099. The department presents this information to the House and Senate in a scheduled tax credit hearing and the department always makes sure to address the fact that Missouri is one of five states to allow this credit.

Examination fee credits were \$2.9 million in 2007 and \$1.9 million in 2008. The 2008 reduction is due largely as a result of changes in examination billing included in Senate Bill 66 (2007). Even though all companies are eligible for the examination fee credit due to retaliatory tax issues, the credit is mostly taken by Missouri domiciled insurance companies. According to department officials, the General Assembly and industry view the tax credit as an economic incentive for Missouri companies. The department estimates that examination fee credits will continue to be lower due to Senate Bill 66 and that large carryover amounts will not ever be taken due to the retaliatory tax issue with other states.

Report Source: 2007-84

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

SECOND INJURY FUND

Fund Likely To Become Insolvent Unless Corrective Action Taken

Legislative changes implementing the 3 percent surcharge cap have eliminated the division's ability to assess an employer surcharge rate sufficient to cover fund expenditures. As a result, the fund will become insolvent during 2008 unless corrective action is taken. Prior to the legislative changes in 2005, the surcharge rate formula, in place since 1993, was a self-adjusting fund mechanism which used a variable surcharge rate to ensure revenues were sufficient to cover expenses. While the 2005 changes are expected to result in fund expenditure reductions, the changes will also impact the premium base, and therefore, the revenue side of the surcharge equation. In the event the premium base drops, a 3 percent surcharge rate will result in less revenue than it did in prior periods. The lack of a variable surcharge rate does not allow the fund to collect adequate funds to remain solvent.

A January 2007 Missouri Supreme Court decision will result in additional future fund liabilities. Determining a more specific impact of the court's decision would assist the General Assembly in determining the extent of action to be taken to cover expected shortfalls in funding. Action is needed because state laws provide no contingency plan or funding available to cover the expected shortfall. In addition, pending legislation does not address the short-term solvency concerns of the fund, therefore additional funding sources are needed to address this short-term insolvency of the Second Injury Fund.

Recommendations:

- The General Assembly take action to ensure fund solvency in 2008 and in the future.
- The Department of Labor and Industrial Relations (DLIR) in conjunction with the General Assembly, develop a contingency plan to address potential fund shortfalls.

Status:

A legislative committee studying this issue has met several times. However, the department indicated legislation addressing Second Injury Fund issues was introduced during the last few legislative sessions but failed to pass.

Report Source:

2007-19

WORKERS' COMPENSATION PROGRAM

Opportunities Exist To Improve Missouri's Workers' Compensation System

Missouri has a medical rating process that is unstructured and has not provided consistent and predictable results for injured workers. This situation has occurred because Missouri law does not contain specific information regarding how injured workers' disabilities are to be rated.

The workers' compensation system has not ensured Temporary Total Disability (TTD), and Permanent Partial Disability (PPD) benefits have been provided in a timely manner. State law requires TTD benefits be made at least every 2 weeks. However, according to division personnel familiar with the process, the statute does not contain clear language as to when the first TTD payment is to be made and does not require the employer or insurance carrier to make the first payment in a timely fashion. State law has not required PPD benefits be paid in a timely manner once a physician's final rating has been issued, and contains no penalties for slow payment.

The statutory formula for determining the administrative fund tax and surcharge rate has not allowed the division to ensure adequate funding will be available for future expenditures. State law requires the division to project the year end fund balance by October 31 of each year, and compare it to 110 percent of fund expenditures from the prior full year to determine whether an administrative tax and surcharge will be imposed on employers for the coming year. The division's plan to upgrade its data system illustrates the inadequacy of the current formula. The division's plan requires spending a significant amount of administrative funding over the next several years. However, these future year expenditures cannot be taken into account when deciding whether an administrative tax/surcharge rate can be charged in those periods. Instead, the division must look at the previous year expenditure level.

Recommendations: The General Assembly:

- Change state law to implement a more structured disability rating process.
- Clarify state law on how quickly TTD benefit payments should begin and what requirements are necessary to ensure timely payments and/or medical treatments are provided.
- Change state law to ensure timely payment of PPD benefits once the claimant has reached maximum medical improvement.
- Revise state law to allow the division to consider future administrative expenses when calculating the administrative tax and surcharge rates.

Status: The DLIR indicated it has not proposed any legislation related to these issues. If and when legislation is introduced, the department will cooperate with the General Assembly by providing information regarding the impact of proposed legislation, if it can be determined.

Report Source: 2008-57

DEPARTMENT OF NATURAL RESOURCES

ANALYSIS OF WOOD ENERGY TAX CREDIT PROGRAM

Wood Energy Tax Credit Is More Costly Than Anticipated

Annual wood energy tax credits issued and redeemed are at least three times more than the original estimates when the General Assembly reauthorized the tax credit. This cost increase occurred because Department of Natural Resources (DNR) officials established a higher tax credit rate for charcoal products in state regulations based on input weight to create the wood product (charcoal) rather than the output weight. The tax credit statute states the tax credit shall be \$5 per ton of processed wood material. The officials interpreted the phrase to mean the input weight, but it is not clear that was the legislative intent of the wording.

Recommendation: The Director of the DNR work with the General Assembly to clarify in the Wood Energy tax credit law whether processed wood material is intended to be defined as input material or output material and change the program's regulations as necessary.

Status: The department indicated no legislation has been passed to address this recommendation.

Report Source: 2007-58

DEPARTMENT OF PUBLIC SAFETY

OVERSIGHT OF AMUSEMENT RIDE SAFETY

Missouri's Amusement Ride Safety Laws Are Lacking

Other states have stricter requirements for inspecting portable rides at each set up and reporting accidents and mechanical failures. In addition, current state law does not require owner-hired inspectors to be independent, and Missouri's amusement ride safety requirements are not all inclusive.

Recommendation: The Director of the Department of Public Safety conduct a comprehensive review of inspection requirements and recommend program enhancements to the General Assembly. This review should include addressing areas such as inspections of portable rides at each set up, strengthening requirements on the reporting of accidents and mechanical failures, and requiring owner hired inspectors to be independent. Other states' ride safety programs should be considered in this review.

Status: The Division of Fire Safety indicated many of these recommendations would require changes to promulgated rules, not state law. No legislation has been passed and no rules have been promulgated addressing these issues. Rules changes are being considered regarding reporting of accidents and mechanical failures, and inspector independence.

Report Source: 2005-23

PEACE OFFICER STANDARDS AND TRAINING PROGRAM (LICENSING, TRAINING, AND COMPLAINT INVESTIGATION ASPECTS)

Program Enhancements-Discipline For Misconduct

Section 590.080.1, RSMo, does not allow discipline for misconduct unless the misconduct occurred while the officer was on duty or was a criminal act. To ensure public safety is maximized, Peace Office Standards and Training (POST) program officials should pursue legislative changes that allow disciplinary action for instances of misconduct that occur when a peace officer is not on duty.

Recommendation: POST program officials seek legislative changes allowing for discipline in more situations.

Status: The department indicated legislation has not been pursued and the attempt to regulate behavior of off-duty peace officers has serious opposition in the legislature because of employee/labor court decisions. The department also indicated it has no future plans to pursue legislation.

Report Source: 2005-10

Program Enhancements-Revealing Employment History

State law prevents POST program officials from revealing employment history to prospective law enforcement agency employers. Section 590.180.2, RSMo, states that POST can release the name, licensure status, and commissioning agency as open records, and can release to law enforcement agencies the final determination of cause for discipline. However, POST cannot release information regarding previous employment or termination.

Recommendation: POST program officials seek legislative changes allowing POST to reveal previous employment information to prospective local law enforcement employers.

Status: The department indicated legislation has not been pursued. The POST Commission has reviewed proposals regarding employment history and voted to take no action.

Report Source: 2005-10

Licensing Procedures And Entrance Standards-Verification Of State Income Tax Returns

State law requires certain governmental entities that issue various professional licenses to obtain verification from the Missouri Department of Revenue that their licensees' have filed state income tax returns in the three previous years. However, peace officer licenses are not subject to this law. It appears reasonable that peace officer licenses should also be subject to state income tax compliance provisions.

Recommendation: Consider pursuing legislation that would require individuals to file and pay state taxes before receiving a peace officer license.

Status: The department indicated legislation has not been pursued. The POST Commission has reviewed proposals regarding income tax verification and voted to take no action.

Report Source: 2005-10

MISSOURI STATE HIGHWAY PATROL'S USE OF HIGHWAY FUNDS

Missouri State Highway Patrol's Use Of Highway Funds

Approximately \$343,000 of the \$167,000,000 appropriated to the Missouri State Highway Patrol (MSHP) from the State Highways and Transportation Department Fund was not spent for highway-related activities during fiscal year 2008 and therefore was not spent in compliance with state law. Although the MSHP requested funding to be reallocated from highway funds to other funds in its fiscal year 2009 budget, no reallocation was approved.

Recommendation: The General Assembly authorize the transfer of \$343,000 from the state's General Revenue Fund to the State Highways and Transportation Department Fund and make needed adjustments to MSHP's fiscal year 2009 supplemental budget.

Status: The MSHP indicated it is continuing to study its activities and funding sources and to pursue appropriate fund switches through legislative budget requests. The General Assembly did not make any adjustments to MSHP's fiscal year 2009 supplemental budget, and to date has not authorized any transfer from the General Revenue Fund to the State Highways and Transportation Department Fund.

Report Source: 2008-98

FIREWORKS LICENSING AND INSPECTION

Additional Resources and Other Changes Would Benefit the Program

The Division of Fire Safety (DFS) has not received additional funding for personnel or expenses to support administering the fireworks program since program inception in 1985, including expanded responsibilities in 2004. The 2004 change occurred in part because the statutory formula for the Fire Education Fund funding had never resulted in a transfer to the fund. Increasing statutory responsibilities without authorizing additional resources may weaken an agency's ability to accomplish required tasks. Fee revenue dedicated to the Fire Education Fund could be fully or partially redirected to fund division operations if state law was clarified as to how insurance company retaliatory tax is to be distributed. In addition, Missouri fireworks permit and license fees are primarily lower than the fees in the 12 states we surveyed. Evaluation by the General Assembly of the funding formula for the Fire Education Fund and the permit and license fee rates is needed.

Recommendations: The Director of the Department of Public Safety work with the General Assembly and the Office of Administration to obtain funding for the fireworks program. Areas needing evaluation include fireworks permit and license fees going to the Fire Education Fund and current fireworks permit and license fee rates.

The General Assembly:

- Evaluate (1) funding for the fireworks program, (2) the funding formula for the Fire Education Fund, and (3) fireworks permit and license fee rates.
- Clarify in Section 375.916, RSMo, as to how retaliatory tax is to be distributed.

Status: Division officials indicated there have been no legislative changes made to address these recommendations.

Report Source: 2008-01

Improved Procedures and Changes to State Law and Regulations Needed

State law allows local jurisdictions to establish safety standards for displays, proximate fireworks displays and fireworks businesses that differ from DFS standards. Public safety may be harmed due to weaker local safety standards.

Division officials said background checks have not been performed because state law does not mandate the division perform background checks nor has the division received funding to perform background checks. A MSHP official said state law gives state agencies the authority to obtain fingerprint background checks for licensing purposes; however, the official said the law would need to be updated to give the division specific authority to obtain background checks.

State law or regulations do not require manufacturers, distributors, wholesalers, jobbers, or seasonal retailers operating in a permanent structure to furnish proof of financial responsibility in order to satisfy claims for damages to property or personal injuries arising out of any act or omission. The fireworks state law or regulations do not require fireworks manufacturers, distributors, wholesalers or jobbers to maintain accurate records of sale, shipment or purchases or allow the State Fire Marshal access to these records.

Recommendations: The General Assembly:

- Revise state law to ensure consistent fireworks standards are implemented on a statewide basis.

- Revise state law to clarify DFS has the authority to obtain fingerprint background check results as part of the operator licensing process. Ensure adequate funding is available for these background checks.
- Consider requiring fireworks businesses show proof of financial responsibility and give DFS access to financial records.

Status: Division officials indicated there have been no legislative changes made to address these recommendations.

Report Source: 2008-01

DEPARTMENT OF REVENUE

SALES AND USE TAX

Sales And Use Tax Refund Liabilities

The Department of Revenue (DOR) records reflect sales and use tax refund requests filed as of June 30, 2006, totaling approximately \$210 million, which are related to one issue and have not been validated.

The issue is related to the tax exemption addressed in an opinion handed down on December 20, 2005, by the Missouri Supreme Court in the case of *Southwestern Bell Telephone Company, v. Director of Revenue*. Interest, which could be substantial, continues to accrue on these claims. In a February 5, 2007, letter to the State Auditor, the Director of Revenue indicated that refund claims filed citing a connection to the abovementioned case had risen to approximately \$300 million. However, the Director would not provide us with any detailed or other supporting documentation to allow us to verify her statement.

Given the potential fiscal impact of these liabilities on state and local funds, it is essential that this issue be addressed, including the development of a plan to validate the use tax refund requests by the DOR and a funding plan by the General Assembly for the payment of amounts (including interest) determined to be valid and due.

Recommendation: The DOR, along with the General Assembly, determine the most feasible course of action and develop a plan to address in a timely manner the refund claims and related liabilities noted above.

Status: The department indicated telecommunication refund claims with an estimated liability of \$171 million had been resolved, by negotiated settlement, as of June 30, 2009, for a total settled amount of approximately \$120 million. Of the settled amount, the DOR has paid approximately \$79

million, resulting in approximately \$41 million in future scheduled payments. The department estimates there is approximately \$34 million (excluding any applicable interest) in unsettled claims as of June 30, 2009.

The department intends to continue to resolve claims by negotiated settlement. The department obtains documentation from the taxpayer to determine, among other things, the claim was filed within the statute of limitations and meets other legal requirements, the tax associated with the claim was actually paid, and the equipment and machinery for which the refund is sought is exempt. Only then do DOR management and General Counsel staff negotiate resolution.

Report Source: 2007-15

Sales And Use Tax Exemptions

The DOR does not track information regarding all sales and use tax exemptions and, as a result, cannot determine the effects on state revenue related to each of the exemptions.

Failure to determine the fiscal impact of various sales and use tax exemptions on state revenues reduces the General Assembly's ability to make informed decisions regarding the propriety of current and possible future exemptions. A method of reporting, which would provide reliable additional information for various sales and use tax exemptions, should be developed to accumulate the information that should already be available. Such information should be reported to the General Assembly annually.

Recommendation: The DOR develop a comprehensive system to compile and maintain exemption information so that the reductions of state revenue related to each exemption can be determined.

Status: The department indicated that currently no method exists to efficiently or reliably capture exemption data. The department would need to either purchase or develop a new sales tax system which would incorporate the tracking of sales tax exemption information. In addition to programming costs, the department would also require additional staff to record and analyze this information.

Report Source: 2005-13

Sales And Use Tax Refunds

State law does not require vendors to return sales and use tax refunds and related interest to the original purchaser when applicable, resulting in a windfall for the vendor. While House Bill No. 600, which passed in the 2003 legislative session, provides additional guidance related to sales and use tax refunds, it does not provide that refunds must be returned to the original purchaser.

We addressed this issue in previous reports and the department agreed with the recommendation to support legislation that would require sales and use tax refunds and related interest to be returned to the original purchaser; however, such legislation has not been successful.

Recommendation: The DOR continue to support legislation that would require sales and use tax refunds and related interest to be returned to the original purchaser.

Status: The department indicated it continues to support legislation introduced to return refunds and interest to the original purchaser.

Report Source: 2005-13

Project Exemptions Certificates

The department lacks procedures to monitor the issuance or use of project exemption certificates issued by tax-exempt entities. Section 144.062.2, RSMo, provides that when any tax-exempt entity contracts for the purpose of constructing, repairing or remodeling facilities, and purchases of tangible personal property and materials to be incorporated in the project are to be made on a tax-exempt basis, such entity shall issue project exemption certificates. Project exemption certificates authorize contractors to purchase materials to be consumed in projects without paying sales tax.

Without adequate documentation or proper monitoring of materials used in the tax-exempt project, the department cannot determine whether the tax exemption was applied in compliance with state law.

Recommendation: The DOR develop procedures to monitor the issuance and use of project exemption certificates.

Status: The department indicated it has not identified a cost-beneficial mechanism to monitor the issuance and use of all project exemption certificates. However, the department continues to review project exemption certificates in the course of sales and use tax audits, to the extent applicable. The assigned auditor verifies the exemption claim with the purchase invoices to ensure the amount purchased correlates with a properly documented tax exempt project.

Report Source: 2003-55

BRANCH OFFICE CONVERSION

Selection Of Contract Agents

The department has not established criteria or solicited proposals for selection of contract agents. It should be noted that the method used by the current administration to appoint or select contract agents has been a long-standing practice within state government. It appears that the appointed contract agents should be held to standards other than just their political affiliation. The DOR should support any legislation requiring the contract agents to be selected through a competitive process.

Recommendation: The DOR consider establishing minimum experience and educational requirements for potential candidates. In addition, the DOR should consider soliciting proposals to maintain an acceptable level of service and support legislation that requires contract agents to be selected through a competitive evaluation process.

Status: The department indicated Governor Nixon implemented a competitive bidding process on January 13, 2009 that allows Missourians to submit proposals to run a license office, just as if they were competing for any other state contract. Interested individuals or organizations submit proposals which include details on their business plan, financing, hours of operation, relevant experience, and other factors related to the service they plan to provide. Bidders' proposals are scored by department staff using an objective point system. The bidder earning the most points is awarded the office.

This new process was supported by the bipartisan majority of legislators who voted to make the competitive process a permanent part of Missouri law. House Bills 381 and 683 were signed into law on July 1, 2009, with an effective date of August 28, 2009.

Report Source: 2006-37

MISSOURI STATE TAX COMMISSION

Certificates Of Value

The State Tax Commission (STC) does not have access to adequate market data statewide. A law mandating the use of certificates of value (COV) would require the disclosure of detailed sales information and provide another tool which assessors could use to more equitably assess property and the STC could use to perform ratio studies.

Available STC annual reports showed a statewide COV law has been recommended to the General Assembly every year since 1980. Such bills have been introduced in the General Assembly seven times since 1995; however, none of the legislation has been successful.

Recommendation: The STC continue to develop procedures and begin testing in the jurisdictions which have passed a local sales disclosure law. In addition, the STC should continue to support legislation which will ensure equitable and uniform assessments throughout the state.

Status: The STC indicated it recommended to the General Assembly, in its annual report, the adoption of COVs. However, the bill drafted did not move out of committee.

Report Source: 2005-30

EFFORTS TO ENFORCE UNINSURED MOTORIST LAW

Uninsured Motorist Law

The exclusion of commercial, fleet and rental vehicles from compliance with the motor vehicle responsibility law hinders the DOR's ability to ensure insurance companies report all necessary records. The state's \$20 reinstatement fee for a first offense of not having a vehicle insured is the lowest compared to 12 other states reviewed. The legislature reduced the fee effective January 2000 with the apparent intent of increasing reinstatements; however, the lower fees have not created the intended result.

Recommendation: The General Assembly revise compliance under the motor vehicle responsibility law to include commercial, fleet, and rental vehicles and evaluate increasing the first offense reinstatement fee.

Status: The department indicated Chapter 303, RSMo, has not been revised to include commercial, fleet, and rental vehicles. In addition, the \$20 first offense reinstatement fee is still intact pursuant to Section 303.042.2 (1).

Report Source: 2005-16

DEPARTMENT OF SOCIAL SERVICES

CHILD SUPPORT DELINQUENCIES

Opinions Differ On Terminating Judicial Orders Of Support

Clarifying state law to identify who shall be responsible for terminating judicial support orders and obligations on the automated system would provide uniformity and consistency, and ensure arrears do not continue to accrue when child support is no longer due. Until state law is clarified, the division should identify courts where judges have stated they do not want division personnel terminating judicial orders, and amend policy to require division personnel to terminate judicial support orders originating in all other courts once statutory criteria has been met.

Recommendation: The General Assembly clarify state law to clearly identify who has the authority and responsibility to terminate judicial orders of support and end further accruals of unpaid support on the automated system, when child support is no longer due.

Status: The Department of Social Services (DSS) indicated there have been no legislative changes related to this recommendation.

Report Source: 2007-59

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUNDING

Fewer Departments May Better Administer Early Childhood Development, Education, and Care (ECDEC) Funded Child Care Programs

ECDEC funded child care programs may be administered more efficiently and effectively if fewer departments were involved. Currently, ECDEC funded child care programs include DSS (for children ages birth to 3), Department of Elementary and Secondary Education (for children ages 3 to 5), and Department of Health and Senior Services for licensure purposes. As a result, child care facilities are subject to regulation and monitoring visits from at least two and possibly three state departments.

Recommendation: We recommend the General Assembly consider utilizing fewer agencies to administer ECDEC programs.

Status: The DSS indicated a subcommittee of the Coordinating Board for Early Childhood was created to examine and make appropriate recommendations on Missouri's early childhood professional

development system. A final report of the professional development subcommittee was issued in September 2008.

Report Source: 2007-87

MEDICAID PROVIDER MONITORING

Copy Costs a Concern

The number of records reviewed on provider cases is limited. Program Integrity Unit analysts said supervisors have instructed them to limit most record requests to 25 or 30 items over concern providers will charge the state for copy costs.

The state's agreement with Medicaid providers requires them to furnish, on request, information regarding payments claimed. Section 191.227.2, RSMo, allows healthcare providers to condition the furnishing of a patient's health care records to the patient, the patient's authorized representative, or any other person or entity authorized by law to obtain or reproduce such records upon payment of a fee to cover copy or other costs associated with providing the information. During fiscal years 2005 and 2006 the division paid a total of about \$5,300 for medical record copies.

Recommendation: The Director of the DSS seek legislative change or amend the provider participation agreement, as necessary, to require providers to supply copies of records at no cost to the Program Integrity Unit.

Status: The department indicated it is not planning on requesting any legislative changes. The department disagreed with the recommendation to include a legislative requirement that providers absorb copy costs for review of their records.

Report Source: 2009-39

**DEPARTMENTS OF HEALTH AND SENIOR SERVICES, MENTAL HEALTH, AND
SOCIAL SERVICES**

PROTECTING CLIENTS FROM ABUSE

DSS Not Automatically Disqualifying Individuals Based on Crimes or Abuse

DSS policy and state law have not automatically precluded individuals with child abuse charges or criminal convictions from being employed at residential facilities. Instead, the decision of whether anything in a potential employee's background would prevent the individual from being employed at a facility is left to the discretion of the residential facility's executive director.

Recommendation: The Director of the DSS develop policies and procedures, and work with the General Assembly to develop law that disqualifies persons from employment that have serious child abuse and/or criminal histories.

Status: The department indicated there were no legislative actions on this issue in fiscal year 2009. However, the department indicated rules requiring residential child care staff to register with the Family Care Safety Registry were promulgated by the division and became effective August 4, 2008.

Report Source: 2007-70

Department of Mental Health (DMH) not Automatically Disqualifying Persons Included on DSS's Central Registry

Persons included on DSS's Central Registry have not been disqualified from employment at DMH state-run facilities and contract providers because state law does not prohibit persons who have committed child abuse from working with DMH clients.

Recommendation: The General Assembly establish state law that disqualifies persons on DSS's Central Registry from employment at DMH facilities and providers.

Status: The DMH indicated the General Assembly has made no changes to the law.

Report Source: 2007-70

Persons with Dangerous Histories Permitted to Work in Long-Term Care

State law does not disqualify persons with histories of child abuse or neglect; and stealing, theft, and forgery convictions from working in long-term care facilities.

Recommendation: The General Assembly establish state law that disqualifies persons on DSS's Central Registry, and those convicted of forgery or theft offenses from employment at Department of Health and Senior Services (DHSS) licensed long-term care facilities.

Status: The past three legislative sessions, DHSS recommended legislation pursuing changes to the disqualifying crimes. The recommendations in the proposed legislation would have broadened the scope of crimes that disqualified persons from working in long-term care facilities. Specifically, the recommendations would have expanded the disqualifying crimes by adding Class A and B Felony drug violations, forgery, felony violation of stealing or three misdemeanor violations of stealing, and financial exploitation of an elderly or disabled person and would prohibit employment of a registered sex offender. The recommendations, however, did not include those persons listed on the DSS Central Registry. Currently there remains no statutory authority to include placement on the DSS Central Registry as a disqualifying factor.

Report Source: 2007-70

Persons With Pending Charges Worked With Clients

The DHSS allows persons charged with, but not yet convicted of, a disqualifying crime to work with long-term care clients. Department officials told us that until convictions occurred, nothing could be done on these cases.

Recommendation: The General Assembly establish state law that ensures persons charged with, but not yet convicted of, disqualifying crimes are not allowed to have contact with clients.

Status: The DHSS indicated it is unaware of any legislative proposals having been recently introduced regarding this issue. The DHSS recognizes the seriousness of this matter, and will explore legislative changes that could address client safety and still provide due process protection for the individual.

Report Source: 2007-70

Improvements Needed in Family Care Safety Registry (FCSR) Registration, Screenings, Law, and Processing Waivers

Child care, elder care, and personal care workers are required by law to register with the FCSR. However, state law has not required child care or long-term care facilities to conduct FCSR screenings of employees.

Recommendation: The General Assembly establish state law that requires child and elder care facilities conduct FCSR screenings.

Status: The DHSS indicated the FCSR provides information that is not required to be reviewed in making employment decisions in long term care facilities. The DHSS concentrated on expanding the list of crimes as the initial step to comply with the recommendations. However, that proposed legislation has not passed. Missouri statute requires child caregivers to register with the FCSR, and DHSS Section for Child Care Regulations (SCCR) rules require background screenings. A provider may opt to use the Missouri Uniform Law Enforcement System or the DSS Child Abuse/Neglect Screening, but is not required by rule to use the FCSR. The SCCR proposed rule revisions to address this issue and require national background screenings for caregivers who work in Missouri but live in a bordering state or who have lived in Missouri for less than five years.

Report Source: 2007-70

Providers Have Not Been Required to Conduct Nationwide or Other State Background Checks

Providers have not been required to perform national criminal background checks or checks of states that border Missouri. State law has not required nationwide criminal history checks for employees of DMH contracted providers, DHSS licensed long-term care facilities and contracted in-home care providers, unless the prospective employee has not lived in Missouri for the past 5 years and only then if state funding is available for that purpose. State funding for nationwide criminal history checks is subject to appropriation by the General Assembly and according to DMH and DHSS officials, funds have not been provided.

Recommendation: The General Assembly establish state law that requires a nationwide criminal history check for all persons seeking employment at licensed residential facilities, DMH contracted providers, long-term care providers, and in-home care providers. In addition, clarify existing state law to allow providers to seek reimbursement from applicants.

Status: The DHSS indicated it is unaware of any legislative proposals having been recently introduced regarding this issue. Section 660.317.4, RSMo states, ". . . the obligation of a provider to obtain a nation-wide criminal background check shall be subject to the availability of appropriations." The DHSS indicated it will evaluate the appropriation that would be needed.

The DMH indicated legislation has been pursued; however, no laws have been passed that would address this recommendation.

Report Source: 2007-70

Supreme Court Ruling Prevents DSS from Placing Substantiated Abusers on Central Registry Until Criminal Charges Are Resolved

A ruling by the Missouri Supreme Court in March 2007 required changes in DSS procedures that prevent the DSS from placing individuals with substantiated findings of child abuse on the Central Registry if they have criminal charges pending. The Supreme Court found an individual is entitled to notice and a hearing with the Child Abuse and Neglect Review Board (CANRB) before being placed on the Central Registry. The DSS changed its procedures to comply with this ruling. However, current state law does not allow a person who has criminal charges pending to request a CANRB hearing until after the court's final disposition or dismissal of the charges.

Recommendation: We recommend the General Assembly establish state law that ensures individuals with substantiated child abuse charges have a CANRB hearing before the court has dismissed or reached a final disposition on related criminal charges.

Status: The DSS indicated legislation was introduced during the 2009 legislative session regarding this recommendation, but it did not pass.

Report Source: 2007-70

GOVERNOR

OFFICE OF GOVERNOR

State Resources and Governor's Security Costs

State laws are ambiguous and contradictory regarding the use of state resources by the Office of Governor for political and personal purposes. The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He does not reimburse the state for any political or personal use.

The total costs for the Governor's security cannot be readily determined. Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations.

Recommendations: The Office of the Governor:

- Pursue legislation regarding its use of state resources, including those of the MSHP, for anything other than official use. With the possible exception of security, until state law is clarified, the Governor should reimburse the state for the use of state resources for purposes other than official state business or discontinue such use.
- In conjunction with Department of Public Safety, MSHP, pursue appropriations for the security division sufficient to fund all division operating expenses, including personnel and vehicle expenses.

Status: The Office of Governor indicated no legislation regarding these recommendations has been passed.

Report Source: 2008-09

LIEUTENANT GOVERNOR

OFFICE OF LIEUTENANT GOVERNOR

State Vehicle

The Lieutenant Governor reimbursed the state for personal use of his state-owned vehicle; but there is no provision in state law which allows a state vehicle to be used for anything other than official use.

There is no provision that exists in state law that allows any state official to use state vehicles for personal or political purposes. Furthermore, there are no provisions that allow non-official use as long as there is appropriate reimbursement. Regarding state-owned vehicles, Section 301.260, RSMo, provides that "No officer or employee or other person shall use such a motor vehicle for other than official use." If the state intends to allow elected or other state officials to use state resources for anything other than business purposes, legislation should be pursued to clearly allow this practice and any other related conditions, such as reimbursement, for such use. Until such provisions are approved, no state resource should be used for purposes other than official state business.

Recommendation: The Office of Lieutenant Governor, in conjunction with the Office of Administration and other state officials, pursue legislation regarding the proper use of state-owned vehicles and other state resources by elected and other state officials.

Status: The Office of Lieutenant Governor indicated no legislative action was proposed and the state-owned vehicle is used only for official use.

Report Source: 2007-64

GENERAL ASSEMBLY

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS COMMITTEE ON LEGISLATIVE RESEARCH

Fiscal Impact Of Legislative Decisions

The Committee on Legislative Research's (COLR) Oversight Division provides information to the General Assembly regarding the estimated fiscal impact of proposed legislation. This information is provided through fiscal notes developed by the division with assistance from the affected agency(ies). However, there are no statutory provisions or any other means or mechanism which require or provide for the actual fiscal impact of legislative decisions to be reported to the General Assembly after legislation has been passed. The audit disclosed various examples where the actual fiscal impact of legislative decisions was not determined and reported to the legislature. In some instances, the actual fiscal impact may have been significantly different than the fiscal impact estimated when the related legislation was being considered.

Sections 23.250 to 23.298, RSMo (The Missouri Sunset Act) provides that any new program authorized into law will sunset after a period of not more than 6 years unless it is reauthorized. That legislation provides the Committee on Legislature Research shall review the new programs before their sunset dates and present a report to the General Assembly regarding the need and performance of the programs and make recommendations regarding the sunset, continuation, or reorganization of each affected program. While these statutory provisions include criteria to be considered during these program reviews, we saw no requirement that the actual fiscal impact of such programs be compared to original estimates.

Recommendation: The COLR work with the General Assembly in establishing a means or mechanism to follow-up and report on the actual fiscal impact of significant legislative decisions. Such an effort may result in the need to make revisions to the Missouri Sunset Act or other statutes.

Status: The COLR indicated a new section, the Legislative Budget Office (LBO), was created in 2007 with one of the duties being to follow-up on and report on the actual fiscal impact of past legislative decisions as directed by the legislature. However, that office has not yet been directed to review any past fiscal notes for actual fiscal impact. Senate bill 514 was introduced in the 2009 legislative session that would have directly addressed this recommendation. That bill would have established specific

legislative authority for the LBO and specifically included as one of its statutory duties to review the actual fiscal impact of past significant legislative decisions. However, this senate bill did not pass.

Report Source: 2005-87

COMPLIANCE WITH CLOSED MEETING AND CLOSED SESSION PROVISIONS OF THE SUNSHINE LAW

Notices Posted By Public Bodies Did Not Document Compliance With The 24-hour Rule

The Sunshine Law does not specifically state public meeting notices must include the posting date and time, but requires the public body and its members demonstrate compliance with all law provisions, including the 24-hour posting requirement. Unless a notice includes the posting date and time, a public body cannot clearly demonstrate compliance with the 24-hour rule.

Recommendation: The General Assembly revise the Sunshine Law to require notices posted for public meetings include the date and time the notice is posted.

Status: A review of statutory provisions and revisions since this report was issued, shows that no changes were made to the Sunshine Law to require the date and time of the notice to be provided.

Report Source: 2003-20

OFFICE OF ADMINISTRATION

MISSOURI ETHICS COMMISSION

Statutory Requirements

The Missouri Ethics Commission (MEC) has the responsibility for the enforcement of conflict of interest and lobbying laws (Sections 105.450-498, RSMo). However, as similarly discussed in our prior report, the MEC's enforcement authority is often limited or non-existent because the state laws are vague, confusing, and inconsistent, and contain numerous exceptions to the various reporting requirements. Legislative changes have been pursued by the MEC that would resolve some of these issues, but the changes have not passed.

Recommendation: The MEC continue to pursue statutory changes to Chapter 105 to ensure the laws include appropriate enforcement provisions.

Status: The MEC indicated that multiple bills with provisions related to Chapter 105 were introduced during the 2009 legislative session, but none passed.

Report Source: 2006-51

TOBACCO SETTLEMENT FUNDS

Non-Participating Manufacturers

Tobacco manufacturing companies that are not part of the Master Settlement Agreement (MSA) (collectively the Non-Participating Manufacturers or NPMs) make no payments and have not agreed to any limitations on advertising, marketing, and promotion of their cigarettes. However, the NPMs are not released from potential state claims. To ensure that Settling States that are successful in a future lawsuit against a NPM would have monies against which they can recover any judgment/settlement money, the MSA recommended the adoption of a model statute requiring the establishment of qualified escrow accounts. Missouri adopted the model statute, effective July 1, 1999.

The state has not passed additional legislation that would amend the model statute passed in 1999. The National Association of Attorneys General (NAAG) has recommended the model statute be amended to include two components, referred to as complimentary legislation and the allocable-share amendment.

According to the NAAG, the purpose of the complimentary legislation is to make enforcement of the model statute more effective. Additionally, the allocable-share amendment would close a loophole in the model statute which allows the release of certain funds placed in the NPMs' escrow accounts.

Recommendation: The state needs to consider passing additional legislation to amend the model statute.

Status: The Attorney General's Office indicated various legislation was introduced related to the model statute, but none was passed.

Report Source: 2006-16

DEPARTMENT OF NATURAL RESOURCES AND OFFICE OF ADMINISTRATION

ANALYSIS OF STATE ENERGY EFFICIENCY PROGRAMS

Alternative Fuel Vehicle Purchases and Fuel Requirements

Missouri has established standards for state agency use of alternative fleet vehicles and alternative fuels, but the requirements are not being fully met. This situation exists because (1) some universities do not meet the fleet requirements, (2) the state's fuel law has a relatively easy exception that helps the state achieve the established requirement, (3) alternative fuel vehicles are not always in locations where the fuel is available, (4) agency best practices are not communicated statewide, and (5) agency alternative fuel plans are outdated.

Recommendation: The General Assembly consider changes to the state's alternative fuel and fuel vehicle purchasing laws which may include:

- Establishing penalties for agency noncompliance
- Removing the consideration of exempt vehicle alternative fuel purchases in the compliance computation
- Amending Section 414.403, RSMo, to require state agencies to periodically update their alternative fuel plans

Status: The Office of Administration (OA) indicated it had no knowledge of any new legislation regarding this recommendation.

Report Source: 2008-25

The State's Biodiesel Revolving Fund May Not Be Needed

Missouri is one of only three states that utilize a biodiesel revolving fund. Other states allow state agencies to sell EPart credits directly and fund individual programs or provide general operating funding rather than fund biodiesel exclusively.

Recommendation: The Department of Natural Resources (DNR) evaluate if the Biodiesel Revolving Fund continues to be useful for the state and recommend any changes needed to the General Assembly. Also evaluate if more cost-effective options are available if the state continues to sell EPart credits.

Status: The department indicated no legislation was passed during the 2009 legislative session which addressed these issues.

Report Source: 2008-25

State Building Energy Efficiency Improved

Twenty-seven states have mandatory goals to reduce energy consumption within state office buildings. Missouri has a goal to reduce energy use by 15 percent, but the goal is not mandatory. The Governor's Energy Policy Council developed the goal but it is not established by law.

Recommendation: The General Assembly establish or modify laws to require a specific percentage reduction in energy use by state buildings and require achievement of specific standards for new state building construction.

Status: The OA indicated, in the absence of specific legislative action, Executive Order 2009-18 deals with both energy use reduction goals and building construction standards. The OA and the DNR are working on an implementation plan to meet the goals of the Executive Order.

Report Source: 2008-25

State Not Requiring Energy Star® for Procurement

Missouri does not require the purchase of Energy Star® rated equipment or appliances by state agencies resulting in potentially higher energy costs. Twenty-seven other states have laws that require or encourage the use of Energy Star® rated equipment.

Recommendation: The General Assembly establish laws requiring the OA and state agencies include Energy Star® rated office equipment and appliances in bidding proposals and include life-cycle cost analysis as part of the purchasing decision.

Status: Senate Bill 376 passed in 2009. This bill added Section 8.305, RSMo, to require the purchase of Energy Star® rated appliances unless cost exceeds savings.

Report Source: 2008-25

State Building Laws Are Redundant

Redundant state laws currently require the DNR Energy Center and the OA to manage the energy efficiency of state buildings. The Energy Center discontinued its work with state buildings in the late 1990s. In 2004, the General Assembly passed new legislation that gave OA the responsibility to improve the energy efficiency of state buildings, but did not eliminate the requirements for the DNR.

Recommendation: The General Assembly eliminate redundancy in current law regarding OA and DNR responsibilities for state energy efficiency programs.

Status: The department indicated no legislation was passed during the 2009 legislative session which addressed this issue.

Report Source: 2008-25

Missouri's Renewable Resource Utility Law Lags Behind Other States

Missouri does not require utility companies to produce energy from renewable resources. Instead, a 2007 state law only encourages Missouri utility companies to make a good faith effort to generate sufficient energy from renewable technologies.

Recommendation: The General Assembly evaluate whether Section 393.1020, RSMo, needs to require utility compliance with renewable technology generation goals rather than require a good faith effort.

Status: The department indicated Missouri voters approved Proposition C in November 2008 (amending Chapter 393, RSMo). Proposition C establishes a requirement that investor-owned electric utilities provide specified percentages of electrical generation from renewable resources.

Report Source: 2008-25

MISSOURI CONSOLIDATED HEALTH CARE PLAN

REVIEW OF MISSOURI CONSOLIDATED HEALTH CARE PLAN MANAGEMENT

Missouri Consolidated's Administrative Structure And Costs Could Be Reduced

The Missouri Consolidated Health Care Plan (MCHCP) could reduce costs by streamlining its administrative structure through one, or a combination of factors. Missouri Consolidated has not performed a review of its structure to determine if the organization and number of employees is necessary or most appropriate given its current state and public entity membership levels. In addition, Missouri Consolidated's organization as a separate benefits agency is uncommon compared to most other area states reviewed. Reducing staffing levels and/or sharing some functions by relocating Missouri Consolidated into an existing state agency could reduce payroll and benefits costs.

Missouri Consolidated has not analyzed whether offering healthcare to public entities is useful or cost-effective to the state. By discontinuing offering healthcare services to public entities, Missouri Consolidated could further reduce costs. Not all costs associated with providing service to public entity members were covered by public entity administrative fees and the bases used to allocate some of the costs were not related to the actual effort expended to provide the service. The result is that the state and state members may be subsidizing some of the costs of offering healthcare to public entity members.

Recommendations: The General Assembly determine whether to:

- Maintain the administration of the Missouri Consolidated Health Care Plan as a separate independent organization rather than as a benefits division within an existing state agency.
- Continue offering healthcare options to Missouri's public entities through Missouri Consolidated Health Care Plan.

Status: The MCHCP indicated the General Assembly proposed numerous pieces of legislation regarding the structure of benefits administration related to the MCHCP during the 2008 and 2009 legislative sessions; however, none of the legislation was passed.

Report Source: 2004-51

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

Identification And Use Of Any Surpluses

Since the Missouri Higher Education Loan Authority (MOHELA) was created in 1981, it has generally reinvested its operating surpluses in additional student loans, resulting in the accumulation of a substantial amount of net assets. While a portion of the authority's net assets are restricted or invested in fixed assets (and are not available for distribution), the authority has accumulated a substantial amount of marketable assets, the sale of which can generate significant amounts of cash for operations and other programs. The MOHELA's authorizing statutes (Sections 173.350 to 173.450, RSMo) do not include any provisions establishing a means or mechanism to identify the extent of any surplus funds or which specify how such funds, if distributed, should be used.

During the 2007 legislative session, the General Assembly passed legislation that includes provisions which will require the MOHELA to distribute \$350 million to the state over the next 6 years, primarily for various capital improvement projects at the state's public colleges and universities. This legislation became effective August 28, 2007; however, on August 9, 2007, a class-action lawsuit was filed (on behalf of two individuals with student loans) in the Cole County Circuit Court against the MOHELA contending that this plan is an illegal diversion of MOHELA assets. The lawsuit asked that the court bar the authority from financing this capital improvements plan and declare the related legislation illegal. While this lawsuit was pending, the MOHELA transferred the \$230 million initial distribution to the state on September 14, 2007. In late November 2007, this lawsuit was dismissed at the request of those who had sued.

Action is needed to ensure any available surpluses are used in the future to further MOHELA's public mission. The MOHELA has a fiduciary responsibility to identify any available surplus funds and use them in an appropriate manner. In addition, the General Assembly should consider adding appropriate provisions to the MOHELA's authorizing statutes to provide some guidance regarding the identification and appropriate use of future surpluses, rather than leaving those decisions to the discretion of the public officials at the time their availability may be determined. Those legally authorized uses should closely correlate with the MOHELA's mission, which is, in part, to eliminate barriers for students so they can access higher education.

Recommendation: The MOHELA, in the future, identify the extent of any surplus funds and distribute such monies in a manner consistent with its mission. In conjunction with this, the authority should work with the General Assembly to add appropriate provisions to its authorizing statutes.

Status: MOHELA indicated that to its knowledge, no legislation was passed to address this issue and MOHELA continues to conduct its financial affairs in compliance with the Missouri Higher Education Loan Authority Act.

In addition, due to changes in the student loan market, MOHELA has had recent financial problems and has fallen behind in its payments to the state. Of the \$265 million due as of June 30, 2009, the MOHELA had paid \$243,843,849 (\$233,925,960 in transfers to the state and \$9,917,889 in accrued interest revenue on the payments already made). Therefore, the MOHELA is \$21,156,151 behind in its payments and it is unclear when or if the overdue amount and the remaining \$85 million due over the next four years will be paid.

Report Source: 2007-56

Closed Board Meetings

The MOHELA Board's closure of some of its meetings may constitute a violation of state law. During the past several years, according to the open meeting minutes, the MOHELA Board closed its meetings on at least 21 occasions, apparently believing that the matters discussed were of the nature that allowed the meetings to be closed pursuant to Section 610.021, RSMo, of the Missouri Sunshine Law. However, the closure of these meetings may not be in accordance with state law, including that section of the Sunshine Law.

Section 173.365, RSMo, in referring to the MOHELA, states, "Each meeting of the authority **for any purpose whatsoever** shall be open to the public" (emphasis added). The Sunshine Law generally allows public governmental bodies to close meetings based on certain criteria; however, it appears exceptions to the open meetings requirement are superseded by other laws requiring open meetings/records. Section 610.021, RSMo, of the Sunshine Law states "**Except to the extent disclosure is otherwise required by law**, a public governmental body is authorized to close meetings, records, and votes. . . ." (emphasis added). Therefore, given this language and the requirement in Section 173.365, RSMo, that all meetings of the MOHELA

Board are required to be open to the public, it does not appear the board is currently authorized to close any of its meetings.

Recommendation: The MOHELA comply with Section 173.365, RSMo, and discontinue holding meetings that are closed to the public. If the board desires the legal authority to close its meetings pursuant to Section 610.021, RSMo, the board should pursue the necessary legislative change(s).

Status: MOHELA indicated that to its knowledge, no legislation was passed to address this issue and MOHELA continues to conduct its board meetings in the same manner.

Report Source: 2007-56

MISSOURI HOUSING DEVELOPMENT COMMISSION

ANALYSIS OF LOW INCOME HOUSING TAX CREDIT PROGRAM

Total Tax Credits Issued Are Not Limited By State Law

State law does not limit the amount of state tax credits which may be authorized and issued. Missouri is 1 of 2 states, out of 11 with a state Low Income Housing Tax Credit (LIHTC), which have not implemented statutory limits on the amount of tax credits which may be authorized in a given timeframe. States limit the amount of state LIHTCs authorized based on a specific dollar limit, a percentage match of the federal credit, or a combination of both factors.

Recommendation: The General Assembly evaluate implementing a limit on the amount of LIHTCs that can be awarded annually.

Status: The Missouri Housing Development Commission (MHDC) indicated House Bill 191, passed during the 2009 legislative session, established a \$6 million annual cap on certain LIHTC authorizations and other LIHTCs were already limited to the credit ceiling set each year based on the state's population.

Report Source: 2008-23

Options Exist to Improve Efficiency

To achieve significant improvements to the efficiency of the tax credit model, state law would have to be modified. Modifying state law to allow for a refundable tax credit, such as in use in North Carolina, would eliminate the need for state credits to be bought and sold in an open market and would increase the efficiency of the program. However, questions regarding the tax treatment of the loans from North Carolina's housing agency would need to be addressed. Modifying state law to allow a certificated LIHTC model which utilizes not-for-profit housing

entities, such as the model in place in Massachusetts, would eliminate the federal tax consequences of the current model, increase demand for Missouri's state credits, and result in significantly higher prices being paid for state credits. Both models would result in more tax credit dollars being used for the construction of housing, giving the state a significantly higher return on its tax credit investment. These changes could be made without significantly disrupting the federal LIHTC market already in place. If Missouri wishes to continue to make significant investments in low income housing, steps need to be taken to ensure state funds are invested as efficiently as possible.

Recommendation: The General Assembly evaluate changing the Missouri LIHTC to a model that will provide more tax credit equity to projects which may include models similar to the ones used in Massachusetts and North Carolina.

Status: The MHDC staff has worked with the MHDC Tax Credit Committee and the Joint Committee on Tax Policy to consider revisions to the MO LIHTC model. To date, no legislation has yet been passed regarding these recommendations.

Report Source: 2008-23

Lack of Sunset Provision

State law does not contain a sunset provision to limit the timeframe in which the current level of LIHTCs may be awarded. The lack of a sunset provision has also allowed the current funding level to continue without legislative attention.

Recommendation: The General Assembly establish sunset provisions in state law to ensure the LIHTC receives periodic legislative attention.

Status: The MHDC staff has worked with the MHDC Tax Credit Committee and the Joint Committee on Tax Policy to consider revisions to the MO LIHTC model. To date, no legislation has yet been passed regarding these recommendations.

Report Source: 2008-23

Missouri Recapture Period Limited

Missouri's LIHTC recapture period is less than the recapture period for the federal LIHTC. State law provides for state tax credit recapture the first 10 years after projects are placed in service, although Section 42 of the Internal Revenue Code requires project compliance over 15 years and federal credit recapture for the entire 15-year compliance period. As a result, if property owners fail to comply with tax credit requirements, after 10 years, the state has no recourse with regard to recapture of state credits for the remainder of the 15-year compliance period.

Recommendation: The General Assembly change state law to extend the recapture period for LIHTCs to 15 years from the current 10 years.

Status: The MHDC staff has worked with the MHDC Tax Credit Committee and the Joint Committee on Tax Policy to consider revisions to the MO LIHTC model. To date, no legislation has yet been passed.

Report Source: 2008-23

ANALYSIS OF AFFORDABLE HOUSING TAX CREDIT PROGRAM

Affordable Housing Assistance Program Could Be Improved

Our review of projects showed donations to fill funding gaps in LIHTC projects were typically made by individuals or parties directly affiliated with a project's development team. We also noted instances where a bank or tax credit syndicator already involved in a LIHTC development provided a separate donation to help fill funding gaps in an ongoing project and received Affordable Housing Assistance Tax Credits (AHATC) for the donation.

State law excludes most individual taxpayers from participation in the AHATC Program. Missouri law allows contributions by business firms which are defined as a person, firm, a partner in a firm, corporation, or a shareholder in an S corporation doing business in the state. Based on the law, MHDC officials limit donations to businesses, or individuals with farm or rental income. Four of the five other states with donation related housing tax credits allow any individual along with businesses to make contributions.

State law limits annual credit issuances to \$10 million for housing production and \$1 million to help cover not-for-profit organization administrative costs. MHDC staff said the credits for administrative costs are generally completely issued with requests for funding often being prorated due to demand exceeding the \$1 million limit. They also said the allocated production credits may not be issued if not-for-profit organizations cannot raise the necessary donations. MHDC records showed the maximum limit of credits issued for housing production had only occurred in one fiscal year since the inception of the tax credit. MHDC officials said an adjustment in state law allowing them to distribute a portion of the credits restricted to housing production for administrative purposes, when all production credits would not have been issued, could benefit the program and participating not-for-profit organizations.

Recommendations: The General Assembly:

- Evaluate if the intent of the program is to allow developers and related organizations to fill project funding gaps by donating to their own projects that have received or are receiving assistance from other state programs.

- Change state law to allow issuance of AHATCs for donations from any taxpayer rather than just those with farm or rental income.
- Evaluate modifying state law to give MHDC the ability to increase tax credits distributed for administrative purposes, when production related credits cannot be fully issued. Possible options would include a specific dollar limit or percentage of production credits not issued.

Status: The MHDC indicated no legislative action has been taken regarding these recommendations.

Report Source: 2008-47

LOCAL AUDIT ISSUES

**SUMMARY OF STATE AND LOCAL AUDIT FINDINGS -
LEGISLATIVE IMPACT
LOCAL AUDIT ISSUES**

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES

Many special road districts are not filing annual financial reports with the State Auditor's Office as required by law, and some financial reports that were filed did not provide sufficient information. Monitoring procedures over county funds provided to special road districts are inconsistent, and some counties indicated no monitoring is performed. Only certain special road districts are required by law to provide annual settlements to the county commission and highway and transportation commission. In addition, state agencies provide little, if any, independent monitoring of special road district financial activity, and special road districts are not required to obtain independent audits.

It was also noted that counties have different methods for assessing permanent road levies and distributing the property tax monies generated from those levies even though the same statutory provisions are in existence. Also, the percentages used to allocate property tax revenues between the county and the special road district varied.

Recommendation: The Missouri General Assembly should review the laws pertaining to special road district financial reporting practices. Consideration should be given to strengthening the reporting requirements and rectifying inconsistencies between types of special road districts. Applicable county and state officials should improve monitoring and assistance to help strengthen the special road districts' financial reporting and accountability.

Status: No legislation has been passed which addressed these issues.

Report Source: 2007-03

TRANSPORTATION DEVELOPMENT DISTRICTS

There is no requirement that the petitions filed with the circuit court include any information regarding estimated transportation project costs or the anticipated revenues that will be collected over the life of the Transportation Development District (TDD).

There is no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.

There is disagreement over whether the construction of a TDD-funded transportation project(s) can be started prior to the legal establishment of the applicable TDD.

Most TDD sales taxes are not collected by the Missouri Department of Revenue, creating less assurance over the controls and monitoring of such revenue.

Many TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required, and the current audit requirements related to TDDs need to be reconsidered.

In many cases, significant project costs were initially paid by the private developer(s), who were then subsequently reimbursed by the TDD after bonds or other debt had been issued. Such a reimbursement process weakens the accountability over project-related costs.

The revenues of TDDs located in Tax Increment Financing (TIF) areas are being handled in different manners, and in some instances there is not adequate assurance TDD sales tax revenues are only used to pay the TDD's share of bond financing costs.

Recommendation: The General Assembly review the public awareness, accountability, and compliance issues addressed in this report and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes.

Status: House Bill 191 which became effective August 28, 2009, requires (1) the petition filed initiating the creation of the TDD to set forth details of the budgeted expenditures, including estimated expenditures for real physical improvements, estimated land acquisition expenses, estimated expenses for professional services, and estimated interest charges, (2) at least one public hearing on the creation and funding of the proposed district, if the petition for creating such district was filed by the owners of record of all real property within the proposed district, (3) the DOR to perform all functions related to the administration and collection of future districts' sales taxes, and (4) the imposition of a fine of \$500 per day for the failure to submit annual financial statements to the state auditor.

Report Source: 2006-12

TOWNSHIP FINANCIAL REPORTING PRACTICES

The financial reporting practices of Missouri's 312 townships need significant improvement. Our review noted high rates of noncompliance with statutory provisions requiring townships to file financial reports with various entities. Monitoring procedures over county funds provided to townships are inconsistent, and some counties indicated no monitoring is performed because townships are separate political subdivisions. This report indicates an overall lack of

accountability over township operations and their estimated annual revenues of more than \$23 million and \$21 million during 2002 and 2001, respectively.

Recommendation: The Missouri General Assembly should review the laws pertaining to township financial reporting practices. Consideration should be given to pass or amend laws to strengthen the requirement that all townships prepare complete and accurate financial statements, and to improve independent monitoring of township financial reporting practices. Applicable county officials should consider providing monitoring and assistance to help improve the townships' financial reporting and accountability.

Status: Section 231.280, RSMo, was amended to repeal the requirement that townships submit annual financial reports to the Missouri Department of Transportation. No other legislation was passed that addresses township reporting issues.

Report Source: 2003-30

<p style="text-align: center;">TAX INCREMENT FINANCING DISTRICTS' EFFECT ON PROPERTY TAX ROLLBACK CALCULATIONS</p>

State law does not address the effect of sales tax distributions to city Tax Increment Financing (TIF) districts on property tax rollback calculations.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Counties are sometimes required to distribute sales tax monies to city TIF districts. State law does not address how the sales tax monies distributed to the TIF districts should be considered for purposes of property tax rollback calculations. The audit reports included a recommendation that the county consult with legal counsel to determine the effect of sales tax distributions to TIF districts on the calculations.

Status: Section 67.505, RSMo, has not been revised to address how the sales tax monies distributed to the TIF districts should be considered for purposes of property tax rollback calculations.

Report Source: 2006-74 and 2006-71

APPENDIX

APPENDIX**STATE AGENCY AUDIT REPORTS**

Report Number	Title	Publication Date
2003-20	Compliance with Closed Meeting and Closed Session Provisions of the Sunshine Law	March 2003
2003-36	Department of Elementary and Secondary Education Educational Funding	April 2003
2003-55	Division of Taxation and Collection Sales and Use Tax	June 2003
2004-24	Missouri Western State College	March 2004
2004-51	Review of Missouri Consolidated Health Care Plan Management	June 2004
2004-59	Department of Elementary and Secondary Education's Charter School Oversight	August 2004
2005-10	Peace Officer Standards and Training Program (Licensing, Training, and Complaint Investigation Aspects)	February 2005
2005-13	Division of Taxation and Collection Sales and Use Tax	March 2005
2005-16	Efforts to Enforce Uninsured Motorist Law	March 2005
2005-23	Oversight of Amusement Ride Safety	March 2005
2005-30	Missouri State Tax Commission	May 2005
2005-87	General Assembly and Supporting Functions / Committee on Legislative Research	December 2005
2005-101	General Obligation Bond Sales Practices Follow up	December 2005
2006-16	Tobacco Settlement Funds	March 2006
2006-20	High School Graduation Rates	April 2006
2006-37	Branch Office Conversion	June 2006
2006-43	School District Purchasing Practices	July 2006
2006-51	Missouri Ethics Commission	August 2006
2007-06	Tax Credit Analysis of the New Generation Cooperative Incentive Tax Credit Program	February 2007
2007-12	Missouri Development Finance Board	March 2007
2007-15	Sales and Use Tax	April 2007
2007-19	Second Injury Fund	April 2007
2007-32	Educator Certification Background Checks	August 2007
2007-56	Missouri Higher Education Loan Authority	October 2007
2007-58	Analysis of Wood Energy Tax Credit Program	October 2007
2007-59	Child Support Delinquencies	October 2007
2007-64	Office of Lieutenant Governor	October 2007
2007-70	Protecting Clients from Abuse	November 2007
2007-84	Insurance	December 2007
2007-87	Early Childhood Development, Education, and Care Funding	December 2007
2008-01	Fireworks Licensing and Inspection	January 2008
2008-03	Protecting Children at Child Care Providers	January 2008
2008-09	Office of Governor	February 2008
2008-23	Analysis of Low Income Housing Tax Credit Program	April 2008
2008-25	Analysis of State Energy Efficiency Programs	April 2008
2008-36	Analysis of School Bus Driver Compliance Requirements	June 2008
2008-45	Department of Agriculture	July 2008
2008-47	Analysis of Affordable Housing Tax Credit Program	July 2008
2008-52	Safe Schools Initiatives	August 2008
2008-57	Worker's Compensation Program	September 2008
2008-69	School Children Immunization Compliance Requirements	October 2008
2008-98	Missouri State Highway Patrol's Use of Highway Funds	December 2008
2009-39	Medicaid Provider Monitoring	April 2009

APPENDIX**LOCAL GOVERNMENT AUDIT REPORTS**

Report Number	Title	Publication Date
2003-30	Township Financial Reporting Practices	April 2003
2006-12	Transportation Development Districts	March 2006
2006-71	Miller County	December 2006
2006-74	Dekalb County	December 2006
2007-03	Special Road District Financial Reporting Practices	February 2007



Susan Montee, JD, CPA
Missouri State Auditor

Northeast Ambulance and Fire Protection District



November 2009
Report No. 2009-131

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following report is our audit of the Northeast Ambulance and Fire Protection District.

The State Auditor's office is currently in litigation to obtain access to various records of the Northeast Ambulance and Fire Protection District for assistance in performing our audit. As a result of the lack of access to records, we were unable to determine if amounts paid for some services were in compliance with contracts, if invoices were adequately detailed, and/or if some monies spent were for district business.

The district's budget does not comply with state law. The Board prepared a budget for the General Operating Fund; however, it only included disbursement information. A budget was not prepared for the Ambulance, Pension, and Dispatch Funds. In addition, the General Operating Fund budget was missing items required by state law and the Board's approval of the budget was not adequately documented. The audit report for the 18 months ended June 30, 2007, prepared by a CPA firm, contained 25 audit findings and corresponding recommendations, some of which were significant.

Procedures related to the allocation of property taxes and fund accounting are in need of improvement. The district does not properly maintain a general ledger system or maintain records of the various funds as required by state law. For the Ambulance, Pension, and Dispatch Funds, state law requires funds be exclusively used for the purpose to which the tax levies were approved by the district's citizens. The district deposits all taxes received into the General Operating Fund.

The district did not solicit proposals prior to contracting for legal services, and the total spent for legal services does not appear reasonable. Portions of the district's new contract for legal and lobbying services do not appear to comply with Missouri law.

The district did not solicit bids for some purchases and some disbursements did not appear to be prudent and necessary uses of public funds including a 37 inch flat screen television. The district did not prepare Internal Revenue Service Forms 1099 Miscellaneous for payments to the legal officer (\$143,366), the assistant legal officer (\$89,880), the computer consultant (\$37,688) and to a vendor for remodeling (\$9,300). The district did not enter into contracts for some services, update some contracts, and maintain copies of some contracts. The district does not have a formal policy regarding credit card usage or travel expenses. The Board has not established a conflict of interest policy, and the district purchased a building for \$512,600 with the wife of the district's legal counsel serving as the real estate agent of record.

The district has not developed a written policy regarding cellular telephone use or guidelines. The district provides cellular telephones to the Directors, Fire Chief, Assistant

YELLOW SHEET

Chief, Chief Deputies, and Chief Medical Officer and the district allows employees to use district provided telephones for personal use. In March 2008, plan minutes ranged from 8 minutes to 3,834 minutes and amounts billed ranged from \$46 to \$1,055 per phone.

Payroll records and procedures are in need of improvement. The Board paid additional compensation or bonuses to employees totaling \$51,000 (\$1,500 per employee) and \$34,000 (\$1,000 per employee) in December 2008 and 2007, respectively. The cost of performing office functions increased from approximately \$15,600 during the year ended June 30, 2007, to \$43,040 during the year ended June 30, 2008, to \$85,520 during the year ended June 30, 2009, excluding overtime costs.

The district contracted for website design and maintenance in April 2007, to provide, build, and maintain a website for the district, without soliciting proposals. In addition, the district hired the same individual as the special project consultant in March 2008, without soliciting proposals. Disbursements for the year ended June 30, 2008, for website design and maintenance did not appear to be necessary uses of public funds, and some appear excessive. Supporting documentation for computer services and consulting disbursements was insufficient.

Prior to the April 2009 election, it appears the district used equipment and personnel to promote a bond issue and a candidate for the Board. The Board placed a \$10.3 million bond issue on the ballot for four consecutive elections, at continued cost to the citizens (\$53,413), although it continues to be defeated.

District Ordinance No. 97, which authorizes the Board of Directors to fine and ban individuals from future meetings for contempt, disorderly conduct, peace disturbance, and trespassing does not appear to comply with state law. The Board does not have the discretion to determine what actions are or are not disturbing the peace as these are rights or actions ascribed to the police department or sheriff, prosecutor, and court system. In addition, the Sunshine Law clearly intends for all meetings of public governmental bodies to be open to the people and not conducted in secrecy.

Procedures regarding meetings and minutes are in need of improvement. Reasons for closing meetings are not specifically indicated in open meeting minutes or notices posted of closed meetings. Minutes for closed sessions are not prepared. The district did not document how some items discussed in closed sessions complied with state law. In addition, some meeting minutes do not include sufficient detail of matters discussed.

The district did not honor the Firefighters Union Contract. The district entered into a contract with the Local Firefighters 2665 Union in December 1996. In June 2007, the current Board passed a resolution stating the agreement was not binding, and the district would no longer honor the contract.

Other findings in the audit report relate to ambulance fees, receipt controls, capital assets, and vehicle usage.

All reports are available on our Web site: auditor.mo.gov

NORTHEAST AMBULANCE AND
FIRE PROTECTION DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-36

<u>Number</u>	<u>Description</u>	
1.	Lack of Records	5
2.	Budgets and Financial Statements	6
3.	Accounting Records and Procedures	8
4.	Legal Services	13
5.	Disbursements	14
6.	Cellular Telephones	19
7.	Ambulance Fund	20
8.	Payroll Records and Procedures	21
9.	Website Designer/Special Projects Consultant	26
10.	Election Issues	28
11.	Ordinance No. 97	30
12.	Meeting Minutes	31
13.	Receipt Controls	32
14.	Capital Assets and Vehicle Usage	33
15.	Union Contract	36
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		37-39
APPENDIXES		40-57

Appendix

A	List of Outstanding Documents.	41
B	List of Findings From the Audit Report for the 18 Months Ended June 30, 2007, Conducted by Charles Buchanan, CPA, PC	47
C	Broker Disclosure Form	54

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Directors
Northeast Ambulance and Fire Protection District

The State Auditor was requested by former Governor Matt Blunt under Section 26.060, RSMo, to audit the Northeast Ambulance and Fire Protection District. The district engaged Charles Buchanan, CPA, PC, Certified Public Accountants (CPAs), to audit the district's financial statements for the 18 months ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the taxpayer concerns and perform various procedures to determine their validity and significance.
2. Evaluate the district's internal controls over significant management and financial functions.
3. Evaluate the district's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; inspection of capital assets; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. Some financial records and supporting documentation requested were not provided to us. Because of this limitation on the scope of our audit, we could not audit those transactions or information related to the transactions. In July 2009, we filed litigation to secure access to the records and that litigation is currently pending.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

Except to the extent that we were prevented from reviewing any relevant and necessary information as a result of the district's refusal to provide certain records, our audit was conducted in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Northeast Ambulance and Fire Protection District.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie M. Moore, MBA
Audit Staff:	Jay Dowell

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

NORTHEAST AMBULANCE AND
FIRE PROTECTION DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Lack of Records
-----------	------------------------

The district did not provide various records to the State Auditor's office as requested during the course of the audit. In addition, the district did not maintain adequate documentation for some disbursements.

- A. During December 2008 through March 2009, the State Auditor's office requested various records of the Northeast Ambulance and Fire Protection District for assistance in performing the audit. Records were requested in writing from the district's Office Manager or the CPA working at the district and appointed as the audit contact, at least weekly, but were not provided. In June 2009, the State Auditor's office issued a subpoena requesting the same records and still no records were produced. The State Auditor's office is currently in litigation to obtain access to the records listed on Appendix A.

As a result of the lack of access to records, we were unable to determine if amounts paid from July 1, 2007 through February 24, 2009, for some services were in compliance with contracts and/or if invoices were adequately detailed. Examples of such records are \$229,982 in payments to the district's legal officer and \$11,490 to a vendor for building repair.

In addition, we could not examine numerous other invoices to determine if some monies spent were for district business. Without adequate detailed documentation, we could not determine payments were reasonable, in compliance with contracts, or prudent uses of taxpayer monies.

- B. Supporting documentation for some disbursements was insufficient. District personnel indicated invoices could not be located for some disbursements. Two fans were purchased for \$440 and the only documentation was a copy of the check stub which noted "2 fans for the engine room". In addition, the district paid an individual for working as a security guard at a board meeting, without any documentation from the individual. The only documentation for the disbursement was a copy of the check.

All disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. The Board of Directors has a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation.

- C. Some payroll registers could not be located. District personnel indicated they could not locate payroll registers for March and April 2008, and part of May 2008. The retention of all financial-related records is necessary to ensure the validity of transactions and provide an audit trail to account for all monies expended. In addition, the retention of payroll registers helps document compliance with the Fair Labor Standards Act of 1938 (FLSA).

WE RECOMMEND the Board of Directors:

- A. Comply with requests for records.

B&C. Ensure adequate supporting documentation is submitted and retained for all disbursements.

2. Budgets and Financial Statements
--

Budgets are not prepared in accordance with state law and the district has not submitted biannual financial statements to the State Auditor's office in a timely manner. The district's financial statements are in need of improvement, and there is little evidence the district has attempted to implement prior audit recommendations.

- A. The district's budget does not comply with state law or was otherwise insufficient as follows:
- The Board prepared a budget for the General Operating Fund; however, it only included disbursement information. A budget was not prepared for the Ambulance, Pension, and Dispatch Funds. In addition, the General Operating Fund budget did not include projected receipts, a projected ending fund balance, the prior two years actual receipts and disbursements, or a budget message or general budget summary describing the important features of the budget and major changes from the preceding years.
 - The Board's approval of the budget is not adequately documented. The budget is not signed, nor is approval documented in meeting minutes, ordinances, or resolutions. The district pays monthly bills as normally scheduled without documentation of an approved budget.
 - The monthly and year-to-date amounts for the current year reflected on the budget and presented on the district's website were inaccurate. A comparison of the budget to the financial statement prepared for the district by a Certified Public Accountant (CPA), indicates actual disbursements per the financial statements were approximately \$1.3 million more than actual disbursements per the budget. As a result, the

Board was not aware the budget had been exceeded. Corrected actual disbursements were significantly in excess of the budget.

Section 67.010, RSMo, sets specific guidelines for the format of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and receipt expectations for each area of district operations. A complete budget should include appropriate receipt and disbursement estimations by classification, and reasonable estimates of the ending available resources of all funds. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. It will also assist in setting tax levies and informing the public about district operations and current finances.

Section 67.080, RSMo, requires the board to adopt and approve budgets prior to the beginning of the applicable fiscal year and provides that no disbursements of public monies shall be made unless authorized in the budget. In addition, Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursement from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the disbursements.

- B. The district did not submit a biannual audit report to the State Auditor's office in contravention of state law. In April 2007, the district changed its fiscal year end from December 31 to June 30. The district obtained an audit for the 18 months ended June 30, 2007. Per state law, the audit report should have been submitted to the State Auditor's office by December 31, 2007. However, the district did not file a copy of the audit with the State Auditor's office until December 2008.

Section 321.690.2(1), RSMo, states that fire districts "shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years." In addition, a copy of the audit report is required to be filed with the State Auditor's office within 6 months after the end of the fiscal year.

- C. Upon review of the district's unaudited financial statements, compiled by a CPA firm, for the year ended June 30, 2008, we noted the following problems:
- Transfers in and out are not equal between funds. Total transfers out exceeded transfers in by approximately \$3,578,500.
 - An adjustment of \$36,105 for pension expenses was shown on the financial statements in the Pension Fund and the General Operating Fund but was not posted to the trial balance.

- The due to other funds category exceeded the due from other funds category by \$83,986 on the financial statements. This was caused by an adjustment made to the Dispatch Fund, due to other funds category, but no corresponding adjustment was made to another fund.

To be of maximum assistance to the Board and adequately inform citizens of district operations and financial position, the financial statements need to be accurate. A thorough review process should be implemented to ensure financial statements are accurate and complete prior to Board approval.

- D. The audit report for the 18 months ended June 30, 2007, contained 25 audit findings and corresponding recommendations, some of which were significant (see Appendix B). The district hired a CPA firm to train the Office Manager on how to implement some of the recommendations; however, we saw very little improvement.

The district should implement the recommendations as soon as possible to ensure the district is in compliance with state laws and financial records are adequately maintained.

WE RECOMMEND the Board of Directors:

- A. Ensure annual budgets comply with state law and the Board's approval is documented. In addition, the Board should prepare a budget for each fund, ensure amounts are accurate, and obtain and review accurate monthly budget to actual reports.
- B. Ensure an audit is obtained and filed with the State Auditor's office as required by state law.
- C. Establish review procedures to ensure financial statements present accurate and complete financial information prior to Board approval.
- D. Ensure audit recommendations included in the CPA's audit report are implemented.

3.	Accounting Records and Procedures
-----------	--

Procedures related to the allocation of property taxes and fund accounting are in need of improvement. In addition, the Treasurer's monthly report does not include budget amounts or properly reflect all transactions.

- A. The district does not properly maintain a general ledger system or maintain records of the various funds as required by state law. Ten bank accounts are maintained: General Operating Account, two General Operating Investment

Accounts, Ambulance Account, Pension Account, Dispatch Account, Payroll Account, Debt Service Account, Food Kitty Account, and a Public Relations Account. All checks are written from the General Operating Account and all monies, except some ambulance fees, are deposited to the General Operating Account. Some disbursements are coded "due to/from" a certain fund in the check register, indicating a specific expense from one of the funds; however, proper allocation of expenses to the funds is not performed. In addition, some disbursements are not coded.

A general ledger system with proper fund accounting is necessary to ensure restricted monies are spent only as allowed. A properly maintained general ledger system would have allowed the Board to identify some of the problems noted below. The Board should ensure funds are used properly and receipts and disbursements are recorded or allocated to the proper fund.

For the Ambulance, Pension, and Dispatch Funds, Sections 321.225, 321.610, and 321.243, RSMo, respectively, require funds be exclusively used for the purpose to which the tax levy was approved by the district's citizens. In addition, these sections require the funds be kept separate and apart from all other funds of the district.

- B. Property taxes received are not allocated to the applicable funds or disbursed to the proper entities on a timely basis. The district receives property taxes from St. Louis County each month for four separate tax levies: general, ambulance, dispatch, and pension. The levies are authorized by various state laws which provide general taxes be used for fire and general operations, ambulance taxes be used to provide emergency ambulance and medical services, dispatch taxes be used solely for the purpose of establishing and providing a joint central fire and emergency dispatching service, and pension taxes be paid to the pension plan of the district. The district deposits all taxes received into the General Operating Fund.
- As of May 30, 2009, the General Operating Fund owes the Dispatch Fund approximately \$79,700, all of which would be due to the dispatch services company. The audit report for the 18 months ended June 30, 2007, indicated the General Operating Fund owed the Dispatch Fund \$44,466. From July 2007 through May 2009, the district disbursed approximately \$165,800 to the dispatch services company from the General Operating Fund; however, approximately \$201,000 in dispatch taxes were received. The district could not provide documentation to show how amounts paid to the dispatch services company were determined or what time period each payment covered.

Section 321.243, RSMo, requires all dispatch taxes received be paid to the dispatch services company.

- As of May 30, 2009, the General Operating Fund owes the Pension Fund approximately \$478,500, all of which is due to the firefighters' pension plan. The district disbursed approximately \$95,300 to the pension plan in February 2008; however, the district could not provide documentation showing how this amount was calculated or what time period it actually covered. The audit report for the 18 months ended June 30, 2007, indicated the General Operating Fund owed the Pension Fund \$161,545. The district did not allocate any property tax monies to the Pension Fund from July 2007 through May 2009, but approximately \$412,300 was received. In addition, personnel from the pension plan indicated the district does not submit adequate documentation with its payments, so the monies must be held separate from the firefighters funds until proper documentation is obtained. Pension taxes are not district monies, but instead represent firefighters retirement funds which the firefighters (district employees) can invest in various pension plan options.

Section 321.610, RSMo, provides all pension taxes received be paid to the firefighters' pension plan.

- From July 2007 through May 2009, no property tax monies were allocated to the Ambulance Fund or paid to the Ambulance Account; however, approximately \$1,215,600 was received. The audit report for the 18 months ended June 30, 2007, indicated the General Operating Fund owed the Ambulance Fund \$170,906. Some disbursements from the General Operating Fund were classified as Ambulance expenses. The district's records were not adequate to determine the amount due to the Ambulance Fund as of June 30, 2008.

Section 321.225, RSMo, provides all ambulance taxes received be spent only on ambulance services.

- The district earned interest on tax receipts, but the monies were not allocated to the restricted funds. From January 1, 2007 through June 30, 2009, the district has earned approximately \$179,900 in interest income. Interest was not allocated to the various funds, but held in the General Operating Fund. Interest income earned on the Pension, Ambulance, and Dispatch Funds should be allocated to those funds and spent for those services.

To ensure monies generated from tax levies are spent in accordance with state law, taxes should be allocated to the proper funds and transferred to the appropriate bank accounts, and receipts and disbursements should be adequately allocated and tracked by fund. In addition, the district should disburse applicable

taxes received to the dispatch services company and pension plan on a timely basis including any interest earned on the monies. Timely distributions of property tax collections are important because the dispatch services company relies solely on property tax receipts to fund its operations and pension taxes are divided into the firefighters' individual pension accounts. By not disbursing monies timely, the district could be costing firefighters potential investment income.

- C. Ambulance user fees are normally deposited to the Ambulance Account; however, approximately \$60,500 was deposited to the General Operating Account during the year ended December 31, 2008. Ambulance fees are collected from private insurance companies, Medicare, and individuals for transportation in district ambulances. The ambulance fees represent user fees which should only be used for expenses of the ambulance service. To ensure ambulance fees are only used for ambulance expenses, all ambulance fees should be deposited or transferred to the Ambulance Account and/or receipted to the Ambulance Fund.
- D. The cost of the new administration building was not properly allocated between the General Operating Fund (fire services) and Ambulance Fund. In November 2008, the district purchased a building for approximately \$512,600 with Ambulance Fund monies to house management and administrative staff and hold Board meetings. Only ambulance fees are deposited to the Ambulance Fund and, as noted above, ambulance fees are required to be used for expenses of the ambulance service. Since management, administrative staff, and the Board also perform work related to the fire department operations, part of the cost of the building should have been allocated to the General Operating Fund. (See MAR finding number 5 for an additional issue regarding this transaction.)

The district should perform a cost analysis to determine how much time is spent by management, administrative staff, and the Board related to fire and ambulance services and allocate a portion of the cost of the building to the General Operating Fund. In addition, the amount allocated to the General Operating Fund should be repaid to the Ambulance Fund.

- E. The Treasurer's report does not properly reflect all district transactions for the month. The Board receives a monthly Treasurer's report during the first meeting of every month. The July 2007 Treasurer's Report included only non-property tax receipt totals for July, and year-to-date and July disbursements. It did not include cash balances or budget amounts. The district did not provide the August 2007 through February 2009 reports to our office as requested (see MAR finding number 1).

To adequately inform the Board of all financial activity and allow the Board to monitor the financial condition of the district, monthly reports summarizing all receipts, disbursements, and cash balances by fund, including year-to-date and

budgeted amounts, should be prepared and included with the monthly board minutes.

- F. The Office Manager does not prepare backups of financial and other data to prevent loss of information and ensure all essential information and computer systems can be recovered following a disaster or computer failure. In addition, the district does not have restoration procedures in place to ensure its accounting system is quickly restored and working after a disaster or computer failure.

The Office Manager's computer crashed in October 2008, and as of March 2009, the data could not be restored. The district hired an accountant for \$5,675 to reconstruct the financial information on the Office Manager's computer and prepare a financial statement (in addition to other work performed by the accountant).

Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. The district should determine what backup schedule is appropriate. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to the disruption. Storing backups offsite provides another level of assurance of access to data. The district should determine how often backups should be stored offsite.

WE RECOMMEND the Board of Directors:

- A. Ensure a general ledger system is established which maintains records of various funds required by state law.
- B. Ensure property taxes, interest income, and disbursements are allocated to the proper funds and taxes are disbursed to the dispatch services company and the pension plan timely and for the proper amount. In addition, the Board should transfer amounts due from prior years to the appropriate funds.
- C. Ensure all ambulance fees are deposited to the Ambulance Account and used only for the expenses of the ambulance service.
- D. Perform a cost analysis to determine the allocation of the cost of the administration building between the Ambulance and General Operating Funds, and ensure the portion allocated to the General Operating Fund is repaid to the Ambulance Fund.
- E. Require monthly reports include beginning and ending cash balances, and complete and accurate monthly and yearly receipts and disbursements amounts

for each district fund. In addition, monthly reports should be reviewed by the Board and maintained with meeting minutes.

- F. Establish appropriate backup and restoration procedures.

4.

Legal Services

The district did not solicit proposals prior to contracting for legal services, and the total spent for legal services does not appear reasonable. In addition, a stipulation of the contract for legal services does not appear to comply with state law, and some attorney expenses appear to be paid by the district without adequate documentation. From July 2007 through February 2009, the district paid approximately \$348,800 in legal fees (\$230,000 to the legal officer and \$118,800 to the assistant legal officer).

- A. The district contracted for legal services in April and September 2007 and again in May 2009 when the contract was renegotiated, without soliciting for proposals.

While such professional services may not be subject to standard bidding procedures, the Board should consider implementing a policy that requires proposals be solicited for professional services to the extent practical. Soliciting proposals and subjecting professional services to a competitive selection allows for a more informed decision and improves the likelihood that such services are obtained from the best qualified vendor at the lowest and best cost. Documentation of the various proposals received, and the Board's selection process and criteria should be retained to support decisions made.

- B. Payments for contracted legal services appear excessive. In addition, the district did not provide documentation that a cost analysis had been performed to determine if it would be more cost effective to employ its own legal counsel rather than contracting for legal services. A comparison to four fire districts neighboring the Northeast Ambulance and Fire Protection District, found the neighboring fire district with the highest legal fees for a year expended approximately \$24,000 for legal services.

Also, in May 2009, the district renegotiated the contract for legal services, although the current contract did not expire until April 30, 2011. The new contract added lobbying services and increased annual retainers from \$60,000 to \$120,000 for the legal officer and from \$18,000 to \$60,000 for the assistant legal officer.

The Board should compare current legal costs to costs of hiring a full-time attorney to ensure the current contract is the most economical for the district. As noted in MAR finding number 1, invoices for legal services were not provided to us by the district, and as a result, we were not able to review legal costs for reasonableness.

- C. Portions of the district's new contract for legal and lobbying services do not appear to comply with Missouri law (see Anton, Raleigh & Wynne, et al. v. Wellston Fire Protection District, 671 S.W. 2d 378 (1984)). The new contract requires the district to pay the remaining balance of the annual retainer through the end of the term if the district terminates the contract for any reason other than those stated in the contract. It also requires the district to pay the remainder of the monthly retainer for the month terminated plus \$10,000 and \$5,000 for the legal officer and assistant legal officer, respectively, as compensation for severance if the district terminates the contract for reasons stated in the contract.

Case law indicates a fire district has the right to discharge a law firm, without cause, at any time, without liability under the written contract. In addition, it indicates the law firm cannot recover compensation for legal services not performed after the fire district terminates the contract.

- D. The district paid some invoices which were clearly billed by the vendor to the district's legal counsel, without documentation showing why the district would be responsible for the expenses. One invoice for \$2,000 was for flyers, and another invoice for \$1,350 was to replenish the legal officer's postage permit. The Office Manager indicated the invoices were district expenses; however, documentation to support this claim was not provided.

Public funds should be spent only on items which are necessary and beneficial to the district. The Board should require adequate documentation to ensure disbursements are for district business.

WE RECOMMEND the Board of Directors:

- A. Ensure professional services are obtained through a competitive selection process and documentation of the process is maintained.
- B. Ensure current procedures for procurement of legal services are the most economical for the district.
- C. Terminate the current legal services contract and establish a contract that complies with state law.
- D. Ensure supporting documentation clearly shows disbursements are for district business.

5.

Disbursements

The district does not have adequate procedures regarding the procurement of major purchases. In addition, the district's disbursement documentation, review, and reporting

procedures are lax, and some purchases do not appear to be prudent uses of district funds. Also, the district does not maintain copies of, or update, all contracts.

- A. The district did not solicit bids for some purchases made during the year ended June 30, 2008. Although the district pays annual insurance premiums of approximately \$62,700 for equipment coverage, the district has not solicited bids for insurance since prior to 2007. In addition, bids were either not solicited or not properly documented for the purchase of three portable co-oximeters costing \$15,075, collectively.

The district's bylaws require bids be solicited for all purchases of \$10,000 or more in accordance with Section 321.220, RSMo. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. Documentation of the various proposals received, and the district's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- B. Some disbursements for the year ended June 30, 2008, did not appear to be prudent and necessary uses of public funds.
- \$32,301 was spent to publish and mail approximately 12 newsletters (approximately 10,000 copies each mailing). The newsletters were sent to each registered voter in the district. Sending the newsletters to registered voters does not ensure all taxpayers receive a copy and often causes several copies to be delivered to one household. In addition, one newsletter appears to have been issued simply to introduce the legal officer and his family to the citizens.
 - \$316 was spent for flowers to various employees due to illness or death in the family.
 - \$1,500 was made payable to the petty cash fund. The Office Manager indicated this check was cashed and the money used to purchase turkeys to hand out to the under privileged; however, no documentation was provided to show this.
 - \$1,464 was spent for a graduation party for firefighters who passed the firefighter's academy.
 - \$700 was spent for a 37 inch flat screen television for the Chief Medical Officer's office. The Fire Chief indicated the television was to be used by the Chief Medical Officer to give training in her office.

- \$869 was spent for sales tax, finance charges, and late fees, on 15 of 62 disbursements reviewed. The district is tax exempt.

Public funds should be spent only on items which are necessary and beneficial to the district. District residents have placed a fiduciary trust in their public officials to spend district funds in a prudent and necessary manner. The district should ensure sales tax is not paid on purchases, and bills are paid timely to avoid finance charges and late fees.

- C. Invoices are typically not marked paid or otherwise cancelled. In addition, the acknowledgement of receipt of goods or services by the receiving party is not indicated on invoices prior to approval of the disbursement. Receipt of goods or services was not indicated for 53 of 57 applicable disbursements reviewed.

Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the district actually received the items or services.

- D. The district did not prepare Internal Revenue Service (IRS) Forms 1099 Miscellaneous for payments for services for the year ended December 31, 2008, for the following:

<u>Type of Service</u>	<u>Amount</u>
Legal services	\$ 143,366
Legal services (assistant)	89,880
Computer consultant	37,688
Landscaping	1,595
Remodeling	9,300
Security guard	1,900
Security guard	600
Security guard	3,205
Security guard	2,500
Security guard	1,000

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099 Miscellaneous.

- E. The district did not enter into contracts for some services, update some contracts, and maintain copies of some contracts.
- 1) The district paid various individuals \$100 per meeting to act as security guards at board meetings without written contracts. From January 2008 through February 2009, the district paid approximately \$10,205 for these services.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

2) Some district contracts have not been updated:

- The district entered into a contract with the dispatch services company, but the district has not updated the contract since June 1971. In addition, the district could not provide a copy of the contract; however, we obtained a copy of the contract from the company. Total disbursements of approximately \$165,800 were made to the company from July 2007 through May 2009. The payments to this company are based on property taxes received by the district for the dispatch tax levy. The district levies this tax at 5 cents per \$100 assessed valuation; however, the contract signed in June 1971, allowed only 3 cents per \$100 assessed valuation. The state statute that allowed for the additional 2 cents was passed after 1971.
- The district contracted with a company to bill and collect ambulance fees in May 1998. The district had to obtain a copy of this contract from the company, since it had not maintained a copy. In addition, the contract has not been updated. The contract states the district will pay 7.5 percent on all ambulance fees collected by the company; however, the district currently pays the company 8 percent.

Current up-to-date written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties. In addition, the district should maintain copies of all contracts on file.

- F. The district does not have a formal policy regarding credit card usage. While the district would not provide us with the number of credit cards it has, based on documentation reviewed, it appears the district has at least one bank credit card and three credit cards for various local vendors. For some credit card payments, the detailed invoices for each purchase charged were not retained and compared to the billing statement. District personnel indicated they could not locate the detailed invoices for the majority of the \$17,422 in total charges on the eight credit card payments reviewed. Disbursements to credit card companies totaled approximately \$60,200 from July 2007 through February 2009.

A policy which establishes levels of purchase authorization, the types and maximum amounts of allowable purchases that may be charged, approval requirements for various purchases, and documentation requirements decreases the possibility unauthorized purchases will occur.

- G. The district does not have a travel policy to address the amount to be reimbursed for meals. Also, the district does not require documentation to obtain reimbursement for meals, to show meals charged to the district credit card were for official business, and indicating when the purchase of local meals is allowable. District personnel indicated employees are reimbursed \$20 per day for meals when traveling for work purposes and some employees are allowed to charge meals to the district's credit card. Employees are not required to submit any documentation for the \$20 per day reimbursements and we noted one meal charged at the St. Louis Airport Restaurant totaled \$71. The district did not provide any documentation supporting this credit card disbursement or explaining how it was business related when the airport is 9 miles from the district's administration building. In addition, several hotel bills and airline tickets were charged to the district's credit cards; however, since the district would not provide us with further documentation as described in MAR finding number 1, we were unable to tell if the travel expenses were reasonable.

The district should adopt a travel policy to ensure the district pays for only actual and reasonable travel expenses. If the board continues to provide per diem payments, it should require the submission of documentation to support the number of meals reimbursed (the reason for traveling, the dates traveled, etc.). The policy should also specifically address when local meals can be charged to the district and the type of documentation required to clearly show the meal was necessary and for district business.

- H. The Board has not established a conflict of interest policy. Recently the district purchased a building for \$512,600, and the wife of the district's legal counsel was the real estate agent of record for the district (see Appendix C). The district did not solicit proposals for the real estate agent. The district would not provide documentation indicating the amount the real estate agent earned on the sale of the property. In the current market, real estate agents earn a commission of from 3 percent to 5 percent, which would be approximately \$15,300 to \$25,600 on this sale.

Soliciting bids or proposals helps ensure the district receives fair value for the monies spent on services. In addition, to help prevent actual or the appearance of conflicts of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented so the public has assurance no official or employee of the district has benefited improperly.

WE RECOMMEND the Board of Directors:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of proposals received to support decisions made.
- B. Ensure disbursements are necessary and prudent uses of public funds.
- C. Ensure invoices are properly canceled and require all invoices to be initialed or signed by a district employee to indicate acceptance of goods or services prior to payment.
- D. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS. The District should file amended 1099's for past years.
- E. Enter into written agreements for all services and update all contracts. In addition, the Board should ensure copies are maintained of all contracts.
- F. Adopt formal policies and procedures for credit card usage and ensure adequate support is maintained for all disbursements.
- G. Adopt formal policies and procedures related to travel.
- H. Establish a conflict of interest policy requiring disclosures be filed with the Ethics Commission and the district to solicit proposals and document the selection process if a potential conflict exists.

6. Cellular Telephones

The district has not developed a written policy regarding cellular telephone use or guidelines to determine whether cellular telephones are needed, how many are needed, or if they benefit the district. In addition, the district does not follow IRS regulations regarding personal use of cellular telephones. The district paid approximately \$67,200 from July 2007 through February 2009, for the use of 13 to 15 cellular telephones.

- A. The district provides cellular telephones to the Directors, Fire Chief, Assistant Chief, Chief Deputies, and Chief Medical Officer. The district allows employees to use district provided telephones for personal use, requiring such calls to be kept to a reasonable minimum; however, the Office Manager indicated cellular telephone bills are not reviewed. In March 2008, plan minutes ranged from 8 minutes to 3,834 minutes and amounts billed ranged from \$46 to \$1,055 per phone. In January and March 2008, the Fire Chief had \$1,027 and \$1,055 in monthly cellular telephone bills, respectively. In addition, the Assistant Fire Chief purchased a cellular telephone costing approximately \$300 through the district plan.

While cellular telephones can help increase employee productivity, they are also costly. Effective procedures should be established by the Board to properly monitor cellular telephone use. Additionally, the Board should periodically evaluate the cost, cellular telephone plans (to determine which plan best fits the employee needs), and distribution of cellular telephones to employees to ensure all telephones are needed and are of benefit to the district.

- B. The district does not follow IRS regulations regarding personal use of cellular telephones. Cellular telephones are considered listed items per IRS guidelines (Internal Revenue Code (IRC) Section 280F (d)(4)(A)(v)). Therefore, any personal use of the cellular telephones should be reported as income on the employee's W-2 form. Further, the IRS requires usage be classified as business or personal on an itemized statement for all cellular telephones (IRC Section 274 (d)). This information should be submitted to the employer to support the exclusion of the usage from employee wages.

Although the district maintains itemized records of cellular telephone charges, the district does not require employees to indicate the purpose of the usage as business or personal. As a result, the entire cost should be reported as wages for all employees for their respective cellular telephone.

WE RECOMMEND the Board of Directors:

- A. Develop a cellular telephone policy regarding use of cellular telephones, including an assessment of which employees need a cellular telephone and procedures to monitor use, and periodically review cellular telephone plans to ensure the plans best fit usage. In addition, the Board should require cellular telephone bills be reviewed to ensure personal use is kept to a minimum.
- B. Report the personal usage of cellular telephones as wages on employee W-2 forms. The District should file amended W-2 forms for past years.

7.

Ambulance Fund

The district increased ambulance mileage fee rates without a cost study, and citizens are not billed consistently for ambulance services.

- A. The district raised the mileage rate charged for ambulance calls from \$5.25 per mile to \$7.25 per mile in April 2008. There is no documentation to support the Board's decision or its justification for this rate increase. Without a current cost study to support the rate charged for ambulance mileage, it is unclear whether the rate assessed for these services is set at an appropriate level.

Section 67.042, RSMo, provides fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service.

Ambulance fees are user charges which should cover the cost of providing the related services, but rates should not be set which result in excessive fund balances. The district should perform and document a detailed review of its ambulance costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits. Preparation of a statement of costs would allow the district to determine the rates necessary to support current and future operations, as well as provide documentation to customers of the rationale behind the rates.

- B. Some citizens are billed for ambulance fees not covered by insurance, Medicare, or Medicaid, while others are not. District Ordinance No. 86 states citizens who live within the district are not billed for ambulance service fees not covered by insurance, Medicare, or Medicaid. Those charges are written off by the district since the citizens pay taxes in the district. In April 2008, however, the district began allowing Gateway Ambulance Services to perform ambulance calls when the district is busy on other calls. Gateway bills citizens for any charges not covered by insurance, Medicare, or Medicaid. Per Gateway personnel, there was no negotiation for the district to cover these fees. In 2008, the district and Gateway performed 4,962 and 365 ambulance calls, respectively.

The district should establish procedures to ensure district citizens are charged consistently for ambulance services.

WE RECOMMEND the Board of Directors:

- A. Perform and document formal reviews of ambulance rates periodically to ensure receipts are sufficient to cover all costs of providing these services and to support any rate increases.
- B. Establish procedures to ensure district citizens are billed consistently for ambulance services.

8. Payroll Records and Procedures
--

Payroll records and procedures are in need of improvement, and the cost of performing office functions has increased significantly over the last year. During the year ended June 30, 2008, the district spent approximately \$2.8 million for payroll.

- A. The Board of Directors does not approve payroll disbursements. The Office Manager receives time sheets every 2 weeks and posts hours worked to the ADP Payroll System for processing. The Board of Directors does not review the payroll register for accuracy or payroll disbursements for reasonableness since the majority of payroll is done by direct deposit.

To adequately document Board approval, the payroll register should be reviewed, and signed or initialed by the Board.

- B. Some payroll disbursements are not properly supported by time sheets which have been prepared and signed by employees or reviewed and approved by supervisors. Salaried employees (Fire Chief, Assistant Fire Chief, Chief Deputies, Chief Medical Officer) and administrative staff do not prepare time sheets. The administrative staff are hourly employees and receive some overtime pay. The Office Manager received approximately \$6,900 in overtime pay during the year ended June 30, 2008. Without time sheets, there is no supporting documentation for the actual time worked or overtime paid.

Detailed time sheets, signed by supervisors, document and support hours actually worked, provide information necessary to monitor overtime worked and leave time usage and balances, and are beneficial in demonstrating compliance with district policies and FLSA requirements. Supervisory approval is necessary to ensure time reported was actually worked. Time sheets should be signed by all employees; verified for accuracy, approved, and signed by the applicable supervisor; and filed with the Office Manager.

- C. Procedures and records regarding sick leave are in need of improvement.

- 1) The district maintains a log of sick leave that is supposed to show the balances of all employees; however, as of January 14, 2009, the log had not been updated since March 12, 2008. In addition, some employees are not included on the log. District personnel indicated the log must have been forgotten with changes in administration.

Up to date leave records are necessary to ensure employees are meeting expectations of employment, policies are uniformly followed, and potential leave and/or compensatory time liabilities are monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the FLSA.

- 2) One employee who left the district in June 2008 was not paid for unused sick leave totaling approximately \$29,000. The district's sick leave policy states employees are to be paid for the balance of their sick leave when they leave employment. The district could not provide documentation nor an explanation as to why the individual was not paid for the unused days.

The district should comply with its policy and pay employees for unused sick leave upon separation from the district.

- D. Procedures for withholding and disbursing payroll deductions are in need of improvement.

- 1) Payroll deductions for union dues are not paid to the Local Firefighters 2655 Union in a timely manner. From July 2007 through February 2009, the district made 11 sporadic payments of employees union dues. The union contract states dues are to be paid once a month.
- 2) Pension withholdings are not paid to the pension plan in a timely manner. District employees are allowed to obtain loans from their individual pension accounts, which must be repaid through payroll deductions. Employees can also elect to contribute additional monies each pay period to their individual pension accounts. From July 2007 through February 2009, the district only made 14 sporadic pension withholding payments during 44 payroll periods. In addition, the district does not clearly document the time period or withholdings included in the payments to the Pension Plan.
- 3) Some deductions for pension loans are not for the proper amount or properly withheld when requested. One loan payment was not withheld from the employee's check until more than a year after the date requested. Another loan payment was deducted for \$105 more than the payment amount requested for 9 months.
- 4) Employees can obtain prepaid legal services as a fringe benefit. A comparison of one invoice to the payroll register showed deductions were short by approximately \$85 to cover the cost. Although the Office Manager stated the district did not pay any portion of this fringe benefit, it appears the district pays for any differences between amounts paid and amounts deducted.

The district should establish procedures to ensure employee payroll withholdings are accurately calculated and withheld and distributed timely. These monies belong to employees and not the district. The district has a fiduciary responsibility to its employees to ensure all pension monies are transferred to the pension plan on a timely basis with proper documentation. Failure to accurately and timely withhold and distribute payroll deductions and adequately identify payments may result in non-compliance with the union contract, may affect employee pension fund balances, increases the risk of employee pension loan defaults, and may result in the district absorbing employee legal services fees.

- E. The Board paid additional compensation or bonuses to employees totaling \$51,000 (\$1,500 per employee) and \$34,000 (\$1,000 per employee) in December 2008 and 2007, respectively. Payroll records and meeting minutes provided no explanation or support for these payments. District personnel indicated these payments were Christmas bonuses.

Article III, Section 39 of the Missouri Constitution prohibits the granting of any extra compensation, fee, or allowance to employees for services already rendered.

- F. Complete personnel files are not maintained by the district for each employee. Documentation of approved salaries and adjustments to salaries, and some authorizations for voluntary deductions are not maintained in individual personnel files.

Personnel files should be maintained for each employee to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the Board's authorization for the hiring of employees, the pay rate at which employees were hired, any subsequent changes in pay rate, and authorization from employees for voluntary deductions.

- G. The cost of performing office functions increased from approximately \$15,600 during the year ended June 30, 2007, to \$43,040 during the year ended June 30, 2008, to \$85,520 during the year ended June 30, 2009, excluding overtime costs. Prior to October 2007, the district had one part-time administrative employee working 20 hours per week and paid \$15 per hour, who performed all accounting and administrative duties, except for payroll which was contracted out. In October 2007, the district hired a new full-time administrative employee (Office Manager) with a starting salary of \$20 per hour. She was to perform the same duties as the part-time administrative employee. In June 2008, the district gave the Office Manager a raise of \$9 per hour, increasing her salary to \$29 per hour, and in September 2008, hired a full-time assistant office manager at a starting salary of \$15 per hour. The Office Manager and her assistant also work overtime.

Due to the numerous problems pointed out in the district's audit report for the 18 months ended June 30, 2007, including a recommendation to hire competent personnel, the district hired a CPA firm, at \$17.50 per hour, to perform bank reconciliations, make adjusting entries, prepare financial statements, and train the Office Manager how to perform these duties. The CPA was hired to complete bank reconciliations through December 2008, since none had been prepared by the Office Manager. In addition, the CPA firm established a capital asset system for the district, since it did not have one in place.

The Board needs to carefully evaluate administrative costs to ensure the increase in costs are justified by significant improvements to the accounting functions.

- H. Our review of the district's written personnel policy manual noted the following concerns:
- 1) The district's personnel policy manual does not address administrative employees, only firefighters.
 - 2) The district does not have formal procedures for hiring and dismissing employees or regarding the years of service credited to a new employee for their previous experience as a firefighter. The Board Chairman indicated the Board hires and decides the credit for previous years of

service on a case by case basis. When hiring an individual, the Board reviews applications recommended by the Fire Chief and Chief Medical Officer, and determines who to hire.

A comprehensive written policy addressing hiring and dismissing employees, and a standard formula for determining the years of service credited to the employees would provide guidance and control to ensure equitable treatment among individuals and the avoidance of misunderstandings. The years of service received determines an employee's salary and amount of leave allowed.

- 3) The district does not have a policy regarding the personal use of district equipment. The meeting minutes discussed the personal use of the district's copier by one of the directors. In addition, as discussed in MAR finding number 10, a Deputy Chief gave several individuals a ride in a district car.

A clear and concise personnel policy manual is necessary to ensure the equitable treatment of all employees. The district should include a formal written policy regarding the use of equipment, payment for overtime, and years of service granted to new personnel. Such a policy should prohibit the personal use of district vehicles due to liability issues if an accident should occur.

- I. The district does not have a written policy regarding training, nor is it in compliance with IRS guidelines regarding job-related education. In March 2009, five district employees attended emergency medical training school, but the district only paid tuition for one employee. The Chief Medical Officer indicated the district paid for only one employee to attend this school because he was the only employee who had signed up after the Chief Medical Officer was hired.

In addition, during the year ended June 30, 2008, the district sent five newly hired employees to the St. Louis Firefighters Academy. The district paid \$3,400 for each of these employees to attend the academy. Without a policy documenting when training will be provided, it is not clear all employees are treated equally.

The Office Manager indicated training costs paid for employees were not recorded on the employees' W-2 forms as a fringe benefit. IRS reporting guidelines indicate job-related education is considered an employee fringe benefit if the education provided is needed to meet the minimum educational requirements of the employee's present trade or business, or is part of a program of study that will qualify the employee for a new trade or business.

The Board should develop a written training policy which addresses when the district will pay for training and when the cost of the training will be recorded on the employee W-2 forms. Because procedures have not been established to

ensure the IRS regulations are followed, the district may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the Board of Directors:

- A. Review and approve all payroll registers prior to disbursement of payroll.
- B. Require employees to prepare and submit time sheets, which are signed by the employee, approved and signed by the applicable supervisor, and filed with the Office Manager.
- C.1. Ensure up to date sick leave records are maintained.
- 2. Ensure employees are paid for unused sick leave upon separation from service in accordance with district policy.
- D. Ensure all payroll withholdings are disbursed to the appropriate party in a timely manner. In addition, the Board should ensure payroll deductions are withheld from employee checks timely and calculated correctly.
- E. Discontinue the practice of paying employee bonuses.
- F. Require complete personnel files be maintained for all district employees.
- G. Review increasing administration costs to ensure the current procedures are the most economical for the district.
- H. Develop personnel policies regarding administrative employees, hiring and dismissing employees, years of service, and the personal use of district property.
- I. Establish a training policy that includes when the district will pay for training, which employees are eligible for training, what type of training employees are eligible to attend, and what type of training is considered taxable compensation.

9. Website Designer/Special Projects Consultant
--

The district did not solicit proposals prior to contracting for computer or consulting services. In addition, the cost of the district's computer services does not appear reasonable. The district paid approximately \$48,480 for computer and consulting services from July 2007 through February 2009.

- A. The district contracted for website design and maintenance in April 2007, to provide, build, and maintain a website for the district, without soliciting proposals. In addition, the district hired the same individual as the special project consultant in March 2008, without soliciting proposals.

While such professional services may not be subject to standard bidding procedures, the Board should consider implementing a policy that requires proposals to be solicited for professional services to the extent practical. Soliciting proposals and subjecting professional services to a competitive selection process allows for a more informed decision and improves the likelihood that such services are obtained from the best qualified vendor at the lowest and best cost. Documentation of the various proposals received, and the Board's selection process and criteria should be retained to support decisions made.

- B. Disbursements for the year ended June 30, 2008, for website design and maintenance did not appear to be necessary uses of public funds, and some appear excessive. The District paid \$8,400 to a contractor for the design of a website and approximately \$7,250 for website maintenance. The District then sent its Fire Marshal to a class costing \$378 for website design training to help the Public Relations Officer, who works on the design and maintenance of the website in addition to the contractor. The total paid for the website design and maintenance appears excessive, especially when the additional time spent by district employees is considered. Public funds should be spent only on items which are necessary and beneficial to the district.
- C. Supporting documentation for computer services and consulting disbursements was insufficient. Two invoices reviewed showed only the total amount due, not the number of hours worked or the hourly rate. One payment reviewed was not accompanied by an invoice. The only backup documentation was the copy of the check.

All disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. Invoices should include a detailed list of tasks along with the name of the individual performing the work and time spent on each task, and a summary should include the total hours by each individual and the individual's hourly rate. The Board of Directors has a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the Board cannot determine the validity and propriety of the disbursements.

WE RECOMMEND the Board of Directors:

- A. Ensure professional services are obtained through a competitive selection process and documentation of the process is maintained.
- B. Ensure disbursements are necessary.

- C. Ensure adequate supporting documentation is submitted and retained for all disbursements.

10.

Election Issues

The district appears to have used public funds to support ballot measures and candidates. In addition, the Board continues to place a bond issue on the ballot, at a continued cost to the citizens, although it continued to be defeated.

- A. Prior to the April 2009 election, it appears the district used equipment and personnel to promote a bond issue and a candidate for the Board.

- An auditor witnessed district employees using the district copier to copy maps of local precincts. In addition, an auditor witnessed several teenagers getting into a Chief Deputy's car, and was later informed by a citizen that the teenagers and the Chief Deputy had arrived in her neighborhood, around the time the auditor had seen them leaving, to hand out flyers in support of a board candidate.
- An auditor witnessed district employees spending time during normal working hours at a candidate's headquarters, which was one building over from the district's administration building, on a regular basis prior to the election.
- Several citizens indicated a fire district vehicle was seen pulling a trailer with a billboard promoting a candidate for the fire board. Some auditors observed the trailer with the billboard, but it was not attached to a vehicle at the time.
- The State Auditor's office received numerous calls regarding district employees campaigning at the polls and going door to door handing out campaign literature for the bond issue and a board candidate in different neighborhoods. In addition, an auditor witnessed a district employee at the polls handing out fliers supporting a candidate for the board.
- As discussed in MAR finding number 4, the district paid \$1,350 to replenish its legal counsel's postage permit. According to information from the United States Postal Service, the meter was used to send out "political campaign mailings".

No employee leave records were provided to the auditors to determine whether annual leave was taken for any of the instances discussed above.

Section 115.646, RSMo, provides that public funds should not be used to advocate, support, or oppose any ballot measure or candidate for public office.

- B. The Board placed a \$10.3 million bond issue on the ballot for four consecutive elections, at continued cost to the citizens, although it continued to be defeated. The district needs a 57.15 percent favorable vote for the bond issue to pass. Below is a chart showing the results of the four elections and the costs to the district:

<u>Date of Election</u>	<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Votes</u>	<u>Election Costs</u>
April 7, 2009	Yes	1,665	41.08%	\$ 12,998
	No	2,388	58.92%	
November 4, 2008	Yes	6,800	51.24%	21,532
	No	6,470	48.76%	
August 5, 2008	Yes	1,216	39.52%	9,373
	No	1,861	60.48%	
April 8, 2008	Yes	1,385	45.34%	9,510
	No	1,670	54.66%	
Total				\$ <u><u>53,413</u></u>

The district discussed in several bond issue flyers, that the bond issue would provide the requisite means to finance the purchase of new ambulances, fire trucks, and equipment, as well as to finance the construction of a new fire house and ambulance station; however, the flyers do not explain why the projects are needed, why additional funds are needed for the projects, or any estimates of costs of the projects.

The Board should consider the costs of continually placing the bond issue on the ballot at every election, since the citizens have voted against the issue four times.

WE RECOMMEND the Board of Directors:

- A. Cease spending district funds to advocate, support, or oppose any ballot measure or candidate for public office.
- B. Consider the costs of continuing to place the bond issue on the ballot.

District Ordinance No. 97, which authorizes the Board of Directors to fine and ban individuals from future meetings for contempt, disorderly conduct, peace disturbance, and trespassing, does not appear to comply with state law.

Ordinance No. 97 indicates a member of the board that "engages in disorderly behavior or indulges in personalities or disturbs the peace" may be expelled from the board meeting or district premises by a majority vote of the members of the board then present at the board meeting or committee. This appears to conflict with Section 321.190, RSMo, which provides the circuit court with jurisdiction over the district and power to remove directors for good cause shown upon a petition, notice, and hearing. It does not appear the Board of Directors has this authority.

Ordinance No. 97 also provides an individual "in attendance at a regular or special board meeting or a committee there of or present on district premises, who engages in disorderly behavior or indulges in personalities or disturbs the peace, may be summarily ordered to remove themselves or be expelled from the session or firehouse or from the District premises on the sole order of the Chairman of the Board, Presiding Officer, Fire Chief, Deputy Fire Chief, a Sergeant-At-Arms, a Security Officer, a supervising employee having charge of the premises, or by a majority vote of the members of the board then present at the board meeting or committee, at will, with or without cause." In addition, the ordinance provides "any person having been twice found by the board to have violated the ordinance, shall be barred from attendance at sessions of the board and committees thereof and from the district's premises for such period as determined by a majority vote of the board, not exceeding one year."

Ordinance No. 97 gives the Board authority to actually remove, forcibly or non-forcibly, citizens from meetings for disturbing the peace. The Board does not have the discretion to determine what actions are or are not disturbing the peace. These are rights or actions ascribed to the police department or sheriff, prosecutor, and court system. In addition, Chapter 610, RSMo, known as the Sunshine Law, clearly intends for all meetings of public governmental bodies to be open to the people and not conducted in secrecy. The Sunshine Law contains carefully enumerated exceptions to an open meeting. However, it would not appear a public governmental body can pick and choose who attends its meetings. The district cannot prohibit a member of the public from attending the open portion of a public meeting.

In order to avoid possible lawsuits, the Board should ensure all ordinances comply and do not conflict with state law.

WE RECOMMEND the Board of Directors repeal Ordinance No. 97. In addition, the Board should ensure all ordinances comply with state law.

Procedures regarding meetings and minutes are in need of improvement:

- Reasons for closing meetings are not specifically indicated in open meeting minutes or notices posted of closed meetings. The Board regularly conducts closed meetings. While the notice of regular closed meetings refers to a district resolution, which lists 15 reasons why the Board may go into closed session, the minutes of open meetings do not indicate the specific reason for closing the meetings.
- Minutes for closed sessions are not prepared.
- The district did not document how some items discussed in closed sessions complied with state law. For example, the Board discussed and voted to send the Board of Directors, Legal Counsel, Medical Officer, and Community Service Officer to a seminar during a closed session. This was documented in the open minutes.
- Some meeting minutes do not include sufficient detail of matters discussed. The July 3, 2007, meeting minutes indicated an oral report of the Fire Chief was received by the board, but does not describe what was reported, and the June 17, 2008, meeting minutes stated a director read some correspondence, but did not state who the correspondence was from or what was included in the correspondence.

In November 2008, in a court case involving the district, R.E. et al., vs. Joseph L. Washington, et al., (2008) Case No. 07CC-3465, the Twenty-First Judicial Circuit Court ordered "Defendants shall immediately direct the removal of and shall abandon use of a universal notice of closed board meetings that is continuously posted and that identifies subjects that may be discussed in closed meetings. Defendants shall further direct that all future notices of a closed meetings shall set the specific date for the meeting, as well as the specific time, and specific place and shall refer to the specific statutory exception for the topic or topics any board member requests be discussed at the specific meeting."

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings. Complete and accurate minutes provide an official record of district actions and decisions. The minutes are the only official record of the actions of the district. Care should be taken to ensure minutes are complete and document discussions and specific intentions or reasons behind district decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the district's intentions, possible incorrect interpretation of the district's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions.

Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The Board should restrict discussion in closed sessions to specific topics listed in Chapter 610, RSMo, and clearly document which section of law the meeting is being closed under and how items discussed comply with state law.

WE RECOMMEND the Board of Directors ensure specific reasons for closing meetings are documented in the open meeting minutes as required by state law and court order and a complete and detailed record of meetings is prepared, including all discussion and reports. In addition, the Board should require minutes for closed meetings be prepared and clearly document how subjects discussed in closed session comply with state law.

13. Receipt Controls

Bank reconciliations and deposits are not performed timely. In addition, checks are not endorsed immediately upon receipt, and petty cash procedures are inadequate. The district received approximately \$665,400 in the form of cash and checks for ambulance fees during the year ended June 30, 2008.

- A. Bank reconciliations are not performed in a timely manner. In September 2008, the district hired an accounting firm to perform monthly bank reconciliations for the year ended June 30, 2008. In January 2009, the district again hired an accounting firm to perform monthly bank reconciliations for the period July 2008 through December 2008.

Timely preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors.

- B. Monies received are not deposited in a timely manner. Monies are collected each business day, but monies are deposited approximately once a week. From April 2008 through June 2008, the district made an average of four deposits per month, with an average deposit of approximately \$17,900. In addition, checks are not restrictively endorsed immediately upon receipt, but are endorsed weekly when taken to the bank for deposit.

To adequately account for collections and reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt and deposits made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- C. Petty cash procedures are in need of improvement.

- A ledger documenting receipts, disbursements, and the balance of the petty cash fund is not maintained. The Office Manager periodically requests reimbursement to replenish the petty cash fund; however, vendor receipts or other documentation are not submitted to support some requests to replenish the fund. Also, the fund is not reviewed by a person independent of the accounting process.
- A cash count of the petty cash fund on December 1, 2008, showed petty cash short by \$10. This was due to a reimbursement where an employee used their debit card at the store, and received \$10 back in cash. The Office Manager had reimbursed the employee the amount of the items purchased on the receipt, including the \$10 in cash the employee received.
- Some purchases made with petty cash did not appear to be prudent and necessary uses of public funds including candy, cookies, and a candle.

Without adequate supporting documentation, the Board cannot evaluate the necessity and reasonableness of petty cash disbursements. Good internal controls require petty cash be set at an established amount and reimbursed when expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, receipt and disbursement records should be maintained, and petty cash funds should only be used for their intended purpose.

WE RECOMMEND the Board of Directors:

- Ensure bank reconciliations are performed in a timely manner.
- Ensure monies are deposited on a timely basis and checks and money orders are restrictively endorsed immediately upon receipt.
- Ensure the petty cash fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, the Board should require a ledger documenting receipts, disbursements, and the balance of the petty cash fund be maintained to properly document the financial activity of the fund, and vendor invoices or receipts be submitted to reimburse the petty cash fund.

14.

Capital Assets and Vehicle Usage

Procedures and records to account for district property are not adequate. The district does not reconcile fuel used to fuel purchased, and records are not maintained of mileage incurred on district vehicles for employee commuting purposes. In addition, commuting mileage is not included on employee W-2 forms as a fringe benefit.

- The district does not maintain current, complete, and detailed records of capital assets, including land, buildings, vehicles, equipment, and furniture. In addition,

property is not tagged for specific identification and an annual physical inventory of the property is not performed. Written authorization is not obtained from the Board for the disposition of capital assets, nor are bids solicited from the public for the disposal of items. District personnel indicated items disposed of are either given or thrown away.

Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the district should conduct annual physical inventories and compare the results to detailed records. All capital assets should be recorded at historical cost or estimated historical cost, if actual cost is not available. Also, written authorization from the Board of Directors should be obtained for dispositions and bids should be solicited from the public for the sale of assets.

- B. During the year ended June 30, 2008, the district spent approximately \$58,600 for fuel for four cars, a pickup truck, a sports utility vehicle, two ambulances, and two fire trucks.
- District employees dispense fuel into the fire trucks and other vehicles from bulk fuel tanks located behind the fire station. The district receives periodic billings from the vendor when the tanks are filled. In May 2008, the district began maintaining a log of fuel pumped from the bulk fuel tanks. The log includes the date, driver, vehicle number, odometer reading, and gallons pumped for all district vehicles in the order fueled; however, the log is not reviewed for reasonableness or reconciled to fuel purchased.
 - The district also has fuel cards, which allow the Fire Chief, Assistant Chief, and Deputy Chiefs to fuel district assigned vehicles at local gas stations. Once a month, the fuel card vendor sends an invoice to the district. Mileage or fuel logs are not maintained for these vehicles. In addition, employees do not submit credit card slips to be compared to the monthly invoice.
 - A review of 15 fuel card transactions in October 2007 and April 2008, indicated 14 transactions made within 30 miles of the fire station. One vehicle was fueled at a local gas station within 2 miles of the fire station, instead of using one of the bulk fuel tanks located at the fire station.

Complete fuel and vehicle use logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel use and disbursements, the fuel use logs should be periodically reviewed and recorded use reconciled to fuel purchased and on hand. Failure to account for fuel use could result in the failure to detect theft or misuse. In addition, when the district purchases gasoline and diesel fuel in bulk, it receives a lower price than the price at the local gas station; therefore, the Board should require employees to utilize the bulk fuel tanks whenever possible. In addition, credit card slips are necessary to ensure amounts billed are proper and district credit cards are used only for district business.

- C. The Fire Chief, Assistant Fire Chief, and Deputy Chiefs are allowed to use district vehicles to commute between home and work; however, the amount of personal (commuting) mileage is not recorded on the employees' W-2 forms. As noted above, vehicle logs are not maintained for these vehicles.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Clearly marked fire department vehicles are exempt from this guideline. However, district vehicles are not clearly marked. District personnel indicated the government license plates and fire department lights on the vehicles are enough to mark the vehicles as fire department vehicles; however, IRS guidelines state that for a vehicle to be clearly marked, it must have permanently affixed decals or special painting on the vehicle.

IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal use. Because procedures have not been established to ensure IRS regulations are followed, the district may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the Board of Directors:

- A. Ensure complete and detailed capital asset records are maintained; annual physical inventories are performed and compared to detailed records; bids are obtained for assets sold; and proper approval is documented for the disposal of assets.
- B. Ensure vehicle fuel use is analyzed for reasonableness and complete usage logs and fuel inventory records are maintained and periodically reconciled to fuel purchased and on hand. In addition, the Board should establish procedures to require employees use the bulk fuel tanks whenever possible. Also, the Board should require all fuel card receipts be turned into the Office Manager for comparison to the invoice.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in district-owned vehicles.

The district discontinued following the stipulations of the Firefighters Union Contract prior to the termination of the contract.

- A. The district did not honor the Firefighters Union Contract. The district entered into a contract with the Local Firefighters 2665 Union in December 1996. In June 2007, the current Board passed a resolution stating the agreement was not binding, and the district would no longer honor the contract. The Board sent a letter to employees stating the contract was not in effect, and employees would follow the new personnel manual.

The Firefighters Union Contract required the Board to give notice of termination by December 1st of any given year to terminate the contract as of December 31st of that year. Since the board gave notice in June 2007, the contract would have terminated December 31, 2007, not June 6, 2007.

- B. The Board did not pay out sick leave incentive plan monies in December 2007, as dictated by the Firefighters Union Contract. The contract has a sick leave incentive plan which requires the district on January 1st, to place \$1,000 per firefighter in an account and at year end the balance of the account is to be divided between the firefighters that had not used any sick leave during the year. In January 2007, the district placed \$1,000 for each active firefighter in an account; however, the monies were not paid out in accordance with the incentive plan. The district used the sick leave incentive monies for bonuses for all employees (see MAR finding number 8).

Based on the information noted in part A above, the Firefighters Union Contract was in effect in 2007, and the sick leave incentive plan should have been paid out in accordance with the contract.

- C. In 2007, the Board hired 14 individuals; however, only 4 had the qualifications required by the Firefighters Union Contract. The individual hired as the assistant fire chief was not certified as a paramedic as required. Others had not passed Firefighter I and II training through the St. Louis County Fire Academy or did not have a valid Missouri certification as a paramedic.

Failure to comply with the provisions of the contract could lead to future legal ramifications.

WE RECOMMEND the Board of Directors ensure it complies with provisions of contracts in the future.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

NORTHEAST AMBULANCE AND
FIRE PROTECTION DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Northeast Ambulance and Fire Protection District, St. Louis County, Missouri, is an ambulance and fire district established pursuant to Chapter 321, RSMo. The Northeast Ambulance and Fire Protection District was known as the Normandy Fire Protection District prior to January 2008. The district includes 16 cities and serves approximately 45,000 citizens.

An elected board serves as the policy-making body for district operations. The board's three members serve 6-year terms. The Board and other officials during the year ended June 30, 2008, are identified below. Salaries for board members are established by state law. Members of the board are paid \$100 for each open and closed meeting (up to 4 meetings per month). In addition, the President is paid an additional \$50 per open meeting (up to 2 meetings per month), the Secretary is paid an additional \$1,000 a year, and the Treasurer is paid an additional \$1,000 per year.

Fire District Board	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for Year Ended June 30, 2008
Joseph Washington, Board President (1)	July 2007-June 2008	\$ 9,275
Robert Edwards, Board Secretary/Treasurer	July 2007-June 2008	11,246
Robert Lee, Board member (2)	July 2007-June 2008	8,492

	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for Year Ended June 30, 2008
Peter O'Neal, Fire Chief (3)	July 2007-June 2008	\$ 94,756
Robert Manuel, Assistant Fire Chief	July 2007-June 2008	86,899
Michael Garstang, Deputy Chief	July 2007-June 2008	61,276
Kevin McPike, Deputy Chief	July 2007-June 2008	86,331
Bilal Olushola, Deputy Chief	July 2007-June 2008	86,421
Airest Wilson, Deputy Chief	July 2007-June 2008	86,331
Michael Mudd, Chief Medical Officer (4)	July 2007-September 2007	22,893
Harold Conner, Chief Medical Officer	September 2007-June 2008	70,095
Marvalda Jones, Office Administrator (5)	July 2007-September 2007	10,376
Linda Love, Office Administrator	October 2007-June 2008	39,910

- (1) Joseph Washington resigned from this position in July 2009 to become the Fire Chief, and Robert Edwards took the position of Board President. The board position remains vacant.
- (2) Robert Lee was removed from the Board in July 2009, and Rhea Willis was appointed to this position.
- (3) Joseph Washington was appointed Fire Chief in July 2009, and Peter O'Neal is an Assistant Fire Chief.
- (4) Harold Conner replaced Michael Mudd as Chief Medical Officer in July 2009. Mr. Conner served until July 2008 when he retired, and the district hired Angela Elgin for this position.
- (5) Marvalda Jones' employment was terminated in September 2007. Linda Love was hired in September 2007 to fill the Office Administrator position.

In addition to the officials identified above, the district employed 33 full-time employees, and 40 part-time employees as of June 30, 2008.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Residential real estate	\$ 153,615,160	\$ 154,032,240
Agricultural real estate	16,560	16,560
Commercial real estate	27,886,752	37,820,045
Personal property	37,080,895	37,500,503
Total	\$ <u>218,599,367</u>	<u>229,369,348</u>

TAX RATES PER \$100 ASSESSED VALUATION:

	2008			
	Residential Real Estate	Agricultural Real Estate	Commercial Real Estate	Personnel Property
General Fund	1.5000	1.5000	1.5000	1.5000
Ambulance Fund	0.3000	0.3000	0.3000	0.3000
Pension Fund	0.1000	0.0900	0.1000	0.1000
Dispatch Fund	0.0500	0.0460	0.0500	0.0500

	2007			
	Residential Real Estate	Agricultural Real Estate	Commercial Real Estate	Personnel Property
General Fund	1.3300	1.3864	1.5000	1.5000
Ambulance Fund	0.2660	0.2710	0.3000	0.3000
Pension Fund	0.0890	0.0890	0.1000	0.1000
Dispatch Fund	0.0440	0.0410	0.0500	0.0500

APPENDIXES

APPENDIX A
LIST OF OUTSTANDING DOCUMENTS

The list below shows outstanding documents to which the State Auditor's office is in the process of obtaining.

- 1) Letter from the Board of Trustees of Commerce on the liquidation of funds which was read during the March 18, 2008, Board meeting.
- 2) Monthly Treasurer Reports from July 2007 through February 28, 2009.
- 3) Contract with FBD Consulting Incorporated.
- 4) The following invoices:

Vendor	Check Number	Amount	Fund	Payment Date
Alliance Medical	36005	\$ 1,104.10	Operations	8/30/2007
City Graphics	36063	2,000.00	Operations	9/10/2007
Group Health Plan	36106	46,723.66	Operations	9/21/2007
Protection 24	36169	1,320.00	Operations	10/16/2007
Angelia M. Elgin	1129	1,260.00	Operations	12/11/2007
Kelli K. DeDeaux	1125	2,161.51	Operations	12/11/2007
Aisha Ewing	1138	85.00	Operations	12/17/2007
Quick Trip	1139	282.30	Operations	12/17/2007
Airest Wilson	1150	328.25	Operations	12/18/2007
Katherine Goetzke	1154	1,603.00	Operations	12/18/2007
Sprint	1405	2,985.00	Operations	3/24/2008
NFPDIC, dues & subscriptions	1563	460.00	Operations	5/27/2008
Phillip Person	1626	15,800.00	Operations	6/17/2008
Memory Lane Auto	1652	706.00	Operations	6/27/2008
Missouri Black Caucus, training fees	1659	2,000.00	Operations	07/05/08
Shannan Patton Southwest- WC	1696	13,114.00	Operations	07/15/08
AFLAC Insurance	1816	937.98		08/19/08
Missouri Fire and Ambulance trust	1821	13,114.00	Operations	08/19/08
St. Louis Fire academy	1900	1,425.00	Operations	09/11/08
Zoll Medical Supplies	1904	53,898.38	Operations	09/15/08
Franco, fire equipment and supplies	1963	4,010.50	Operations	10/14/08

Vendor	Check Number	Amount	Fund	Payment Date
AFLAC Insurance	1992	937.98		10/21/08
Franco, fire equipment and supplies	2014	3,130.00	Operations	10/21/08
Franco, fire equipment and supplies	2079	6,956.00	Operations	11/11/08
Donny Mosley, building repairs	2103	1,500.00	Operations	11/18/08
AFLAC Insurance	2097	970.38	Operations	11/19/08
Donny Mosley, building repairs	2108	3,900.00	Operations	11/19/08
Donny Mosley, building repairs	2113	3,900.00	Operations	11/20/08
AFLAC Insurance	2165	937.98	Operations	12/09/08
Anthony Weaver, consultant fees	2201	1,425.00	Operations	12/16/08
Samuel Clemon	2186	554.00	Operations	12/16/08
J. Collins Snow	2215	600.00	Operations	12/23/08
Bernard Edwards, legal fees	1655	7,140.00	Operations	07/01/08
Bernard Edwards, legal fees	1729	5,900.00	Operations	07/29/08
Bernard Edwards, legal fees	1819	5,300.00	Operations	08/19/08
Bernard Edwards, legal fees	1919	5,900.00	Operations	09/16/08
Bernard Edwards, legal fees	1951	8,820.00	Operations	10/07/08
Bernard Edwards, legal fees	2020	7,400.00	Operations	10/21/08
Bernard Edwards, legal fees	2146	5,000.00	Operations	12/03/08
Bernard Edwards, legal fees	2210	6,000.00	Operations	12/23/08
Bernard Edwards, legal fees	36053	6,360.00	Operations	9/6/2007
Bernard Edwards, legal fees	36147	1,380.00	Operations	10/9/2007
Bernard Edwards, legal fees	1194	1,300.00	Operations	1/8/2008
Bernard Edwards, legal fees	1341	5,720.00	Operations	2/26/2008
Bernard Edwards, legal fees	1369	4,100.00	Operations	3/11/2008
Bernard Edwards, legal fees	1423	5,420.00	Operations	3/31/2008
Bernard Edwards, legal fees	1451	4,100.00	Operations	4/15/2008
Bernard Edwards, legal fees	1513	6,260.00	Operations	5/6/2008
Bernard Edwards, legal fees	1578	6,200.00	Operations	5/27/2008
Metro Law Firm, LLC	1032	7,626.32	Operations	11/7/2007
Metro Law Firm, LLC	1658	16,380.00	Operations	07/03/08
Metro Law Firm, LLC	1768	4,500.00	Operations	08/01/08
Metro Law Firm, LLC	1839	3,160.00	Operations	08/08/08
Metro Law Firm, LLC	1823	4,480.00	Operations	08/20/08
Metro Law Firm, LLC	1923	5,500.00	Operations	09/16/08

Vendor	Check Number	Amount	Fund	Payment Date
Metro Law Firm, LLC	1958	1,487.50	Operations	10/07/08
Metro Law Firm, LLC	1960	9,877.50	Operations	10/14/08
Metro Law Firm, LLC	2115	1,535.84	Operations	12/03/08
Metro Law Firm, LLC	2145	1,462.50	Operations	12/03/08
Metro Law Firm, LLC	2194	1,125.00	Operations	12/16/08
Metro Law Firm, LLC	2195	1,350.00	Operations	12/16/08
Metro Law Firm, LLC	2245	3,600.00	Operations	12/23/08
Metro Law Firm, LLC	2246	9,993.41	Operations	12/23/08
Metro Law Firm, LLC	2109	5,000.00	Operations	11/19/08
Metro Law Firm, LLC	35941	4,926.24	Operations	7/24/2007
Metro Law Firm, LLC	35942	1,660.64	Operations	7/24/2007
Metro Law Firm, LLC	35966	10,500.00	Operations	8/9/2007
Metro Law Firm, LLC	36002	4,860.00	Operations	8/27/2007
Metro Law Firm, LLC	36075	760.00	Operations	9/10/2007
Metro Law Firm, LLC	36083	2,644.82	Operations	9/11/2007
Metro Law Firm, LLC	36084	763.00	Operations	9/11/2007
Metro Law Firm, LLC	36109	1,814.00	Operations	9/25/2007
Metro Law Firm, LLC	36139	4,426.00	Operations	10/2/2007
Metro Law Firm, LLC	36140	2,867.50	Operations	10/9/2007
Metro Law Firm, LLC	36148	2,325.00	Operations	10/9/2007
Metro Law Firm, LLC	1016	1,774.00	Operations	11/2/2007
Metro Law Firm, LLC	1084	2,160.00	Operations	11/21/2007
Metro Law Firm LLC	1089	5,583.50	Operations	11/27/2007
Metro Law Firm, LLC	1105	1,183.91	Operations	11/27/2007
Metro Law Firm, LLC	1106	747.00	Operations	11/27/2007
Metro Law Firm, LLC	1109	5,837.31	Operations	11/27/2007
Metro Law Firm, LLC	1166	5,000.00	Operations	12/27/2007
Metro Law Firm, LLC	1197	5,000.00	Operations	1/8/2008
Metro Law Firm, LLC	1198	5,000.00	Operations	1/8/2008
Metro Law Firm, LLC	1199	5,000.00	Operations	1/8/2008
Metro Law Firm, LLC	1227	5,000.00	Operations	1/15/2008
Metro Law Firm, LLC	1246	5,793.50	Operations	1/22/2008
Metro Law Firm, LLC	1269	5,516.61	Operations	2/5/2008
Metro Law Firm, LLC	1324	8,760.00	Operations	2/19/2008
Metro Law Firm, LLC	1392	8,612.44	Operations	3/18/2008
Metro Law Firm, LLC	1424	3,357.43	Operations	3/31/2008
Metro Law Firm, LLC	1471	7,940.00	Operations	4/15/2008
Metro Law Firm, LLC	1492	3,434.00	Operations	4/22/2008

Vendor	Check Number	Amount	Fund	Payment Date
Metro Law Firm, LLC	1515	6,000.00	Operations	5/6/2008
Metro Law Firm, LLC	1577	1,500.00	Operations	5/27/2008
Metro Law Firm, LLC	1629	3,000.00	Operations	6/19/2008
Metro Law Firm, LLC	35727	5,000.00	Operations	4/24/07
Anthony Weaver, consultant fees	1657	639.00	Operations	07/02/08
Anthony Weaver	1677	913.00	Operations	07/08/08
Anthony Weaver	1688	1,207.00	Operations	07/15/08
Anthony Weaver	1716	825.00	Operations	07/22/08
Anthony Weaver	1728	600.00	Operations	07/29/08
Anthony Weaver	1773	1,167.50	Operations	08/12/08
Anthony Weaver	1801	1,167.50	Operations	08/19/08
Anthony Weaver	1845	1,125.00	Operations	09/02/08
Anthony Weaver	1905	905.00	Operations	09/16/08
Anthony Weaver	1932	1,575.00	Operations	09/23/08
Anthony Weaver	2033	1,800.00	Operations	10/02/08
Anthony Weaver	1946	2,175.00	Operations	10/07/08
Anthony Weaver	1982	1,800.00	Operations	10/14/08
Anthony Weaver	1990	1,425.00	Operations	10/21/08
Anthony Weaver	2068	1,650.00	Operations	10/28/08
Anthony Weaver	2078	1,500.00	Operations	11/11/08
Anthony Weaver	2096	1,425.00	Operations	11/18/08
Anthony Weaver	2147	1,350.00	Operations	12/03/08
Anthony Weaver	2167	1,425.00	Operations	12/09/08
Anthony Weaver	2201	1,425.00	Operations	12/16/08
Anthony Weaver	35970	273.00	Operations	8/14/2007
Anthony Weaver	36001	120.00	Operations	8/27/2007
Anthony Weaver	36064	275.00	Operations	9/10/2007
Anthony Weaver	2206	1,425.00	Operations	12/23/08
Anthony Weaver	36097	402.00	Operations	9/17/2007
Anthony Weaver	36131	315.00	Operations	10/1/2007
Anthony Weaver	36167	350.00	Operations	10/16/2007
Anthony Weaver	1119	469.00	Operations	11/06/07
Anthony Weaver	1033	350.00	Operations	11/08/07
Anthony Weaver	1155	328.00	Operations	12/18/07
Anthony Weaver	1214	205.00	Operations	01/15/08
Anthony Weaver	1241	200.00	Operations	01/22/08
Anthony Weaver	1251	260.00	Operations	02/04/08
Anthony Weaver	1277	694.00	Operations	02/12/08

Vendor	Check Number	Amount	Fund	Payment Date
Anthony Weaver, website update	1314	548.00	Operations	02/19/08
Anthony Weaver	1339	450.00	Operations	02/26/08
Anthony Weaver	1344	180.00	Operations	03/11/08
Anthony Weaver	1362	327.00	Operations	03/11/08
Anthony Weaver	1391	320.00	Operations	03/18/08
Anthony Weaver	1408	180.00	Operations	03/24/08
Anthony Weaver	1426	215.00	Operations	03/31/08
Anthony Weaver	1449	375.00	Operations	04/07/08
Anthony Weaver	1450	246.00	Operations	04/07/08
Anthony Weaver	1481	246.00	Operations	04/22/08
Anthony Weaver	1493	369.00	Operations	04/22/08
Anthony Weaver	1546	328.00	Operations	05/20/08
Anthony Weaver	1569	244.00	Operations	05/27/08
Anthony Weaver	1589	426.00	Operations	06/03/08
Anthony Weaver	1613	336.00	Operations	06/10/08
Anthony Weaver	1625	330.00	Operations	06/17/08
Anthony Weaver	1646	685.00	Operations	06/24/08

5) Individual vendor receipts for each purchase below:

Payee	Check Number	Amount	Fund	Payment Date
Sear Commercial	1003	\$ 806.96	Operations	10/29/2007
Cardmember	1021	1,417.30	Operations	11/6/2007
Service				
Home Depot	1042	685.04	Operations	11/13/2007
Petty Cash	1062	1,500.00	Operations	11/20/2007
Grainger	1107	1,074.32	Operations	11/27/2007
Cardmember	1252	1,113.53	Operations	2/4/2008
Service				
Cardmember	1348	1,908.48	Operations	3/11/2008
Service				
Postmaster	1373	1,350.00	Operations	3/13/2008
Hilton St. Louis	1412	1,464.00	Operations	3/31/2008
Airport				
Cardmember	1454	1,999.08	Operations	4/15/2008
Service				
Cardmember	1505	1,955.65	Operations	4/29/2008
Service				

<u>Payee</u>	<u>Check Number</u>	<u>Amount</u>	<u>Fund</u>	<u>Payment Date</u>
Cardmember Service	1602	3,360.34	Operations	6/10/2008
Home Depot	1506	1,669.77	Operations	4/29/2008
Office Depot	1528	2,420.63	Operations	5/13/2008
Sears Commercial	1545	1,011.31	Operations	5/20/2008

- 6) W-2 forms for calendar years 2007 and 2008.
- 7) A list of Board members indicating term of office, occupation and place of employment.
- 8) Payroll registers for March, April, and May, 2008.
- 9) A list of credit cards issued to the district indicating whether they are assigned to a particular individual or if not assigned to a specific individual, where they are located, who has access, and a description of the procedures to obtain the credit cards.
- 10) Mike Garstang's spreadsheet on the Tax Pension allocation for the February 14, 2008, payment of \$95,287.16.
- 11) Minutes from February 10, 2009, through March 17, 2009, Board meetings.
- 12) Documentation on the in-house investigation regarding the tools that were stolen from the fire house.
- 13) Copies of the fuel logs from the fire house (gas and diesel).
- 14) The petition documents for all lawsuits involving the district or it's Board members from July 2007 through February 28, 2009, and any and all judgments relating to said lawsuits.
- 15) Copies of any audits or investigations of the district, it's Board members or it's employees from July 2007 through February 28, 2009 and any reports or rulings provided by these audits or investigations.
- 16) The closing documentation on the purchase of the District's Administration Building located at 7100 Natural Bridge, Beverly Hill, MO 63121.

APPENDIX B

LIST OF FINDINGS FROM THE AUDIT REPORT FOR THE 18 MONTHS ENDED
JUNE 30, 2007, CONDUCTED BY CHARLES BUCHANAN, CPA, PC

NORMANDY FIRE PROTECTION DISTRICT SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS CONTROL FINDINGS AND RECOMMENDATIONS June 30, 2007

2007-1 Finding: Monthly Financial Statements Not Prepared

Financial statements were not prepared and presented to the Board of Directors on a monthly basis. The financial staff was unable to provide a budget to actual revenue and expense variance report. The Board of Directors was deprived of the opportunity to manage NFPD's financial situation. By June 30, 2007 NFPD over drafted its bank accounts by \$388,417.

Recommendation: NFPD should consider utilizing software for financial reporting, utilize external support to produce the financial statements, train the staff to utilized fund accounting, and enable a monthly management review as a part of the process.

2007-2 Finding: Accounts Payable Balances did Not Agree to General Ledger

NFPD does not utilize the accounts payable reporting module. Accounts payable detail was not reconciled to the general ledger control account. Expenses & payables may be under/overstated by \$29,918.

Recommendation: We recommend the open invoice file be reconciled with the general ledger monthly. Differences should be investigated and resolved promptly.

2007-3 Finding: Multiple Unrecorded Transactions and Accounting Errors in Pension Transaction Recording and Reporting

Numerous posting errors in the money purchase (\$80,721) and 457B (\$57,113) deferred compensation plan transactions were not correctly recorded. NFPD's finance personnel did not understand the interfund impact to comply with accounting principles generally accepted in the United States of America. The pension participant receivable is misstated, and the withholding liabilities in the general fund are inaccurately recorded.

Recommendation: We recommend NFPD correct its pension withholding accounts by recording the 2005 audit adjusting journal entries and remove withholding payments paid through the ADP payroll processor.

2007-4 Finding: Interfund Transactions, Receivable and Payables, are Mixed. This Causes Contra Indicated Amounts in the Balance Sheet

The general fund due from the ambulance, \$-658,701, and the ambulance due to the general fund, \$1,160,878, is recorded as a negative liability, and a negative asset. Liabilities are materially misstated on the related financial statements.

Recommendation: We recommend staff analyze interfund transactions and accounts. Details should then be reconciled monthly with the general ledger accounts on a regular basis.

2007-5 Finding: Bank Reconciliation Approval

Currently, employees who are responsible for other cash functions also review bank reconciliations. This provides an ineffective system of cash control, because it permits the possibility of fraudulent activities due to the lack of an adequate segregation of duties.

Recommendations: An employee independent of cash receipt and disbursement activities should review the bank reconciliations for any unusual items and document their approval by initialing the form.

2007-6 Finding: Support for Cash Disbursements Needs to be Retained

On occasion, the District officer disposes of the vendor's invoice once the check is disbursed. This procedure leaves the District without documentary evidence to support such disbursements and could lead to duplicate payments and other problems.

Recommendations: The original invoice should always be retained as supporting documentation for any disbursement.

2007-7 Finding: Reconciling Statements Regularly

We noted the bank statements for the District various accounts were not reconciled to the general ledger.

Recommendations: We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted with adequate explanations.

2007-8 Finding: Failure to make Prior Year Audit Adjustments

The District failed to record the 2005 adjusting journal entries prepared by the external auditor, into its 2006 and 2007 unaudited trial balances. The District did not provide accounting support for the period January 1, 2006 through June 30, 2007.

The 2006 and 2007 interim financial statements were materially misstated. This created a significant increase in the activities to address significant misstatements to the financial

statements. The operations fund balance was understated from the prior year audited amount, \$1,449,527.

Recommendation: The District should arrange for the adjustments to be included in the year end 2007 audited financial statements.

2007-9 Finding: Interprogram Receivables/Payables, Transfers Ins/Out Did Not Balance with Each Other

The interprogram receivables/payables and transfers in/out did not agree by \$358,922.

Transactions were processed where resources were available, as opposed to the objective. The impact was to understate income/expense activity and GAAP departure.

Recommendation: We recommend staff analyze interprogram accounts.

2007-10 Finding: Tax Receipt Deposits have not been Recorded for Ambulance, Dispatch, and Pension Funds

We noted \$104,078, \$114,255, and \$234,121 in posting errors within property tax revenues for dispatch, pension, and ambulance fund processing. The impact is to under/over stated activity in the related funds.

Recommendation: We recommend reconciling these details with source documents and the respective general ledger accounts on a regular basis.

2007-11 Finding: Lack of Recorded Compensated Absences

During our audit we noted the compensated absences; \$1,386,939, expense and accrual were neither recorded, nor supported by appropriate documentation.

Recommendation: We recommend revising the accounting policy to include an accrual for the amount of accrued compensated time an employee accumulates.

2007-12 Finding: Lack of Written Accounting and Internal Control Procedures

The District has not developed written accounting and internal control procedures to ensure the accurate recording of all financial transactions. The written accounting procedures would detail such matters as how to record particular transactions, reference to and adherence to the implementing regulations, adequate separation of duties, review and control procedures, filing and record maintenance procedures, etc.

Recommendation: We recommend the District develop written accounting and internal control procedures to ensure compliance with the AICPA Audit and Accounting Guide (Audit Guide), Government Organizations, which provides accounting and reporting guidance. The District should seek Board approval of the accounting procedures before implementation.

2007-13 Finding: Multiple Unrecorded Transactions and Accounting Errors in Payroll Transaction Recording and Reporting

\$307,957 in posting errors in the payroll withholding liabilities, associated with tax and employee non-pension withholding transactions, were not correctly recorded.

Recommendation: We recommend NFPD correct its payroll withholding accounts by recording the 2005 audit adjusting journal entries and remove withholding payments paid through the ADP payroll processor.

2007-14 Finding: Multiple Unrecorded Transactions and Accounting Errors in Dispatch Transaction Recording and Reporting

\$138,988 in posting errors in the dispatch fund transactions were not correctly recorded. NFPD's finance personnel did not process the dispatch adjusting entries to record remittances to NCCA. The expenses are misstated.

Recommendation: We recommend NFPD acquire external accounting and financial management monitoring on a monthly basis, and at year end.

2007-15 Finding: Valuation of Land and Plant Facilities

\$835,127 was omitted from the complete listing of fixed assets. A complete listing of all fixed assets and their related cost are necessary in order to facilitate the computation of depreciation expense, which is required for all organizations to recognize in their financial statements under generally accepted accounting principles.

Recommendation: We recommend management compile an inventory of fixed assets by location and by fund. Normandy Fire Protection District should develop and maintain such a list; and agree it to the general ledger on a regular basis.

2007-16 Finding: Inconsistencies in Accounting System

During our audit, we discovered inconsistencies within the District's accounting system, specifically, the lack of consistent processing of none check transactions. Interest expense, interest income, and changes to the investment accounts had not been recorded. The payroll tax returns did not reconcile with the yearend payroll reporting.

Recommendation: We recommend the District consider hiring competent accounting personnel.

2007-17 Finding: Lack of Eighteen Month Budget Covering the Audit Period for 2006 and 2007.

The Normandy Fire Protection District did not provide budgeting support or guidance for the period January 1, 2006 through June 30, 2007.

Recommendation: The District shall establish a budget process.

2007-18 Finding: Noncompliance with Cash Collateral

The District failed to obtain collateral to cover deposits over FDIC coverage from its financial institutions. The District did not obtain depository agreements with its financial institutions and subjected its cash to unnecessary risk. The District is required to advertise for depository services biannually.

Recommendation: We recommend the District obtain depository agreements and collateral from its financial institutions.

2007-19 Finding: Expense Reimbursements: Standard Form

To request reimbursement for travel and other expenses, recipients either write the expenses on a plain sheet of paper, submit receipts only, or use some other inconsistent method.

Recommendations: We recommend the District implement the use of a standard form to be completed by all staff members, managers, and board members. This form along with the receipts accompanying the expenses should be required before the issuance of reimbursement payments. This practice will help to specifically identify expenses and to establish much greater accounting consistency regarding reimbursements.

2007-20 Finding: Receiving Checks and Receipts

We noted that there are no standard procedures for receiving checks at the office.

Recommendation: The District should consider the following procedures should to improve internal controls:

Checks should be immediately endorsed when they are received. A control list should be made of receipts when they are received and/or opened. Checks should be deposited to the bank on a timely basis. Receipts should be processed timely. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

2007-21 Finding: Accounting Staffing Needs to Perform Year-End Accounting

Bank reconciliations for the entire year had not been prepared.

Recommendation: We suggest the Normandy Fire Protection District provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year-end accounting for the engagement.

2007-22 Finding: Record Storage and Retrieval

During our engagement we noticed that accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Lack of specific policies for removing prior year records from the files to a designated storage space

The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when other government agencies need documents in support of tax returns and other reports subject to audit.

Recommendation: We recommend the District consider following steps:

- Decide on a systematic manner of filing documents, e.g., pre-numbered Company envelopes, invoices and receiving reports filed consecutively by number, vendor bills alphabetically by vendor name, journal entries by month, etc.
- Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and re-file documents.
- Institute use of "sign-out" cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents termination.
- Decide on when records should be removed to other storage areas to create room for needed records. For example, some companies keep the current and prior year records in the accounting department or in storage rooms on the premises and store older records in off-premises warehouses, or some files may be stored on microfiche.
- Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

2007-23 Finding: Supporting Documentation Needed

We noted the District could not locate documentation that supported a majority of the additions to property and equipment over the years, including original invoices. Adequate documentation for such additions to fixed assets is critical and should be retained.

Recommendation: We suggest provisions be implemented to retain supporting documentation for purchases of fixed assets in all cases.

2007-24 Finding: Indirect Cost Allocation Plan

The District receives a significant portion of its revenue for specific funds (ambulance, dispatch, pension, and debt service) in the form of restricted property tax receipts. These funds

have established restrictions for their use for certain projects and/or programs. Accordingly, these amounts have been recorded as a separate restricted class of net assets on the District's financial statements. We found the District does not allocate overhead to the multiple funds. Rather, these costs are all absorbed by the unrestricted net asset class and are not allocated to the specific funds' net assets. We believe there is a substantial cost in administering the specific funds and the general fund should be appropriately compensated.

The District has not developed a basis for allocation of overhead cost to programs and other support activities in accordance with SOP 98-2 and OMB A-110. The Program does not utilize substantiated allocation percentages to transfer all administrative and general and fund raising to specific programs. The impact is to misstate fully allocated cost to programs, and to not provide an accurate basis for cost reimbursement.

Recommendation: An allocation methodology should be developed and evidenced by allocated time or other documentation. The District should review the behavior of their overhead pool components to determine the most feasible means for gathering the documentation for overhead allocation.

2007-25 Finding: Computerized Accounts Payable System should be Utilized

The District disburses a number of transactions by electronic remittance (pension transactions), use of credit card, and checks without recording these transactions through the accounts payable system. While this procedure may be effective, it does not maintain the books on an accrual basis, tends to be inefficient, and becomes more cumbersome and error prone as transaction volume grows.

Recommendation: A practical alternative would be the use of the accounts payable system, which is a component of the computer accounting package currently in use. Under this method, a vendor's invoice is recorded in a open invoice journal upon receipt and approval. At any given point in time, a listing of open/unpaid invoices can be produced from the system. This listing should match all items in the open invoice file at all times. This procedure would make available on a virtually automatic basis a monthly list of unpaid invoices. This practice would allow for a much stronger control over the accounts payable and the amounts reflected in the financial statements.

APPENDIX C BROKER DISCLOSURE FORM

MISSOURI BROKER DISCLOSURE FORM



This disclosure is to enable you, a prospective buyer, seller, tenant or landlord of real estate, to make an informed choice BEFORE working with a real estate licensee.

Missouri law allows licensees to work for the interest of one or both of the parties to the transaction. The law also allows the licensee to work in a neutral position. How the licensee works depends on the type of brokerage service agreements involved. Since the sale or lease of real estate can involve several licensees it is important that you understand what options are available to you regarding representation and to understand the relationships among the parties to any transaction in which you are involved.

Missouri laws require that if you want representation, you must enter into a written agreement. This may or may not require you to pay a commission. You do not need to enter into a written agreement with a transaction broker unless you intend to compensate this licensee. These agreements vary and you may also want to consider an exclusive or nonexclusive type of relationship.

If you choose not to be represented by an agent, the licensee working with you may be working for the other party to the transaction.

CHOICES AVAILABLE TO YOU IN MISSOURI

Seller's or Landlord's Limited Agent

Duty to perform the terms of the written agreement made with the seller or landlord, *to exercise reasonable skill and care for the seller or landlord, and to promote the interests of the seller or landlord* with the utmost good faith, loyalty and fidelity in the sale, lease, or management of property.

Information given by the buyer/tenant to a licensee acting as a Seller's or Landlord's Limited Agent will be disclosed to the seller/landlord.

Buyer's or Tenant's Limited Agent

Duty to perform the terms of the written agreement made with the buyer or tenant, *to exercise reasonable skill and care for the buyer or tenant and to promote the interests of the buyer or tenant* with the utmost good faith, loyalty and fidelity in the purchase or lease of property.

Information given by the seller/landlord to a licensee acting as a Buyer's or Tenant's Limited Agent will be disclosed to the buyer/tenant.

Sub-Agent (Agent of the Agent)

Owes the same obligations and responsibilities as the Seller's or Landlord's Limited Agent, or Buyer's or Tenant's Limited Agent.

Disclosed Dual Agent

With the written consent of all parties, represents both the seller and the buyer or the landlord and the tenant.

A Disclosed Dual Agent may disclose any information to either party that the licensee gains that is material to the transaction.

A dual agent may not disclose information that is considered confidential, such as:

- Buyer/Tenant will pay more than the purchase price or lease rate
- Seller/Landlord will accept less than the asking price or lease rate

- Either party will agree to financing terms other than those offered
- Motivating factors for any person buying, selling or leasing the property
- Terms of any prior offers or counter offers made by any party.

Designated Agent

Acts as your specific agent, whether you are a buyer or tenant, or seller or landlord. When the broker makes this appointment, the other real estate licensees in the company do not represent you.

There are two exceptions with both resulting in dual agency:

1. The agent representing you as a buyer or tenant is also the agent who listed the property you may want to buy or lease.
2. The supervising broker of two designated agents becomes involved in the transaction.

Transaction Broker

Does not represent either party, therefore, does not advocate the interest of either party.

A transaction broker is responsible for performing the following:

- Protect the confidences of both parties
- Exercise reasonable skill and care
- Present all written offers in a timely manner
- Keep the parties fully informed
- Account for all money and property received
- Assist the parties in complying with the terms and conditions of the contract
- Disclose to each party of the transaction any adverse material facts known by the licensee
- Suggest that the parties obtain expert advice.

A transaction broker shall not disclose:

- Buyer/Tenant will pay more than the purchase or lease price
- Seller/Landlord will accept less than the asking or lease price
- Motivating factors of the parties
- Seller/Buyer will accept financing terms other than those offered.

A transaction broker has no duty to:

- Conduct an independent inspection of, or discover any defects in, the property for the benefit of either party
- Conduct an independent investigation of the buyer's financial condition.

Other Agency Relationships

Missouri law does not prohibit written agency agreements which provide for duties exceeding that of a limited agent described in this pamphlet.

This brokerage authorizes the following relationships:

- ☒ Seller's Limited Agent
- ☒ Landlord's Limited Agent
- ☒ Buyer's Limited Agent
- ☒ Tenant's Limited Agent
- ☐ Sub-Agent
- ☒ Disclosed Dual Agent
- ☒ Designated Agent
- ☒ Transaction Broker
- ☒ Other Agency Relationship

Broker or Entity Name and Address Mary One Johnson Home Team Realty LLC 1911 Park avenue St. Louis, Mo. 63104	
Client <i>Joseph J. Walton</i>	Date <i>09/24/2008</i>
Sales Associate <i>Cheri Walton</i>	Date <i>09/24/08</i>

Prescribed by the Missouri Real Estate Commission as of January, 2005. This additional format prescribed October 2007

Printed Using Professional Computer Forms Co. On-Line Forms Software 1/08

This document has legal consequences.
If you do not understand it, consult your attorney.

Form # 2125

2/08

©ST. LOUIS ASSOCIATION OF REALTORS®
Approved by Counsel for the St. Louis Association of REALTORS®
to be used exclusively by REALTORS®

BUYER'S EXCLUSIVE LIMITED AGENCY EMPLOYMENT CONTRACT

Buyer hereby retains the undersigned REALTOR®, for a period beginning _____ and ending _____, inclusive, as Buyer's exclusive limited agent for the purpose of locating real property as described below and to assist in negotiating terms and conditions for the purchase (hereinafter to include purchase, lease or obtain an option thereon). The general description of property being sought is _____

In consideration of Buyer's agreement set forth above, REALTOR® agrees to use reasonable effort and diligence to locate property acceptable to Buyer and to assist in negotiating terms and conditions for the purchase of said property. Unless Buyer requests otherwise, REALTOR® shall not be obligated to search for any properties other than those listed in the Mid American Regional Information Systems (hereinafter referred to as "MLS property"). REALTOR® shall disclose in all offers to purchase property on behalf of Buyer, its representation of Buyer and the source or sources of compensation.

Brokerage Fee: This is an exclusive agency agreement. If Buyer contracts to purchase a property during the term of this agreement, whether or not REALTOR® introduced the property to Buyer, REALTOR® is entitled to compensation as follows:

If compensation is offered by the seller or the listing company, REALTOR® will accept that compensation. However, REALTOR® shall not be obligated to show properties to Buyer if compensation offered to REALTOR® is not acceptable. When offered compensation is less than REALTOR®'s minimum of _____, Buyer will pay the difference. Compensation is due and payable at closing.

If within 120 days after the end of this agreement, Buyer contracts to purchase a property which is introduced to Buyer during the term of this agreement, REALTOR® is entitled to the fee stated above; however, no compensation is owed if Buyer enters into a bona fide Buyer's Exclusive Limited Agency Employment Contract with another REALTOR® during the 120 day period and compensation is paid to the other REALTOR®. Buyer acknowledges that REALTOR® is not considered an agent of the seller or listing company solely by accepting compensation from the seller and/or listing company.

Other Potential Buyers: Buyer understands that other potential buyers may consider, make offers on, buy, or lease through REALTOR® the same or similar properties as Buyer is seeking to purchase. Buyer consents to REALTOR®'s representation of and/or working with other such buyers before, during and after the expiration of this agreement.

Representations: Buyer acknowledges that REALTOR® is not acting as an attorney, tax advisor, lender, surveyor, building inspector, termite inspector, structural engineer or architect. Buyer should seek assistance from other professionals as deemed appropriate by Buyer. "Buyer acknowledges that Buyer should contact law enforcement officials for information pertaining to whether registered sex offenders or other convicted criminals reside in the area."

Relationship Limits: This agreement, according to Missouri law, establishes an agency relationship and therefore, prohibits (disallows) the Designated Broker (REALTOR®) and/or affiliated licensees from acting as a transaction brokerage. Buyer authorizes REALTOR® to offer subagency and to pay another broker or subagent a portion of the commission.

Broker Disclosure Form: Buyer acknowledges receipt of the Broker Disclosure Form prescribed by the commission (Missouri Real Estate Commission) by either a) on or before the signing of the (this) buyer's agreement, or b) upon the licensee obtaining any personal or financial information, whichever occurs first.

Dual Agency: Buyer acknowledges having read the "Dual Agency" provisions on the reverse side of this form. Buyer consents to the possibility of a dual agency relationship and its potential conflict of interest as described in the Missouri Broker Disclosure Form. Dual agency will not affect the compensation as described above.

Duties and Obligations: Buyer acknowledges having read the "Duties and Obligations of Limited Agency" on the reverse of this form.

Note: If a designated agent is appointed in accordance with this agreement, dual agency does not occur unless one of the two exceptions described in the "designated agent" paragraph of the Missouri Broker Disclosure Form occurs. Buyer acknowledges that broker may also represent sellers under agency agreements.

In the event of litigation between the parties, the prevailing party shall recover, in addition to damages or equitable relief, the cost of litigation, including reasonable attorneys' fees.

If, as authorized in the Missouri Broker Disclosure Form, the REALTOR® (Designated Broker) authorizes its licensees to act as Designated Agents, Jamita Walton is appointed by the REALTOR® (Designated Broker) as Buyer's designated agent, as described in the Missouri Broker Disclosure Form. In the event the designated agent is not available at any given time, any of the following agents associated with REALTOR® are hereby appointed by REALTOR® (Designated Broker) to represent the Buyer, without further notice:
Cheryl A. Isbell Johnson

If a designated agent is appointed, the Designated Broker must sign this agreement as authorized agent.

BUYER

DATE

BUYER

DATE

REALTOR® (Company)

Authorized Agent

DATE

MINIMUM BROKERAGE SERVICES AS ADAPTED FROM SECTION 339.780.7 RSMo

Pursuant to Missouri Law, Broker, through its designated broker and/or through one or more affiliated licensees, shall provide at a minimum, the following services:

1. Accepting delivery of and presenting to the buyer or customer's offers and counteroffers to buy, sell, or lease property that buyer seeks to purchase or lease;
2. Assisting the Buyer or Customers in developing, communicating, negotiating, and presenting offers, counteroffers, and notices that relate to the offers and the counteroffers until the lease or purchase agreement is signed and all contingencies are satisfied or waived; and
3. Answering Buyer or customer questions relating to the offers, counteroffers, notices, and contingencies.

DUTIES AND OBLIGATIONS OF LIMITED AGENCY AS ADAPTED FROM SECTION 339.740 RSMo

1. A licensee representing a buyer or tenant as a buyer's or tenant's agent shall be a limited agent with the following duties and obligations:
 1. To perform the terms of any written agreement made with the client;
 2. To exercise reasonable skill and care for the client;
 3. To promote the interest of the client with the utmost good faith, loyalty, and fidelity, including:
 - a. Seeking a price and terms which are acceptable to the client, except that the licensee shall not be obligated to seek other properties while the client is a party to a contract to purchase property or to a lease or letter of intent to lease;
 - b. Presenting all written offers to and from the client in a timely manner regardless of whether the client is already a party to a contract to purchase property or is already a party to a contract or a letter of intent to lease;
 - c. Disclosing to the client adverse material facts actually known or that should have been known by the licensee;
 - d. Advising the client to obtain expert advice as to material matters about which the licensee knows but the specifics of which are beyond the expertise of the licensee;
 4. To account in a timely manner for all money and property received;
 5. To comply with all requirements of sections 339.710 to 339.860, subsection 2 of section 339.100, and any rules and regulations promulgated pursuant to those sections; and
 6. To comply with any applicable federal, state, and local laws, rules, regulations, and ordinances, including fair housing and civil rights statutes or regulations.
2. A licensee acting as a buyer's or tenant's agent shall not disclose any confidential information about the client unless disclosure is required by statute, rule, or regulation or failure to disclose the information would constitute a misrepresentation or unless disclosure is necessary to defend the affiliated licensee against an action of wrongful conduct in an administrative or judicial proceeding or before a professional committee. No cause of action for any person shall arise against a licensee acting as a buyer's or tenant's agent for making any required or permitted disclosure.
3. A licensee acting as a buyer's or tenant's agent owes no duty or obligation to a customer, except that the licensee shall disclose to any customer all adverse material facts actually known or that should have been known by the licensee. A buyer's or tenant's agent owes no duty to conduct an independent investigation of the client's financial condition for the benefit of the customer and owes no duty to independently verify the accuracy or completeness of statements made by the client or any independent inspector.
4. A buyer's or tenant's agent may show properties in which the client is interested to other prospective buyers or tenants without breaching any duty or obligation to the client. This section shall not be construed to prohibit a buyer's or tenant's agent from showing competing buyers or tenants the same property and from assisting competing buyers or tenants in attempting to purchase or lease a particular property.
5. A client may agree in writing with a buyer's or tenant's agent that other designated brokers may be retained and compensated as subagents. Any designated broker acting on the buyer's or tenant's behalf as a subagent shall be a limited agent with the obligations and responsibilities set forth in subsections 1 to 4 of this section.

DISCLOSED DUAL AGENCY AS ADAPTED FROM SECTION 339.750 RSMo

1. A licensee may act as a dual agent only with the consent of all parties to the transaction. Consent shall be presumed by a written agreement pursuant to section 339.780.
2. A dual agent shall be a limited agent for both the seller and buyer or the landlord and tenant and shall have the duties and obligations required by sections 339.730 and 339.740 unless otherwise provided for in this section.
3. Except as provided in subsections 4 and 5 of this section, a dual agent may disclose any information to one client that the licensee gains from the other client if the information is material to the transaction unless it is confidential information as defined in section 339.710.
4. The following information shall not be disclosed by a dual agent without the consent of the client to whom the information pertains:
 1. That a buyer or tenant is willing to pay more than the purchase price or lease rate offered for the property;
 2. That a seller or landlord is willing to accept less than the asking price or lease rate for the property;
 3. What the motivating factors are for any client buying, selling, or leasing the property;
 4. That a client will agree to financing terms other than those offered; and
 5. The terms of any prior offers or counter offers made by any party.
5. A dual agent shall not disclose to one client any confidential information about the other client unless the disclosure is required by statute, rule or regulation or failure to disclose the information would constitute a misrepresentation or unless disclosure is necessary to defend the affiliated licensee against an action of wrongful conduct in an administrative or judicial proceeding or before a professional committee. No cause of action for any person shall arise against a dual agent for making any required or permitted disclosure. A dual agent does not terminate the dual agency relationship by making any required or permitted disclosure.
6. In a dual agency relationship there shall be no imputation of knowledge or information between the client and the dual agent or among persons within an entity engaged as a dual agent.



Susan Montee, JD, CPA
Missouri State Auditor

City of Garden City



November 2009
Report No. 2009-130

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the City of Garden City

Aquatic Center	The city did a poor job of planning the financing and construction of the city's aquatic center. Due to ineffective planning by city officials, it appears the aquatic center may not be what the citizens expected and/or what was initially intended, and the center is not self-sufficient. As a result, other city funds have been used to pay the expenses of the center, and the continued revenue shortfall of the center may result in the reduction of other necessary and vital city services. The city borrowed over \$100,000 from the General and Sewer Funds in 2008 to pay some of the project construction costs and certificates of participation principal and interest payments, and it is unclear when or if the funds loaned to the Aquatic Center Account will be paid back.
Water and Sewer Funds Fees	The city did not adequately document its rationale and/or justification for assessing operations and maintenance fees to its utility customers, or for assessing a franchise fee against revenues of the Water and Sewer Funds. In addition, a franchise fee was applied retroactively and it is unclear if applying the fee retroactively is proper.
Budgeting and Financial Reporting	Weaknesses were identified in the city's budgeting and financial reporting. The city does not prepare and adopt annual budgets in accordance with state law. The budgets do not include a budget message, actual receipts and disbursements for the two proceeding budget years, or estimated ending available resources. The city's published semiannual financial statements do not fully comply with state law. The statements do not include the indebtedness of the city and a full and detailed account of receipts and disbursements.
Notices and Meetings	The Board's procedures for conducting and documenting meetings need improvement. Open meeting notice agendas routinely used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. Also, the Board did not document how some issues discussed in closed meetings were allowable under the Sunshine Law.
City Policies and Procedures	Weaknesses were noted in the city's policies and procedures. Retroactive pay increases may represent additional compensation in the form of a bonus and, as such, may be in violation of the state constitution. The city has not established an ordinance for employee compensation or the term of office for the City Clerk, and the compensation of elected officials is not set by ordinance. The method of allocating wage expense among the various city funds is not supported by documentation. The city does not have a formal written agreement with its attorney, and payments made to the attorney are not properly reported to the IRS.

All reports are available on our Web site: auditor.mo.gov

City of Garden City

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Aquatic Center.....4 2. Water and Sewer Funds Fees5 3. Budgeting and Financial Reporting7 4. Notices and Minutes.....8 5. City Policies and Procedures9
---	--

Organization and Statistical Information	12
---	----

Aquatic Center Account Activity	13
------------------------------------	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Garden City, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Garden City. The city engaged Troutt, Beeman & Co., P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the years ended June 30, 2009 and 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended June 30, 2008, since the year ended June 30, 2009 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Garden City.

An additional report, No. 2009-109, *Seventeenth Judicial Circuit, City of Garden City Municipal Division*, was issued in October 2009.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Benjamin Douglas

City of Garden City

Management Advisory Report - State Auditor's Findings

1. Aquatic Center

The city did a poor job of planning the financing and construction of the city's aquatic center. As a result, other city funds have been used to pay the expenses of the center, and the continued revenue shortfall of the center may result in the reduction of other necessary and vital city services. According to city personnel, it was the city's intention the aquatic center be self-sufficient and not be subsidized by other city funds.

In November 2005, city residents approved a 1/2-cent park sales tax for the construction and operation of an aquatic center. Certificates of participation (COPS) totaling \$915,000 were issued in August 2006 for the project. Construction started in July 2007, with the aquatic center opening in May 2008. The center operations are accounted for within the city's General Fund.

Ineffective planning

Due to ineffective planning by city officials, it appears the aquatic center may not be what the citizens expected and/or what was initially intended, and the center is not self-sufficient. The facility constructed is not a regulation swimming pool where swimmers can dive or swim laps, but is more a wading pool. In addition, it was necessary to borrow over \$100,000 from the city's General and Sewer Funds in 2008 to pay some of the project construction costs and COPS principal and interest payments.

The city received approximately \$830,000 (COPS proceeds less various issuance costs), for the aquatic center project. However, the construction costs and architect fees totaled almost \$856,000 and \$78,000, respectively. Additionally, park sales tax revenues are not sufficient to pay the annual COPS principal and interest payments. The sales tax revenue decreased to \$40,000 in fiscal year 2009 from approximately \$44,000 in fiscal years 2008 and 2007. However, debt service costs are approximately \$66,000 per year.

Also, revenue from aquatic center operations are significantly less than projected. The actual sale of daily and season pool passes was almost \$50,000 less than projected for the first operating season in 2008. Thus, operating revenues do not fully cover operating expenses, and funding must be supplemented by the General Fund.

The Aquatic Center Account, Schedule of Receipts, Disbursements, and Cash Balances for the 4 years ended June 30, 2009, is presented at the end of this report. As noted, the center's cash balance as of June 30, 2009, was a deficit of over \$50,000.

Loans

It is unclear when or if the funds loaned to the Aquatic Center Account from the General and Sewer Funds will be paid back.



City of Garden City
Management Advisory Report - State Auditor's Findings

In April 2008, the Board authorized a loan of up to \$100,000 from the Sewer Fund to the General Fund to pay aquatic center expenses. Consequently, \$88,000 was transferred to the Aquatic Center Account from the Sewer Fund. In addition, in May 2008, the Board approved a loan of over \$14,000 to the Aquatic Center Account from the General Fund. Both loans are to be fully repaid in 10 years at an interest rate of 4.5 percent annually from the aquatic center revenues. As of June 30, 2009, no principal or interest payments for these loans had been made.

Although short-term, inter-fund borrowing is sometimes necessary to overcome temporary cash flow problems, it is not appropriate as a long-term funding mechanism. In addition, it appears the loan was made from sewer reserve funds and these reserve funds will not be available in the case of an emergency.

Conclusion

In order to reduce and/or eliminate subsidizing the aquatic center with other city funds, the city needs to develop a comprehensive plan to address 1) the financial impact to city funds due to the revenue shortfalls related to the aquatic center operations, and 2) repayment of the loans due to the General and Sewer Funds. By continually monitoring and evaluating the financial condition of the aquatic center, the city can develop a plan with multi-options to address the revenue shortfall and adjust the plan as needed. Options to increase revenues could include investigating a possible fee increase charged for admission or seeking an increase in the city's sales tax. Also, the city should consider reducing disbursements. Such a plan should be presented to the public in order to explain the city's position and to educate the community on any changes to services. Thorough and detailed documentation should be prepared and maintained to support and justify any plan the city implements.

Recommendations

The Board of Aldermen should closely monitor the financial condition of the aquatic center and develop a plan to address the revenue shortfall. Thorough and detailed documentation should be prepared and maintained to support and justify any plan the city implements. The Board should also develop and implement a loan repayment schedule for amounts due to the General and Sewer Funds from the Aquatic Center Account. In addition, the Board should discontinue the practice of making long-term loans.

Auditee's Response

The Board of Aldermen provided the following written response:

The Council will develop a plan to address revenue shortfall and repayment schedules for loans to General and Sewer Funds before May 2010.

2. Water and Sewer Funds Fees

The city did not adequately document its rationale and/or justification for assessing operations and maintenance (O&M) fees to its utility customers, or for assessing a franchise fee against revenues of the Water and Sewer



City of Garden City
Management Advisory Report - State Auditor's Findings

Funds. The O&M fees are retained by the Water and Sewer Funds, and the franchise fee is transferred to the General Fund.

O&M fee

In June 2006, the city passed an ordinance authorizing a 4.875 percent O&M fee charged to water and sewer customers, in addition to the customer's monthly water and sewer usage charge. However, the O&M fee was not based on actual administrative costs or other documented rationale. For the year ended June 30, 2009, O&M fees of \$16,059 and \$9,931 were collected for the Water and Sewer Funds, respectively.

The city assesses the O&M fee on monthly usage charges for water and sewer to ". . . defray the costs of operating and maintaining the Systems." The O&M fee should be in direct proportion to the benefits received by the Water and Sewer Funds and documented rationale should be provided to reflect those benefits and associated costs.

Franchise fee

In April 2008, the Board approved a resolution establishing a franchise fee of 4.5 percent to be charged to the water and sewer gross revenues and transferred monthly to the General Fund; however, the Board did not document its justification/rationale for determining the percentage. In addition, this fee was retroactive to July 1, 2007. It is unclear if applying the fee retroactively is proper. For the year ended June 30, 2009, \$28,281 and \$17,525 was transferred to the General Fund from the Water and Sewer Funds, respectively.

The resolution indicated this fee was for services benefiting the water and sewer departments furnished by the city such as clerical help, supervision, and general maintenance of the streets. However, it is unclear what General Fund expenses are to be reimbursed as a significant portion of city employees' salaries, wages, and payroll taxes were already paid from the Water and Sewer Funds. For example, during the year ending June 30, 2009, 43 percent of the city's total salaries, wages, and payroll taxes were paid from the Water and Sewer Funds. Generally, three positions, City Administrator, City Clerk, and Assistant City Clerk, provide services to all city funds. See MAR finding number 5.3 regarding wage expense allocation.

The city needs to develop a methodology/rationale to determine if the franchise fee transfer is reasonable and proper.

Recommendations

The Board of Aldermen develop a methodology for determining the O&M and franchise fees charged. Thorough and detailed documentation of the rationale and calculation of the fees should be maintained and retained. In addition, the Board should consult with its attorney regarding the propriety of applying the franchise fee retroactively.



City of Garden City
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Aldermen provided the following written response:

Management and Council will review this matter and consult with the city attorney.

3. Budgeting and Financial Reporting

Weaknesses were identified in the city's budgeting and financial reporting. Budgets do not include all information required by state law, and published financial statements do not include sufficient information.

3.1 Budgets

The city does not prepare and adopt annual budgets in accordance with statutory provisions. The budgets do not include a budget message, actual receipts and disbursements for the two preceding budget years, or estimated ending available resources. The budgets only show the current year budgeted receipts, disbursements, and receipts over disbursements.

Section 67.010, RSMo, requires the preparation of an annual budget which should present a complete financial plan for the ensuing budget year and Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual budget. A complete budget should include separate receipt and disbursement estimations by fund, as well as the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message, comparisons of actual receipts and disbursements for the two preceding years, and amounts related to the debt of the city.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It will also assist in setting tax levies and informing the public about city operations and current finances.

3.2 Financial statements

The city's published semiannual financial statements do not fully comply with statutory requirements. The financial statements do not include the indebtedness of the city. In addition, the statements are not a full and detailed account of receipts and disbursements. Instead, the city publishes summary statements of receipts and disbursements and the fund balance of its various funds.

Section 79.160, RSMo, requires the city to prepare and publish " . . . a full and detailed account and statement of the receipts and expenditures and indebtedness of the city . . .", within one month of the end of the period. Complete and detailed financial statements are necessary to keep citizens informed of the financial activity and condition of the city.



City of Garden City
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 3.1 Prepare annual budgets that contain all information as required by state law.
- 3.2 Ensure the city's published semiannual financial statements present all required financial information required by state law.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 3.1 *A sample copy of a full complete budget has been obtained and will be implemented in 2010.*
- 3.2 *The annual CPA audit will be informed and 2010 will be published as required.*

4. Notices and Meetings

The Board's procedures for conducting and documenting meetings need improvement. Various requirements in Chapter 610 (the Sunshine Law) regarding open and closed meetings were not always followed.

4.1 Closed meeting notices

Open meeting notice agendas routinely used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. The statement indicated the Board may have a " . . . vote to close part of this meeting pursuant to RSMO 610.021(3) and 610.22"

Section 610.022, RSMo, requires the specific reasons for closing a meeting be announced publicly at an open meeting and entered into the minutes. A statement which includes a potential issue that may be discussed in a closed session appears to circumvent the intent of the law.

4.2 Closed meetings

The Board did not document how some issues discussed in closed meetings were allowable under the Sunshine Law. This included discussions about the aquatic center's finances, future sewer bonds, budget line items, infrastructure, and the franchise fee.

Section 610.021, RSMo, allows matters to be discussed in closed meetings only if they relate to certain specific subjects, including litigation, real estate transactions, and personnel issues. The city needs to ensure only matters specifically authorized by state law are discussed in closed meetings. This law also provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.



City of Garden City
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 4.1 Ensure the open minutes and related agenda state the specific reasons for going into a closed meeting/session.
- 4.2 Ensure the items discussed in closed meetings are allowed by the Sunshine Law.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 4.1 *This issue was explained at the time of audit and has been corrected.*
- 4.2 *This will be watched closely and the city attorney will be consulted if any doubt.*

5. City Policies and Procedures

Weaknesses were noted in the city's policies and procedures. Retroactive pay increases are given, compensation is not set by ordinance, and the allocation of wage expenses is not supported by documentation. Also, there is not a written agreement with the city attorney and a Form 1099 is not completed and submitted to the Internal Revenue Service (IRS) for his services.

5.1 Retroactive pay increases

Retroactive pay increases, approved by the Board, may represent additional compensation in the form of a bonus and, as such, may be in violation of the state constitution. For example, pay increases were given in July 2007 to three employees retroactive three months, in August 2008 to seven employees retroactive one month, and in September 2008 to two employees retroactive one month.

These retroactive payments total almost \$3,500 and represent additional payments for services previously rendered and, as such, may be in violation of Article III, Section 39, of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which prohibit granting extra compensation in the form of bonuses to public officers or servants after services have been rendered.

5.2 Compensation ordinance

The city has not established an ordinance for employee compensation or the term of office for the City Clerk. In addition, the compensation of elected officials is not set by ordinance. Compensation is set by board vote.

Section 79.270, RSMo, provides that city officials and employee salaries be set by ordinance, and Section 79.320, RSMo, requires the City Clerk's duties and term of office be established by ordinance.



City of Garden City Management Advisory Report - State Auditor's Findings

Establishing ordinances to set compensation rates and terms of office, in addition to meeting statutory requirements, documents the approved amounts to be paid and eliminates misunderstandings regarding the amount of pay each city official and employee receives. Also, Section 79.270, RSMo, provides that " . . . the salary of an officer shall not be changed during the time for which he was elected or appointed." Thus, the term of office is significant in determining when pay increases are allowable under state law.

5.3 Wage expense allocation

The method of allocating wage expense among the various city funds is not supported by documentation. Following is the percentage allocation of employee wage expense to various funds:

Position	Fund			
	General	Street	Water	Sewer
City Administrator	0	50	30	20
City Clerk	33	0	33	34
Assistant City Clerk	0	0	50	50
Water and Wastewater Superintendent	0	0	70	30
Maintenance personnel	0	60	30	10

Time sheets show no detail of activities performed by employees. Consequently, the city has no support or reasons for these various allocations.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes. Wage expense should be allocated to the various city funds based on actual time or estimated time based on historical data.

5.4 City attorney

The city does not have a formal written agreement with its attorney, and payments made to the attorney are not properly reported to the IRS. For the years ended June 30, 2009 and 2008, the city paid its attorney approximately \$13,800 and \$14,000, respectively. According to city personnel, a Form 1099 was not prepared for these payments because the firm is incorporated.

A formal written agreement, signed by both parties, should specify services to be provided and the manner and amount of compensation to be paid. Written agreements are necessary to ensure all parties are aware of their duties, rights, and responsibilities, and to prevent misunderstandings. Also,



City of Garden City
Management Advisory Report - State Auditor's Findings

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

Additionally, although the Internal Revenue Code generally does not require a Form 1099 for payments to corporations, there are some exceptions. One exception provides payments to corporations providing legal services must be reported on Form 1099.

Recommendations

The Board of Aldermen:

- 5.1 Refrain from paying employees retroactive pay increases.
- 5.2 Establish the compensation of city officers and employees by ordinance. In addition, the duties and term of office for the City Clerk should be set by ordinance.
- 5.3 Ensure employee wages are properly allocated to various city funds and are supported by adequate documentation.
- 5.4 Enter into a formal written agreement with the City Attorney which defines the services to be provided and compensation to be paid. In addition, the Board should ensure a Form 1099 is prepared and submitted to the IRS for all payments made to an attorney.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 5.1 *Pay increases were to begin on the first day of each fiscal year. At times, management and Council have not been able to review increases until a later date, thus causing this error. It will be corrected immediately.*
- 5.2 *An ordinance will be drafted by the city attorney and presented to the Mayor and Council.*
- 5.3 *Management and Council will review allocation of wages and document changes as necessary.*
- 5.4 *Management and Council will have the city attorney draft a written agreement to present for passage. Also, a 1099 will be sent at calendar year-end.*

City of Garden City

Organization and Statistical Information

The City of Garden City is located in Cass County. The city was formed as a village in August 1885, and incorporated as a fourth-class city in 1897.

Mayor and Board of Aldermen

The city government consists of a mayor and a four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the board of aldermen, and votes only in the case of a tie. The tax collector is also elected for a 4-year term. The Mayor, Board of Aldermen and other officials during the fiscal year ended June 30, 2009, are identified below. The Mayor is paid \$100 per month, board members are paid \$50 per month, and all officials receive \$15 for each special board meeting. The position of tax collector is non-functional, in title only, and the collector is paid \$25 per year.

Name and Title	Dates of Service During the Year Ended June 30, 2009	Compensation Paid for the Year Ended June 30, 2009
Richard Williams, Mayor	July 2008 to June 2009	\$ 1,230
Mark Lopez, Alderman	July 2008 to June 2009	660
Kevin King, Alderman	July 2008 to June 2009	660
Tammy Marten, Alderwoman	July 2008 to June 2009	660
Danny Merrifield, Alderman	July 2008 to June 2009	615

Other Officials

Name and Title	Dates of Service During the Year Ended June 30, 2009	Compensation Paid for the Year Ended June 30, 2009
Dave Larcom, City Administrator (1)	July 2008 to June 2009	\$ 55,830
Randall Jones, City Clerk	July 2008 to June 2009	35,637
Tom Alber, Police Chief	July 2008 to June 2009	39,153
Earsholl Brown, Water/Wastewater Superintendent	July 2008 to June 2009	45,974
Linda Mueller, Collector*	July 2008 to June 2009	25
Chris Benjamin, Municipal Judge (2)	January 2009 to June 2009	2,630
Mike Wager, Municipal Judge (2)	July 2008 to December 2008	2,400
James Thompson, City/Prosecuting Attorney (3)	July 2008 to June 2009	13,814

- (1) The City Administrator resigned his position effective August 21, 2009.
- (2) The municipal judge was paid \$400 per month. Judge Benjamin also received \$230 to attend training during the year ended June 30, 2009.
- (3) Mr. Thompson was paid \$150 and \$125 per hour as city attorney and prosecutor, respectively.
- * Elected position

In addition to the officials identified above, the city employed 5 full-time employees and 15 part-time employees on June 30, 2009.

City of Garden City

Aquatic Center Account Activity

City of Garden City Aquatic Center Account Schedule of Receipts, Disbursements, and Cash Balances		Year Ended June 30,			
		2009	2008	2007	2006
Receipts					
Park sales tax	\$	40,156	44,954	44,468	3,669
Park sales tax interest		31	60	27	0
Interest		0	20	14	0
Donations		2,825	8,066	0	929
Concession proceeds		1,655	432	0	0
Admissions		5,972	2,857	0	0
Season passes		6,660	6,053	0	0
Rental and lessons		1,785	350	0	0
Locker rent		25	0	0	0
Training reimbursement		16	750	0	0
Supplies reimbursement		286	207	0	0
Sale of equipment		0	200	0	0
Election expense refund		0	0	0	188
Miscellaneous		0	34	0	0
Total Receipts		59,411	63,983	44,509	4,786
Disbursements					
Salaries and wages		18,965	6,475	0	0
Payroll taxes		1,258	457	0	0
Professional fees		8,933	6,960	13,550	0
Election expense		0	0	0	1,216
Telephone		192	0	0	0
Postage		100	0	0	0
Printing		18	1,015	0	623
Publishing legal notices		39	365	0	0
Printing notices and ads		0	211	0	0
Materials and supplies, operations		1,128	996	0	0
Office supplies		24	35	0	0
Treatment chemicals		1,303	537	0	0
Concession expense		837	459	0	0
Equipment purchases		3,078	3,702	0	0
Xerox maintenance		153	0	0	0
Aquatic expense		200	1,322	0	0
Rent deposit refund		250	0	0	0
Buildings and grounds maintenance		0	3,594	0	0
Utilities		8,573	3,152	0	0
General insurance		1,390	1,716	0	0
Construction		0	93,334	0	0
Unemployment insurance		213	84	0	0
Training		360	783	0	0
Uniform maintenance expense		131	349	0	0
Dues and permit fees		150	150	0	0
Legal recording		0	0	1,291	0
Bond principal		24,000	23,000	0	0
Bond interest		42,123	42,366	0	0
Bond fiscal agent fees		2,822	2,842	1,600	0
Miscellaneous		43	0	0	0
Total Disbursements		116,283	193,904	16,441	1,839
Total Receipts Over (Under) Disbursements		(56,872)	(129,921)	28,068	2,947
Transfers In:					
Loan from General Fund		0	14,362	0	0
Loan from Sewer Fund		0	88,000	0	0
Total Transfers In		0	102,362	0	0
Total Receipts Over (Under) Disbursements and Transfers		(56,872)	(27,559)	28,068	2,947
Cash, July 1		3,456	31,015	2,947	0
Cash, June 30	\$	(53,416)	3,456	31,015	2,947



Susan Montee, JD, CPA
Missouri State Auditor

Ninth Judicial Circuit

City of Marceline Municipal Division



November 2009

Report No. 2009-129

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Ninth Judicial Circuit, City of Marceline Municipal Division

Court Controls and Procedures	Controls and procedures for the handling of municipal division monies are in need of improvement. The duties of receiving, recording, depositing, disbursing, and reconciling court receipts are not adequately segregated. Monies received are not always posted to the accounting ledger and deposited on a timely basis. Bank reconciliations for the municipal division account are not performed. In addition, monthly lists of liabilities are not prepared and reconciled to the municipal division account. The composition of receipt slips issued is not reconciled to the composition of bank deposits.
Computer Controls	Access to various court records on the computer system is not adequately limited. The computer containing municipal division information is also used by police department personnel and, although passwords are required to log in to the shared computer, court files are accessible to all users. Passwords are not changed on a periodic basis to ensure confidentiality. In addition, backup copies of computer programs and data are not stored offsite.
Ticket Accountability	The municipal division and police department do not account for the numerical sequence of tickets issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing.

All reports are available on our Web site: auditor.mo.gov

Ninth Judicial Circuit

City of Marceline Municipal Division

Table of Contents

State Auditor's Report	2
<hr/>	
Management Advisory Report - State Auditor's Findings	1. Court Controls and Procedures.....4 2. Computer Controls5 3. Ticket Accountability7
<hr/>	
Organization and Statistical Information	8



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Presiding Judge
Ninth Judicial Circuit
and
Municipal Judge
Marceline, Missouri

We have audited certain operations of the City of Marceline Municipal Division of the Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 2008. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Marceline Municipal Division of the Ninth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert Showers, CPA
In-Charge Auditor:	Richard Stuck

Ninth Judicial Circuit

City of Marceline Municipal Division

Management Advisory Report - State Auditor's Findings

1. Court Controls and Procedures

Controls and procedures for the handling of municipal division monies are in need of improvement. Cash custody and record-keeping duties are not adequately segregated, and accounting procedures do not ensure municipal division monies are properly recorded, deposited, or reconciled.

1.1 Segregation of duties

The duties of receiving, recording, depositing, disbursing, and reconciling court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing municipal division monies from recording receipts. In addition, the Missouri Municipal Clerk Manual provides that someone other than the person who issued the receipts or checks should review the accounting records to verify the receipts and checks are issued in sequence and recorded on the cash control record. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the bank reconciliations and reconciliations of receipts and deposits.

1.2 Timely posting and depositing receipts

Monies received are not always posted to the accounting ledger and deposited on a timely basis. Receipts are posted to accounting records in the day or two following court, according to the Court Clerk. In addition, deposits generally are made one to two times a month. For example, March 2008 municipal division receipts totaling \$1,018 were deposited on April 1, 2008. The deposit contained \$265 in cash that was held almost 2 weeks prior to deposit. Posting and making deposits in a timely manner helps to safeguard receipts and reduce the risk of loss or misuse of funds.

1.3 Bank reconciliations

Bank reconciliations for the municipal division account are not performed. In addition, monthly lists of liabilities are not prepared and reconciled to the municipal division account.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, to ensure all fees are recorded and/or refunded, and to allow old outstanding checks to be resolved in a timely manner. The reconciliation of a complete and accurate bond liabilities list to the cash balance in the municipal division account would help ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would also allow for prompt detection of errors.



Ninth Judicial Circuit
City of Marceline Municipal Division
Management Advisory Report - State Auditor's Findings

1.4 Receipt composition reconciliation

The composition of receipt slips issued is not reconciled to the composition of bank deposits. Cash, checks, and money orders are accepted for bonds and payment of fines and court costs, and are deposited into the municipal division's bank account. Receipt slips issued by the municipal division indicate the method of payment received; however, bank deposit slips do not show the composition of deposits.

Reconciling the composition of deposits to receipt slips helps to adequately account for collections and reduce the risk of loss or misuse of funds.

Recommendations

The City of Marceline Municipal Division:

- 1.1 Adequately segregate the duties of receiving, recording, depositing, disbursing and reconciling court monies to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the record-keeping functions should be established.
- 1.2 Ensure receipts are posted and deposited timely.
- 1.3 Perform monthly bank reconciliations and ensure the book balance reconciles to the bank balance. In addition, the municipal division should prepare a monthly list of liabilities and reconcile the list to the book and bank balances.
- 1.4 Reconcile the composition of receipt slips to the composition of deposits.

Auditee's Response

The City of Marceline Municipal Division provided the following written responses:

- 1.1 *Agree. City Clerk will now review financial documents on a monthly basis.*
- 1.2 *Agree. Monies for the municipal court will be deposited in a more timely manner.*
- 1.3 *Agree. Bank reconciliations will be performed on a monthly basis.*
- 1.4 *Agree. This has already been implemented.*

2. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction due to not limiting access and not keeping passwords confidential. In addition, programs and data are not periodically backed up and stored off-site.



Ninth Judicial Circuit
City of Marceline Municipal Division
Management Advisory Report - State Auditor's Findings

2.1 Restricted access

Access to various court records on the computer system is not adequately limited. The computer containing municipal division information is also used by police department personnel and, although passwords are required to log in to the shared computer, court files are accessible to all users. To establish individual responsibility, and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls. Unauthorized access can result in the deletion or alteration of data files and programs.

2.2 Passwords

Passwords are not changed on a periodic basis to ensure confidentiality. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

2.3 Backup

Backup copies of computer programs and data are not prepared and stored off-site. Backup copies of computer information are necessary to provide a means for recreating destroyed data. Backup copies should be maintained and stored off-site to provide increased assurance municipal division data can be recreated in the event of an emergency.

Recommendations

The City of Marceline Municipal Division:

- 2.1 Ensure access to specific computer programs/data files is restricted to authorized individuals through a system of passwords.
- 2.2 Require passwords for all employees that are confidential and periodically changed to prevent unauthorized access to the division's computer systems and data.
- 2.3 Ensure backup copies of computer programs and data are prepared periodically and stored in a secure, off-site location.

Auditee's Response

The City of Marceline Municipal Division provided the following written responses:

- 2.1 *Agree. Municipal court clerk is working with IT to add additional log-ins on computer.*
- 2.2 *Agree. Passwords will now either be changed on a monthly or bi-monthly basis.*



Ninth Judicial Circuit
City of Marceline Municipal Division
Management Advisory Report - State Auditor's Findings

2.3 *Agree. Working with IT to provide backups and store at Marceline City Hall in City vault.*

3. Ticket Accountability

The municipal division and police department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but does not keep records of tickets issued. As tickets are issued by the Police Department, they are given to the court for processing. The court employees enter the tickets into the computer system; however, they do not ensure the numerical sequence of all tickets issued is accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing.

Recommendation

The City of Marceline Municipal Division work with the Police Department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

Auditee's Response

The City of Marceline Municipal Division provided the following written response:

Agree. An Excel spreadsheet is being prepared to keep track of all tickets.

Ninth Judicial Circuit

City of Marceline Municipal Division

Organization and Statistical Information

The City of Marceline Municipal Division is in the Ninth Judicial Circuit, which consists of Chariton, Linn, and Sullivan Counties. The Honorable Gary Ravens serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At October 31, 2008, the municipal division employees were as follows:

Title	Name
Municipal Judge	James Williams(1)
Court Clerk	Dana Hamilton

(1) Mr. Williams also serves as the Ninth Circuit Associate Court Judge and is not compensated by the City of Marceline for his duties as Municipal Judge.

Financial and Caseload Information

	Year Ended October 31, 2008
Receipts	\$8,331
Number of cases filed	142



Susan Montee, JD, CPA
Missouri State Auditor

Moniteau County



November 2009
Report No. 2009-128

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report on Moniteau County.

The poor financial condition of the General Revenue (GR) Fund which was noted in prior audit reports has continued to deteriorate. In addition, the county continues to fund general operations with Capital Improvement (CI) Fund monies and has not developed a long-term plan regarding the allocation of CI fund receipts. The Special Road and Bridge (SRB) Fund is also in poor financial condition. The 2009 GR Fund budget projects a \$3,840 cash balance at December 31, 2009, after transfers totaling \$207,500 from the CI Fund; and the SRB Fund budget projects a \$24,289 cash balance at December 31, 2009.

The county does not have effective monitoring procedures regarding vehicle and equipment use. A reconciliation of fuel statements to records of fuel used or a comparison to mileage use is not performed. In addition, formal policies and procedures have not been adopted for hauling waste rock and providing various other services on private property with road and bridge equipment.

The Senate Bill 40 (SB40) Board does not provide adequate oversight of the accounting functions performed for the SB40 Board Fund. The Board relies on the Executive Director to perform all accounting functions, without providing adequate oversight of the accounting functions and records. Prior to 2009, the Board relied on one not-for-profit corporation (NFP) to perform all functions of the SB40 Board without adequately monitoring disbursements made to the NFP. In addition, the Board has not established formal policies and procedures for capital assets, and improvements to meeting minutes are needed.

The Prosecuting Attorney has not implemented recommendations from previous audits related to accounting for bad checks, providing adequate oversight of accounting functions and records, and depositing receipts timely.

Other findings in the audit report relate to capital assets and accounting controls and procedures in the offices of the County Treasurer and the Circuit Clerk and Ex Officio Recorder of Deeds.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MONITEAU COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-18
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Vehicle and Equipment Policies and Procedures.....6
3.	Capital Assets.....8
4.	Senate Bill 40 Board's Accounting Procedures and Minutes10
5.	County Treasurer's Accounting Controls and Procedures14
6.	Prosecuting Attorney's Accounting Controls and Procedures14
7.	Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures16
ORGANIZATION AND STATISTICAL INFORMATION	19-20

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Moniteau County

We have audited certain operations of Moniteau County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Moniteau County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Moniteau County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Terese Summers, MSAS, CPA
	Jennifer Weggenmann, MBA
	Michelle Gresham, M.Acct.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MONITEAU COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The poor financial condition of the General Revenue (GR) Fund which was noted in prior audit reports has continued to deteriorate. In addition, the county continues to fund general operations with Capital Improvement (CI) Fund monies and has not developed a long-term plan regarding the allocation of CI fund receipts. The Special Road and Bridge (SRB) Fund is also in poor financial condition.

The following table reflects the ending cash balances of the GR and SRB Funds over the last five years, as reported in the budget documents:

		Ending Cash Balance, Year Ended December 31,				
		2008	2007	2006	2005	2004
General						
Revenue Fund	\$	17,354	15,963	26,583	104,074	69,740
Special Road						
and Bridge Fund		136,461	218,372	395,157	305,286	283,990

The 2009 GR Fund budget projects a \$3,840 cash balance at December 31, 2009, after transfers totaling \$207,500 from the CI Fund; and the SRB Fund budget projects a \$24,289 cash balance at December 31, 2009. Budgeted and actual disbursements for these funds have exceeded budgeted and actual receipts in 3 of the 5 years.

The financial condition of the GR Fund would be worse if it had not received transfers from the CI Fund and county operating expenses had not been paid by the CI Fund. Transfers from the CI Fund to the GR Fund totaled \$210,550 and \$30,000 during the years ended December 31, 2008 and 2007, respectively. Moniteau County voters authorized a 1/2 cent sales tax levy in 2002 for maintaining and improving county roads and bridges, the courthouse, and the county jail; for bridge replacements; and for maintaining law enforcement and other essential services of county government. These sales tax receipts are deposited in the CI Fund. The CI Fund balance increased each year since its implementation in 2003, but declined to approximately \$1.4 million at December 31, 2008 (from approximately \$1.5 million at December 31, 2007) as a result of decreased sales tax receipts and increased spending and transfers. The county continues to increase the amount of CI Fund monies used to offset GR Fund costs each year, but has not developed a long-term plan documenting the allocation of sales tax receipts to capital improvement projects versus "law enforcement and other essential services of county government," as recommended in our prior audit.

Some restricted special revenue funds administered by elected officials have accumulated balances significantly in excess of historical actual disbursements. In 2008 and 2007, the

county transferred \$10,000 and \$35,000, respectively, from the Prosecuting Attorney Bad Check Fund to the GR Fund to partially reimburse office expenses. Consideration should be given to working with other officials to use special revenue fund monies to fund the respective office's expenses, within the restrictions set forth by state law, which are currently funded by the GR Fund. An administrative service fee transfer has not been made from the SRB Fund to the GR Fund since 2001. Section 50.515, RSMo, allows the county to impose a fee to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for the administrative services to the fund, that shall not exceed 5 percent of the SRB Fund budget. However, given the weak financial condition of the SRB Fund, the county should carefully consider the impact of such a transfer.

The County Commission indicated it is aware of the concern and is monitoring the county's financial condition through preparation and review of monthly budget reports, and evaluating ways to reduce disbursements. In addition, the County Commission has continued to postpone the planned jail expansion due to insufficient funds available in the CI Fund, the county's poor financial condition, and the continued decline in sales tax receipts. To improve the financial condition of the GR and SRB Funds, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of receipts. In addition, the County Commission should develop a long-term plan for the use of the receipts generated by the sales tax levy.

WE AGAIN RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds by performing long-term planning, reviewing disbursements and reducing discretionary spending where practical, and maximizing all sources of receipts.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Moniteau County Commission reviews monthly reports of all revenues and expenditures from all funds and will continue to monitor the county's financial condition. The Commission will, where practical, reduce discretionary spending and maximize all sources of revenues available to the county.

2. Vehicle and Equipment Policies and Procedures

Procedures and records to monitor vehicle and equipment fuel use are not adequate, and formal policies and procedures have not been adopted for hauling waste rock and providing various other services on private property with road and bridge equipment.

- A. The county does not have effective monitoring procedures regarding vehicle and equipment use. During 2008, approximately \$28,000 and \$180,000 was spent on fuel for the Sheriff's 7 vehicles and for the road and bridge department's 13 vehicles and various equipment, respectively.

Maintenance logs for road and bridge department vehicles and equipment document maintenance and fuel purchases; however, the logs do not document mileage use and are not reviewed and reconciled to fuel vendor billings. Daily activity reports maintained for the Sheriff's department vehicles document mileage use, but not fuel or maintenance purchases and are not utilized to monitor the appropriateness of related fuel expenditures. In addition, the road and bridge department maintains logs of fuel dispensed into equipment from a fuel tank, but does not maintain an inventory record which could be reconciled to fuel vendor billings.

Monthly fuel statements are reviewed by the County Commission, Sheriff, and County Clerk for reasonableness prior to payment. However, a reconciliation of the statements to records of fuel used or a comparison to mileage use is not performed.

Maintenance and review of vehicle and equipment mileage/use and maintenance logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel and maintenance purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel or other maintenance items occurring without detection. Vehicle and equipment logs typically include the date; driver or operator; purpose and destination of each trip; daily beginning and ending odometer or hour meter readings for vehicles and equipment; and fuel purchased and maintenance services performed.

- B. Formal policies and procedures have not been adopted for hauling waste rock and providing various other services on private property with road and bridge equipment, and the county has not ensured reimbursement is received for the cost of providing these services.

When a bridge project generates waste rock, the county hauls the rock to individuals at a cost of \$30 (\$20 prior to 2009) per load. The County Commission maintains waiting lists of individuals wanting to purchase the waste rock, and these individuals are contacted when the rock becomes available. The individuals are billed upon delivery of the rock and payment is submitted to the County Treasurer. According to county records, the county collected \$2,800 and \$20 for waste rock during the years ended December 31, 2008 and 2007, respectively.

In addition, other services such as dozing and installing culverts are provided to individuals. The county charges \$40 per hour for dozing and culverts are installed for the cost of the culvert. The County Commission indicated the road and bridge

department periodically provides these services to property owners near road and bridge projects, and the services are primarily provided when the services are advantageous to the project (e.g., preventing future problems with the road or bridge). The County Commission indicated no services were provided to individuals during the 2 years ended December 31, 2008.

The County Commission should develop formal written policies to document the procedures applicable to these services, including the services to be provided, charges for those services, and procedures for determining who will receive the services, and requiring maintenance of a record of all services provided. Failure to adopt formal policies and procedures could result in lost revenues to the county and inequitable treatment of county citizens.

WE RECOMMEND the County Commission:

- A. Require vehicle and equipment mileage/use logs and bulk fuel inventory records be maintained, periodically reviewed, and reconciled to vendor statements prior to payment.
- B. Develop formal policies and procedures for providing services on private property. A complete record of all services provided and reimbursement received should be maintained.

AUDITEE'S RESPONSE

The County Commission provided the following written responses:

- A. *We believe the county's records and review procedures are sufficient to monitor vehicles and equipment. Fuel logs are kept on road and bridge vehicles and equipment. All fuel taken out of the tank at the shop is logged in a fuel log book stating the amount of gallons, date, and vehicle number or equipment number.*
- B. *Citizens who desire dozing of right of ways, or desire to have entrance pipes installed may do so at their own expense. Suitability of drainage, road base, or other design or construction features shall be evaluated on a case by case basis to determine what part of requirements are met with the existing condition.*

Waste rock which is accumulated from time to time will be offered at a price set by the Commission on a case by case basis subject to availability.

3. Capital Assets

Procedures and records to account for county property are not adequate. The County Clerk maintains inventory lists of capital assets held by county officials. It is each official's responsibility to perform annual physical inventories and provide updated

inventory reports to the County Clerk. However, except for the County Clerk, County Treasurer, and Road and Bridge Department, county officials do not perform physical inventories and update their inventory reports annually. The County Clerk has not routinely requested inventory reports from county officials. In addition, the County Clerk has no procedures to identify property purchases and dispositions throughout the year. As a result, the county's capital asset records are not complete and up to date.

Adequate capital asset records and monitoring procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions or dispositions as they occur. Section 49.093, RSMo, requires that counties account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital asset records. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets.

Similar conditions were noted in our two prior audit reports.

WE AGAIN RECOMMEND the County Commission and the County Clerk work with other county officials to ensure annual physical inventories are conducted and a procedure is implemented for tracking capital asset purchases throughout the year.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following written response:

The County Commission and the County Clerk are fulfilling our statutory responsibilities for capital assets. The inventory updates are the responsibilities of the county officials. As stated in Section 49.093, RSMo, county officers or their designee shall annually on or before the tenth of October, inventory all office equipment and machines and other personal property belonging to the county. Officers or designees shall note any additions or deletions from the prior year. When the County Clerk receives the inventory reports from the county officers or their designees, she updates the county's master listing of county property.

AUDITOR'S COMMENT

Although the County Commission and the County Clerk may be performing their statutory duties related to capital assets, an up-to-date list of all county property is not maintained. Maintaining current inventory records and conducting periodic inventories are necessary to detect theft or misuse of property and to ensure county property is accounted for properly.

4.**Senate Bill 40 Board's Accounting Procedures and Minutes**

The Senate Bill 40 (SB40) Board does not provide adequate oversight of the accounting functions performed for the SB40 Board Fund and did not adequately monitor disbursements made to a not-for-profit corporation (NFP). Procedures and records to account for board property are not adequate and procedures related to board meeting minutes are not adequate and did not always comply with state law.

A. The Board does not provide adequate oversight of the accounting functions performed for the SB40 Board Fund and did not adequately monitor disbursements made to an NFP. Prior to 2009, the accounting functions were performed by the NFP which also provided various contractual services to the handicapped and/or developmentally disabled residents of Moniteau County. The Board terminated the contract with the NFP, and in January 2009, hired an Executive Director, an Office Manager, and some former NFP staff to operate the residential, day activity, and transportation programs previously operated by the NFP. The Executive Director, the Office Manager, and an external CPA firm currently perform the accounting functions for the SB40 Board Fund.

- 1) The Board relies on the Executive Director to perform all accounting functions, without providing adequate oversight of the accounting functions and records. Although the Board is provided a monthly report listing disbursements by the Executive Director, the Board does not approve the disbursements. In addition, invoices and documentation supporting disbursements are not reviewed by board members other than the Board Treasurer, who usually signs the checks. Also, bank reconciliations, bank statements, and canceled checks are not reviewed by the Board.
- 2) Prior to 2009, the Board relied on one NFP to perform all functions of the SB40 Board without adequately monitoring disbursements made to the NFP. The Board paid the NFP approximately \$178,100 and \$162,500 during the years ended December 31, 2008 and 2007, respectively, which represented all SB40 Board Fund disbursements, except the costs associated with the construction of a new day activity center. Employees of the NFP also served as executive director and accounting staff for the SB40 Board. Compensation for their services was paid to the NFP as a part of the monthly contract payments. The NFP performed all accounting functions for the Board including preparing checks, and most checks were paid to the order of the NFP.

The NFP submitted a monthly financial report for the SB40 Board Fund; however, similar to current procedures, supporting documentation, such as bank statements, bank reconciliations, invoices, and canceled checks were not reviewed by the Board.

In addition, invoices supporting most payments to the NFP were not sufficiently detailed. Monthly invoices for residential, day activity, and transportation services listed the total due by type of service provided, but did not contain specific detail regarding who was provided the services, the dates services were provided, rates paid, or other information that could be reviewed to ensure the services provided were reasonable. Also, the contract with the NFP did not require the NFP to report the number of Moniteau County clients served. As a result, there is no evidence the Board performed sufficient procedures to ensure it received adequate services for consideration paid.

A similar condition was noted in our prior audit.

Without adequate monitoring, the Board cannot ensure the reasonableness and propriety of disbursements or compliance with contract terms and statutory provisions. To safeguard against possible loss or misuse of funds, the Board should approve all disbursements and review supporting documentation, bank information, and canceled checks. Board approval of disbursements should be documented in the minutes, and by signature or initials on the monthly reports. Also, to ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all payments to vendors, and contracts should be sufficiently detailed to allow the Board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable.

- B. The Board has not established formal policies and procedures for capital assets, including procedures to perform physical inventories of assets, prepare property records, assign property numbers, and tag or otherwise identify property items. In addition, the contracts with the NFP did not address the ownership of any assets purchased with funding provided by the Board. Upon the termination of the contract with the NFP, the Board purchased assets totaling approximately \$28,000, including five vehicles, computers, software, and a phone system. As of July 2009, the Board had not tagged or otherwise accounted for this property or other property purchased.

Adequate capital asset records and monitoring procedures are necessary to provide internal controls over property, establish ownership, and provide a basis for determining proper insurance coverage. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect assets.

- C. Board meeting minutes are prepared by the Board Secretary, but are not signed. In addition, meeting minutes did not always record the votes cast by each

individual board member. The minutes typically indicate motions were approved, but a record of how each member voted was not always documented.

The meeting minutes should be signed by the Board Secretary as preparer and by the Board President or another board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings. The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not be limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the Board.

- D. Procedures related to documenting closed meetings need improvement to ensure compliance with statutory provisions. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented. In addition, closed meeting minutes do not provide sufficient details regarding discussions and decisions made, and votes or final actions, if any, taken by the Board during closed meetings are not always documented. In addition, minutes were not available for some closed meetings.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on in an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

WE RECOMMEND the Senate Bill 40 Board:

- A. Review and approve all disbursements and review supporting documentation, bank information, and canceled checks. The Board should ensure approval of disbursements is documented in the minutes and on the monthly report. In addition, the Board should ensure adequate supporting documentation is obtained for all payments to vendors and contracts are sufficiently detailed.
- B. Maintain adequate capital asset records, implement monitoring procedures over property, and ensure any future contracts establish the Board's ownership of the assets.

- C. Ensure the meeting minutes are signed by the Board Secretary upon preparation and the Board President or other board member, and a record of votes taken is documented.
- D. Ensure minutes document the vote to close a meeting, state the reasons for going into closed meetings, and publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, minutes should be maintained to support all closed meetings.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following written responses:

- A. *The Moniteau County SB40 Board is a voluntary board. The Board has the Executive Director/CEO authority policy in place for such job duties as stated in the recommendation. There are several disbursements made monthly, approximately 65 at the minimum. The information is made available to the Board to review monthly; and the reconciliation of the bank statements is now done separately by the Board Treasurer as well as the Office Manager and external CPA firm monthly. A list of expenses as well as deposits will be given to the board members prior to the board meeting for disbursement approval and this approval will be documented. The invoices will be initialed by the board member signing the check. The Board was aware of the number of individuals that were being served. The detailed information stated in your audit report was requested by the Board several times. This was one of the many factors why the NFP contract was not renewed.*
- B. *The Moniteau County SB40 Board has intentions to complete a business property inventory. The Executive Director and Office Manager have been searching for a tool to implement this.*
- C. *The recommendation to have the Board Secretary sign the minutes is a good one and will be requested to be implemented at the next board meeting on September 22, 2009. The recommendation will be implemented by the Board.*
- D. *Historically, the minutes were kept in various locations as the Board did not have a publically available space to maintain and store minutes. With the construction of the Learning and Vocational Center and the Board overseeing services, the Board now has a central location for minutes to be stored and available for public viewing. On October 27, 2009, a representative from the Attorney General's Office has been invited to speak at the board meeting to discuss the Sunshine Law. At the August board meeting, each board member was given a current copy of the Sunshine Law to review. During the September board meeting, the Executive Director is going to ask the board members to send her any questions they may have regarding the Sunshine Law. The Executive Director is going to compile the questions and send to the representative prior to the meeting so that he can gather the necessary information to assist in answering the questions.*

5. County Treasurer's Accounting Controls and Procedures

The County Treasurer does not prepare formal bank reconciliations. The County Treasurer indicated he prepares a monthly list of outstanding checks and informally reconciles the bank balances to monthly settlements; however, the reconciliation is not documented. Our review of the County Treasurer's outstanding check list, bank statements, and annual settlement as of December 31, 2008, noted the book balance exceeded the total reconciled bank account balance by \$1,391. The County Treasurer indicated he has investigated this difference which has existed since he began using a computerized system in 2005, but he was unable to resolve the difference. Formally documented bank reconciliations are necessary to ensure all monies have been recorded and accounted for properly. Any differences identified through the reconciliation process should be resolved in a timely manner.

WE RECOMMEND the County Treasurer formally document monthly bank reconciliations. Any differences should be investigated and resolved in a timely manner.

AUDITEE'S RESPONSE

The County Treasurer provided the following response:

This recommendation will be implemented.

6. Prosecuting Attorney's Accounting Controls and Procedures

Bad checks are not accounted for adequately, the Prosecuting Attorney does not provide adequate oversight of accounting functions and records, and receipts are not deposited timely. Although previous audits have noted similar conditions, the Prosecuting Attorney has not implemented our recommendations. The Prosecuting Attorney's office primarily collects fees and restitution on bad checks and court-ordered restitution. Receipts totaled approximately \$38,900 and \$65,200 during the years ended December 31, 2008 and 2007, respectively.

- A. An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition, has not been established. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. No identifying or tracking numbers are assigned to the complaint forms or bad checks, and the bad check complaints are not recorded in a log or maintained in a manner that allows all bad check complaint forms and bad checks to be accounted for properly.

The Prosecuting Attorney files criminal charges for all bad checks received, and dismisses those charges when payment is received. However, procedures have

not been established to ensure charges were filed for each bad check received and dismissals are supported by payment of bad check fees and restitution.

To ensure all bad checks turned over to the Prosecuting Attorney are accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be recorded in a log used to track the status and disposition of the corresponding bad check. The log should contain information such as the assigned number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and transmitted, and the criminal case in which charges were filed or other disposition.

- B. Adequate oversight of accounting functions and records is not provided by the Prosecuting Attorney. One individual is responsible for receipting and recording monies; and another is responsible for depositing monies, preparing and signing checks, and preparing bank reconciliations. The Prosecuting Attorney estimated he reviews approximately one-third of the bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, the Prosecuting Attorney should compare bank deposits with recorded receipts and review the bank reconciliations. Proper supervision by the Prosecuting Attorney and documented reviews help ensure financial records are properly maintained and errors are detected on a timely basis.

- C. Receipts are not deposited on a timely basis. Only money orders and cashier's checks are accepted. Monies are normally collected each business day, but deposits are only made two times per month, on average. Our cash count of bad check fees and restitution conducted on April 23, 2009, showed monies on hand totaling \$2,045, comprised of receipts collected from April 9 through April 23, 2009. These monies were not deposited until May 6, 2009. In addition, a test of 10 bad check cases noted deposits were made from 4 to 36 working days after receipt. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact on a timely basis.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Develop procedures and records to provide sufficient information to track the disposition of all bad check complaints.
- B. Provide adequate oversight of the accounting functions performed by employees and ensure periodic supervisory reviews are documented.
- C. Deposit receipts intact on a timely basis.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. We plan to establish a log or system to track bad check complaints.*
- B. We will implement this recommendation in conjunction with recommendation A.*
- C. We will work on making deposits more timely.*

7. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures

The Circuit Clerk and Ex Officio Recorder of Deeds' controls and procedures related to accrued costs and receipts need improvement. The Circuit Clerk's office processed monies for civil and criminal fees, fines, and bonds totaling approximately \$85,900 and \$100,800 for the years ended December 31, 2008 and 2007, respectively. In 2008, the office also received approximately \$1.1 million from the Missouri Department of Transportation for the purchase of right-of-ways for a road construction project and disbursed these monies to the various landowners. The Ex Officio Recorder of Deeds' office received monies for copies and recording marriage licenses, Uniform Commercial Code financing statement filings, deeds, tax liens, and other commercial paper totaling approximately \$113,700 and \$121,400 for the years ended December 31, 2008 and 2007, respectively.

- A. The Circuit Clerk does not actively monitor or pursue collection of accrued costs owed to the court. A list of accrued costs is maintained in the court's computer system; however, the Circuit Clerk does not periodically review the system for amounts due to the court. Upon our request, the Circuit Clerk ran a summary report of accrued costs which totaled approximately \$1.5 million as of April 29, 2009. Nearly \$791,000 (53 percent) was 60 or more days outstanding including over \$467,000 for jail board bills and over \$218,000 for restitution. The Circuit Clerk ensures payment plans are established; however, follow up procedures are limited to only those individuals on probation. In addition, the Circuit Court has not taken advantage of the debt collection program established by the Office of State Courts Administrator (OSCA) for collection of monies owed to the court.

The Circuit Clerk should establish procedures to periodically review the amounts due to the court and take appropriate steps to ensure amounts owed are collected or determine if amounts are uncollectible. Improved collection procedures and monitoring of accrued costs could result in additional receipts due to the state, county, and others.

- B. Circuit Clerk receipts were not always deposited intact or in a timely manner. According to the former Circuit Clerk, deposits were made when receipts totaled approximately \$1,000. A review of deposits for the months of April 2007, March

2008, October 2008, and December 2008, indicated deposits were made an average of 3 1/2 times per month, and averaged \$1,876. In addition, monies received for Circuit Clerk and Ex Officio Recorder of Deeds' copy fees were held and used for petty cash disbursements; and as a result, the petty cash fund was not maintained on an imprest basis.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact and on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, good internal controls require petty cash be set at an established amount and be reimbursed when it has been expended.

- C. The numerical sequences of receipt numbers assigned by the Circuit Clerk and the Ex Officio Recorder of Deeds' computer systems are not accounted for properly. The systems generate prenumbered receipt slips each time a payment is entered; however, no review is performed to account for the numerical sequences of these receipt slips. The numerical sequences of receipt slips should be reviewed to ensure all receipts are accounted for properly.
- D. Ex Officio Recorder of Deeds receipts are not posted to the computer system when received. Rather than entering receipts throughout the day as monies are received, the monies are held and entered the next day. A list of monies received throughout the day is not maintained and manual receipt slips are only issued when the customer requests a receipt slip upon payment. In addition, manual receipt slips are not reconciled to the computer system. As a result, there is no procedure to ensure all monies received are properly entered into the computer system and subsequently deposited. The former Ex Officio Recorder of Deeds indicated office personnel are too busy to issue receipt slips when monies are received.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued when monies are received. If manual receipt slips are necessary, procedures should be established to account for manual receipt slips and verify the receipts have been recorded in the computer system and deposited.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Establish procedures to monitor accrued costs and take appropriate steps to ensure amounts owed are collected, including participating in the state's debt collection program.
- B. Deposit all monies intact on a timely basis, and ensure the petty cash fund is maintained at a constant amount.
- C. Ensure the numerical sequences of receipt slips are accounted for properly.

- D. Ensure receipt slips are issued immediately for all monies received.

AUDITEE'S RESPONSE

The new Circuit Clerk and Ex Officio Recorder of Deeds provided the following written responses:

- A. *A large portion of our \$1.5 million accrued costs is three criminal cases in which the defendant was ordered to pay restitution. Of the three cases, two were for amounts of \$350,000 (\$700,000 total) and one was for \$112,000. Additionally, the \$467,000 in board bills stated in your findings contain a large portion of defendants who are sentenced to the Department of Corrections (DOC). We do not anticipate collection or pursuing collection of those amounts until the defendant is released from the DOC. The courts are participating in tax offset and after consideration of your suggestion of debt collection, have agreed to participate in that program as well.*
- B. *Since your findings, deposits have been made more frequently; and when the court consolidates in January 2010, deposits will be made on a daily basis. Since I took office, we no longer have a petty cash fund. The office is only using a change drawer to make change for those who make a payment or for those who purchase copies of documents and is not purchasing items out of the change drawer.*
- C. *I am working with an OSCA Certified Public Accountant to assist me in accounting for all receipts (including voided) and doing this once a month as well. In addition, we will establish procedures for the Recorder of Deeds to track the numerical sequence of receipt slips and maintain voided receipt slips in the account book.*
- D. *We are entering all money the day of receipt, and monies received for copies associated and not associated to a case will be entered into a log book requiring the recipient to initial. That money will be receipted in monthly and stored in a cash box until that date.*

ORGANIZATION AND STATISTICAL INFORMATION

MONITEAU COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Moniteau County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is California.

Moniteau County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Kenneth Kunze, Presiding Commissioner	\$	29,699
Kim F. Roll, Associate Commissioner		27,608
Tony Barry, Associate Commissioner		27,608
Anita Groepper, County Clerk (1)		45,532
John T. Kay, Prosecuting Attorney (2)		109,573
Jay Gump, Sheriff		46,013
Harold Haldiman, County Treasurer		41,416
Loyd Fulks, County Coroner		12,549
Cher King Caudel, Public Administrator		26,144
Carlene E. Petree, County Collector (1), year ended February 28,	45,532	
Darrel L. King, County Assessor (3), year ended August 31,		42,381
Ron Kliethermes, County Surveyor (4)		

(1) Includes \$3,702 of commissions earned for collecting city property taxes.

(2) Includes \$1,800 annual compensation received from the 911 Board.

(3) Includes \$688 annual compensation received from the state.

(4) Compensation on a fee basis.

State-Paid Officials:

J. David Haldiman, Circuit Clerk and Ex Officio Recorder of Deeds	52,668
Peggy Richardson, Associate Circuit Judge	107,641



Susan Montee, JD, CPA
Missouri State Auditor

OFFICE OF ATTORNEY GENERAL

Medicaid Fraud Control Unit



November 2009
Report No. 2009-127

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following finding was included in our audit report on the Office of the Attorney General, Medicaid Fraud Control Unit.

The State Auditor is required by state law to conduct an audit of the Medicaid Fraud Control Unit (MFCU) " . . . to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office." In 2008, the MFCU collected over \$13 million.

The report does not separately indicate the total amount of overpayments identified as a result of completed investigations. The overpayments reported include applicable damages ordered by the court. This condition was also noted in the prior report.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

OFFICE OF ATTORNEY GENERAL
MEDICAID FRAUD CONTROL UNIT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-7
HISTORY AND ORGANIZATION	8-10

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Honorable Chris Koster, Attorney General
Jefferson City, Missouri

We have audited the Office of Attorney General, Medicaid Fraud Control Unit, as required by Section 191.909.1, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Determine the amount of money recovered by the unit.
2. Determine the amount of money invested in the unit.
3. Evaluate the unit's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of grant agreement or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the Medicaid Fraud Control Unit.

The accompanying Management Advisory Report presents our finding arising from our audit of the Office of Attorney General, Medicaid Fraud Control Unit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Matthew Schulenberg
Audit Staff:	Joe Adrian

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF ATTORNEY GENERAL
MEDICAID FRAUD CONTROL UNIT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Annual Report

The Medicaid Fraud Control Unit's (MFCU) 2008 annual report did not include some information required by state law. We compared the information included in this report to the statutory requirements. In addition, we reviewed the supporting documentation to ensure the report information was complete and accurate.

Pursuant to Section 191.909.1, RSMo, the Attorney General's office is to report annually, by January 1 of each year, the following activities related to the MFCU:

- "(1) The number of provider investigations due to allegations of violations under sections 191.900 to 191.910 conducted by the attorney general's office and completed within the reporting year, including the age and type of cases;
- (2) The number of referrals due to allegations of violations under sections 191.900 to 191.910 received by the attorney general's office;
- (3) The total amount of overpayments identified as the result of completed investigations;
- (4) The amount of fines and restitutions ordered to be reimbursed, with a delineation between amounts the provider has been ordered to repay, including whether or not such repayment will be completed in a lump sum payment or installment payments, and any adjustments or deductions ordered to future provider payments;
- (5) The total amount of monetary recovery as the result of completed investigations;
- (6) The total number of arrests, indictments, and convictions as the result of completed investigations."

Additionally, the state auditor is required to conduct an audit of the MFCU ". . . to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office."

For the year ended December 31, 2008, the MFCU recovered the following funds:

Federal	\$	615,346	(1)
State		12,679,035	(2)
Federal direct		20,294,900	(3)
Total	\$	<u>33,589,281</u>	

(1) Federal government's share of the funds recovered by the unit. This amount includes \$17,765 for court ordered reimbursement of the unit's investigation costs.

(2) State's share of the funds recovered by the unit and from multi-state cases. This amount includes \$10,452 for court ordered reimbursement of the unit's investigation costs.

(3) This amount includes the federal government's share of multi-state settlements, which is remitted directly to the federal government by the multi-state trustee.

For the year ended December 31, 2008, the costs incurred to operate the MFCU were:

Salaries and wages	\$	858,518	
Fringe benefits		353,362	
Travel, in-state		11,024	
Travel, out-of-state		16,996	
Supplies		25,646	
Professional development		10,659	
Communication services and supplies		12,531	
Professional services		280,545	
Housekeeping and janitorial services		192	
Maintenance and repair services		16,621	
Computer equipment		16,620	
Motorized equipment		367	
Office equipment		40	
Miscellaneous expenses		2,237	
Building lease payments		61,957	
Total	\$	<u>1,667,315</u>	(4)

(4) In 2008, funding of these costs included federal reimbursement of \$1,371,251 and federal indirect reimbursement of \$143,311. The remaining balance of \$152,753 was incurred by the state.

The following concern was noted:

The report does not separately indicate the total amount of overpayments identified as a result of completed investigations. The overpayments reported include applicable damages ordered by the court.

The MFCU has identified overpayments as the difference between the amount the state paid and the amount the state should have paid. According to Section 191.905.11, RSMo, any person convicted of Medicaid fraud is, "... required to make restitution to the federal and state governments, in an amount at least equal to that unlawfully paid to or by the person" Typically, restitution is the amount identified as the overpayment. Depending on the level of fraud, the damages can be up to three times the amount of overpayment.

The MFCU should report the overpayment/restitution amounts and damages separately.

This condition was also noted in the prior report.

WE RECOMMEND the MFCU separately account for overpayment/restitution amounts identified and court ordered damages in the annual report.

AUDITEE'S RESPONSE

The MFCU provided the following written response:

As responded to in the calendar year 2007 report, the MFCU does not keep a record of the amount of overpayments. The MFCU will comply with this recommendation and segregate restitution from damages in each case, where possible.

HISTORY AND ORGANIZATION

OFFICE OF ATTORNEY GENERAL
MEDICAD FRAUD CONTROL UNIT
HISTORY AND ORGANIZATION

The Attorney General's office is located in Jefferson City. There are branch offices in Kansas City, St. Louis, Springfield, and Cape Girardeau. The office is organized into eight divisions: Agriculture and Environment, Consumer Protection, Criminal, Financial Services, Governmental Affairs, Labor, Litigation, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division.

The Medicaid Fraud Control Unit (MFCU) is organizationally located within the Public Safety Division, and was created in 1994.

The MFCU conducts a statewide program for the investigation and prosecution of health care providers that defraud the Medicaid program. Additionally, the MFCU reviews complaints of abuse or neglect of nursing home residents and may review complaints of the misappropriation of patients' private funds in these facilities. The MFCU is also charged with investigating fraud in the administration of the Medicaid program and providing for the collection or referral for collection to the state Medicaid agency, the Department of Social Services (DSS). Referrals are received from the DSS's Program Integrity Unit and Investigations Unit, other state agencies, and federal agencies. Additionally, the MFCU initiates its own investigation.

The MFCU operates under the administration oversight of the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services (HSS), and must be recertified annually by the OIG. To receive certification, the MFCU must be separate and distinct from the state Medicaid agency (DSS). Federal regulations also prohibit 1) any official from DSS from having authority to review or overrule activities of the MFCU, 2) the MFCU from receiving funds from the DSS, 3) the MFCU from pursuing recipient fraud, unless there is a conspiracy with a provider, and 4) the MFCU from engaging in the routine computer screening activities that are the usual monitoring function of DSS. In addition, the MFCU is required to enter into a Memorandum of Understanding (MOU) with the DSS which outlines each agency's responsibilities and duties to each other. An annual federal grant from HHS reimburses 75 percent of the MFCU's expenses, with the state paying the remaining 25 percent of expenses.

Section 191.905.11, RSMo, provides restitution monies recovered by the MFCU be deposited to the MO HealthNet Fraud Reimbursement Fund and appropriated to the federal government and affected state agency(s) to refund monies falsely obtained from the federal and state agency(s). For federal fiscal year 2008, monies collected were distributed between the federal and state at a rate of 62.42 percent and 37.58 percent, respectively. These rates changed in federal fiscal year 2009 to 63.19 percent and 36.81 percent, respectively. Any monies remaining in this fund after appropriation to the federal government and state agency(s) are to be used to increase the MO HealthNet provider reimbursement until it is at least one hundred percent of the Medicare provider reimbursement rate for comparable services. Any cost reimbursements for the investigation and/or prosecution of the Medicaid fraud are to be deposited to the MO HealthNet Fraud Prosecuting Revolving Fund. These monies may be appropriated to the Attorney General,

or to any prosecuting or circuit attorney who has successfully prosecuted and been awarded such costs of prosecution.

At December 31, 2008, the Office of Attorney General, Medicaid Fraud Control Unit employed 21 full-time employees, including a director, attorneys, investigators, auditors, a programmer analyst, and secretaries.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Cooper County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Cooper County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

November 2009
Report No. 2009-126

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6-7
Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Governmental Funds.....	8-9
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis.....	10-11
Reconciliation of the County Funds Statement of Revenues, Expenditures and Changes in Fund Balances With The Government-Wide Statement of Activities – Modified Cash Basis.....	12-13
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	14
Notes to the Financial Statements.....	15-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	27
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	28-29
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	30

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Road and Bridge Trust Fund – Unaudited.....	31
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Enhanced 911 Fund – Unaudited.....	32
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Law Enforcement Center Fund – Unaudited.....	33
Notes to Required Supplementary Information.....	34
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	35-36
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	37-38
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	39-40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	41-42
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008.....	43-44
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007.....	45-46
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	47

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	48-49
Schedule of Findings and Responses.....	50-52

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To The County Commission
The County of Cooper, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cooper (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, requires to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. In accordance with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, the Health Department of Cooper County and the Cooper County SB40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Cooper County Health Department at 660-882-2626 and the Cooper County SB40 Board at 660-882-5576.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009, on our consideration of the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual – Modified Cash Basis and related notes on pages 27 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 35 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 47 through 52 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 24, 2009

FINANCIAL STATEMENTS

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED

	DECEMBER 31, 2008 TOTAL GOVERNMENTAL ACTIVITIES	DECEMBER 31, 2007 TOTAL GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and Cash Equivalents	\$ 1,362,700.15	\$ 1,440,072.09
Investments	<u>1,236,000.00</u>	<u>1,330,000.00</u>
TOTAL ASSETS	<u><u>2,598,700.15</u></u>	<u><u>2,770,072.09</u></u>
NET ASSETS		
Unrestricted	1,113,824.35	1,043,167.95
Restricted for Specific Purpose	<u>1,484,875.80</u>	<u>1,726,904.14</u>
TOTAL NET ASSETS	<u>2,598,700.15</u>	<u>2,770,072.09</u>
TOTAL FUND BALANCE	<u><u>\$ 2,598,700.15</u></u>	<u><u>\$ 2,770,072.09</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 1,743,122.22	\$ 293,218.54	\$ 253,686.05	\$ 329,907.48	\$ (866,310.15)
Road and Bridge	1,962,127.72	-	-	-	(1,962,127.72)
Financial Administration	155,300.56	-	-	-	(155,300.56)
Other Offices and Grants	377,921.17	-	-	-	(377,921.17)
Administration of Justice and Law Enforcement	1,789,735.98	-	-	-	(1,789,735.98)
Consulting	48,876.44	-	-	-	(48,876.44)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	4,282.00	-	-	-	(4,282.00)
Property, Equipment and Buildings	204,394.68	-	-	-	(204,394.68)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6,285,760.77</u>	<u>\$ 293,218.54</u>	<u>\$ 253,686.05</u>	<u>\$ 329,907.48</u>	<u>(5,408,948.70)</u>

GENERAL REVENUES

Taxes:

Property Taxes, Levied	1,099,150.12
Sales Tax	2,931,276.57
Investment Income	111,311.28
Miscellaneous	<u>1,095,838.79</u>
TOTAL GENERAL REVENUES	<u>5,237,576.76</u>
CHANGE IN NET ASSETS	(171,371.94)
NET ASSETS, BEGINNING OF YEAR	<u>2,770,072.09</u>
NET ASSETS, END OF YEAR	<u>\$ 2,598,700.15</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 1,735,487.15	\$ 328,555.11	\$ 482,716.47	\$ 140,874.87	\$ (783,340.70)
Road and Bridge	1,812,917.17	-	-	-	(1,812,917.17)
Financial Administration	151,851.38	-	-	-	(151,851.38)
Other Offices and Grants	343,243.98	-	-	-	(343,243.98)
Administration of Justice and Law Enforcement	1,753,349.18	-	-	-	(1,753,349.18)
Consulting	47,272.04	-	-	-	(47,272.04)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	72,000.00	-	-	-	(72,000.00)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	2,118.40	-	-	-	(2,118.40)
Property, Equipment and Buildings	274,777.66	-	-	-	(274,777.66)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6,193,016.96</u>	<u>\$ 328,555.11</u>	<u>\$ 482,716.47</u>	<u>\$ 140,874.87</u>	(5,240,870.51)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied					1,088,527.14
Sales Tax					2,853,097.79
Investment Income					163,482.36
Miscellaneous					1,085,116.93
TOTAL GENERAL REVENUES					<u>5,190,224.22</u>
CHANGE IN NET ASSETS					(50,646.29)
NET ASSETS, BEGINNING OF YEAR					<u>2,820,718.38</u>
NET ASSETS, END OF YEAR					<u>\$ 2,770,072.09</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Special Road and Bridge	Road & Bridge Trust Fund	Enhanced 911 Fund	Law Enforcement Center Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 313,824.35	\$ 117,207.62	\$ 329,348.80	\$ 223,952.19	\$ 141,784.66	\$ 236,582.53	\$ 1,362,700.15
Investments	<u>800,000.00</u>	<u>100,000.00</u>	<u>-</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>136,000.00</u>	<u>1,236,000.00</u>
							-
TOTAL ASSETS	<u>1,113,824.35</u>	<u>217,207.62</u>	<u>329,348.80</u>	<u>323,952.19</u>	<u>241,784.66</u>	<u>372,582.53</u>	<u>2,598,700.15</u>
FUND BALANCES							
Unreserved:							
General Fund	1,113,824.35	-	-	-	-	-	1,113,824.35
Special Revenue Funds	<u>-</u>	<u>217,207.62</u>	<u>329,348.80</u>	<u>323,952.19</u>	<u>241,784.66</u>	<u>372,582.53</u>	<u>1,484,875.80</u>
TOTAL FUND BALANCES	<u>1,113,824.35</u>	<u>217,207.62</u>	<u>329,348.80</u>	<u>323,952.19</u>	<u>241,784.66</u>	<u>372,582.53</u>	<u>2,598,700.15</u>
TOTAL FUND BALANCES	<u>\$ 1,113,824.35</u>	<u>\$ 217,207.62</u>	<u>\$ 329,348.80</u>	<u>\$ 323,952.19</u>	<u>\$ 241,784.66</u>	<u>\$ 372,582.53</u>	<u>\$ 2,598,700.15</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Special Road and Bridge	Road & Bridge Trust Fund	Enhanced 911 Fund	Law Enforcement Center Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 243,167.95	\$ 362,177.07	\$ 218,062.36	\$ 238,042.96	\$ 159,389.60	\$ 219,232.15	\$ 1,440,072.09
Investments	800,000.00	100,000.00	-	100,000.00	200,000.00	130,000.00	1,330,000.00
							-
TOTAL ASSETS	<u>1,043,167.95</u>	<u>462,177.07</u>	<u>218,062.36</u>	<u>338,042.96</u>	<u>359,389.60</u>	<u>349,232.15</u>	<u>2,770,072.09</u>
FUND BALANCES							
Unreserved:							
General Fund	1,043,167.95	-	-	-	-	-	1,043,167.95
Special Revenue Funds	-	462,177.07	218,062.36	338,042.96	359,389.60	349,232.15	1,726,904.14
TOTAL FUND BALANCES	<u>1,043,167.95</u>	<u>462,177.07</u>	<u>218,062.36</u>	<u>338,042.96</u>	<u>359,389.60</u>	<u>349,232.15</u>	<u>2,770,072.09</u>
TOTAL FUND BALANCES	<u>\$ 1,043,167.95</u>	<u>\$ 462,177.07</u>	<u>\$ 218,062.36</u>	<u>\$ 338,042.96</u>	<u>\$ 359,389.60</u>	<u>\$ 349,232.15</u>	<u>\$ 2,770,072.09</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Special Road and Bridge	Road & Bridge Trust Fund	Enhanced 911 Fund	Law Enforcement Center Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Property Tax	\$ 492,941.38	\$ 606,208.74	\$ -	\$ -	\$ -	\$ -	\$ 1,099,150.12
Sales Tax	795,760.47	72,960.62	868,917.00	397,879.98	795,758.50	-	2,931,276.57
Inter-Governmental Revenue	-	-	-	-	-	-	-
Charges for Services	289,183.59	-	-	-	-	4,034.95	293,218.54
Loans	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	112,176.92	-	-	100,000.00	55,356.97	62,373.59	329,907.48
Fees, Licenses and Permits	42,206.34	54,021.65	-	-	-	157,458.06	253,686.05
Interest	53,015.21	14,387.54	8,182.98	10,639.12	12,683.63	12,402.80	111,311.28
Other	515,318.91	412,442.86	-	15.00	43,782.41	124,279.61	1,095,838.79
TOTAL REVENUES	2,300,602.82	1,160,021.41	877,099.98	508,534.10	907,581.51	360,549.01	6,114,388.83
EXPENDITURES							
Current:							
General County Government	868,755.04	-	-	522,624.87	-	351,742.31	1,743,122.22
Road and Bridge	-	1,236,990.94	725,136.78	-	-	-	1,962,127.72
Financial Administration	155,300.56	-	-	-	-	-	155,300.56
Other Offices and Grants	370,248.48	-	-	-	-	7,672.69	377,921.17
Property Valuation and Recording	48,876.44	-	-	-	-	-	48,876.44
Supplies	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-
Administration of Justice and Law	764,437.06	-	-	-	1,025,186.45	112.47	1,789,735.98
Continued Progress	-	-	-	-	-	-	-
Capital Outlay:							
Construction	-	4,282.00	-	-	-	-	4,282.00
Property, Equipment and Buildings	-	204,394.68	-	-	-	-	204,394.68
TOTAL EXPENDITURES	2,207,617.58	1,445,667.62	725,136.78	522,624.87	1,025,186.45	359,527.47	6,285,760.77
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	92,985.24	(285,646.21)	151,963.20	(14,090.77)	(117,604.94)	1,021.54	(171,371.94)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	40,676.76	-	-	-	22,328.84	63,005.60
Transfers Out	(22,328.84)	-	(40,676.76)	-	-	-	(63,005.60)
Emergency Fund	-	-	-	-	-	-	-
Debt Service:							
Principal Payment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(22,328.84)	40,676.76	(40,676.76)	-	-	22,328.84	-
NET CHANGE IN FUND BALANCE	70,656.40	(244,969.45)	111,286.44	(14,090.77)	(117,604.94)	23,350.38	(171,371.94)
FUND BALANCE - BEGINNING OF YEAR	1,043,167.95	462,177.07	218,062.36	338,042.96	359,389.60	349,232.15	2,770,072.09
FUND BALANCE - END OF YEAR	\$ 1,113,824.35	\$ 217,207.62	\$ 329,348.80	\$ 323,952.19	\$ 241,784.66	\$ 372,582.53	\$ 2,598,700.15

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Road and Bridge	Road & Bridge Trust Fund	Enhanced 911 Fund	Law Enforcement Center Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Property Tax	\$ 433,173.70	\$ 655,353.44	\$ -	\$ -	\$ -	\$ -	\$ 1,088,527.14
Sales Tax	786,865.72	98,530.00	786,864.93	393,429.24	787,407.90	-	2,853,097.79
Inter-Governmental Revenue	-	-	-	-	-	-	-
Charges for Services	326,844.65	-	-	-	-	1,710.46	328,555.11
Loans	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	32,419.53	-	-	174,880.00	74,672.95	66,201.92	348,174.40
Fees, Licenses and Permits	48,162.26	65,317.34	-	-	-	161,937.34	275,416.94
Interest	62,910.89	33,333.50	15,779.71	16,547.90	21,031.96	13,878.40	163,482.36
Other	465,217.66	442,062.32	-	4,732.20	46,117.25	126,987.50	1,085,116.93
TOTAL REVENUES	2,155,594.41	1,294,596.60	802,644.64	589,589.34	929,230.06	370,715.62	6,142,370.67
EXPENDITURES							
Current:							
General County Government	778,208.15	-	-	505,798.87	-	451,480.13	1,735,487.15
Road and Bridge	-	1,150,157.22	662,759.95	-	-	-	1,812,917.17
Financial Administration	151,851.38	-	-	-	-	-	151,851.38
Other Offices and Grants	324,620.33	-	-	-	-	18,623.65	343,243.98
Property Valuation and Recording	47,272.04	-	-	-	-	-	47,272.04
Supplies	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-
Administration of Justice and Law	749,795.11	-	-	-	1,003,554.07	-	1,753,349.18
Continued Progress	-	-	-	-	-	-	-
Capital Outlay:							
Construction	-	2,118.40	-	-	-	-	2,118.40
Property, Equipment and Buildings	-	274,777.66	-	-	-	-	274,777.66
TOTAL EXPENDITURES	2,051,747.01	1,427,053.28	662,759.95	505,798.87	1,003,554.07	470,103.78	6,121,016.96
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	103,847.40	(132,456.68)	139,884.69	83,790.47	(74,324.01)	(99,388.16)	21,353.71
OTHER FINANCING SOURCES (USES)							
Transfers In	-	57,367.91	-	-	-	17,463.08	74,830.99
Transfers Out	(17,463.08)	-	(57,367.91)	-	-	-	(74,830.99)
Emergency Fund	(72,000.00)	-	-	-	-	-	(72,000.00)
Debt Service:							
Principal Payment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(89,463.08)	57,367.91	(57,367.91)	-	-	17,463.08	(72,000.00)
NET CHANGE IN FUND BALANCE	14,384.32	(75,088.77)	82,516.78	83,790.47	(74,324.01)	(81,925.08)	(50,646.29)
FUND BALANCE - BEGINNING OF YEAR	1,028,783.63	537,265.84	135,545.58	254,252.49	433,713.61	431,157.23	2,820,718.38
FUND BALANCE - END OF YEAR	\$ 1,043,167.95	\$ 462,177.07	\$ 218,062.36	\$ 338,042.96	\$ 359,389.60	\$ 349,232.15	\$ 2,770,072.09

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 2,598,700.15
---	-----------------

There are no items of reconciliation.

-

Total Net Assets – Governmental Activities	<u>\$ 2,598,700.15</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 2,770,072.09
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 2,770,072.09</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (171,371.94)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (171,371.94)</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ (50,646.29)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (50,646.29)</u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	DECEMBER 31, 2008 AGENCY FUNDS	DECEMBER 31, 2007 AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	\$ 12,175,303.41	\$ 10,755,380.12
Investments	<u>236,098.42</u>	<u>248,824.75</u>
TOTAL ASSETS	<u><u>12,411,401.83</u></u>	<u><u>11,004,204.87</u></u>
LIABILITIES		
Due to Other Funds	<u>12,411,401.83</u>	<u>11,004,204.87</u>
TOTAL LIABILITIES	<u><u>\$ 12,411,401.83</u></u>	<u><u>\$ 11,004,204.87</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Cooper, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Cooper County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component units, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, requires to be reported with the financial data of the Primary Government.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statements:

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Revenue Fund, Special Road and Bridge Fund, Road and Bridge Trust Fund, Enhanced 911 Fund and the Law Enforcement Center Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Road and Bridge Trust Fund – The Road and Bridge Trust Fund is a special revenue fund used to account for sales tax receipts of the County and related expenditures.

Enhanced 911 Fund – The Enhanced 911 Fund is a special revenue fund used to account for sales tax and related expenditures of the 911 operations.

Law Enforcement Center Fund – The Law Enforcement Center Fund is a special revenue fund used to account for sales tax and jail board fees and related expenditures of the Law Enforcement Center.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 135,524,650	\$ 132,582,600
Personal Property	46,686,993	44,668,496
Railroad and Utilities	<u>34,221,625</u>	<u>34,828,437</u>
	<u>\$ 216,433,268</u>	<u>\$ 212,079,533</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

During 2008 and 2007, the County Commission approved a \$.5536 and \$.5459, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.2422	\$.2345
Special Road and Bridge Fund	.3114	.3114
	<u>\$.5536</u>	<u>\$.5459</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007 for the General Fund and restricted for all special revenue funds.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$2,598,700.15 and \$2,770,072.09, the bank balance was \$2,980,090.80 and \$3,166,647.23, respectively. As of December 31, 2008 and 2007, the Primary Government's deposits were fully pledged and investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,362,700.15
Investments	1,236,000.00
Restricted Cash	-
Total Deposits & Investments as of December 31, 2008	<u>\$ 2,598,700.15</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,440,072.09
Investments	1,330,000.00
Restricted Cash	-
Total Deposits & Investments as of December 31, 2007	\$ 2,770,072.09

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT

Series 1998 – This is a lease agreement for the County Law Enforcement Center. The maturity date of the Certificates are 8/1/2018 and the interest rate is variable from 4.10% to 5.35%. UMB is the paying agent of this bond.

2008

DEBT	BALANCE AT 12/31/2007	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2008	INTEREST PAID DURING YEAR
1998 Series	\$ 1,850,000.00	\$ -	\$ 130,000.00	\$ 1,720,000.00	\$ 97,207.50
TOTAL	<u>\$ 1,850,000.00</u>	<u>\$ -</u>	<u>\$ 130,000.00</u>	<u>\$ 1,720,000.00</u>	<u>\$ 97,207.50</u>

2007

DEBT	BALANCE AT 12/31/2006	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2007	INTEREST PAID DURING YEAR
1998 Series	\$ 1,975,000.00	\$ -	\$ 125,000.00	\$ 1,850,000.00	\$ 103,145.00
TOTAL	<u>\$ 1,975,000.00</u>	<u>\$ -</u>	<u>\$ 125,000.00</u>	<u>\$ 1,850,000.00</u>	<u>\$ 103,145.00</u>

Principal payments due within one year amount to \$135,000.00.

2008 AMORTIZATIONS
SERIES 1998 BOND SCHEDULE

YEAR	PRINCIPLE	INTEREST	TOTAL
December 31, 2009	\$ 135,000.00	\$ 90,902.50	\$ 225,902.50
December 31, 2010	140,000.00	83,882.50	223,882.50
December 31, 2011	150,000.00	76,602.50	226,602.50
December 31, 2012	155,000.00	68,802.50	223,802.50
December 31, 2013	165,000.00	60,742.50	225,742.50
2014-2018	975,000.00	161,837.50	1,136,837.50
TOTAL	<u>\$ 1,720,000.00</u>	<u>\$ 542,770.00</u>	<u>\$ 2,262,770.00</u>

2007 AMORTIZATIONS
SERIES 1998 BOND SCHEDULE

YEAR	PRINCIPLE	INTEREST	TOTAL
December 31, 2008	\$ 130,000.00	\$ 97,207.50	\$ 227,207.50
December 31, 2009	135,000.00	90,902.50	225,902.50
December 31, 2010	140,000.00	83,882.50	223,882.50
December 31, 2011	150,000.00	76,602.50	226,602.50
December 31, 2012	155,000.00	68,802.50	223,802.50
2013-2017	925,000.00	211,077.50	1,136,077.50
2018	215,000.00	11,502.50	226,502.50
TOTAL	<u>\$ 1,850,000.00</u>	<u>\$ 639,977.50</u>	<u>\$ 2,489,977.50</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	TRANSFERS IN	TRANSFERS OUT	TRANSFERS IN	TRANSFERS OUT
MAJOR FUNDS	\$	\$	\$	\$
General Fund	-	22,328.84	-	17,463.08
Special Road and Bridge Fund	40,676.76	-	57,367.91	-
Special Road and Bridge Trust Fund	-	40,676.76	-	57,367.91
NON-MAJOR FUNDS	22,328.84	-	17,463.08	-
TOTAL	\$ 63,005.60	\$ 63,005.60	\$ 74,830.99	\$ 74,830.99

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employees whose position requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits (concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of approximately \$83,167.54 and \$78,199.18, respectively, for the years then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$ -0- and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VII. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not currently involved in any litigation matters.

B. Compensated Absences

The County provides employees with annual leave time based upon the number of years of continuing service. Upon termination from county employment, an employee is paid for overtime, if applicable. This has not been subjected to auditing procedures.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES (concluded)

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. LEASES

On February 11, 2008, the County entered into a lease purchase agreement with UMB Banc Leasing Corp. for two G170 New Holland Motor Graders. The interest rate is 3.95% and three annual payments of \$39,662.91 are required. The payment schedule follows:

	PRINCIPLE	INTEREST	TOTAL
February 15, 2009	\$ 35,197.22	\$ 4,465.69	\$ 39,662.91
February 15, 2010	36,667.16	2,995.75	39,662.91
February 15, 2011	38,135.62	1,527.29	39,662.91
TOTAL	<u>\$ 110,000.00</u>	<u>\$ 8,988.73</u>	<u>\$ 118,988.73</u>

On November 30, 2006, the County entered into a three year lease with Advantage Properties to rent property for the use of the County Extension Center. Monthly rental payments are \$575. The lease commences January 1, 2007 and ends December 31, 2007. A schedule of lease payments follows:

December 31, 2007	\$ 6,900.00
December 31, 2008	\$ 6,900.00
December 31, 2009	\$ 6,900.00

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees.

Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)
	ORIGINAL	FINAL		FINAL BUDGET	ORIGINAL	FINAL		FINAL BUDGET
REVENUES								
Property Tax	\$ 433,000.00	\$ 433,000.00	\$ 492,941.38	\$ 59,941.38	\$ 358,000.00	\$ 358,000.00	\$ 433,173.70	\$ 75,173.70
Sales Tax	750,000.00	750,000.00	795,760.47	45,760.47	750,000.00	750,000.00	786,865.72	36,865.72
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	321,500.00	321,500.00	289,183.59	(32,316.41)	302,000.00	302,000.00	326,844.65	24,844.65
Grants, Distributions and Reimbursements	60,000.00	60,000.00	112,176.92	52,176.92	20,000.00	20,000.00	32,419.53	12,419.53
Fees, Licenses and Permits	44,200.00	44,200.00	42,206.34	(1,993.66)	40,000.00	40,000.00	48,162.26	8,162.26
Interests	50,000.00	50,000.00	53,015.21	3,015.21	50,000.00	50,000.00	62,910.89	12,910.89
Other	516,359.42	516,359.42	515,318.91	(1,040.51)	437,323.59	437,323.59	465,217.66	27,894.07
TOTAL REVENUES	2,175,059.42	2,175,059.42	2,300,602.82	125,543.40	1,957,323.59	1,957,323.59	2,155,594.41	198,270.82
EXPENDITURES								
Current:								
General County Government	1,045,288.96	1,045,288.96	868,755.04	(176,533.92)	922,013.60	922,013.60	778,208.15	(143,805.45)
Financial Administration	185,507.96	185,507.96	155,300.56	(30,207.40)	161,180.70	161,180.70	151,851.38	(9,329.32)
Other Offices and Grants	385,971.94	385,971.94	370,248.48	(15,723.46)	355,687.32	355,687.32	324,620.33	(31,066.99)
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	72,402.76	72,402.76	48,876.44	(23,526.32)	52,604.64	52,604.64	47,272.04	(5,332.60)
Administration of Justice and Law	844,823.53	844,823.53	764,437.06	(80,386.47)	812,489.84	812,489.84	749,795.11	(62,694.73)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,533,995.15	2,533,995.15	2,207,617.58	(326,377.57)	2,303,976.10	2,303,976.10	2,051,747.01	(252,229.09)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(358,935.73)	(358,935.73)	92,985.24	451,920.97	(346,652.51)	(346,652.51)	103,847.40	450,499.91
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(119,931.00)	(119,931.00)	(22,328.84)	97,602.16	(21,178.00)	(21,178.00)	(17,463.08)	3,714.92
Emergency Fund	(100,000.00)	(100,000.00)	-	100,000.00	(100,000.00)	(100,000.00)	(72,000.00)	28,000.00
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(219,931.00)	(219,931.00)	(22,328.84)	197,602.16	(121,178.00)	(121,178.00)	(89,463.08)	31,714.92
NET CHANGE IN FUND BALANCE	(578,866.73)	(578,866.73)	70,656.40	649,523.13	(467,830.51)	(467,830.51)	14,384.32	482,214.83
FUND BALANCE - BEGINNING OF YEAR	1,043,167.95	1,043,167.95	1,043,167.95	-	1,028,783.63	1,028,783.63	1,028,783.63	-
FUND BALANCE - END OF YEAR	\$ 464,301.22	\$ 464,301.22	\$ 1,113,824.35	\$ 649,523.13	\$ 560,953.12	\$ 560,953.12	\$ 1,043,167.95	\$ 482,214.83

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 127,452.95	\$ 127,452.95	\$ 124,387.45	\$ (3,065.50)	\$ 123,683.14	\$ 123,683.14	\$ 118,987.79	\$ (4,695.35)
County Clerk	127,442.13	127,442.13	128,976.07	1,533.94	123,220.46	123,220.46	118,967.37	(4,253.09)
Elections	187,561.88	187,561.88	111,256.92	(76,304.96)	99,910.00	99,910.00	44,158.77	(55,751.23)
Buildings and Grounds	193,882.00	193,882.00	110,450.99	(83,431.01)	182,250.00	182,250.00	148,323.31	(33,926.69)
Employee Fringe Benefits	315,500.00	315,500.00	260,916.55	(54,583.45)	300,500.00	300,500.00	274,741.16	(25,758.84)
Other Expenses	93,450.00	93,450.00	132,767.06	39,317.06	92,450.00	92,450.00	73,029.75	(19,420.25)
	<u>1,045,288.96</u>	<u>1,045,288.96</u>	<u>868,755.04</u>	<u>(176,533.92)</u>	<u>922,013.60</u>	<u>922,013.60</u>	<u>778,208.15</u>	<u>(143,805.45)</u>
Financial Administration:								
Collector	140,189.97	140,189.97	113,294.80	(26,895.17)	117,434.94	117,434.94	111,061.04	(6,373.90)
Treasurer	45,317.99	45,317.99	42,005.76	(3,312.23)	43,745.76	43,745.76	40,790.34	(2,955.42)
	<u>185,507.96</u>	<u>185,507.96</u>	<u>155,300.56</u>	<u>(30,207.40)</u>	<u>161,180.70</u>	<u>161,180.70</u>	<u>151,851.38</u>	<u>(9,329.32)</u>
Other Offices & Grants:								
Other Offices & Grants	385,971.94	385,971.94	370,248.48	(15,723.46)	355,687.32	355,687.32	324,620.33	(31,066.99)
	<u>385,971.94</u>	<u>385,971.94</u>	<u>370,248.48</u>	<u>(15,723.46)</u>	<u>355,687.32</u>	<u>355,687.32</u>	<u>324,620.33</u>	<u>(31,066.99)</u>
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES (CONCLUDED)
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
EXPENDITURES (concluded)								
Property Valuation and Recording:								
Recorder of Deeds	72,402.76	72,402.76	48,876.44	(23,526.32)	52,604.64	52,604.64	47,272.04	(5,332.60)
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	31,995.00	31,995.00	21,972.90	(10,022.10)	34,754.00	34,754.00	22,958.54	(11,795.46)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	61,203.40	61,203.40	52,027.52	(9,175.88)	57,210.92	57,210.92	53,114.90	(4,096.02)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	46,300.00	46,300.00	43,569.59	(2,730.41)	43,000.00	43,000.00	33,787.19	(9,212.81)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	38,943.24	38,943.24	30,042.70	(8,900.54)	37,909.70	37,909.70	34,360.99	(3,548.71)
Medical Examiner	26,013.25	26,013.25	20,460.41	(5,552.84)	25,165.05	25,165.05	21,724.34	(3,440.71)
Sheriff's Office	336,237.22	336,237.22	308,971.88	(27,265.34)	325,980.75	325,980.75	305,490.90	(20,489.85)
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	240,871.05	240,871.05	225,481.96	(15,389.09)	227,906.56	227,906.56	218,785.26	(9,121.30)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	63,260.37	63,260.37	61,910.10	(1,350.27)	60,562.86	60,562.86	59,572.99	(989.87)
	844,823.53	844,823.53	764,437.06	(80,386.47)	812,489.84	812,489.84	749,795.11	(62,694.73)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 2,533,995.15	\$ 2,533,995.15	\$ 2,207,617.58	\$ (326,377.57)	\$ 2,303,976.10	\$ 2,303,976.10	\$ 2,051,747.01	\$ (252,229.09)

See accompanying Independent Auditor's Report

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
SPECIAL REVENUE - ROAD AND BRIDGE FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 670,000.00	\$ 670,000.00	\$ 606,208.74	\$ (63,791.26)	\$ 600,000.00	\$ 600,000.00	\$ 655,353.44	\$ 55,353.44
Sales Tax	98,500.00	98,500.00	72,960.62	(25,539.38)	81,000.00	81,000.00	98,530.00	17,530.00
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	65,000.00	65,000.00	54,021.65	(10,978.35)	77,478.95	77,478.95	65,317.34	(12,161.61)
Interests	25,000.00	25,000.00	14,387.54	(10,612.46)	22,000.00	22,000.00	33,333.50	11,333.50
Other	1,023,500.00	1,023,500.00	412,442.86	(611,057.14)	441,000.00	441,000.00	442,062.32	1,062.32
TOTAL REVENUES	1,882,000.00	1,882,000.00	1,160,021.41	(721,978.59)	1,221,478.95	1,221,478.95	1,294,596.60	73,117.65
EXPENDITURES								
Current:								
Salaries	480,000.00	480,000.00	437,544.33	(42,455.67)	465,000.00	465,000.00	409,603.81	(55,396.19)
Employee Fringe Benefits	181,500.00	181,500.00	163,367.59	(18,132.41)	162,000.00	162,000.00	160,837.41	(1,162.59)
Supplies	441,500.00	441,500.00	428,620.30	(12,879.70)	386,000.00	386,000.00	373,275.98	(12,724.02)
Property and Equipment Insurance	43,000.00	43,000.00	30,889.01	(12,110.99)	34,500.00	34,500.00	32,949.70	(1,550.30)
Equipment Repairs	70,000.00	70,000.00	63,690.01	(6,309.99)	60,000.00	60,000.00	58,628.49	(1,371.51)
Rentals	4,000.00	4,000.00	9,430.00	5,430.00	32,000.00	32,000.00	27,084.15	(4,915.85)
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	101,821.95	101,821.95	103,449.70	1,627.75	92,283.17	92,283.17	87,777.68	(4,505.49)
Capital Outlay:								
Construction of Roads and Bridges	25,000.00	25,000.00	4,282.00	(20,718.00)	1,500.00	1,500.00	2,118.40	618.40
Property, Equipment and Buildings	280,000.00	280,000.00	204,394.68	(75,605.32)	275,000.00	275,000.00	274,777.66	(222.34)
TOTAL EXPENDITURES	1,626,821.95	1,626,821.95	1,445,667.62	(181,154.33)	1,508,283.17	1,508,283.17	1,427,053.28	(81,229.89)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	255,178.05	255,178.05	(285,646.21)	(540,824.26)	(286,804.22)	(286,804.22)	(132,456.68)	154,347.54
OTHER FINANCING SOURCES (USES)								
Transfers In	60,000.00	60,000.00	40,676.76	(19,323.24)	40,000.00	40,000.00	57,367.91	17,367.91
Transfers Out	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000.00	60,000.00	40,676.76	(19,323.24)	40,000.00	40,000.00	57,367.91	17,367.91
NET CHANGE IN FUND BALANCE	315,178.05	315,178.05	(244,969.45)	(560,147.50)	(246,804.22)	(246,804.22)	(75,088.77)	171,715.45
FUND BALANCE - BEGINNING OF YEAR	462,177.07	462,177.07	462,177.07	-	537,265.84	537,265.84	537,265.84	-
FUND BALANCE - END OF YEAR	\$ 777,355.12	\$ 777,355.12	\$ 217,207.62	\$ (560,147.50)	\$ 290,461.62	\$ 290,461.62	\$ 462,177.07	\$ 171,715.45

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE - ROAD & BRIDGE TRUST FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	810,000.00	810,000.00	868,917.00	58,917.00	800,000.00	800,000.00	786,864.93	(13,135.07)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	12,000.00	12,000.00	8,182.98	(3,817.02)	10,000.00	10,000.00	15,779.71	5,779.71
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	822,000.00	822,000.00	877,099.98	55,099.98	810,000.00	810,000.00	802,644.64	(7,355.36)
EXPENDITURES								
Road & Bridge Trust Fund	898,000.00	898,000.00	725,136.78	172,863.22	810,600.00	810,600.00	662,759.95	(147,840.05)
TOTAL EXPENDITURES	898,000.00	898,000.00	725,136.78	172,863.22	810,600.00	810,600.00	662,759.95	(147,840.05)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,000.00)	(76,000.00)	151,963.20	227,963.20	(600.00)	(600.00)	139,884.69	140,484.69
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(60,000.00)	(60,000.00)	(40,676.76)	19,323.24	(40,000.00)	(40,000.00)	(57,367.91)	(17,367.91)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(60,000.00)	(60,000.00)	(40,676.76)	19,323.24	(40,000.00)	(40,000.00)	(57,367.91)	(17,367.91)
NET CHANGE IN FUND BALANCE	(136,000.00)	(136,000.00)	111,286.44	247,286.44	(40,600.00)	(40,600.00)	82,516.78	123,116.78
FUND BALANCE - BEGINNING OF YEAR	218,062.36	218,062.36	218,062.36	-	135,545.58	135,545.58	135,545.58	-
FUND BALANCE - END OF YEAR	\$ 82,062.36	\$ 82,062.36	\$ 329,348.80	\$ 247,286.44	\$ 94,945.58	\$ 94,945.58	\$ 218,062.36	\$ 123,116.78

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE - ENHANCED 911 FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	375,000.00	375,000.00	397,879.98	22,879.98	375,000.00	375,000.00	393,429.24	18,429.24
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	100,000.00	100,000.00	100,000.00	-	174,800.00	174,800.00	174,880.00	80.00
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	12,000.00	12,000.00	10,639.12	(1,360.88)	12,000.00	12,000.00	16,547.90	4,547.90
Other	2,000.00	2,000.00	15.00	(1,985.00)	2,000.00	2,000.00	4,732.20	2,732.20
TOTAL REVENUES	489,000.00	489,000.00	508,534.10	19,534.10	563,800.00	563,800.00	589,589.34	25,789.34
EXPENDITURES								
Enhanced 911 Fund	578,058.00	578,058.00	522,624.87	55,433.13	549,500.47	549,500.47	505,798.87	(43,701.60)
TOTAL EXPENDITURES	578,058.00	578,058.00	522,624.87	55,433.13	549,500.47	549,500.47	505,798.87	(43,701.60)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,058.00)	(89,058.00)	(14,090.77)	74,967.23	14,299.53	14,299.53	83,790.47	69,490.94
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(89,058.00)	(89,058.00)	(14,090.77)	74,967.23	14,299.53	14,299.53	83,790.47	69,490.94
FUND BALANCE - BEGINNING OF YEAR	338,042.96	338,042.96	338,042.96	-	254,252.49	254,252.49	254,252.49	-
FUND BALANCE - END OF YEAR	\$ 248,984.96	\$ 248,984.96	\$ 323,952.19	\$ 74,967.23	\$ 268,552.02	\$ 268,552.02	\$ 338,042.96	\$ 69,490.94

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE - LAW ENFORCEMENT CENTER FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	750,000.00	750,000.00	795,758.50	45,758.50	750,000.00	750,000.00	787,407.90	37,407.90
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	75,000.00	75,000.00	55,356.97	(19,643.03)	105,000.00	105,000.00	74,672.95	(30,327.05)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	10,000.00	10,000.00	12,683.63	2,683.63	13,000.00	13,000.00	21,031.96	8,031.96
Other	30,100.00	30,100.00	43,782.41	13,682.41	15,100.00	15,100.00	46,117.25	31,017.25
TOTAL REVENUES	865,100.00	865,100.00	907,581.51	42,481.51	883,100.00	883,100.00	929,230.06	46,130.06
EXPENDITURES								
Law Enforcement Center Fund	1,092,647.60	1,092,647.60	1,025,186.45	67,461.15	1,074,496.10	1,074,496.10	1,003,554.07	(70,942.03)
TOTAL EXPENDITURES	1,092,647.60	1,092,647.60	1,025,186.45	67,461.15	1,074,496.10	1,074,496.10	1,003,554.07	(70,942.03)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(227,547.60)	(227,547.60)	(117,604.94)	109,942.66	(191,396.10)	(191,396.10)	(74,324.01)	117,072.09
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(227,547.60)	(227,547.60)	(117,604.94)	109,942.66	(191,396.10)	(191,396.10)	(74,324.01)	117,072.09
FUND BALANCE - BEGINNING OF YEAR	359,389.60	359,389.60	359,389.60	-	433,713.61	433,713.61	433,713.61	-
FUND BALANCE - END OF YEAR	\$ 131,842.00	\$ 131,842.00	\$ 241,784.66	\$ 109,942.66	\$ 242,317.51	\$ 242,317.51	\$ 359,389.60	\$ 117,072.09

See accompanying Independent Auditor's Report.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Election Services Fund	Recorder of Deeds User Fee Fund	Recorder's Technical Fund	Time Payment Fund	Law Enforcement Training Fund	Overton Woolridge Levee Fund	Sheriff Interest Fund	Sheriff Fund
ASSETS									
Cash and Cash Equivalents	\$ 17,971.08	\$ 15,149.34	\$ 42,863.37	\$ 32,353.47	\$ 467.04	\$ 3,628.80	\$ 28,829.08	\$ 3,727.42	\$ 15,884.88
Investments	-	-	-	-	-	-	136,000.00	-	-
TOTAL ASSETS	<u>17,971.08</u>	<u>15,149.34</u>	<u>42,863.37</u>	<u>32,353.47</u>	<u>467.04</u>	<u>3,628.80</u>	<u>164,829.08</u>	<u>3,727.42</u>	<u>15,884.88</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>17,971.08</u>	<u>15,149.34</u>	<u>42,863.37</u>	<u>32,353.47</u>	<u>467.04</u>	<u>3,628.80</u>	<u>164,829.08</u>	<u>3,727.42</u>	<u>15,884.88</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,971.08</u>	<u>\$ 15,149.34</u>	<u>\$ 42,863.37</u>	<u>\$ 32,353.47</u>	<u>\$ 467.04</u>	<u>\$ 3,628.80</u>	<u>\$ 164,829.08</u>	<u>\$ 3,727.42</u>	<u>\$ 15,884.88</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS (CONCLUDED)
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Drug Court Fund	H.A.V.A Administration Fund	Circuit Court Over/Under Fund	Administrative Bond Fee ATM Fund	Adult Abuse Fund	Law Library Fund	Total
ASSETS									
Cash and Cash Equivalents	\$ 1,188.83	\$ 38,006.72	\$ 1,688.27	\$ -	\$ 784.21	\$ 1,557.12	\$ 998.25	\$ 31,484.65	\$ 236,582.53
Investments	-	-	-	-	-	-	-	-	136,000.00
TOTAL ASSETS	<u>1,188.83</u>	<u>38,006.72</u>	<u>1,688.27</u>	<u>-</u>	<u>784.21</u>	<u>1,557.12</u>	<u>998.25</u>	<u>31,484.65</u>	<u>372,582.53</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,188.83</u>	<u>38,006.72</u>	<u>1,688.27</u>	<u>-</u>	<u>784.21</u>	<u>1,557.12</u>	<u>998.25</u>	<u>31,484.65</u>	<u>372,582.53</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,188.83</u>	<u>\$ 38,006.72</u>	<u>\$ 1,688.27</u>	<u>\$ -</u>	<u>\$ 784.21</u>	<u>\$ 1,557.12</u>	<u>\$ 998.25</u>	<u>\$ 31,484.65</u>	<u>\$ 372,582.53</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Election Services Fund	Recorder of Deeds User Fee Fund	Recorder's Technical Fund	Time Payment Fund	Law Enforcement Training Fund	Overton Woolridge Levee Fund	Sheriff Interest Fund	Sheriff Fund
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	4,034.95	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	62,373.59	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	157,156.20	-	-	-	-	-	-	-	-
Interest	1,471.85	194.82	805.91	607.54	5.19	96.93	7,182.31	88.87	431.57
Other	-	1,260.27	7,032.00	4,240.00	218.40	5,475.20	14,653.88	175.79	30,830.25
TOTAL REVENUES	225,036.59	1,455.09	7,837.91	4,847.54	223.59	5,572.13	21,836.19	264.66	31,261.82
EXPENDITURES									
General Government	262,894.20	450.49	1,167.00	-	-	8,693.06	-	-	26,319.12
Administration of Justice and Law	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	7,672.69	-	-
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	262,894.20	450.49	1,167.00	-	-	8,693.06	7,672.69	-	26,319.12
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,857.61)	1,004.60	6,670.91	4,847.54	223.59	(3,120.93)	14,163.50	264.66	4,942.70
OTHER FINANCING SOURCES (USES)									
Transfers In	14,931.00	7,397.84	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	14,931.00	7,397.84	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(22,926.61)	8,402.44	6,670.91	4,847.54	223.59	(3,120.93)	14,163.50	264.66	4,942.70
FUND BALANCES - BEGINNING OF YEAR	40,897.69	6,746.90	36,192.46	27,505.93	243.45	6,749.73	150,665.58	3,462.76	10,942.18
FUND BALANCES - END OF YEAR	\$ 17,971.08	\$ 15,149.34	\$ 42,863.37	\$ 32,353.47	\$ 467.04	\$ 3,628.80	\$164,829.08	\$ 3,727.42	\$ 15,884.88

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONCLUDED)
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Drug Court Fund	H.A.V.A Administration Fund	Circuit Court Over/Under Fund	Administrative Bond Fee ATM Fund	Adult Abuse Fund	Law Library Fund	Total
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	4,034.95
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	62,373.59
Fees, Licenses and Permits	-	-	-	-	301.86	-	-	-	157,458.06
Interest	27.62	795.29	32.55	-	13.90	21.10	10.15	617.20	12,402.80
Other	905.09	23,389.11	3,972.00	-	-	16,690.18	1,732.00	13,705.44	124,279.61
TOTAL REVENUES	932.71	24,184.40	4,004.55	-	315.76	16,711.28	1,742.15	14,322.64	360,549.01
EXPENDITURES									
General Government	1,247.96	20,126.13	3,404.62	-	-	15,358.75	1,726.36	10,354.62	351,742.31
Administration of Justice and Law	-	-	-	-	112.47	-	-	-	112.47
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	7,672.69
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,247.96	20,126.13	3,404.62	-	112.47	15,358.75	1,726.36	10,354.62	359,527.47
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(315.25)	4,058.27	599.93	-	203.29	1,352.53	15.79	3,968.02	1,021.54
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	22,328.84
Transfers Out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	22,328.84
NET CHANGE IN FUND BALANCES	(315.25)	4,058.27	599.93	-	203.29	1,352.53	15.79	3,968.02	23,350.38
FUND BALANCES - BEGINNING OF YEAR	1,504.08	33,948.45	1,088.34	-	580.92	204.59	982.46	27,516.63	349,232.15
FUND BALANCES - END OF YEAR	\$ 1,188.83	\$ 38,006.72	\$ 1,688.27	\$ -	\$ 784.21	\$ 1,557.12	\$ 998.25	\$ 31,484.65	\$ 372,582.53

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Election Services Fund	Recorder of Deeds User Fee Fund	Recorder's Technical Fund	Time Payment Fund	Law Enforcement Training Fund	Overton Woolridge Levee Fund	Sheriff Interest Fund	Sheriff Fund
ASSETS									
Cash and Cash Equivalents	\$ 40,897.69	\$ 6,746.90	\$ 36,192.46	\$ 27,505.93	\$ 243.45	\$ 6,749.73	\$ 20,665.58	\$ 3,462.76	\$ 10,942.18
Investments	-	-	-	-	-	-	130,000.00	-	-
TOTAL ASSETS	<u>40,897.69</u>	<u>6,746.90</u>	<u>36,192.46</u>	<u>27,505.93</u>	<u>243.45</u>	<u>6,749.73</u>	<u>150,665.58</u>	<u>3,462.76</u>	<u>10,942.18</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>40,897.69</u>	<u>6,746.90</u>	<u>36,192.46</u>	<u>27,505.93</u>	<u>243.45</u>	<u>6,749.73</u>	<u>150,665.58</u>	<u>3,462.76</u>	<u>10,942.18</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,897.69</u>	<u>\$ 6,746.90</u>	<u>\$ 36,192.46</u>	<u>\$ 27,505.93</u>	<u>\$ 243.45</u>	<u>\$ 6,749.73</u>	<u>\$ 150,665.58</u>	<u>\$ 3,462.76</u>	<u>\$ 10,942.18</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS (CONCLUDED)
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Drug Court Fund	H.A.V.A Administration Fund	Circuit Court Over/Under Fund	Administrative Bond Fee ATM Fund	Adult Abuse Fund	Law Library Fund	Total
ASSETS									
Cash and Cash Equivalents	\$ 1,504.08	\$ 33,948.45	\$ 1,088.34	\$ -	\$ 580.92	\$ 204.59	\$ 982.46	\$ 27,516.63	\$ 219,232.15
Investments	-	-	-	-	-	-	-	-	130,000.00
TOTAL ASSETS	<u>1,504.08</u>	<u>33,948.45</u>	<u>1,088.34</u>	<u>-</u>	<u>580.92</u>	<u>204.59</u>	<u>982.46</u>	<u>27,516.63</u>	<u>349,232.15</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>1,504.08</u>	<u>33,948.45</u>	<u>1,088.34</u>	<u>-</u>	<u>580.92</u>	<u>204.59</u>	<u>982.46</u>	<u>27,516.63</u>	<u>349,232.15</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,504.08</u>	<u>\$ 33,948.45</u>	<u>\$ 1,088.34</u>	<u>\$ -</u>	<u>\$ 580.92</u>	<u>\$ 204.59</u>	<u>\$ 982.46</u>	<u>\$ 27,516.63</u>	<u>\$ 349,232.15</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Election Services Fund	Recorder of Deeds User Fee Fund	Recorder's Technical Fund	Time Payment Fund	Law Enforcement Training Fund	Overton Woolridge Levee Fund	Sheriff Interest Fund	Sheriff Fund
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	1,710.46	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	66,201.92	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	161,611.98	-	-	-	-	-	-	-	-
Interest	4,587.09	295.16	1,595.66	1,173.33	10.34	237.32	364.06	192.62	900.57
Other	56.03	-	7,622.00	4,601.25	51.80	7,286.91	24,157.64	373.97	28,804.55
TOTAL REVENUES	234,167.48	295.16	9,217.66	5,774.58	62.14	7,524.23	24,521.70	566.59	29,705.12
EXPENDITURES									
General Government	276,639.44	-	3,354.56	190.00	-	5,893.93	-	-	35,434.11
Administration of Justice and Law	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	18,623.65	-	-
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	276,639.44	-	3,354.56	190.00	-	5,893.93	18,623.65	-	35,434.11
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,471.96)	295.16	5,863.10	5,584.58	62.14	1,630.30	5,898.05	566.59	(5,728.99)
OTHER FINANCING SOURCES (USES)									
Transfers In	16,178.00	1,285.08	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	16,178.00	1,285.08	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(26,293.96)	1,580.24	5,863.10	5,584.58	62.14	1,630.30	5,898.05	566.59	(5,728.99)
FUND BALANCES - BEGINNING OF YEAR	67,191.65	5,166.66	30,329.36	21,921.35	181.31	5,119.43	144,767.53	2,896.17	16,671.17
FUND BALANCES - END OF YEAR	\$ 40,897.69	\$ 6,746.90	\$ 36,192.46	\$ 27,505.93	\$ 243.45	\$ 6,749.73	\$ 150,665.58	\$ 3,462.76	\$ 10,942.18

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONCLUDED)
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Drug Court Fund	H.A.V.A Administration Fund	Circuit Court Over/Under Fund	Administrative Bond Fee ATM Fund	Adult Abuse Fund	Law Library Fund	Total
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	1,710.46
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	66,201.92
Fees, Licenses and Permits	-	-	-	-	325.36	-	-	-	161,937.34
Interest	86.25	1,632.98	17.89	1,571.85	18.19	82.73	22.14	1,090.22	13,878.40
Other	1,091.88	23,222.24	1,600.00	-	-	13,433.23	1,796.00	12,890.00	126,987.50
TOTAL REVENUES	1,178.13	24,855.22	1,617.89	1,571.85	343.55	13,515.96	1,818.14	13,980.22	370,715.62
EXPENDITURES									
General Government	1,853.22	19,570.94	529.55	87,124.30	-	13,584.25	1,774.96	5,530.87	451,480.13
Administration of Justice and Law	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	18,623.65
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,853.22	19,570.94	529.55	87,124.30	-	13,584.25	1,774.96	5,530.87	470,103.78
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(675.09)	5,284.28	1,088.34	(85,552.45)	343.55	(68.29)	43.18	8,449.35	(99,388.16)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	17,463.08
Transfers Out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	17,463.08
NET CHANGE IN FUND BALANCES	(675.09)	5,284.28	1,088.34	(85,552.45)	343.55	(68.29)	43.18	8,449.35	(81,925.08)
FUND BALANCES - BEGINNING OF YEAR	2,179.17	28,664.17	-	85,552.45	237.37	272.88	939.28	19,067.28	431,157.23
FUND BALANCES - END OF YEAR	\$ 1,504.08	\$ 33,948.45	\$ 1,088.34	\$ -	\$ 580.92	\$ 204.59	\$ 982.46	\$ 27,516.63	\$ 349,232.15

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2008

	<u>Unclaimed Fees</u>	<u>Tax Sale Surplus</u>	<u>County Employee Retirement</u>	<u>Bond Reserve Fund</u>	<u>Fines Investment Account</u>	<u>School Investment Fund</u>	<u>Jail Proceeds Account</u>	<u>Cemetery Trust Fund</u>
ASSETS								
Cash and Cash Equivalents	\$ 1,206.43	\$ 31,445.81	\$ -	\$ -	\$ 76,769.42	\$ 107.84	\$ 24,784.90	\$ 1,226.82
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,098.42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000.00</u>
TOTAL ASSETS	<u>1,206.43</u>	<u>31,445.81</u>	<u>-</u>	<u>231,098.42</u>	<u>76,769.42</u>	<u>107.84</u>	<u>24,784.90</u>	<u>6,226.82</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,206.43</u>	<u>31,445.81</u>	<u>-</u>	<u>231,098.42</u>	<u>76,769.42</u>	<u>107.84</u>	<u>24,784.90</u>	<u>6,226.82</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,206.43</u>	<u>\$ 31,445.81</u>	<u>\$ -</u>	<u>\$ 231,098.42</u>	<u>\$ 76,769.42</u>	<u>\$ 107.84</u>	<u>\$ 24,784.90</u>	<u>\$ 6,226.82</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (concluded)
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2008

	<u>ATM Machine</u>	<u>Collector</u>	<u>Prosecuting Attorney</u>	<u>Circuit Court</u>	<u>Recorder</u>	<u>Sheriff</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 1,640.00	\$ 11,896,446.32	\$ 2,401.17	\$ 125,226.40	\$ 9,788.10	\$ 4,260.20	\$ 12,175,303.41
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,098.42</u>
TOTAL ASSETS	<u>1,640.00</u>	<u>11,896,446.32</u>	<u>2,401.17</u>	<u>125,226.40</u>	<u>9,788.10</u>	<u>4,260.20</u>	<u>12,411,401.83</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,640.00</u>	<u>11,896,446.32</u>	<u>2,401.17</u>	<u>125,226.40</u>	<u>9,788.10</u>	<u>4,260.20</u>	<u>12,411,401.83</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,640.00</u>	<u>\$ 11,896,446.32</u>	<u>\$ 2,401.17</u>	<u>\$ 125,226.40</u>	<u>\$ 9,788.10</u>	<u>\$ 4,260.20</u>	<u>\$ 12,411,401.83</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007

	<u>Unclaimed Fees</u>	<u>Tax Sale Surplus</u>	<u>County Employee Retirement</u>	<u>Bond Reserve Fund</u>	<u>Fines Investment Account</u>	<u>School Investment Fund</u>	<u>Jail Proceeds Account</u>	<u>Cemetery Trust Fund</u>
ASSETS								
Cash and Cash Equivalents	\$ 2,064.36	\$ 30,988.11	\$ 8.88	\$ -	\$ 104,324.54	\$ 317.92	\$ 397.61	\$ 922.31
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,824.75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000.00</u>
TOTAL ASSETS	<u>2,064.36</u>	<u># 30,988.11</u>	<u>8.88</u>	<u># 243,824.75</u>	<u>104,324.54</u>	<u>317.92</u>	<u>397.61</u>	<u>5,922.31</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u># -</u>	<u># -</u>	<u># -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>2,064.36</u>	<u># 30,988.11</u>	<u># 8.88</u>	<u># 243,824.75</u>	<u>104,324.54</u>	<u>317.92</u>	<u>397.61</u>	<u>5,922.31</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,064.36</u>	<u># \$ 30,988.11</u>	<u># \$ 8.88</u>	<u># \$ 243,824.75</u>	<u>\$ 104,324.54</u>	<u>\$ 317.92</u>	<u>\$ 397.61</u>	<u>\$ 5,922.31</u>

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (concluded)
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007

	<u>ATM Machine</u>	<u>Collector</u>	<u>Prosecuting Attorney</u>	<u>Circuit Court</u>	<u>Recorder</u>	<u>Sheriff</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 2,500.00	\$ 10,506,843.06	\$ 696.27	\$ 95,197.91	\$ 8,013.05	\$ 3,106.10	\$ 10,755,380.12
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,824.75</u>
TOTAL ASSETS	<u>2,500.00</u>	<u>10,506,843.06</u>	<u>696.27</u>	<u>95,197.91</u>	<u>8,013.05</u>	<u>3,106.10</u>	<u>11,004,204.87</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>2,500.00</u>	<u>10,506,843.06</u>	<u>696.27</u>	<u>95,197.91</u>	<u>8,013.05</u>	<u>3,106.10</u>	<u>11,004,204.87</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,500.00</u>	<u>\$ 10,506,843.06</u>	<u>\$ 696.27</u>	<u>\$ 95,197.91</u>	<u>\$ 8,013.05</u>	<u>\$ 3,106.10</u>	<u>\$ 11,004,204.87</u>

STATE COMPLIANCE SECTION

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There were no state findings at December 31, 2008 and 2007.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Cooper, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Cooper, (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated August 24, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03 and 07/08-04 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated August 24, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 24, 2009

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07/08-04 Criteria: The Circuit Clerk has not reconciled the passport account for the County.

Condition: During our audit, we noted that the passport account maintained by the Circuit Clerk was not being reconciled.

Effect: Not properly reconciling and displaying fund balance.

Cause: Management has not reconciled the passport bank account.

THE COUNTY OF COOPER
BOONVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-04 Recommendation: We recommend that the passport bank account maintained by the Circuit Clerk be reconciled on a monthly basis.

Management Response: The Circuit Clerk has started reconciling the passport account as of 2009.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Cooper County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cooper County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Cooper County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
August 24, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07/08-04

Criteria: The Circuit Clerk has not reconciled the passport account for the County.

Condition: During our audit, we noted that the passport account maintained by the Circuit Clerk was not being reconciled.

Effect: Not properly reconciling and displaying fund balance.

Cause: Management has not reconciled the passport bank account.

Recommendation: We recommend that the passport bank account maintained by the Circuit Clerk be reconciled on a monthly basis.

Management Response: The Circuit Clerk has started reconciling the passport account as of 2009.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (Concluded)

- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 18, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Cooper County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Cooper County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Cooper County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Cooper County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 27, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooper County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Randolph County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Randolph County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

November 2009
Report No. 2009-125

ANNUAL FINANCIAL REPORT

RANDOLPH COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

RANDOLPH COUNTY, MISSOURI

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	16

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	24
Findings and Recommendations	26
Schedule of Prior Year Audit Findings	32

INTRODUCTORY SECTION

RANDOLPH COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Susan Carter

Western District Commissioner – Randy Asbury

Eastern District Commissioner – Wayne Wilcox

Other Elected Officials

Assessor – Richard Tregnago

Circuit Clerk – Peggy Boots

Collector – Shiela Miller

Coroner – Gerald Luntsford

County Clerk – Jim Sears

Prosecuting Attorney – Mike Fusselman

Public Administrator – Martha Creed

Recorder – Mark Price

Sheriff – Mark Nichols

Treasurer – Becky Brown

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Randolph County, Missouri

We have audited the accompanying financial statements of Randolph County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Randolph County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Randolph County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Randolph County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 2, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Original signed by Auditor)

McBride, Lock & Associates
July 2, 2009

FINANCIAL SECTION

RANDOLPH COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ (413,105)	\$ 2,740,238	\$ 2,324,761	\$ 2,372	\$ 2,802,013	\$ 2,553,242	\$ 251,143
Special Road and Bridge	433,778	1,413,107	1,258,586	588,299	1,160,051	1,402,888	345,462
Assessment	127,329	353,620	315,407	165,542	366,267	294,866	236,943
Prosecuting Attorney Training	400	1,369	2,960	(1,191)	1,378	1,985	(1,798)
Law Enforcement Training	25,174	7,965	9,102	24,037	8,524	7,618	24,943
Domestic Abuse	1,102	950	1,000	1,052	1,185	1,000	1,237
User	15,042	12,147	6,098	21,091	10,286	8,811	22,566
Sheriff	43,560	77,428	73,185	47,803	93,000	94,761	46,042
Local Emergency Planning Committee	23,066	6,773	4,061	25,778	5,369	1,065	30,082
Election Service	12,040	5,312	3,698	13,654	8,771	8,950	13,475
E-911	(5,544)	124,669	118,993	132	113,220	113,208	144
Recorder Tech	10,058	6,679	6,294	10,443	5,674	4,751	11,366
Prosecuting Attorney Bad Check	33,723	50,036	52,320	31,439	47,032	55,935	22,536
Collector Tax Maintenance	59,338	37,460	25,177	71,621	32,045	28,257	75,409
Cemetery Trust	24,481	691	1,976	23,196	643	2,357	21,482
Law Library	37,306	16,108	7,465	45,949	18,079	10,488	53,540
Circuit Clerk Interest	7,359	3,633	1,113	9,879	2,431	5,452	6,858
Prosecuting Attorney Grant	(8,751)	77,216	82,372	(13,907)	93,444	88,951	(9,414)
Justice Center	2,288	1,081,028	1,032,922	50,394	1,187,310	1,237,702	2
Sheriff Restitution	195	2,063	-	2,258	4,662	3,030	3,890
Capital	-	-	-	-	10,000	-	10,000
Building	-	-	-	-	25,000	-	25,000
Sheriff Deputy Supplemental	-	-	-	-	4,248	4,248	-
Parenting	8,527	3,605	2,235	9,897	3,832	2,235	11,494
Drug Court	-	684	30	654	2,830	330	3,154
Delinquent Tax Trust	725	4,324	1,040	4,009	1,954	5,236	727
Justice Center Bond Accounts	1,082,888	1,294,430	1,393,163	984,155	1,301,687	1,311,620	974,222
Total	<u>\$1,520,979</u>	<u>\$ 7,321,535</u>	<u>\$ 6,723,958</u>	<u>\$ 2,118,556</u>	<u>\$ 7,310,935</u>	<u>\$ 7,248,986</u>	<u>\$ 2,180,505</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 503,200	\$ 533,597	\$ 571,100	\$ 607,846
Sales taxes	1,300,000	1,253,875	1,292,000	1,286,277
Intergovernmental	264,204	272,802	236,480	186,703
Charges for services	584,200	587,001	593,700	593,916
Interest	2,100	7,768	10,000	15,658
Other	33,510	25,265	61,200	44,835
Transfers in	57,150	59,930	65,811	66,778
Total Receipts	<u>\$ 2,744,364</u>	<u>\$ 2,740,238</u>	<u>\$ 2,830,291</u>	<u>\$ 2,802,013</u>
DISBURSEMENTS				
County Commission	\$ 96,450	\$ 97,870	\$ 142,090	\$ 116,175
County Clerk	105,052	104,631	114,883	111,554
Elections	44,500	44,794	72,000	87,944
Buildings and grounds	86,577	126,958	81,415	66,049
Employee fringe benefits	318,427	331,963	361,055	346,910
Treasurer	44,875	44,612	46,705	46,505
Collector	114,243	113,059	113,483	108,071
Recorder of Deeds	89,755	88,653	91,196	91,509
Circuit Clerk	67,000	42,964	75,930	64,731
Associate Circuit Court	17,500	10,694	17,800	9,432
Associate Circuit (Probate) Court	3,500	2,391	3,700	3,568
Court administration	2,000	1,132	2,000	575
Public Administrator	68,963	68,406	72,779	70,993
Sheriff	573,050	650,878	661,581	621,449
Jail (See Justice Center Fund)	-	-	-	-
Prosecuting Attorney	231,700	229,066	287,042	279,371
Juvenile Officer	292,465	199,106	264,965	190,253
Coroner	24,400	34,776	33,664	36,010
Other general revenue	139,066	99,708	108,975	117,743
Health and welfare	-	-	-	-
Transfers out	149,231	29,000	152,650	184,400
Emergency fund	82,300	4,100	84,909	-
Total Disbursements	<u>\$ 2,551,054</u>	<u>\$ 2,324,761</u>	<u>\$ 2,788,822</u>	<u>\$ 2,553,242</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ 193,310	\$ 415,477	\$ 41,469	\$ 248,771
CASH, JANUARY 1	<u>(413,105)</u>	<u>(413,105)</u>	<u>2,372</u>	<u>2,372</u>
CASH, DECEMBER 31	<u><u>\$ (219,795)</u></u>	<u><u>\$ 2,372</u></u>	<u><u>\$ 43,841</u></u>	<u><u>\$ 251,143</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 511,250	\$ 415,035	\$ 447,500	\$ 341,151	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	750,000	738,376	725,815	663,117	328,526	339,486	340,000	355,876
Charges for services	91,000	75,672	69,000	71,905	1,200	1,822	1,500	755
Interest	28,000	41,257	40,000	16,273	8,000	12,299	12,000	6,469
Other	5,500	142,767	11,500	67,605	-	13	500	3,167
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,385,750</u>	<u>\$ 1,413,107</u>	<u>\$ 1,293,815</u>	<u>\$ 1,160,051</u>	<u>\$ 337,726</u>	<u>\$ 353,620</u>	<u>\$ 354,000</u>	<u>\$ 366,267</u>
DISBURSEMENTS								
Salaries	\$ 336,373	\$ 301,004	\$ 346,842	\$ 329,435	\$ 214,500	\$ 205,985	\$ 202,119	\$ 191,319
Employee fringe benefits	126,910	116,298	134,546	124,973	60,309	61,686	60,872	59,832
Materials and Supplies	363,500	536,845	437,500	431,139	32,200	27,490	33,500	23,192
Services and Other	266,225	236,064	262,250	346,859	39,600	20,246	30,500	20,523
Capital Outlay	50,000	8,445	125,000	100,606	-	-	-	-
Construction	-	-	10,000	3,098	-	-	-	-
Transfers out	57,150	59,930	65,811	66,778	-	-	-	-
Total Disbursements	<u>\$ 1,200,158</u>	<u>\$ 1,258,586</u>	<u>\$ 1,381,949</u>	<u>\$ 1,402,888</u>	<u>\$ 346,609</u>	<u>\$ 315,407</u>	<u>\$ 326,991</u>	<u>\$ 294,866</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 185,592	\$ 154,521	\$ (88,134)	\$ (242,837)	\$ (8,883)	\$ 38,213	\$ 27,009	\$ 71,401
CASH, JANUARY 1	<u>433,778</u>	<u>433,778</u>	<u>588,299</u>	<u>588,299</u>	<u>127,329</u>	<u>127,329</u>	<u>165,542</u>	<u>165,542</u>
CASH, DECEMBER 31	<u>\$ 619,370</u>	<u>\$ 588,299</u>	<u>\$ 500,165</u>	<u>\$ 345,462</u>	<u>\$ 118,446</u>	<u>\$ 165,542</u>	<u>\$ 192,551</u>	<u>\$ 236,943</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,400	1,369	1,300	1,378	8,500	7,965	8,000	8,524
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,400</u>	<u>\$ 1,369</u>	<u>\$ 1,300</u>	<u>\$ 1,378</u>	<u>\$ 8,500</u>	<u>\$ 7,965</u>	<u>\$ 8,000</u>	<u>\$ 8,524</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,800	2,960	109	1,985	10,000	9,102	10,000	7,618
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,800</u>	<u>\$ 2,960</u>	<u>\$ 109</u>	<u>\$ 1,985</u>	<u>\$ 10,000</u>	<u>\$ 9,102</u>	<u>\$ 10,000</u>	<u>\$ 7,618</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (400)	\$ (1,591)	\$ 1,191	\$ (607)	\$ (1,500)	\$ (1,137)	\$ (2,000)	\$ 906
CASH, JANUARY 1	<u>400</u>	<u>400</u>	<u>(1,191)</u>	<u>(1,191)</u>	<u>25,174</u>	<u>25,174</u>	<u>24,037</u>	<u>24,037</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ (1,191)</u>	<u>\$ -</u>	<u>\$ (1,798)</u>	<u>\$ 23,674</u>	<u>\$ 24,037</u>	<u>\$ 22,037</u>	<u>\$ 24,943</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DOMESTIC ABUSE FUND				USER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,000	950	950	1,185	13,000	11,241	10,050	9,748
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	400	906	800	538
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,000</u>	<u>\$ 950</u>	<u>\$ 950</u>	<u>\$ 1,185</u>	<u>\$ 13,400</u>	<u>\$ 12,147</u>	<u>\$ 10,850</u>	<u>\$ 10,286</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	7,000	958	6,200	731
Services and Other	1,000	1,000	1,000	1,000	16,800	5,140	14,950	8,080
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 23,800</u>	<u>\$ 6,098</u>	<u>\$ 21,150</u>	<u>\$ 8,811</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (50)	\$ (50)	\$ 185	\$ (10,400)	\$ 6,049	\$ (10,300)	\$ 1,475
CASH, JANUARY 1	<u>1,102</u>	<u>1,102</u>	<u>1,052</u>	<u>1,052</u>	<u>15,042</u>	<u>15,042</u>	<u>21,091</u>	<u>21,091</u>
CASH, DECEMBER 31	<u>\$ 1,102</u>	<u>\$ 1,052</u>	<u>\$ 1,002</u>	<u>\$ 1,237</u>	<u>\$ 4,642</u>	<u>\$ 21,091</u>	<u>\$ 10,791</u>	<u>\$ 22,566</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF FUND				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	45,000	55,072	55,000	63,756	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	2,000	2,580	2,500	1,384	1,000	1,318	1,300	730
Other	13,300	19,776	24,000	27,860	1,500	5,455	5,500	4,639
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 60,300</u>	<u>\$ 77,428</u>	<u>\$ 81,500</u>	<u>\$ 93,000</u>	<u>\$ 2,500</u>	<u>\$ 6,773</u>	<u>\$ 6,800</u>	<u>\$ 5,369</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	60,000	65,158	65,000	88,822	3,000	2,759	2,000	-
Services and Other	7,000	8,027	7,000	5,939	5,000	1,302	1,600	1,065
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 67,000</u>	<u>\$ 73,185</u>	<u>\$ 72,000</u>	<u>\$ 94,761</u>	<u>\$ 8,000</u>	<u>\$ 4,061</u>	<u>\$ 3,600</u>	<u>\$ 1,065</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (6,700)	\$ 4,243	\$ 9,500	\$ (1,761)	\$ (5,500)	\$ 2,712	\$ 3,200	\$ 4,304
CASH, JANUARY 1	<u>43,560</u>	<u>43,560</u>	<u>47,803</u>	<u>47,803</u>	<u>23,066</u>	<u>23,066</u>	<u>25,778</u>	<u>25,778</u>
CASH, DECEMBER 31	<u>\$ 36,860</u>	<u>\$ 47,803</u>	<u>\$ 57,303</u>	<u>\$ 46,042</u>	<u>\$ 17,566</u>	<u>\$ 25,778</u>	<u>\$ 28,978</u>	<u>\$ 30,082</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	ELECTION SERVICE FUND				E-911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,000	4,644	5,000	8,453	89,550	95,669	102,000	97,220
Interest	450	668	800	318	-	-	-	-
Other	-	-	-	-	2,793	-	-	-
Transfers in	-	-	-	-	43,146	29,000	12,231	16,000
Total Receipts	<u>\$ 1,450</u>	<u>\$ 5,312</u>	<u>\$ 5,800</u>	<u>\$ 8,771</u>	<u>\$ 135,489</u>	<u>\$ 124,669</u>	<u>\$ 114,231</u>	<u>\$ 113,220</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 15,839	\$ 12,935	\$ 11,315
Employee fringe benefits	5,000	2,945	6,500	5,613	6,959	4,557	1,047	1,031
Materials and Supplies	5,000	753	5,000	3,337	-	-	-	789
Services and Other	-	-	-	-	102,700	98,597	100,000	100,073
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 3,698</u>	<u>\$ 11,500</u>	<u>\$ 8,950</u>	<u>\$ 129,659</u>	<u>\$ 118,993</u>	<u>\$ 113,982</u>	<u>\$ 113,208</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (8,550)	\$ 1,614	\$ (5,700)	\$ (179)	\$ 5,830	\$ 5,676	\$ 249	\$ 12
CASH, JANUARY 1	<u>12,040</u>	<u>12,040</u>	<u>13,654</u>	<u>13,654</u>	<u>(5,544)</u>	<u>(5,544)</u>	<u>132</u>	<u>132</u>
CASH, DECEMBER 31	<u><u>\$ 3,490</u></u>	<u><u>\$ 13,654</u></u>	<u><u>\$ 7,954</u></u>	<u><u>\$ 13,475</u></u>	<u><u>\$ 286</u></u>	<u><u>\$ 132</u></u>	<u><u>\$ 381</u></u>	<u><u>\$ 144</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	RECORDER TECH FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	6,900	6,085	5,250	5,390	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	200	594	480	284	-	-	-	-
Other	-	-	-	-	40,000	50,036	39,050	47,032
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,100</u>	<u>\$ 6,679</u>	<u>\$ 5,730</u>	<u>\$ 5,674</u>	<u>\$ 40,000</u>	<u>\$ 50,036</u>	<u>\$ 39,050</u>	<u>\$ 47,032</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	16,000	6,294	10,000	4,751	-	-	-	-
Services and Other	-	-	-	-	47,400	36,712	39,050	33,156
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	15,608	-	22,779
Total Disbursements	<u>\$ 16,000</u>	<u>\$ 6,294</u>	<u>\$ 10,000</u>	<u>\$ 4,751</u>	<u>\$ 47,400</u>	<u>\$ 52,320</u>	<u>\$ 39,050</u>	<u>\$ 55,935</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (8,900)	\$ 385	\$ (4,270)	\$ 923	\$ (7,400)	\$ (2,284)	\$ -	\$ (8,903)
CASH, JANUARY 1	<u>10,058</u>	<u>10,058</u>	<u>10,443</u>	<u>10,443</u>	<u>33,723</u>	<u>33,723</u>	<u>31,439</u>	<u>31,439</u>
CASH, DECEMBER 31	<u>\$ 1,158</u>	<u>\$ 10,443</u>	<u>\$ 6,173</u>	<u>\$ 11,366</u>	<u>\$ 26,323</u>	<u>\$ 31,439</u>	<u>\$ 31,439</u>	<u>\$ 22,536</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR TAX MAINTENANCE FUND				CEMETERY TRUST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	600	641	600	643
Other	37,460	37,460	35,967	32,045	-	50	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 37,460</u>	<u>\$ 37,460</u>	<u>\$ 35,967</u>	<u>\$ 32,045</u>	<u>\$ 600</u>	<u>\$ 691</u>	<u>\$ 600</u>	<u>\$ 643</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	25,177	25,177	75,905	28,257	2,350	1,976	2,200	2,357
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 25,177</u>	<u>\$ 25,177</u>	<u>\$ 75,905</u>	<u>\$ 28,257</u>	<u>\$ 2,350</u>	<u>\$ 1,976</u>	<u>\$ 2,200</u>	<u>\$ 2,357</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 12,283	\$ 12,283	\$ (39,938)	\$ 3,788	\$ (1,750)	\$ (1,285)	\$ (1,600)	\$ (1,714)
CASH, JANUARY 1	<u>59,338</u>	<u>59,338</u>	<u>71,621</u>	<u>71,621</u>	<u>24,481</u>	<u>24,481</u>	<u>23,196</u>	<u>23,196</u>
CASH, DECEMBER 31	<u>\$ 71,621</u>	<u>\$ 71,621</u>	<u>\$ 31,683</u>	<u>\$ 75,409</u>	<u>\$ 22,731</u>	<u>\$ 23,196</u>	<u>\$ 21,596</u>	<u>\$ 21,482</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW LIBRARY FUND				CIRCUIT CLERK INTEREST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	10,000	16,108	10,000	18,079	-	-	-	-
Interest	-	-	-	-	1,800	3,633	3,000	2,431
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,000</u>	<u>\$ 16,108</u>	<u>\$ 10,000</u>	<u>\$ 18,079</u>	<u>\$ 1,800</u>	<u>\$ 3,633</u>	<u>\$ 3,000</u>	<u>\$ 2,431</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	7,465	10,000	10,488	3,252	1,113	3,000	452
Services and Other	-	-	-	-	2,000	-	3,500	5,000
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 7,465</u>	<u>\$ 10,000</u>	<u>\$ 10,488</u>	<u>\$ 5,252</u>	<u>\$ 1,113</u>	<u>\$ 6,500</u>	<u>\$ 5,452</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 8,643	\$ -	\$ 7,591	\$ (3,452)	\$ 2,520	\$ (3,500)	\$ (3,021)
CASH, JANUARY 1	<u>37,306</u>	<u>37,306</u>	<u>45,949</u>	<u>45,949</u>	<u>7,359</u>	<u>7,359</u>	<u>9,879</u>	<u>9,879</u>
CASH, DECEMBER 31	<u>\$ 37,306</u>	<u>\$ 45,949</u>	<u>\$ 45,949</u>	<u>\$ 53,540</u>	<u>\$ 3,907</u>	<u>\$ 9,879</u>	<u>\$ 6,379</u>	<u>\$ 6,858</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY GRANT FUND				JUSTICE CENTER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	71,877	61,608	70,291	70,665	175,000	262,095	207,000	300,977
Charges for services	-	-	-	-	100,000	99,314	91,000	77,203
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	25,000	83,619	50,000	95,038
Transfers in	18,209	15,608	22,659	22,779	742,085	636,000	755,419	714,092
Total Receipts	<u>\$ 90,086</u>	<u>\$ 77,216</u>	<u>\$ 92,950</u>	<u>\$ 93,444</u>	<u>\$ 1,042,085</u>	<u>\$ 1,081,028</u>	<u>\$ 1,103,419</u>	<u>\$ 1,187,310</u>
DISBURSEMENTS								
Salaries	\$ 72,000	\$ 74,259	\$ 72,000	\$ 81,051	\$ 471,000	\$ 470,930	\$ 481,521	\$ 490,518
Employee fringe benefits	9,335	8,113	6,998	7,900	154,035	166,283	192,571	198,851
Materials and Supplies	-	-	-	-	45,500	46,797	48,220	49,423
Services and Other	-	-	-	-	371,550	348,912	441,500	498,910
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 81,335</u>	<u>\$ 82,372</u>	<u>\$ 78,998</u>	<u>\$ 88,951</u>	<u>\$ 1,042,085</u>	<u>\$ 1,032,922</u>	<u>\$ 1,163,812</u>	<u>\$ 1,237,702</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 8,751	\$ (5,156)	\$ 13,952	\$ 4,493	\$ -	\$ 48,106	\$ (60,393)	\$ (50,392)
CASH, JANUARY 1	<u>(8,751)</u>	<u>(8,751)</u>	<u>(13,907)</u>	<u>(13,907)</u>	<u>2,288</u>	<u>2,288</u>	<u>50,394</u>	<u>50,394</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ (13,907)</u>	<u>\$ 45</u>	<u>\$ (9,414)</u>	<u>\$ 2,288</u>	<u>\$ 50,394</u>	<u>\$ (9,999)</u>	<u>\$ 2</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF RESTITUTION FUND				CAPITAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	500	2,063	2,000	4,662	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	10,000
Total Receipts	\$ 500	\$ 2,063	\$ 2,000	\$ 4,662	\$ -	\$ -	\$ -	\$ 10,000
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	3,030	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ -	\$ 3,030	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 500	\$ 2,063	\$ 2,000	\$ 1,632	\$ -	\$ -	\$ -	\$ 10,000
CASH, JANUARY 1	195	195	2,258	2,258	-	-	-	-
CASH, DECEMBER 31	\$ 695	\$ 2,258	\$ 4,258	\$ 3,890	\$ -	\$ -	\$ -	\$ 10,000

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	BUILDING FUND				SHERIFF DEPUTY SUPPLEMENTAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	4,248
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	25,000	-	-	-	-
Total Receipts	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ 4,248
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	4,248
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,248
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	PARENTING FUND				DRUG COURT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	3,605	3,500	3,832	-	684	1,000	2,830
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,500</u>	<u>\$ 3,605</u>	<u>\$ 3,500</u>	<u>\$ 3,832</u>	<u>\$ -</u>	<u>\$ 684</u>	<u>\$ 1,000</u>	<u>\$ 2,830</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	2,235	4,000	2,235	-	30	500	330
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 2,235</u>	<u>\$ 4,000</u>	<u>\$ 2,235</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 500</u>	<u>\$ 330</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 3,500	\$ 1,370	\$ (500)	\$ 1,597	\$ -	\$ 654	\$ 500	\$ 2,500
CASH, JANUARY 1	<u>8,527</u>	<u>8,527</u>	<u>9,897</u>	<u>9,897</u>	<u>-</u>	<u>-</u>	<u>654</u>	<u>654</u>
CASH, DECEMBER 31	<u><u>\$ 12,027</u></u>	<u><u>\$ 9,897</u></u>	<u><u>\$ 9,397</u></u>	<u><u>\$ 11,494</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 654</u></u>	<u><u>\$ 1,154</u></u>	<u><u>\$ 3,154</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	DELINQUENT TAX TRUST FUND				JUSTICE CENTER BOND ACCOUNTS			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,252,285	\$ -	\$ 1,286,740
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	42,145	-	14,947
Other	4,324	4,324	1,954	1,954	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,324</u>	<u>\$ 4,324</u>	<u>\$ 1,954</u>	<u>\$ 1,954</u>	<u>\$ -</u>	<u>\$ 1,294,430</u>	<u>\$ -</u>	<u>\$ 1,301,687</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,040	1,040	5,236	5,236	-	757,163	-	730,928
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	636,000	-	580,692
Total Disbursements	<u>\$ 1,040</u>	<u>\$ 1,040</u>	<u>\$ 5,236</u>	<u>\$ 5,236</u>	<u>\$ -</u>	<u>\$ 1,393,163</u>	<u>\$ -</u>	<u>\$ 1,311,620</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,284	\$ 3,284	\$ (3,282)	\$ (3,282)	\$ -	\$ (98,733)	\$ -	\$ (9,933)
CASH, JANUARY 1	<u>725</u>	<u>725</u>	<u>4,009</u>	<u>4,009</u>	<u>-</u>	<u>1,082,888</u>	<u>-</u>	<u>984,155</u>
CASH, DECEMBER 31	<u><u>\$ 4,009</u></u>	<u><u>\$ 4,009</u></u>	<u><u>\$ 727</u></u>	<u><u>\$ 727</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 984,155</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 974,222</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RANDOLPH COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Randolph County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/ Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Randolph County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. The County did adopt a formal budget for all funds except the Drug Court and Justice Center Bond Funds in 2007, and the

Capital, Building, Sheriff Deputy Supplemental and Justice Center Bond Funds in 2008.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2008</u>	<u>2007</u>
Special Road & Bridge	X	X
Prosecuting Attorney Training	X	X
Sheriff	X	X
Prosecuting Attorney Bad Check	X	X
Cemetery Trust	X	N/A
Law Library	X	N/A
Prosecuting Attorney Grant	X	X
Justice Center	X	N/A
Sheriff Restitution	X	N/A
Sheriff Deputy Supplemental	X	N/A
Parenting	N/A	X
Drug Court	N/A	X
Justice Center Bond Accounts	X	X

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 265,121,670	\$ 212,133,660
Personal Property	84,724,941	79,063,080
Railroad and Utilities	48,176,882	36,026,373

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ 0.1776	\$ 0.1782
Special Road & Bridge	0.2023	0.2013

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amounts of the County's deposits were \$2,180,505 and \$2,118,556. In addition, at December 31, 2008 and 2007 the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue, Senior Citizens and Sheltered Workshop funds. These carrying monies amounted to \$18,702,466 and \$14,974,729 at December 31, 2008 and 2007, respectively. The corresponding bank balances were \$11,586,961 and \$10,594,578, respectively. Of the bank balances, \$814,947 and \$813,193 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$10,772,014 and \$9,781,385, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

The County also has on deposit with a trustee bank the proceeds of the Justice Center bond issue in the amount of 974,222 and \$984,155 at December 31, 2008 and 2007, respectively.

3. RETIREMENT PLANS

Missouri Local Government Employees Retirement Systems (LAGERS)

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. Plan Description

Randolph County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Pension Benefits

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty (police, age fifty-five), or a reduced benefit annuity at age fifty-five (police, age fifty). Any member with less than five years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

C. Funding Status

Randolph County's full-time employees contribute 4% of gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the 2008 rate was 1% (general), 2.9% (police) of annual covered payroll. Beginning in 2009 the rates will be .9% (general) and 2.7% (police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

D. Annual Pension Cost

For 2008 and 2007, the political subdivision's annual pension costs were \$34,575 and \$47,242 respectively. These amounts were equal to the required and actual contribution.

County Employees' Retirement Fund - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age 55. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county.

D. Annual Pension Cost

During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$46,067 and \$39,779, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 24 days of sick time -- to accrue at one half day per complete calendar month of employment up to 24 days. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of one day per month with a maximum carryover at the employee's anniversary date of 5 days.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2008:

- A. \$5,600,000 in Public Facilities Authority Leasehold Revenue Bonds, Series 2004, for the construction of the Justice Center which houses Sheriff's department employees and the County jail. Principal payments vary and are made annually on April 1; interest payments are made semiannually on April 1 and October 1. Scheduled maturity date for the bonds is April 1, 2020. Payments are made using receipts from a ½ cent sales tax approved by County voters in 2002.
- B. \$13,285 for an operating lease of two Sheriff's department vehicles. The final lease payment is scheduled for 2009 in the amount of \$14,195 including interest. The County has a lease purchase option at that time of \$1 per vehicle. Default on the lease occurs if the County is ten or more days late on making a scheduled payment. Payments are made using available monies in the Sheriff's Fund.
- C. \$13,992 for an operating lease of a Chevrolet Trailblazer by the Sheriff's department. The lease is scheduled to be paid in four variable annual payments with interest at 17.85% annually. The final payment is scheduled for 2011. Payments are made using available monies in the Sheriff's Fund.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Randolph County, Missouri

We have audited the accompanying financial statements of Randolph County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 2, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Randolph County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Randolph County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Randolph County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Randolph County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Randolph County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Randolph County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 and 2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Randolph County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Randolph County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 3 through 7.

We also noted a certain matter that we reported to management of Randolph County, Missouri, in the findings and recommendations section as item 8.

Randolph County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Randolph County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 2, 2009

FINDINGS AND RECOMMENDATIONS

RANDOLPH COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Expenditures

Condition: 1) The County Clerk's office does not mark invoices as paid after the Commission approves claims for payment. A Deputy County Clerk indicated that the County has acquired a stamp for this purpose and will begin stamping invoices. 2) Invoices for the purchase of rock and a tractor by the Road & Bridge department and cleaning services at the Justice Center were not approved by the department heads or other employees of the department before being submitted to the County Clerk. The Clerk's office indicated that if an invoice is sent directly to their office, no attempt is made to contact the department that made the purchase to ensure that the invoice is for a legitimate purchase and that the goods or services were received. 3) The purchase of a pickup truck by the Sheriff was not properly supported. Attached to the claim was the bid received from the vendor rather than an invoice. The amount of the bid was different than the amount that the County actually paid for the truck.

Recommendation: We recommend that 1) the County Clerk's office mark each invoice as paid immediately after it is approved for payment by the County Commission to prevent invoices being presented for payment more than once; 2) all invoices be approved by the department head or another employee of the department making the purchase to ensure that all invoices presented for payment are for authorized purchases and that the goods or services being paid for have been received; 3) all payments have sufficient documentation to support the legitimacy and the amount of the expenditure.

County's Response: All three recommendations have been implemented: invoices are being date stamped; invoices needing department approval are being authorized and approved before payment and a county policy on documentation of purchases has been adopted.

2. Inadequate Controls over Assessment Values

Condition: The County Assessor does not have adequate control over assessment values. All staff members have unlimited access to the assessment value database after entering personal password. Therefore, the records within the system can be altered by any member of the staff without appropriate authorization or oversight. Assessment value changes should be monitored to limit errors and prevent unauthorized changes to property values.

Recommendation: We recommend that the County implement a process to account for changes to the assessment value database. Also, the Assessor should review change reports reflecting modifications to assessed valuations for propriety.

County's Response: The Assessor recognizes that added oversight is highly beneficial to the security and integrity of the assessment function, and, has contacted the software programmer to install such items that will provide a higher degree of safeguards over the current programming. It is the intention of the Assessor to implement these new safeguards this year.

ITEMS OF NONCOMPLIANCE

3. Budgetary Controls

Condition:

a. Expenditures in Excess of Budget

The County had expenditures in excess of budgeted amounts for a number of funds in both 2007 and 2008, including major funds such as Road & Bridge and Justice Center. By law, the County is prohibited from having actual expenditures in excess of budgeted amounts for each individual fund. See note 1.D.10 in the above notes to the financial statements for a complete list of funds that were over budget.

b. Deficit Cash Positions

Two funds during the audit period reported expended cash in excess of the cash balance in the fund. The funds and amounts for which this occurred are as follows:

<u>Fund</u>	<u>2007</u>	<u>2008</u>
Prosecuting Attorney Training	\$ (1,191)	(1,798)
Prosecuting Attorney Grant	(13,907)	(9,414)

Use of funds in excess of available balances creates an implicit borrowing on other funds which can also result in statutory violations pertaining to the use of those funds.

Recommendation: We recommend that the County strictly adhere to the budget, and not authorize any expenditure which results in, or increases, the negative cash balance of a fund. Furthermore, the County should properly amend the budget if circumstances arise during the year that require or allow for additional expenditures.

County's Response: The County will continue to monitor the revenues and expenses to ensure they are kept within the budget guidelines. In addition, procedures will be considered to ensure budgets are properly amended in accordance with the audit recommendation.

4. Variances Between Budgets and Published Financial Statements

Condition: 1) The Prosecuting Attorney Bad Check fund and Collector Tech (Tax Maintenance) fund had material discrepancies between amounts reported as fund balances, receipts, and disbursements on the approved budgets sent to the State Auditor by the County Clerk and the financial statements published in the local newspaper. The County Clerk reported 2006 receipts and expenditures and 2007 expenditures as zero for the Bad Check fund, however the Treasurer's Settlement showed that the fund did have activity in 2006 and expenditures in 2007. This caused the ending fund balances on the budgets to differ from those reported on the published financial statements (which agree with the Treasurer's Settlement). The following table summarizes the variances in fund balance for the Bad Check fund:

<u>Balance As of:</u>	<u>County Clerk (Budget)</u>	<u>Treasurer's Settlement</u>	<u>Published Financial Statements</u>	<u>Variance</u>
12/31/06	\$ 20,345	\$ 33,723	\$ 33,723	\$(13,378)
12/31/07	70,381	31,439	31,439	38,942
12/31/08	61,478	22,536	22,535	38,942

The County Clerk indicated that this was because he did not receive the financial data related to the Bad Check fund from the Prosecuting Attorney. According to the Treasurer, monthly reconciliations between her records and those of the Clerk are regularly performed, but the reconciliations do not include this fund. Bad Check fund expenditures are not processed by the normal expenditure system; therefore the County Clerk does not keep a record of the activity of this fund.

2) The County Clerk reported a different amount of receipts and expenditures on the budget for the Tax Maintenance fund in 2007 than was reported on the Treasurer's Settlement and published financial statements showed, although both reported the same beginning fund balance.

This led to the following difference in the ending fund balance as of December 31, 2007:

<u>Balance As of:</u>	<u>County Clerk (Budget)</u>	<u>Treasurer's Settlement</u>	<u>Published Financial Statements</u>	<u>Variance</u>
12/31/07	\$ 39,929	\$ 71,621	\$ 71,621	\$(31,692)

However, on the 2009 budget, the County Clerk reported the December 31, 2007 fund balance as \$71,621 rather than \$39,929. The budget and published financial statement reported the same fund balance as of December 31, 2008.

Recommendation: We recommend that County officials work together to ensure that all amounts reported on the budgets and published financial statements are accurate and in agreement. The County Clerk has a statutory responsibility to reconcile with the Treasurer and to publish reliable financial statements. We recommend that the Clerk and Treasurer reconcile the balances of all funds including the Prosecuting Attorney Bad Check fund on a monthly basis. Accordingly, we recommend that disbursements from the Bad Check fund be provided to the County Clerk on a timely basis each month, in order to allow the County Clerk to keep records of activity in all funds.

County's Response: The County will attempt to implement this recommendation.

5. Interfund Transfers

Condition: The County's records of transfers from funds did not equal transfers to funds in either 2007 or 2008. This out-of-balance situation occurred because transactions are recorded inconsistently. The County collects the property tax levy for the Moberly Special Road District, which is a separate entity, and keeps a withholding of 20% for common roads and administration. This withholding was improperly recorded as a transfer in to the Road & Bridge fund in 2007 and 2008 instead of as Fees and Charges. The County recorded grants funds from the state as transfers in to the Prosecuting Attorney Grant fund in both years. This money should have been recorded as intergovernmental revenue. Also, the County improperly recorded money received from Commerce Bank for Justice Center operations as a transfer in to the Justice Center fund in both years. Transfers in and out should only be recorded for transactions between County funds and should at all times be equal and thus in balance.

Recommendation: We recommend that the County record transfers in and out only for transactions between County funds and ensure that they are recorded consistently and are in balance.

County Response: The County Treasurer is compiling information to implement this recommendation.

6. Outstanding Checks

Condition: As of December 31, 2008, the County Treasurer listed on the bank reconciliation 27 outstanding checks that were written prior to 2008. One was written in 1999, one in 2002, six in 2004, 8 in 2005, seven in 2006, and three in 2007. All of these checks were for minor amounts with the largest being \$27. The total amount of all the outstanding checks was \$379. None of these checks had been voided or the subject of a stop payment order.

According to RSMo 447.532.1, "All intangible personal property... that has remained unclaimed by the owner for more than three years is deemed abandoned and shall be turned over immediately to the treasurer pursuant to section 447.543." The Missouri State Treasurer has defined unclaimed property to include stale outstanding checks. Furthermore, as long as the County has stale outstanding checks older than three years, a Report of Unclaimed Property should be filed annually by November 1st as provided in RSMo 447.539.

Recommendation: We recommend that the County remit dollars represented by the outstanding checks that are older than three years to the State's Unclaimed Property Fund as required and submit Reports of Unclaimed Property annually, if applicable, to the Missouri State Treasurer according to RSMo 447.

County's Response: The County Treasurer is currently submitting outstanding balances to the State Treasurer.

7. Lack of Investment Policy

Condition: The County does not have an investment policy in place as required by RSMo 30.950. The County is required to adopt and comply with a formal written investment policy to ensure that the County has considered the appropriate levels of safety, liquidity and return in the responsible management of public funds. A model investment policy is provided by the State Treasurer.

Recommendation: We recommend the County adopt and comply with a formal written investment policy in accordance with State Statutes.

County's Response: The County Treasurer is compiling information to implement this recommendation.

OTHER MATTERS

In planning and performing our audit of the financial statements of Randolph County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. Our comment and suggestion regarding this matter is summarized below. We previously reported on the County's internal control in our report dated July 2, 2009. (A separate report dated July 2, 2009 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 2, 2009.

8. Justice Center Sales Tax Levy and Bond Payments

Condition: County voters approved a sales tax levy in 2002 to fund the construction of the Justice Center. The County opened four bank accounts with Commerce Trust Company in Kansas City in order to receive the sales tax and make the bond payments. The State of Missouri submits the Justice Center sales tax it collects on behalf of the County directly to the Bank, who also makes the bond payments for the County. However, the County does not report the revenue or the principal and interest payments in any fund on the budget or in the published financial statements. For 2007 and 2008 combined, the County received \$2,539,025 in Justice Center sales tax revenue and made bond principal payments of \$890,000 and interest payments of \$593,810.

Recommendation: We recommend that the County report the sales tax money received by the bank and the bond principal and interest to more accurately reflect the financial position and transactions of the County.

County's Response: The County will attempt to implement this recommendation.

RANDOLPH COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Randolph County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004 and 2003.

1. Financial Condition, Budgetary Practices and Planning (Prior auditors' finding No. 1)

- A. The County General Revenue fund has a negative fund balance and disbursements significantly exceed revenues.
- B. The County's budget does not accurately reflect anticipated financial activity and the Commission approves expenditures in excess of budgeted amounts.
- C. The County has not adequately addressed the long-term financial viability of the General Revenue fund, specifically how the jail operations will be funded when the Justice Center sales tax levy expires in 2020.

Status:

A & C. Partially implemented. The County has taken a number of steps to reduce expenditures such as bidding for prisoner medical services and moving the Juvenile Center and Coroner's office to save on rent. The County has also discussed ways to produce additional revenue such as housing prisoners from neighboring counties in the Justice Center.

B. Repeated. See finding 3.

2. Expenditures (Prior auditors' finding No.2)

- A. The County did not solicit bids for certain projects including road rock, a paving project, and inmate meals. For some purchases, bid documentation was lacking.
- B. The County did not enter into contracts for some services and some contracts did not adequately stipulate terms and responsibilities of the parties.
- C. Supporting documentation for some purchases was insufficient.
- D. The County did not always adequately document the basis for allocating portions of expenditures between various funds.

- E. The County does not require acknowledgment of receipt of goods or services or always document approval of invoices for payment.

Status:

A. Implemented.

B. Implemented.

C & E. Repeated. See finding 1.

D. Implemented.

3. Property Tax Records (Prior auditors' finding No. 4)

- A. The County Clerk does not prepare or verify the current or delinquent tax books.
- B. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book with the Collector and neither the Clerk nor the Commission verifies the Collector's monthly or annual settlements.
- C. The County Clerk did not submit addition and abatement requests to the County Commission for approval and did not maintain complete records of tax book changes.

Status:

A. Implemented.

B. Implemented.

C. Implemented.

4. Computer Controls (Prior auditors' finding No. 5)

- A. Passwords are not used to limit access to the Treasurer's financial records or the County Clerk's capital asset program. All Assessors' office employees share the same password to access the assessment and appraisal programs.
- B. The Treasurer does not perform periodic data backups.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Clark County, Missouri

The Office of the State Auditor, in cooperation with Clark County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

November 2009
Report No. 2009-124

ANNUAL FINANCIAL REPORT

CLARK COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

CLARK COUNTY, MISSOURI
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	17

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	26
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	28
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Federal Findings and Questioned Costs	32
Findings and Recommendations	34
Schedule of Prior Year Audit Findings	37

INTRODUCTORY SECTION

CLARK COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Paul Allen

Associate Commissioner – Jerry Neyens

Associate Commissioner – Roger Sedore

Other Elected Officials

Assessor – Donna Oilar

Circuit Clerk, Recorder – Mary Jones

Collector – Twila Harper

Coroner – Edwin Wilson

County Clerk – Leih Ann Hayden

Prosecuting Attorney – H. Scott Summers

Public Administrator – Linda Shoup

Sheriff – Paul Gaudette

Treasurer – Roberta McAfee

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Clark County, Missouri

We have audited the accompanying financial statements of Clark County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Clark County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Clark County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Clark County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 25, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
June 25, 2009

FINANCIAL SECTION

CLARK COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ (20,028)	\$ 794,067	\$ 683,779	\$ 90,260	\$ 825,582	\$ 747,469	\$ 168,373
Special Road and Bridge	31,650	1,477,401	1,380,902	128,149	1,280,903	1,322,099	86,953
Assessment	8,302	101,550	102,932	6,920	107,536	103,705	10,751
Prosecuting Attorney Retirement	-	2,244	2,244	-	2,244	2,244	-
Law Enforcement Training	88	2,962	1,249	1,801	2,401	4,163	39
Prosecuting Attorney Training	(69)	738	183	486	600	681	405
Prosecuting Attorney Bad Check	8,870	5,387	8,754	5,503	5,597	7,430	3,670
1/2 Cent Sales Tax Road and Bridge	38,196	257,059	256,026	39,229	260,510	299,291	448
Community Service	17,798	15,860	17,539	16,119	22,570	17,128	21,561
Recorder Automatic	1,748	2,119	1,162	2,705	2,085	2,293	2,497
1/2 Cent Sales Tax Jail Building	2,753	600	1,706	1,647	34	876	805
Community Development Block Grant	-	-	-	-	241,176	241,176	-
Sheriff Civil Fees	1,322	4,132	4,104	1,350	5,679	6,601	428
Clark County Youth	3,931	38,634	38,544	4,021	25,195	19,741	9,475
1/2 Cent Sales Tax-Jail Operation/Law Enforcement	(98,348)	624,229	606,653	(80,772)	695,739	627,367	(12,400)
Election Service	2,582	1,507	1,717	2,372	4,426	2,115	4,683
Domestic Violence Against Women	(1,747)	44,486	42,698	41	40,387	41,787	(1,359)
Domestic Violence	6,626	3,411	1,055	8,982	2,755	529	11,208
Local Emergency Planning Commission	10,789	4,138	4,370	10,557	1,407	2,284	9,680
Peace Officers Standards and Training	4,373	1,194	3,143	2,424	1,365	2,639	1,150
County Recorder	6,766	3,681	7,880	2,567	3,542	2,526	3,583
Help America Vote Act	9,343	1,688	11,031	-	-	-	-
Law Enforcement Restitution	-	3,328	-	3,328	10,352	4,512	9,168
Sheriff Revolving	-	1,640	880	760	510	-	1,270
Election Equipment	-	-	-	-	7,074	-	7,074
Courthouse Restoration	-	-	-	-	40,450	40,450	-
Drug Court	18,438	35,058	53,496	-	700	700	-
Local Law Enforcement Support (Canine)	2,982	-	-	2,982	-	-	2,982
Tax Maintenance	10,026	8,225	3,934	14,317	8,000	22,317	-
Cemetery Trust	63,325	21,869	85,194	-	3,215	3,190	25
Sheriff's Explorer's	454	-	-	454	-	-	454
Associate Circuit Division Interest	1,317	765	617	1,465	205	910	760
Circuit Clerk Interest	2,504	2,536	849	4,191	602	2,280	2,513
Circuit Clerk Passport	2,440	4,745	2,736	4,449	2,340	411	6,378
Law Library	10,023	4,357	2,412	11,968	4,477	6,603	9,842
Total	\$ 146,454	\$ 3,469,610	\$ 3,327,789	\$ 288,275	\$ 3,609,658	\$ 3,535,517	\$ 362,416

The accompanying Notes to the Financial Statements are an integral part of this statement.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2007		2008	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 294,200	\$ 295,071	\$ 316,000	\$ 304,788
Sales taxes	225,000	257,059	270,000	260,509
Intergovernmental	3,500	1,521	2,800	2,056
Charges for services	138,792	137,213	146,223	141,353
Interest	1,650	4,837	4,500	8,016
Other	16,950	12,786	8,875	23,490
Transfers in	85,580	85,580	90,080	85,370
Total Receipts	<u>\$ 765,672</u>	<u>\$ 794,067</u>	<u>\$ 838,478</u>	<u>\$ 825,582</u>
DISBURSEMENTS				
County Commission	\$ 90,721	\$ 84,008	\$ 81,369	\$ 79,953
County Clerk	69,894	65,699	70,162	67,750
Elections	4,000	3,768	52,200	35,729
Buildings and grounds	44,855	42,647	96,808	49,449
Employee fringe benefits	7,851	3,914	5,695	2,944
Treasurer	34,577	29,864	30,683	29,860
Collector	76,823	71,338	71,770	71,283
Circuit Clerk	32,905	27,500	30,621	33,157
Associate Circuit Court	6,000	5,807	5,587	4,443
Court administration	5,400	4,292	5,416	4,700
Public Administrator	18,723	17,671	18,398	17,506
Prosecuting Attorney	77,776	76,704	82,488	75,234
Juvenile Officer	10,890	12,345	14,850	10,111
Coroner	13,277	14,816	16,127	11,938
Other general revenue	76,695	71,162	101,520	51,168
Transfers out	152,244	152,244	206,244	202,244
Emergency fund	23,013	-	40,000	-
Total Disbursements	<u>\$ 745,644</u>	<u>\$ 683,779</u>	<u>\$ 929,938</u>	<u>\$ 747,469</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 20,028	\$ 110,288	\$ (91,460)	\$ 78,113
CASH, JANUARY 1	<u>(20,028)</u>	<u>(20,028)</u>	<u>90,261</u>	<u>90,260</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 90,260</u>	<u>\$ (1,199)</u>	<u>\$ 168,373</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 481,000	\$ 484,097	\$ 520,000	\$ 464,176	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	950,100	971,649	1,044,750	744,749	99,000	99,312	101,000	104,621
Charges for services	-	-	-	-	-	-	-	-
Interest	3,500	5,667	6,000	6,516	500	656	700	838
Other	20,000	15,988	18,001	65,462	850	1,582	1,500	2,077
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,454,600</u>	<u>\$ 1,477,401</u>	<u>\$ 1,588,751</u>	<u>\$ 1,280,903</u>	<u>\$ 100,350</u>	<u>\$ 101,550</u>	<u>\$ 103,200</u>	<u>\$ 107,536</u>
DISBURSEMENTS								
Salaries	\$ 327,808	\$ 280,570	\$ 342,308	\$ 347,183	\$ 65,539	\$ 64,540	\$ 66,067	\$ 66,067
Employee fringe benefits	127,381	112,215	129,619	123,111	23,118	21,412	23,066	23,407
Materials and Supplies	359,831	344,495	452,178	560,716	4,545	7,273	7,545	3,923
Services and Other	101,500	79,900	86,950	106,032	13,275	9,707	13,453	10,308
Capital Outlay	22,000	33,658	100,000	32,233	-	-	-	-
Construction	475,000	457,334	524,100	77,454	-	-	-	-
Transfers out	72,730	72,730	81,745	75,370	-	-	-	-
Total Disbursements	<u>\$ 1,486,250</u>	<u>\$ 1,380,902</u>	<u>\$ 1,716,900</u>	<u>\$ 1,322,099</u>	<u>\$ 106,477</u>	<u>\$ 102,932</u>	<u>\$ 110,131</u>	<u>\$ 103,705</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (31,650)	\$ 96,499	\$ (128,149)	\$ (41,196)	\$ (6,127)	\$ (1,382)	\$ (6,931)	\$ 3,831
CASH, JANUARY 1	<u>31,650</u>	<u>31,650</u>	<u>128,149</u>	<u>128,149</u>	<u>8,302</u>	<u>8,302</u>	<u>6,920</u>	<u>6,920</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 128,149</u>	<u>\$ -</u>	<u>\$ 86,953</u>	<u>\$ 2,175</u>	<u>\$ 6,920</u>	<u>\$ (11)</u>	<u>\$ 10,751</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY RETIREMENT FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,912	2,962	3,000	2,401
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	2,244	2,244	2,244	2,244	-	-	-	-
Total Receipts	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 2,912</u>	<u>\$ 2,962</u>	<u>\$ 3,000</u>	<u>\$ 2,401</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,244	2,244	2,244	2,244	3,000	1,249	4,801	4,163
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 2,244</u>	<u>\$ 3,000</u>	<u>\$ 1,249</u>	<u>\$ 4,801</u>	<u>\$ 4,163</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (88)	\$ 1,713	\$ (1,801)	\$ (1,762)
CASH, JANUARY 1	-	-	-	-	88	88	1,801	1,801
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,801</u>	<u>\$ -</u>	<u>\$ 39</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	700	738	850	600	5,000	5,199	8,000	5,477
Interest	-	-	-	-	160	188	200	120
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 700</u>	<u>\$ 738</u>	<u>\$ 850</u>	<u>\$ 600</u>	<u>\$ 5,160</u>	<u>\$ 5,387</u>	<u>\$ 8,200</u>	<u>\$ 5,597</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	1,000	469	700	483
Services and Other	631	183	1,000	681	13,029	8,285	13,003	6,947
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 631</u>	<u>\$ 183</u>	<u>\$ 1,000</u>	<u>\$ 681</u>	<u>\$ 14,029</u>	<u>\$ 8,754</u>	<u>\$ 13,703</u>	<u>\$ 7,430</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 69	\$ 555	\$ (150)	\$ (81)	\$ (8,869)	\$ (3,367)	\$ (5,503)	\$ (1,833)
CASH, JANUARY 1	<u>(69)</u>	<u>(69)</u>	<u>486</u>	<u>486</u>	<u>8,870</u>	<u>8,870</u>	<u>5,503</u>	<u>5,503</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 486</u>	<u>\$ 336</u>	<u>\$ 405</u>	<u>\$ 1</u>	<u>\$ 5,503</u>	<u>\$ -</u>	<u>\$ 3,670</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	1/2 CENT SALES TAX ROAD AND BRIDGE FUND				COMMUNITY SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	225,000	257,059	270,000	260,510	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	23,000	15,760	20,000	22,238
Interest	-	-	-	-	-	-	-	-
Other	6,654	-	300	-	100	100	125	332
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 231,654</u>	<u>\$ 257,059</u>	<u>\$ 270,300</u>	<u>\$ 260,510</u>	<u>\$ 23,100</u>	<u>\$ 15,860</u>	<u>\$ 20,125</u>	<u>\$ 22,570</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 28,000	\$ 11,471	\$ 20,000	\$ 11,785
Employee fringe benefits	-	-	-	-	7,198	2,329	8,000	1,048
Materials and Supplies	257,000	243,176	256,819	289,291	1,000	1,439	1,000	718
Services and Other	-	-	38,000	-	4,700	2,300	7,244	3,577
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	12,850	12,850	14,710	10,000	-	-	-	-
Total Disbursements	<u>\$ 269,850</u>	<u>\$ 256,026</u>	<u>\$ 309,529</u>	<u>\$ 299,291</u>	<u>\$ 40,898</u>	<u>\$ 17,539</u>	<u>\$ 36,244</u>	<u>\$ 17,128</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (38,196)	\$ 1,033	\$ (39,229)	\$ (38,781)	\$ (17,798)	\$ (1,679)	\$ (16,119)	\$ 5,442
CASH, JANUARY 1	<u>38,196</u>	<u>38,196</u>	<u>39,229</u>	<u>39,229</u>	<u>17,798</u>	<u>17,798</u>	<u>16,119</u>	<u>16,119</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 39,229</u>	<u>\$ -</u>	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 16,119</u>	<u>\$ -</u>	<u>\$ 21,561</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	RECORDER AUTOMATIC FUND				1/2 CENT SALES TAX JAIL BUILDING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	80	552	500	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,700	2,119	3,000	2,085	-	-	-	-
Interest	-	-	-	-	-	48	60	34
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,700</u>	<u>\$ 2,119</u>	<u>\$ 3,000</u>	<u>\$ 2,085</u>	<u>\$ 80</u>	<u>\$ 600</u>	<u>\$ 560</u>	<u>\$ 34</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	5,448	1,162	5,705	2,293	2,833	1,706	2,207	876
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,448</u>	<u>\$ 1,162</u>	<u>\$ 5,705</u>	<u>\$ 2,293</u>	<u>\$ 2,833</u>	<u>\$ 1,706</u>	<u>\$ 2,207</u>	<u>\$ 876</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (1,748)	\$ 957	\$ (2,705)	\$ (208)	\$ (2,753)	\$ (1,106)	\$ (1,647)	\$ (842)
CASH, JANUARY 1	<u>1,748</u>	<u>1,748</u>	<u>2,705</u>	<u>2,705</u>	<u>2,753</u>	<u>2,753</u>	<u>1,647</u>	<u>1,647</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 2,705</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,497</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 805</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	COMMUNITY DEVELOPMENT BLOCK GRANT FUND				SHERIFF CIVIL FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	321,700	-	322,000	241,176	3,650	4,132	4,300	5,679
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 321,700</u>	<u>\$ -</u>	<u>\$ 322,000</u>	<u>\$ 241,176</u>	<u>\$ 3,650</u>	<u>\$ 4,132</u>	<u>\$ 4,300</u>	<u>\$ 5,679</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	305
Services and Other	321,700	-	322,000	241,176	4,972	4,104	5,650	6,296
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 321,700</u>	<u>\$ -</u>	<u>\$ 322,000</u>	<u>\$ 241,176</u>	<u>\$ 4,972</u>	<u>\$ 4,104</u>	<u>\$ 5,650</u>	<u>\$ 6,601</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (1,322)	\$ 28	\$ (1,350)	\$ (922)
CASH, JANUARY 1	-	-	-	-	1,322	1,322	1,350	1,350
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 428</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CLARK COUNTY YOUTH FUND				1/2 CENT SALES TAX-JAIL OPERATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	225,000	257,084	270,000	260,500
Intergovernmental	-	-	-	-	88,496	31,802	33,700	47,633
Charges for services	-	-	-	-	10,150	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	23,000	38,634	40,000	25,195	183,100	185,343	211,900	187,606
Transfers in	-	-	-	-	150,000	150,000	200,000	200,000
Total Receipts	<u>\$ 23,000</u>	<u>\$ 38,634</u>	<u>\$ 40,000</u>	<u>\$ 25,195</u>	<u>\$ 656,746</u>	<u>\$ 624,229</u>	<u>\$ 715,600</u>	<u>\$ 695,739</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 332,835	\$ 352,511	\$ 309,682	\$ 323,367
Employee fringe benefits	-	-	-	-	97,509	89,005	82,766	76,758
Materials and Supplies	-	-	-	-	56,300	59,834	160,305	102,839
Services and Other	26,931	38,544	44,021	19,741	106,082	105,303	91,820	124,403
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 26,931</u>	<u>\$ 38,544</u>	<u>\$ 44,021</u>	<u>\$ 19,741</u>	<u>\$ 592,726</u>	<u>\$ 606,653</u>	<u>\$ 644,573</u>	<u>\$ 627,367</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,931)	\$ 90	\$ (4,021)	\$ 5,454	\$ 64,020	\$ 17,576	\$ 71,027	\$ 68,372
CASH, JANUARY 1	<u>3,931</u>	<u>3,931</u>	<u>4,021</u>	<u>4,021</u>	<u>(98,348)</u>	<u>(98,348)</u>	<u>(80,772)</u>	<u>(80,772)</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 4,021</u>	<u>\$ -</u>	<u>\$ 9,475</u>	<u>\$ (34,328)</u>	<u>\$ (80,772)</u>	<u>\$ (9,745)</u>	<u>\$ (12,400)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICE FUND				DOMESTIC VIOLENCE AGAINST WOMEN FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	50,311	44,486	45,089	40,387
Charges for services	-	-	-	-	-	-	-	-
Interest	32	66	70	67	-	-	-	-
Other	400	1,441	2,750	4,359	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 432</u>	<u>\$ 1,507</u>	<u>\$ 2,820</u>	<u>\$ 4,426</u>	<u>\$ 50,311</u>	<u>\$ 44,486</u>	<u>\$ 45,089</u>	<u>\$ 40,387</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Employee fringe benefits	-	-	-	-	8,435	7,298	8,965	7,576
Materials and Supplies	-	-	-	-	1,610	509	854	578
Services and Other	3,014	1,717	5,192	2,115	8,978	4,891	5,311	3,633
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,014</u>	<u>\$ 1,717</u>	<u>\$ 5,192</u>	<u>\$ 2,115</u>	<u>\$ 49,023</u>	<u>\$ 42,698</u>	<u>\$ 45,130</u>	<u>\$ 41,787</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,582)	\$ (210)	\$ (2,372)	\$ 2,311	\$ 1,288	\$ 1,788	\$ (41)	\$ (1,400)
CASH, JANUARY 1	<u>2,582</u>	<u>2,582</u>	<u>2,372</u>	<u>2,372</u>	<u>(1,747)</u>	<u>(1,747)</u>	<u>41</u>	<u>41</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 2,372</u>	<u>\$ -</u>	<u>\$ 4,683</u>	<u>\$ (459)</u>	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ (1,359)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DOMESTIC VIOLENCE FUND				LOCAL EMERGENCY PLANNING COMMISSION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	3,000	3,411	3,550	2,755	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,350	4,138	4,200	1,407
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,000</u>	<u>\$ 3,411</u>	<u>\$ 3,550</u>	<u>\$ 2,755</u>	<u>\$ 4,350</u>	<u>\$ 4,138</u>	<u>\$ 4,200</u>	<u>\$ 1,407</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	1,142	1,350	400
Services and Other	9,626	1,055	12,532	529	15,139	3,228	13,407	1,884
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,626</u>	<u>\$ 1,055</u>	<u>\$ 12,532</u>	<u>\$ 529</u>	<u>\$ 15,139</u>	<u>\$ 4,370</u>	<u>\$ 14,757</u>	<u>\$ 2,284</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,626)	\$ 2,356	\$ (8,982)	\$ 2,226	\$ (10,789)	\$ (232)	\$ (10,557)	\$ (877)
CASH, JANUARY 1	<u>6,626</u>	<u>6,626</u>	<u>8,982</u>	<u>8,982</u>	<u>10,789</u>	<u>10,789</u>	<u>10,557</u>	<u>10,557</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 8,982</u>	<u>\$ -</u>	<u>\$ 11,208</u>	<u>\$ -</u>	<u>\$ 10,557</u>	<u>\$ -</u>	<u>\$ 9,680</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PEACE OFFICERS STANDARDS AND TRAINING FUND				COUNTY RECORDER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,390	1,194	1,200	1,365	-	-	-	-
Charges for services	-	-	-	-	3,500	3,534	3,600	3,438
Interest	-	-	-	-	162	147	200	62
Other	-	-	-	-	-	-	-	42
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,390</u>	<u>\$ 1,194</u>	<u>\$ 1,200</u>	<u>\$ 1,365</u>	<u>\$ 3,662</u>	<u>\$ 3,681</u>	<u>\$ 3,800</u>	<u>\$ 3,542</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	10,428	7,880	6,367	2,526
Services and Other	5,763	3,143	3,624	2,639	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,763</u>	<u>\$ 3,143</u>	<u>\$ 3,624</u>	<u>\$ 2,639</u>	<u>\$ 10,428</u>	<u>\$ 7,880</u>	<u>\$ 6,367</u>	<u>\$ 2,526</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,373)	\$ (1,949)	\$ (2,424)	\$ (1,274)	\$ (6,766)	\$ (4,199)	\$ (2,567)	\$ 1,016
CASH, JANUARY 1	<u>4,373</u>	<u>4,373</u>	<u>2,424</u>	<u>2,424</u>	<u>6,766</u>	<u>6,766</u>	<u>2,567</u>	<u>2,567</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 2,424</u>	<u>\$ -</u>	<u>\$ 1,150</u>	<u>\$ -</u>	<u>\$ 2,567</u>	<u>\$ -</u>	<u>\$ 3,583</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HELP AMERICA VOTE ACT FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,400	1,504	5,000	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	185	184	-	-	-	-	-	-
Other	-	-	-	-	-	3,328	7,000	10,352
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,585</u>	<u>\$ 1,688</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,328</u>	<u>\$ 7,000</u>	<u>\$ 10,352</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	10,339	-	-	-	-	-	-
Services and Other	11,927	692	5,000	-	-	-	10,328	4,512
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 11,927</u>	<u>\$ 11,031</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,328</u>	<u>\$ 4,512</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (9,342)	\$ (9,343)	\$ -	\$ -	\$ -	\$ 3,328	\$ (3,328)	\$ 5,840
CASH, JANUARY 1	<u>9,343</u>	<u>9,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,328</u>	<u>3,328</u>
CASH, DECEMBER 31	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,328</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,168</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	SHERIFF REVOLVING FUND				ELECTION EQUIPMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	7,050
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	24
Other	-	1,640	3,300	510	-	-	3,000	-
Transfers in	-	-	-	-	-	-	4,000	-
Total Receipts	<u>\$ -</u>	<u>\$ 1,640</u>	<u>\$ 3,300</u>	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 7,074</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	880	4,060	-	-	-	7,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 880</u>	<u>\$ 4,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 760	\$ (760)	\$ 510	\$ -	\$ -	\$ -	\$ 7,074
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>760</u>	<u>760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 760</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,270</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,074</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COURTHOUSE RESTORATION FUND				DRUG COURT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	40,450	42,500	33,642	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,416	-	700
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ -	\$ -	\$ 40,450	\$ 42,500	\$ 35,058	\$ -	\$ 700
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 16,500	\$ 16,480	\$ -	\$ -
Employee fringe benefits	-	-	-	-	4,300	3,554	-	-
Materials and Supplies	-	-	-	-	7,700	10,615	-	-
Services and Other	-	-	-	40,450	21,400	22,847	-	700
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ -	\$ 40,450	\$ 49,900	\$ 53,496	\$ -	\$ 700
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (7,400)	\$ (18,438)	\$ -	\$ -
CASH, JANUARY 1	-	-	-	-	18,438	18,438	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ 11,038	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	LOCAL LAW ENFORCEMENT SUPPORT (CANINE) FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	7,000	8,225	8,185	8,000
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 8,225</u>	<u>\$ 8,185</u>	<u>\$ 8,000</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,982	-	2,982	-	17,026	3,934	22,502	22,317
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,982</u>	<u>\$ -</u>	<u>\$ 2,982</u>	<u>\$ -</u>	<u>\$ 17,026</u>	<u>\$ 3,934</u>	<u>\$ 22,502</u>	<u>\$ 22,317</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,982)	\$ -	\$ (2,982)	\$ -	\$ (10,026)	\$ 4,291	\$ (14,317)	\$ (14,317)
CASH, JANUARY 1	<u>2,982</u>	<u>2,982</u>	<u>2,982</u>	<u>2,982</u>	<u>10,026</u>	<u>10,026</u>	<u>14,317</u>	<u>14,317</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 2,982</u>	<u>\$ -</u>	<u>\$ 2,982</u>	<u>\$ -</u>	<u>\$ 14,317</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CLARK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clark County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/ Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Clark County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the following funds:

Fund	2008	2007
Law Enforcement Restitution	N/A	X
Sheriff Revolving	N/A	X
Courthouse Restoration	X	N/A
Drug Court	X	N/A
Cemetery Trust	X	X
Associate Circuit Division Interest	X	X
Circuit Clerk Interest	X	X
Circuit Clerk Passport	X	X
Law Library	X	X

Additionally, the County budgeted a negative fund balance for the following funds:

Fund	2008	2007
General Revenue	X	N/A
Assessment	X	N/A
1/2 cent Sales Tax - Jail Operation	X	X
Domestic Violence Against Women	N/A	X

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	2008	2007
Sheriff Civil Fees	X	N/A
Clark County Youth	N/A	X
1/2 Cent Sales Tax - Jail Operation	N/A	X
Drug Court Fund	N/A	X

Also, because a budget was not adopted for those funds listed in Note 1.D.9, expenditures in those funds exceeded budgetary authority to the extent that budgets were not adopted.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 120,326,469	\$ 115,346,032
Personal Property	44,491,885	45,610,328

During 2008 and 2007, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue	\$ 0.3218	\$ 0.3359
Road & Bridge	0.3316	0.3316
Special Road & Bridge	0.3500	0.3316
Health	-	0.0949

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amounts of the County's deposits were \$360,749 and \$268,840, respectively, and the bank balances were \$449,988 and \$569,611, respectively. Of the bank balances, \$110,749 and \$168,840 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$339,239 and \$400,771, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2008 and 2007, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue, Special Road and Bridge and Road Rock funds. These amounts, all of which were secured by pledged collateral, amounted to \$2,537,101 and \$2,795,025 at December 31, 2008 and 2007, respectively.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. Missouri Local Government Employees Retirement System (LAGERS)

1) Plan Description

Clark County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

2) Pension Benefits

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of credited service will be refunded accumulated plan contributions.

3) Funding Policy

Participation in the plan is mandatory for full-time employees with six months service. Part-time employees are not eligible to participate in the plan. Plan participants contribute 4% of eligible earnings to the plan. The County match varies year to year based on a variety of actuarial factors.

4) Annual Pension Cost

For 2008 and 2007, total payments to LAGERS were \$ 53,758 and \$ 29,603 respectively.

B. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the state of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by

writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

3) Funding Policy

Participation in the plan is mandatory for full-time employees. The employee's contribution is based on hire date. For full-time employees hired before February 25, 2002, no contribution is required. For full-time employees hired on or after February 25, 2002, a pre-tax contribution of 4% is required.

Participation in the plan is voluntary for part-time employees that work over 1,000 hours in a calendar year. Enrollment in the plan occurs at the next open enrollment date, in either January or June. For part-time eligible employees hired before February 25, 2002, a pre-tax contribution of 2% is required. For part-time eligible employees hired on or after February 25, 2002, a pre-tax contribution of 6% is required.

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. The source of funding of these contributions is determined by each county.

4) Annual Pension Cost

During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$ 17,171 and \$ 16,598, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 176 hours of sick time -- to accrue at one day per complete calendar month of employment. Upon termination, the employee is not compensated for accrued sick time. Full time employees are allowed five days personal time per calendar year with no carryover to the next year. Vacation time is awarded after each anniversary hire date. The employee receives one week after one year, one week and one day after two years, one week and two days after three years, one week and three days after four years, two weeks after five years, and two weeks plus one additional day per year over six years of service up to three weeks. Vacation time does not carryover to following years.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County's only long-term obligation at December 31, 2008 consisted of one outstanding open-ended capital lease. In May, 2008, Clark County entered into a five-year lease agreement with Koch Financial Corporation for a 2009 Volvo Tractor to be used by the Road and Bridge Department in conjunction with a previously acquired gravel trailer to repair the County's unpaved roads. Monthly payments of \$1,122 are due through May 2013.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Clark County, Missouri

We have audited the accompanying financial statements of Clark County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated June 25, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Clark County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clark County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clark County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clark County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Clark County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Clark County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clark County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08.1 through 08.3.

We also noted certain matters that we reported to management of Clark County, Missouri, in the findings and recommendations section as items 08.4 and 08.5.

Clark County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Clark County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
June 25, 2009

MCBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Clark County, Missouri

Compliance

We have audited the compliance of Clark County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008 and 2007. Clark County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Clark County, Missouri's management. Our responsibility is to express an opinion on Clark County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clark County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Clark County, Missouri's compliance with those requirements.

In our opinion, Clark County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2008 and 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Clark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Clark County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clark County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
June 25, 2009

CLARK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Federal Expenditures	
		Year Ended December 31,	
		2007	2008
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
	Passed through state:		
	Department of Economic Development -		
14.228	Community Development Block Grants/State's Program	\$ 8,325	\$ 230,225
	U.S. DEPARTMENT OF JUSTICE		
	Passed through state:		
	State Department of Public Safety -		
16.588	Violence Against Women Formula Grants	42,698	41,787
	Missouri Sheriffs' Association -		
16	Domestic Cannabis Eradication/Suppression Program	150	13
16.585	Drug Court	26,994	
	U. S. DEPARTMENT OF TRANSPORTATION		
	Passed through state:		
	Highway and Transportation Commission -		
20.205	Highway Planning and Construction BRO - 023(20)	457,265	76,921
20.601	COPS Overtime	3,489	2,078
	Department of Public Safety -		
20.703	Interagency Hazardous Materials Public		
	Sector Training and Planning Grants	2,185	
	GENERAL SERVICES ADMINISTRATION		
	Passed through state:		
	Office of Secretary of State -		
39.011	Election Reform Payments	10,617	
	ELECTION ASSISTANCE COMMISSION		
	Passed through state:		
	Office of Secretary of State -		
90.401	Help America Vote Act Requirements Payments	618	615
	U. S. DEPARTMENT OF HOMELAND SECURITY		
	Passed through State Department of Public Safety:		
83.54	Homeland Security Grant		2,284
		<u>\$ 552,341</u>	<u>\$ 353,923</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CLARK COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

CLARK COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted?
See items 1 - 3 ☒ Yes ☐ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

See findings of noncompliance on pages 34 and 35, as follows:

- 08.1. Procurement Practices
- 08.2. Absence of Investment Policy
- 08.3. Budgetary Controls

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

FINDINGS AND RECOMMENDATIONS

CLARK COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

08.1. Procurement Procedures

Condition: The County did not consistently solicit bids and/or retain bid documentation for various purchases of goods and services. In addition, the minutes did not adequately document bid information such as justification for accepting other than the lowest bid or engaging in single source purchases.

Recommendation: We recommend that the County Commission solicit bids in accordance with State law, maintain bid documentation in conjunction with associated disbursement records in the County Clerk's office, and, in cases where the Commission elects to accept other than the lowest bid or engages in single source purchasing, that the minutes and bid records contain documentation justifying the decision.

Auditee's Response: We will try to comply.

08.2. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officers Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: We will work on this recommendation.

08.3. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the period under audit, there were four different funds for which expenditures were approved for payment which exceed the approved budget.

RSMo 50.740 prohibits expenditures in excess of the approved budgets. Additionally, Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not authorized in excess of the approved budget, including budget amendments, if required.

Auditee's Response: We will try to comply.

OTHER MATTERS

In planning and performing our audit of the financial statements of Clark County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that provide an opportunity for strengthening internal controls and operating efficiency. Our comments and suggestions regarding these matters are summarized below. We previously reported on the County's internal control in our report dated June 25, 2009. (A separate report dated June 25, 2009, which is presented herein, contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated June 25, 2009.

08.4. Payroll and Personnel Procedures

- A. Condition: Centralized records of time sheets, vacation leave, sick leave or compensatory time earned, taken, or accumulated by employees of the Sheriff's Department are not maintained by the County Clerk. The Sheriff maintains these records for his department and sends the County Clerk a summary report of time worked by employees. Centralized records are needed to ensure that employees are meeting expectations of County employment, that policies are being uniformly applied, and that potential leave and/or compensatory time accruals are being centrally monitored. In addition, such records should be maintained and monitored in a central location in the event disputes arise and to ensure compliance with the Federal Fair Labor Standards Act (FLSA).

Recommendation: We recommend that the County ensure that the Clerk's Office maintains centralized time sheet and leave records for all County employees.

Auditee's Response: We will try to comply.

- B. Condition: Some time sheets are not signed by employees and their supervisors. Time sheets should be signed by the employee and the employee's supervisor to document their agreement as to the accuracy of reported hours worked each pay period.

Recommendation: We recommend that the County ensure that all time sheets are signed by both the employee and the employee's supervisor.

Auditee's Response: This has been implemented.

- C. Condition: The County has not adopted an official personnel manual which details policies and procedures for County employees. Failure to adopt an official personnel manual increases the likelihood of misunderstandings or unequal treatment of employees. It also increases the risk of financial exposure to the County by not having clearly defined and consistently applied guidelines that have been communicated uniformly to all employees.

Recommendation: We recommend that the County develop a personnel policies and procedures manual which is distributed to all County employees.

Auditee's Response: We will work on this recommendation.

08.5. Employee Personnel Files

Condition: The County does not keep an updated record of each employee's pay rate in their personnel file. When an employee receives a pay raise, there is no evidence in their personnel file of when and how much the raise was for nor documentation of County Commissioner approval. The County Clerk's office does maintain a listing indicating current approved pay rates for each County employee.

Recommendation: We recommend that the County Clerk's Office maintain documentation of each employee's approved pay rate in their personnel file in addition to supporting documentation from the County Commission approving any pay raises an employee has received.

Auditee's Response: The County Clerk's office was not aware that this needed to be documented and agrees to update employee personnel files to incorporate updated records of each employee's approved pay rate.

CLARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Clark County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. The General Revenue Fund and the ½ Cent Sales Tax – Jail Operations Fund remain in poor financial Condition.

Status – Condition substantially corrected.

2. Many of the County's general procedures are in need of improvement.

Status – Improvement noted.

3. The County's budgetary practices are in need of improvement.

Status - Some improvement noted, but not yet fully in compliance. See finding #08.3.

4. The County's Payroll and Personnel Procedures require improvement.

Status - Some improvement noted, but not yet fully in compliance. See finding #08.4.

5. Disbursement procedures are weak.

Status – Improvement noted.

6. Capital Asset records and procedures to account for County and Drug Court property are not adequate and no written policies regarding the accounting and use of assets have been established.

Status – Condition corrected.

7. Computer systems and data are vulnerable to unauthorized use, modification or destruction. Password, backup procedures, and computer security systems are not adequate in some County offices.

Status - Condition corrected

Status:

A. *Partially implemented. The Assessor's office uses unique individual passwords, however, all employees have unlimited access to all files in the system. See finding 2.*

B. *Implemented.*

5. Personnel Policies and Procedures (Prior auditors' finding No. 6)

Centralized time and leave records are not maintained for some employees by the County Clerk, and the Assistant Prosecuting Attorney does not prepare time sheets.

Status:

Implemented.

Note: The prior auditors' findings pertaining to the audits of County fee office's or the County Health Center (No.s 3, 7, 8, 9, and 10) are excluded from the listing above because they are beyond the scope of this audit.

Summary Schedule of Prior Audit Federal Award Findings

04-1. Schedule of Expenditures of Federal Awards

Applicable to all Federal Granters: Department of Justice, General Services Administration and Department of Health and Human Services. The County did not prepare an accurate Schedule of Expenditures of Federal Awards.

Status:

No similar errors were noted, however, an audit in accordance with Office of Management and Budget Circular A-133 was neither required nor performed for 2007 or 2008.



Susan Montee, JD, CPA
Missouri State Auditor

St. Louis Board of Police Commissioners



November 2009
Report No. 2009-123

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report on the St. Louis Board of Police Commissioners.

The St. Louis Board of Police Commissioners (SLBPC) controls the operations of the St. Louis Metropolitan Police Department (department). At June 30, 2008, the department held over \$4 million seized under the Criminal Activity Forfeiture Act (CAFA). It appears the department could dispose of these monies on a more timely basis, and the department had not properly identified the owners of approximately \$591,000. The department inappropriately spent over \$188,000 in seized CAFA monies for various operating expenses. The department subsequently reimbursed \$188,000 to the CAFA Account from the Board Secretary's Account. Over \$4,100 in prisoner cash and property became missing while in police department custody during the 2 years ended June 30, 2008. The department investigated the missing monies and concluded the police department was responsible for the loss.

The SLBPC failed to adequately monitor the vehicle towing operations of a contractor which allowed the contractor to underpay towing fees totaling \$453,509 to the police department and City of St. Louis. The department has filed a lawsuit to recover the amount underpaid and this matter is subject to ongoing criminal investigation. The department did not adequately monitor the status of towed vehicles or ensure complete and accurate information was recorded for all towed vehicles. Until 2008, the towing contract allowed the department to utilize up to five abandoned vehicles in the custody of the towing contractor. Limitations on the use of the vehicles were not included in the contracts and the lack of policies and procedures or specific contract stipulations give the appearance vehicles may have been available for inappropriate or personal use.

Improvements are needed in procedures and controls over evidentiary property stored in the Property Custody Unit (PCU). As of February 2009, cash of approximately \$24,000 in custody of the PCU was missing, mislabeled, or misplaced. The PCU currently has a large number of weapons and old evidence stored in its property room which the department determined has no value and should be destroyed. The PCU does not have adequate controls to track evidence released to other agencies.

Proceeds from Fitness Center memberships and merchandise sales totaling at least \$1,162 were received during the period July 1, 2007 through January 8, 2009, but were not transmitted to the City Treasurer. This amount included both cash and checks recorded as received by the Fitness Center but not transmitted.

Approximately \$133,000 in severance wages and benefits were approved for two department officials (Public Information Officer and Chief of Police). In addition, the

YELLOW SHEET

Board agreed to pay all legal fees for the former Chief of Police related to official duties performed during his employment. It is not clear whether the Board was obligated to provide compensation to the outgoing employees or whether severance payments were justified.

Department practices allowed terminated or retired employees to accrue unreasonable vacation and sick leave benefits during their final month of employment. If the last day of service was the first day of the month, the employee accrued an entire month of leave, and that leave was paid out as unused leave upon termination or retirement. In addition, employees are allowed to take leave on their last days of service, which could extend their term of service into a new month and allow additional leave accrual. The department's current and previous payroll and timekeeping systems allowed for employees to record and be compensated for unearned overtime. Since June 2008, it appears the department paid as much as \$16,000 for unearned overtime.

Based on a review of 38 purchasing card expenditures, several concerns were noted. Purchases totaling \$2,976, were made at clothing and department stores, local restaurants, and ticket venues. There was no documentation to indicate these purchases were business related, and these purchases appear to be personal in nature. The majority of the purchases were made by the former Police Chief. Neither the Board nor department employees reviewed supporting documentation for the former Police Chief's purchasing card expenditures. In addition, purchasing cards were used to purchase items available under existing SLBPC contracts or bids, thus circumventing normal purchasing procedures. Department employees incurred travel expenses to various conferences and events that did not appear reasonable and necessary. The department spent \$10,141 between June 2007 and May 2008 on food purchases from local restaurants and catering companies for various events and the business purpose was not documented. The department purchased two hand-crafted gold badges for the former Chief of Police at a cost of approximately \$6,000 each, and upon his retirement in July 2008, he kept one of the badges. In 2008, the department purchased 5 gold-plated hand crafted badges costing \$1,987 each, one for the current Chief of Police, two for lieutenant colonels, and two for assistant chiefs.

The department accepted season tickets from the St. Louis Cardinals baseball team in 2008 and previous years which may be a violation of state law. The season tickets were provided to the department for at least 7 years without payment to the baseball team. Based on the value of season tickets in a similar location in the stadium, the approximate value of the tickets in 2008 was \$19,000.

Other findings in the audit report relate to receipt accounting controls and procedures, purchasing and bidding policies, capital assets, vehicle usage, budgetary practices, bank accounts and investments, and traffic tickets.

All reports are available on our Web site: www.auditor.mo.gov

ST. LOUIS BOARD OF POLICE COMMISSIONERS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-42
<u>Number</u>	<u>Description</u>
1.	Seized and Prisoner Property5
2.	Towing Contract9
3.	Property Custody Unit13
4.	Fitness Center Receipts.....16
5.	Receipt Accounting Controls and Procedures18
6.	Severance Payments.....20
7.	Leave and Overtime.....21
8.	Expenditures24
9.	Purchasing and Bidding Policies29
10.	Capital Assets32
11.	Vehicle Usage34
12.	Budgetary Practices36
13.	Bank Accounts and Investments.....38
14.	Traffic Tickets.....39
15.	Acceptance of Baseball Tickets41
HISTORY AND ORGANIZATION	43-45
APPENDIX.....	46-47

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Police Commissioners of the
St. Louis Metropolitan Police Department
St. Louis, Missouri

The State Auditor was requested by former Governor Matt Blunt under Section 26.060, RSMo, to audit the St. Louis Board of Police Commissioners. The Board engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the Board's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Evaluate the Board's internal controls over significant management and financial functions.
3. Evaluate the Board's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the Board's management and was not subjected to the procedures applied in our audit of the Board.

The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Board of Police Commissioners.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Michael Reeves, MPA
	Ryan Redel, CIA
	Travis Owens
	Joe Adrian

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

ST. LOUIS BOARD OF POLICE COMMISSIONERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Seized and Prisoner Property
-----------	-------------------------------------

Some seized monies were not properly identified or disposed in a timely manner, and \$188,000 of seized monies was improperly spent for operating expenses. Inadequate controls over prisoner assets resulted in over \$4,100 of stolen or missing property.

The St. Louis Board of Police Commissioners (SLBPC) controls the operations of the St. Louis Metropolitan Police Department (department). Our review of seized and prisoner property noted the following concerns:

- A. At June 30, 2008, the department held over \$4 million seized under Sections 513.600-513.645, RSMo, the Criminal Activity Forfeiture Act (CAFA).
- It appears the department could improve its procedures to dispose of CAFA monies on a more timely basis. The department seized the majority of monies between 2000 and 2008; however, some monies were seized prior to 2000.
 - The department had not properly identified the owners of the monies. Since June 30, 2008, the department has identified the owners and the appropriate disposition for \$3.7 million of the \$4.3 million held. However, the owners of approximately \$591,000 remain unidentified as of June 30, 2009.
 - The department spent over \$188,000 in seized CAFA monies for various operating expenses, including vehicle purchases, office supplies, and wireless phone bills. The SLBPC subsequently approved the reimbursement of these monies from the Board Secretary's Account for the full amount of CAFA monies that were used inappropriately for operating expenses.

The department's Asset Removal Unit (ARU) is responsible for custody of seized assets in accordance with CAFA requirements. Under state law, the department is not allowed to retain any seized assets unless the assets hold evidentiary value. When monies are seized, the department is required to notify the city Circuit Attorney's Office (CAO), which is responsible for determining if the monies will be accepted for forfeiture and beginning applicable forfeiture proceedings. The CAO is ultimately responsible for approving the disposition of assets upon the department's request. State law allows CAFA monies not sought for forfeiture to be returned to the individual, submitted to the Missouri Department of Child Support Enforcement for child support due, or sent to the State Unclaimed

Property Division if the owner cannot be located. Monies with a forfeiture order are paid to the Department of Elementary and Secondary Education in accordance with Article IX, Section 7, of the Missouri Constitution. There appears to be no statutory authorization to use these monies for operating expenses by the police department.

Until July 2007, adequate controls were not in place within the ARU to ensure monies seized and not accepted by the CAO for CAFA proceedings were returned to the owner or disposed in accordance with state law. Prior to July 2008, the ARU maintained a separate bank account for seized monies and was responsible for maintaining the accounting records and checkbook. There was no supervisory or independent review over the account activity until July 2007 when the ARU was placed under the authority of the Audit/Advisory Unit. In July 2008, the ARU was placed under the board's Division of Budget and Finance (B&F) which became responsible for the financial operations of the ARU. At that time, a new bank account was opened and additional oversight was implemented over monies seized and deposited. The inappropriate operating expenses were paid prior to July 2008.

The SLBPC should continue implementing controls to ensure CAFA monies are properly tracked and disposed, including the prohibition of paying operating expenditures from the asset removal account. In addition, the SLBPC and department should continue to research the appropriate disposition of the remaining \$591,000 or turn over these monies to the State Unclaimed Property Division.

- B. Over \$4,100 in prisoner cash and property became missing while in police department custody during the 2 years ended June 30, 2008. Our review of board minutes and department records noted the board reimbursed \$3,031 for cash and \$1,073 for other property that became missing while prisoners were in the custody of the department. The loss of the property was discovered when the prisoners were released from custody. The department investigated the missing monies and concluded the police department was responsible for the loss.

Department procedures required the property of a person arrested be placed in a clear evidence bag and sealed. Any currency was placed inside a small manila envelope, sealed, and placed in the clear evidence bag. Before the manila envelope was sealed, the currency was required to be counted by the arresting officer in the presence of the prisoner. The arresting officer and prisoner would then sign the envelope verifying the contents. Evidence bags were transferred to the city's Justice Center for storage while the prisoner was detained. Justice Center personnel signed the bags verifying receipt of the property, and were responsible for reviewing the bags for tampering; however, they were unable to verify the currency value because the currency envelopes were opaque and sealed.

Sound business practices dictate controls should be in place to allow independent verification of the type and value of property in police custody. In March 2009, the department began using clear envelopes for prisoner currency. To ensure all property in department custody is properly maintained and returned intact, the SLBPC should continue to improve procedures over prisoner property and implement controls to allow independent verification of items stored.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Continue to implement controls to track and account for all seized monies, including source and disposition, and prohibit paying operating expenditures from seized asset accounts. In addition, the Board should continue to research and identify recipients for remaining unidentified monies or turn over the monies to the State Unclaimed Property Division.
- B. Continue to implement controls to ensure prisoner cash and other property is safeguarded and require independent verification of property held.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department began instituting change in control processes for seized money in the fall of 2007. Strict measures were applied to CAFA forfeiture cases and accounting of the CAFA money was undertaken to determine case status, property ownership and what property disposition might apply to the money currently in account. This process continues to this day as exacting procedures that apply to all seizures under CAFA. The audit noted the Department's control protocol and acknowledged that we had already instituted their findings. The Department is working with the CAO to develop more timeliness in the disposition of property in criminal cases.*
- B. *As noted in the audit, the Department already has adopted a new packaging requirement for prisoner property that provides for visual examination of the contents. Moreover, new property control guidelines require checks and balances that have markedly improved the inventory and verification process.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

CAFA Funds

During the late summer of 2007, the responsibility for the accounting of collected funds that the Department maintained under the Criminal Asset Forfeiture Act for the State of Missouri was transferred from the Intelligence Unit to the Audit/Advisory Unit. That account (CAFA) had accumulated more than 4 million dollars in assets that had been forfeited by persons arrested for felony charges or had been seized as suspected proceeds from illicit activity.

Immediately upon transfer of responsibility of money collected under CAFA, personnel with the Audit/Advisory Unit undertook to determine 1) why the accumulation of funds had grown to such an amount, 2) how were funds to be distributed from the account, and 3) what steps were necessary to begin the appropriate and legal diminishment of the account. That work included extensive discussions with various staff members of the CAO, examination of reports in which assets were seized to determine ownership and warrant dispositions, and identification of specific funds in the account that could be distributed as determined by State law. And while it is true that the balance of the account in June of 2008 was in excess of 4 million dollars, substantial effort had been undertaken to reduce the amount through authorized disbursements and identification of ownership. This was a time-consuming and often complex series of investigations to assure that the assets were being returned in accordance with the CAFA statutes and the restrictions imposed by laws governing the return of evidence.

Perhaps it is important to note that the Department became the custodian of record for CAFA by default. None of the assets seized under CAFA can be claimed by the Police Department. The Revolving School fund for forfeited funds and the Department of Child Support are the two principal entities to which CAFA funds can be assigned by the Circuit Attorney. During the early 1990's when CAFA was new legislation, there was some effort to get the St. Louis Board of Education to assign an employee to help administer the CAFA funds because they were the primary recipients, but that did not happen. Instead, the resources to receive, maintain, and account for the CAFA fund fell on the Department. (As a clarification, the Board of Education does not actually realize any gain from the State Asset Forfeiture statute. Any money derived from CAFA seizures is subtracted from State appropriations to the local school district).

The State Audit report indicates that prior to 2007, controls were not in place within the Asset Removal Unit to assure "monies seized and not accepted by the CAO for CAFA proceedings were returned to the owner or disposed..." When the ARU was taken over by the Audit/Advisory Unit in July 2007, immediate steps were taken to assure the strict control of assets identified in CAFA. Moreover, as the details in the account were examined, the balance at turnover of \$4,407,189.12 was determined to be accurate. This accounting was accomplished with the assistance and oversight of accountants from the Budget and Finance Division. The fund eventually increased by about \$350,000, again under the scrutiny of accountants. Beginning in January 2008, the fund has steadily declined because of the protocol for distribution put in place by the Audit/Advisory Unit.

The State Audit pointed out that over time, \$188,000 (which includes \$23,000 in interest accrual over the time of the expenditures) was taken from the CAFA account for documented administrative accounts associated with the operation of the ARU office prior to 2007. This resulted from a misunderstanding regarding the allowance for administrative expenses to be taken from CAFA. Of course, since the Department supplied all of the resources to maintain the CAFA account, the presumption was that administrative costs from the account were reasonable. When the Audit/Advisory Unit determined those expenses from the account were not appropriate, the money, with interest, was returned.

The State Audit has pointed out the issues in the CAFA account that were identified by the Audit Advisory personnel. We are pleased that the processes we developed and the decisions made in

the disposition of CAFA funds have been recognized as effective, as evidenced by the recommendation that we continue in implementing the controls. We have also made significant protocol adjustments that have created much more efficient working relationships with the Circuit Attorney's staff, an important resource in the CAFA funds distribution process.

Prisoners' Property

The State Audit noted that the Department had paid out more than \$4,000 in claims from prisoners for missing property over a period of two years. During this time, our property control practices and our methods of packaging prisoner's property led to occasions of misplacement and possible theft. As noted by the State Audit, we have since redesigned our packaging for more visibility and have implemented sufficient safeguards as to ratchet up our controls and accountability. We are again pleased that the Auditors have recognized the effectiveness of the controls we have introduced and we will continue to examine any reasonable methodology that improves our operations.

It should be noted that the State Audit restated the Department's need to develop ways to more efficiently dispose of property. We are working with the Circuit Attorney to achieve this recommendation. There is currently movement on the State legislative front to make the matter of property disposition more efficient.

2. Towing Contract

The SLBPC failed to adequately monitor the vehicle towing operations of a contractor which allowed the contractor to underpay the police department and City of St. Louis. Towing services for the department were originally provided by the Auto Towing and Storage Division of the city Department of Streets. In the 1990's, CAFA seizures expanded and department personnel indicated the Auto Towing and Storage Division no longer had enough capacity to meet the department's towing demands. The SLBPC contracted with a towing vendor to supplement towing needs. Over the years, the SLBPC expanded and formalized contracted services to include towing and storage services and established a schedule of towing service fees to be collected by the vendor and remitted to the department and the city.

Concerns regarding the towing contract have resulted in ongoing investigations by the department and other law enforcement agencies. We noted the following concerns with the department's towing operations:

- A. The towing contractor failed to properly remit towing fees to the department and the city, resulting in the contractor underpaying the department and the city \$121,342 and \$332,167, respectively, for towing fees collected between August 2006 and June 2008. Monies owed included a portion of towing, storage, and administration fees collected. The amount due was determined by the department in November 2008 and a letter was sent to the contractor requesting payment. In May 2009, the SLBPC filed suit against the towing contractor to collect monies

owed. As of September 30, 2009, the lawsuit is still pending and no additional monies have been received.

To determine the amounts due, department personnel indicated they evaluated all available records; however, some contractor records were unavailable due to ongoing criminal investigations. In addition as noted in Part B, some vehicle data was not up-to-date or was incomplete. Additional amounts may be due to the department and city.

The department failed to properly monitor fees remitted by the contractor which appears to have contributed to underpayments by the towing contractor. Payments were received from the contractor periodically during the course of the contract. Until 2008, the contract did not require the towing company to report the number of vehicles towed or provide any other documentation to support the amount of fees remitted, and the department did not request any detailed information from the contractor. In 2007, the Board solicited proposals and in 2008 awarded a new towing contract to the same vendor. The new contract included a requirement that the contractor remit fees monthly and provide applicable supporting documentation. The contractor did not comply with this provision and did not submit payments monthly or provide required documentation. In early 2008, the department requested the contractor provide the required supporting documentation, but the information provided did not include the level of detail required by the contract. The ongoing criminal investigations have apparently prevented the department from receiving additional information from the contractor.

Due to the various concerns noted with the towing contractor, the SLBPC cancelled the contract on July 18, 2008, and began using the city Auto Towing and Storage Division for all towing and storage. The SLBPC should implement procedures to ensure all contracts are monitored and payments due are collected. In addition, the SLBPC should continue to seek payment for the towing fees due from the towing contractor.

- B. The department did not adequately monitor the status of towed vehicles or ensure complete and accurate information was recorded for all towed vehicles. The department maintained an internal database to record the status of towed vehicles. In addition, the towing contractor was responsible for entering towed vehicle information into the Regional Justice Information System (REJIS). The department did not monitor whether the contractor updated vehicle status timely or ensure the information in the internal database agreed to the information in REJIS. Vehicles were required to be listed as "active" status when held for a law enforcement purpose or awaiting return to the owner and the status updated when the vehicle was abandoned or sold. REJIS records did not always reflect the actual status, and some vehicles continued to be shown as "active" when abandoned. The department did not always verify that the REJIS records were accurate. Without consistent, complete records of towed vehicles, the department

cannot ensure vehicles are properly disposed and applicable towing fees are received.

- C. Until 2008, the towing contract allowed the department to utilize up to five abandoned vehicles in the custody of the towing contractor. Limitations on the use of the vehicles were not included in the contracts. While the department may have used the vehicles for legitimate law enforcement purposes, the lack of policies and procedures or specific contract stipulations give the appearance vehicles may have been available for inappropriate or personal use. The contract approved by the Board in 2008 did not contain any provision for the department to utilize vehicles in the custody of the towing contractor.

It has been reported in the media the daughter of the former Police Chief and an unknown number of police officers received free use of vehicles in the possession of the contractor, although it is unclear whether the vehicles used were part of the contractual agreement or were other vehicles provided by the towing company. Department personnel indicated any use of vehicles in the possession of the contractor was based on individual transactions unrelated to the department's towing contract.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Ensure future contracts are monitored for accuracy and compliance with contract requirements. In addition, the Board should continue to seek compensation from the contractor for the amount of underpaid towing fees.
- B. Ensure information for all towed vehicles is properly recorded and updated in applicable databases.
- C. Ensure the practice of utilizing abandoned vehicles for police operations is not included in future towing contracts.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *There is no longer a towing contract. All towing requests are accomplished through the City's Auto Towing and Storage Division. The Board has a commitment to follow through on the demand for payment of fees owed relative to the towing contract, and the Board's legal representative has already begun the process.*
- B. *The Department's towing procedures have changed to assure more accountability and more reliability in the towed vehicle databases that are applicable. Tow code categories were created for better tracking and oversight. The Audit/Advisory Unit has conducted compliance audits that have demonstrated the effectiveness of the revised towing protocol. Weekly tow reports are provided to Bureau Commanders for all vehicles towed*

by their commands; those managers are being held accountable for the entries on the tow reports. The Audit/Advisory Unit conducts reviews of this process.

- C. *The Department cancelled the towing contract in July 2008 and does not use abandoned towed vehicles in its operation. This practice is no longer a part of the Department operations.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The State Auditor rightfully has cited the Department for failing to adequately monitor the vehicle towing contract we had with S and H Towing. Specifically, the audit report mentions concerns that the Department did not establish sufficient oversight of the towing contract so as to detect underpayments of fees that were due to both the Department and the City. That is accurate.

Acknowledging that the Department did not receive complete listings of all towed vehicles from S and H, there were nonetheless monthly reports prepared by the Contractor and received by the Department that listed those vehicles for which the Department or the City was receiving towing and storage fees. Those data were being examined for accounting accuracy prior to deposit of the checks that accompanied the spreadsheets. What the Department was not aware of was that the descriptions of the cars noted in these monthly reports did not reflect the actual number of cars towed by S and H for which the Department or the City should have received payment. (Early in 2001, the Department Auditor as part of his duties examined the towing data and did note that it would be more efficient if the Department received a complete listing from S and H of all vehicles towed each month, but that notation was not acted upon. The Department continued to receive the partial listings).

The audit report cites that in 2008, the towing contract was awarded to S and H Towing and required the Company to "report the number of vehicles towed..." In the early spring of 2008, both the Director of Budget and Finance and the Department Auditor were involved in an examination of the S and H account. That examination determined that S and H was not providing the level of detail on towing activity that was required by the 2008 contract. In the spring of 2008, letters were sent to S and H by the Department Auditor detailing the information required by the contract and asking that the towing representatives be more responsive in providing the data required. At that point, a box of original towing invoices was delivered to the Auditor. A follow-up letter was sent to S and H asking that the data be transmitted in the form of a spreadsheet, however the Auditor was informed that the towing records were not available in that configuration. At this point in the inquiry, the towing service practices became a matter for the United States' Attorney and further interaction between S and H and the Department stopped.

The audit report suggested that the Department "did not adequately monitor" the status of towed vehicles to "ensure complete and accurate information was recorded for all towed vehicles." This simple statement does not take into account the way the system works. The Department authorizes towing of vehicles for a variety of reasons. The vehicle actually remains an interest to the Department as long as it continues to be a part of a policing matter. Otherwise, and

consistent with practice, the towing company, whether a private or public service, is authorized to update towing records independent of the Department. In this case, S and H was given an ORI (computer entry point origination identifier) by the City Tow lot, and was responsible for assuring that vehicles in the towing database were properly updated in the REJIS system. The Department was not responsible and did not monitor when cars were released from the towing service lot, and did not have to enter that information. Actually, prior to the Audit/Advisory Unit's work in getting the process changed, anytime information on a vehicle's status changed, a new reference number had to be assigned. Thus, and perhaps an explanation for some of the disparate numbers of tows and stores generated during this investigation, the same vehicle could have accounted for several "references." In other words, the same vehicle could have been counted more than once because of reference numbers generated by the status changes. But the towing service made those entries. At the suggestion of the Audit/Advisory Unit, the entry protocol was changed to allow status changes for vehicles recorded under the same vehicle reference number.

The Department has discontinued the practice of receiving fees for towing. The need to monitor towed vehicles other than those that are evidence or the subject of a continuing investigation is no longer a part of any contractual arrangement.

The final issue in the towing inquiry had to do with the provision in the towing contract that allowed for five cars from the contractor's towed-car inventory to be used by the Department. The Audit Report indicates that "...the daughter of the former Police Chief and an unknown number of police officers received free use of towed vehicles, although it is unclear whether the vehicles were part of the contractual agreement or were other towed vehicles provided by the towing company." Any officer who allegedly received "free" use of towed cars was certainly not acting as a result of any contractual language. Any arrangement(s) representatives of the towing company had in the distribution of their inventory of cars to anyone (whether "free" or otherwise) was based on individual transactions unrelated to the development or execution of a service contract with the Saint Louis Metropolitan Police Department.

The Towing Contract with S and H Towing caused the Department, at the direction of the Board, to develop new business practices around contracting and monitoring contract provisions. As the audit report pointed out, the Department had already implemented important changes in procedures and had documented underpayments by S and H. All of the data on which the legal proceedings against S and H for money owed the City and the Department was developed through the work of the Audit/Advisory Unit. We are pleased that the State Auditor recommended that we continue on the course already charted as remedies for the towing issue. The Board's commitment is to recover money from S and H that is owed to the Department and the City.

3. Property Custody Unit

Improvements are needed in procedures and controls over evidentiary property stored in the Property Custody Unit (PCU). Our review of PCU procedures noted the following concerns:

- A. As of February 2009, cash of approximately \$24,000 in custody of the PCU was missing, mislabeled, or misplaced. An internal audit of the unit in June 2007 noted \$22,000 stolen from evidence bags and \$21,000 classified as "unable to locate." The \$22,000 was investigated and the SLBPC reimbursed this amount to the PCU in May 2008 from the Board Secretary's Account. The other \$21,000 was not investigated until October 2008 when the department began the process of inventorying all currency maintained by the PCU. As part of this process, the department noted \$33,000 was actually "unable to locate"; however, the department has resolved the location of \$9,000 as of February 2009.

Prior to November 2008, the department did not have controls in place to ensure monies and other property were properly stored, accounted for properly, and protected from loss or theft. The department contracted with an independent audit firm which specializes in evidence to review the PCU and its procedures. The audit firm found the unit was unorganized, did not keep accurate records, stored excess items in the vaults, did not properly store some items, and did not conduct periodic physical inventories. It appears these control weaknesses contributed to the theft and loss of monies within the vault.

Since the audit of the unit, the department has taken steps to implement the audit recommendations, including drafting a strategic plan and improving the organization of the unit. To ensure evidence is readily available and monies are protected from loss or theft, the PCU should continue to implement controls over currency held as evidence.

- B. The PCU is currently holding weapons, evidence, found property, and prisoner property, most of which apparently has no value to the department.

- 1) The PCU currently has a large number of weapons and old evidence stored in its property room which the department determined has no value and should be destroyed. Failure to properly destroy or dispose of property creates a lack of space to store more relevant items within the property room. The increased inventory also increases the amount of time to conduct physical inventories.

The PCU identified approximately 4,000 guns that held no evidentiary value to the department. In June 2008, the PCU submitted the list to the Circuit Attorney's Office (CAO) for approval of destruction. As of August 2009 the PCU was still awaiting approval. Section 542.301.1(1)(d), RSMo, allows the department to request the Attorney General's Office to intercede on their behalf if the CAO takes longer than 60 days to respond. The department is currently considering contacting the Attorney General's Office to address the issue.

The PCU should continue to identify weapons and old evidence that can be purged and seek permission to destroy those items to improve the ability to track evidence.

- 2) The PCU currently has the responsibility to store bulk prisoner property (such as bicycles) for the city's Justice Center. While all other prisoner property is stored by the Justice Center, bulk items have traditionally been given to the police department. The independent auditors noted the bulk prisoner property creates a lack of storage space for items the department is required to store. The PCU should work with the Justice Center to determine if bulk prisoner property could be stored at the Justice Center.
- C. The PCU does not have adequate controls to track evidence released to other agencies. The PCU routinely releases evidence to the CAO and Sheriff for trials. While entries are made in the property system to show the transfer of evidence, there are no procedures in place for the PCU to periodically check the status of the evidence. Evidence could be retained permanently by the CAO or Sheriff depending on the outcome of the applicable trial. As a result, items permanently in the custody of another agency may not be adequately identified in the PCU system. Sound business practices dictate procedures should be in place to track the location of all evidence received by and transferred from the PCU.

WE RECOMMEND the St. Louis Board of Police Commissioners require the PCU:

- A. Continue to investigate currency classified as "unable to locate" and continue to improve controls over currency maintained by the PCU.
- B.1. Purge firearms and old evidence in accordance with policy and continue to work with the CAO to obtain approval for evidence destruction.
2. Work with the Justice Center to determine the best storage location for bulk prisoner property.
- C. Establish procedures to track the status of all evidence transferred to other agencies and identify items in the property system records that are permanently transferred.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department's own audit processes which began in July 2007 determined that cumulatively more than \$19,000 dollars was missing from property room envelopes. Immediate changes were made in the property protocol and evidence locker security to prevent recurrences. The Department will continue in its evaluation of ways to improve controls, and has made significant changes in its property custody processes, particularly*

around the maintenance of currency. Moreover, significant electronic security measures have been implemented in the property custody section.

- B.1. The Department has had a history of difficulty in moving property along a timely and reasonable path of disposition. As noted by the State Auditor, the Circuit Attorney is the authority on most matters of property disposal and the Department has been working diligently to reach accord with the CAO to improve our capacity to reduce property custody inventory. The destruction of firearms is a particularly tedious process that requires great diligence in assuring rightful ownership and authority for disposal.*
- 2. This issue is long-standing. The Department has on many occasions raised the issue of bulk prisoner property storage, however space is the issue. Absent any suitable alternative, the topic at this point is not reconcilable.*
- C. The Department's current property inventory system allows for the identification of those who check property out of the section. The ultimate or eventual status of that property in terms of maintaining records would be dependent upon the responsiveness of the authority that checked the property out. Ideally the Department could rely on the involved entities to account for what property or evidence is checked out; however, even if there is a determination that an item might be classified as "permanently transferred", that does not relieve the Department of its responsibility to account and record that disposition. The fact that the Department's database shows the status of **all** property taken in (even those items that have since been "checked out") at least assures that we can properly track every item. We can always tell if we ever "had" a piece of property.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The entry for the Property Custody Unit for the audit report mentions inventory and security issues that had been resolved or were in the process of being resolved when the State Auditor undertook the examination of the Department.

The Department has instituted strict measures around those processes that contributed to missing or stolen property. Furthermore, the Department's commitment to shoring up our property custody issues ranges from revamping the packaging and storage of property to working with the Circuit Attorney in developing more timely disposition of property/evidence matters.

As has been previously mentioned in this response, decisions on disposal of property and evidence generally require the oversight and approval of the Circuit Attorney's Office. We are working together to solve the problem.

4. Fitness Center Receipts

Proceeds from Fitness Center memberships and merchandise sales totaling at least \$1,162 were received during the period July 1, 2007 through January 8, 2009, but were not

transmitted to the City Treasurer. Membership and merchandise proceeds (cash and checks) are collected by the Fitness Center supervisor or two other Fitness Center employees, recorded by the Fitness Center supervisor, and forwarded to the B&F Division for transmittal to the City Treasurer.

For the period July 1, 2007, to January 8, 2009, we compared amounts recorded on receipt slips and a spreadsheet used to track receipts and disbursements to amounts forwarded to the B&F Division. We noted the following issues:

- Recorded checks totaling \$586 were not transmitted for deposit. Inquiries by department officials found these checks have not cleared the payors' banks, and a search of the Fitness Center by department officials did not locate the checks.
- A cash count on January 8, 2009, noted \$2,694 in cash in the Fitness Center safe and cash box; however, receipt and disbursement records indicate \$3,270 should have been on-hand. As a result, cash-on-hand was short \$576.

(See Appendix for details of receipts not transmitted.)

Because of the lack of availability of records for periods prior to July 1, 2007, we did not review receipts prior to this time. The department should consider reviewing records prior to July 1, 2007, to determine if any additional receipts were not transmitted.

Poor controls over Fitness Center receipts, as well as no independent review of the records maintained by Fitness Center employees (see Management Advisory Report (MAR) finding number 5) allowed these missing receipts to go undetected.

WE RECOMMEND the St. Louis Board of Police Commissioners ensure reasons for Fitness Center receipt shortages are investigated, and seek reimbursement for the amount of receipts not transmitted to the City Treasurer. In addition, the Board should consider implementing a thorough review of all Fitness Center receipts prior to July 1, 2007, to determine if additional shortages exist.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

An Internal Affairs Division (IAD) investigation was conducted to examine the alleged receipt shortages in the account of the Fitness Center. The Fitness Center received membership dues and also occasionally sold merchandise – primarily fitness center apparel. The staff of the Fitness Center, helped on occasion by limited duty personnel, maintained spreadsheets of transactions. As denoted in the audit, the receipting and deposits for payments were not accomplished in a timely manner, the ledger entries were not always clear, and the account balances did not reconcile. The IAD investigation determined that at least two of the checks that had been written out to the Fitness Center had in fact been recorded but not cashed. The IAD

investigation concluded that there was laxity in the administration of the Fitness Center account. Discipline was recommended.

5. Receipt Accounting Controls and Procedures
--

The department's procedures for handling receipts need improvement. A review of receipting procedures in the various divisions noted receipt functions are not adequately segregated, the composition of receipts is not reconciled to deposits and transmittals, deposits and transmittals are not made timely, receipts are not transmitted or deposited intact, and checks are not restrictively endorsed immediately upon receipt.

Various divisions within the police department receive monies. These monies are transmitted to the B&F Division or deposited directly into a board bank account. The B&F Division also directly receives some monies, and these monies along with applicable monies received from the other various divisions are transmitted to the City Treasurer. We noted the following concerns regarding department receipt procedures:

- A. Accounting duties are not adequately segregated and there is no independent review or oversight related to receipts in various divisions. Employees who receipt monies in the Fitness Center, Private Security Section (PSS), and Records Division also prepare transmittals and deposits. No independent review is conducted of the divisions' receipt records by the B&F Division or other department officials. Staff shortages and a vacant internal auditor position contribute to the lack of oversight.
- B. The composition of receipts is not reconciled to the composition of deposits and transmittals made by the Fitness Center or B&F Division. The Fitness Center indicates method of payment received (cash and checks) on receipt slips but does not reconcile the receipt slips to the composition of amounts transmitted to the B&F Division. The B&F Division combines monies from the various divisions to transmit to the City Treasurer or deposit in the bank. An independent member of the B&F Division staff reviews the transmittals and deposits; however, this review does not include reconciling the composition of monies collected from various divisions and B&F Division receipts to the composition of the transmittal or deposit.
- C. The Fitness Center, PSS, and B&F Division do not always make timely deposits or transmittals. The amount of time between the date received and deposits or transmittals by these divisions varied from a few days to more than a month during fiscal year 2008. The Fitness Center only made 10 transmittals during fiscal year 2008 and the average transmittal was over \$1,000.
- D. The Fitness Center, PSS, and Records Division do not always deposit or transmit monies intact. The PSS and Records Division make cash refunds when checks are received for more than the amount due. In addition, the Fitness Center does

not maintain a change fund at a constant amount and withholds monies from deposits to increase the change fund balance during peak demand times. Fitness Center employees also use receipts to purchase food and other items. These purchases should go through normal department purchasing procedures.

- E. Checks and money orders are not restrictively endorsed immediately upon receipt by any division within the department. Checks and money orders are not endorsed until the B&F Division prepares the transmittal or deposit. As a result, some checks and money orders may be held for more than a month prior to endorsement.

To reduce the risk of loss or misuse of funds and to ensure all receipts are recorded, accounted for properly, and deposited or transmitted, controls over receipts should be improved.

Similar conditions were noted in our 1999 and 2001 audits.

WE RECOMMEND the St. Louis Board of Police Commissioners adopt procedures to:

- A. Adequately segregate receipt duties between available employees and/or establish documented periodic reviews of records by employees independent of the recording, depositing, and transmitting functions.
- B. Reconcile the composition of receipt slips issued to the composition of amounts deposited or transmitted.
- C. Deposit or transmit receipts timely.
- D. Deposit or transmit receipts intact.
- E. Restrictively endorse all checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Department's Compliance Auditor will perform periodic reviews of the receipts and deposits of the Fitness Center, Private Security, Records, and Budget and Finance Divisions. These reviews will include matching amounts for cash and checks to receipts. These reviews will be unannounced and random to ensure that the Compliance Auditor can test to ensure that all checks and money orders are endorsed upon receipt. The Compliance Auditor will also test for the timeliness of deposits.

The Compliance Auditor and the Board's staff will be responsible for routinely reporting on the receipting protocol. There will be guidelines for receipt oversight that will be reported to the Board. This issue was raised during the 1999 State Audit.

6.**Severance Payments**

The SLBPC approved approximately \$133,000 in severance wages for two department officials that do not appear reasonable or necessary. The SLBPC approved a separation agreement with the former Public Information Director in January 2008 which included a lump sum payment equivalent to 3 months of salary totaling \$24,490. The SLBPC approved a separation agreement with the former Chief of Police in July 2008 which included payment of his regular salary of \$108,680 over the course of 1 year. In addition, the Board agreed to pay all legal fees for the former Chief of Police related to official duties performed during his employment.

The separation agreements ended the employment of the individuals and provided for the severance wages to be paid upon resignation or retirement. Neither employee had an employment contract which required a severance package or any other compensation to be provided upon separation from the department. As a result, it is not clear whether the Board was obligated to provide compensation to the outgoing employees or whether severance payments were justified.

WE RECOMMEND the St. Louis Board of Police Commissioners refrain from paying excessive severance payments. If severance payments are provided, they should be limited and consistent with requirements of employment contracts.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Board will refrain from paying what the State Auditor described as excessive severance payments. The former Chief was authorized a severance payment by a 4 to 1 majority vote of the Board, with Mayor Slay dissenting.

This experience led the Board to change the appointment process for the Chief of Police and require a contract with specific language governing separation or termination. The current Chief has signed a contract for his tenure.

However, the Board will not prohibit severance pay decisions. Instead, any decision will continue to be predicated on good financial sense and the best interests of the Department. On rare occasion when such a consideration may arise, the Board should be in a position to determine whether the projected legal costs involving a specific employee's termination may exceed the costs of providing a severance package. Situations may also arise in which the potential damage to the Department through continued employment of an individual offsets a termination agreement including severance pay. The Board will take into consideration the recommendations of the management staff in choosing the course of action that will result in the least cost to the organization.

Department practices allowed terminated or retired employees to accrue unreasonable vacation and sick leave benefits during their final month of employment. In addition, department procedures for recording overtime and inadequate controls over the payroll system allowed excess overtime payments to officers.

- A. The department did not pro-rate the accrual of vacation and sick leave earned during employees' last month of employment. Upon termination or retirement, employees are paid for unused sick and vacation leave. The accrual of unused leave is calculated as of the last day of service, and until April 2008, employees earned a full month's worth of leave accrual no matter which day of the month was their last day. For example, if the last day of service was the first day of the month, the employee accrued an entire month of leave, and that leave was paid out as unused leave upon termination or retirement. In April 2008, the department began pro-rating the amount of vacation leave earned based on the number of days worked during the month; however, employees still earn a full-month's accrual of sick leave on the first working day of the month.

In addition, employees are allowed to take leave on their last days of service, which could extend their term of service into a new month and allow additional leave accrual. For example, if an employee's last day of work is June 30, the employee could take one day of leave on July 1 and the employee will be credited for a full month of sick leave for July.

Our review of 18 final paychecks during the period July 2007 through March 2008 for terminated or retired employees noted 12 (67 percent) earned additional benefits because the employee was allowed to use recreation days, sick leave, or vacation leave on their final days of employment which extended their term of service and allowed them to earn additional leave. The final paychecks of the 12 employees were increased by a total of \$12,620 due to this practice. Of this amount, \$2,840 was paid to employees who used a sick bonus day on their final day of employment. Sick bonus days are additional days of leave earned by employees who do not take sick leave during a month. Board policy does not allow for the payment of unused sick bonus days upon termination or retirement.

To ensure taxpayer monies are spent prudently, the SLBPC should adopt a policy to pro-rate the amount of leave accrued during the final month of employment instead of awarding the employee with a full-month of leave accrual if their last day of employment is early in the month. In addition, the SLBPC should evaluate the reasonableness of the policy allowing the use of leave in the final days of employment to accrue additional vacation and sick leave.

- B. The department's previous payroll and timekeeping system allowed for employees to record and be compensated for unearned overtime. To help address known

problems with the previous payroll system and implement additional controls over payroll, the department implemented a new payroll system in June 2008.

The department incurred over \$6.9 million in overtime costs in fiscal year 2008. We noted the following concerns with overtime calculations and payments both before and after the new payroll system was implemented:

- 1) Our review of overtime transactions recorded in February 2008 noted 31 of 178 transactions (17 percent) did not comply with SLBPC policy for overtime accrual. In most of these cases, officers were compensated for standby overtime while on duty. Standby overtime is earned while on standby status for court appearances. Policy prohibits earning standby overtime while on duty or earning another form of overtime. There were also instances of officers compensated for overtime and regular duty time for the same hours, and officers compensated for more overtime than actually earned. The department defines these instances as overlapping of overtime.
- 2) The department's new payroll system continues to allow overlapping or unearned overtime to be processed and paid. Exception reports of overlapping time are available from the system monthly. Department procedures require this report to be reviewed and errors investigated for possible reimbursement of unearned overtime payments. While the system was implemented in June 2008, department employees did not start reviewing the report until November 2008. As of February 2009, no adjustments have been made to correct errors since implementation of the new system.

Our review of overlapping time exception reports since the new system was implemented noted 261 instances totaling 715 hours of unearned overtime payments. Based on average hourly wages for the time period reviewed, it appears the department paid as much as \$16,000 for unearned overtime.

To ensure overtime payments are valid and to prevent payment of unearned overtime, the department should review overtime exception reports monthly and resolve errors timely. The department should follow up on all known payments of unearned overtime and seek reimbursement. In addition, the department should work with the payroll system software company to implement system controls that will prevent overlapping time to be accrued for payment.

- C. Contrary to department policy, employees worked more than 16 hours in a workday in 14 of the 65 applicable (18 percent) February 2008 payroll transactions reviewed. The majority of workdays consisted of regular duty hours and overtime in excess of 8 hours. Some of the long workdays did not appear to involve emergency situations, but were for special event patrols. SLBPC Special

Order 03-07 limits the total hours department officers can work while on duty and for an outside employer to 16 hours per day. It appears reasonable that if the SLBPC restricts total hours worked while on duty and for another employer to 16 hours per day, the same limitation should apply to total hours worked for the department.

While some emergency or investigation instances may require extended workdays, the SLBPC should implement a policy limiting the hours worked and implement controls to ensure the policy is followed. Excessive hours in a workday may contribute to employee fatigue and safety issues.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Evaluate the reasonableness of allowing employees to use leave in their final pay period that allows additional leave accruals and consider pro-rating the amount of leave earned during the final month of employment based on the number of days worked during the month.
- B. Ensure all overtime earned is valid and in compliance with SLBPC policy. The Board should seek reimbursement of any unearned overtime payments. In addition, the Board should ensure controls are implemented in the payroll system to prevent overlapping overtime accruals.
- C. Implement a policy to limit the total number of hours worked per day and implement controls to ensure the policy is followed.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department will allow employees to use leave time which they have earned in their final pay period. Eight hours of sick leave is awarded on the first day of every month. The Department will consider accruing sick leave on a biweekly basis. Vacation has been accrued on a daily basis since the implementation date of the new duty roster system (PeopleSoft) on April 28, 2008.*
- B. *The Department's previous timekeeping-duty roster system did not provide an effective means to prevent or report overlapping time issues. Our new system initially did have some issues with overlapping time which have been resolved. Those instances of overlapping time that occurred after the implementation date of the new system have been addressed. We have a duty roster record that affords us controls over any discrepancies that may arise in the application of overtime payments.*
- C. *The Department has a policy to limit the number of hours worked in one day in conjunction with secondary employment. Secondary employment includes both overtime worked on grants and contracts as well as work with outside employers. Controls have*

been implemented to follow this policy. The Department does not have a policy that limits the total hours in one day if an officer is simply working a combination of Department paid straight time and overtime. In the interest of safety, the Department will consider adopting a simple policy that would be easy to follow.

No officer will work more than 80 hours in one week or 16 hours in one day. This includes work performed in a law enforcement capacity for the Department or any secondary employer, no matter the nature of the secondary. Officers will be required to enter time worked for outside employers in a law enforcement capacity into the Department's time keeping system. It is desirable for commanders to allow for an 8 hour rest period between periods of work. Exceptions can be made in emergencies.

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Vacation leave has been pro-rated since April 2008. Two sick bonus days are earned if an employee does not have any sick days in a defined six month period. Those periods run from January to June and July to December. If an employee only uses one sick day during these periods, one sick bonus day is earned.

8. Expenditures

Controls over the use of purchasing cards need to be improved. In addition, police department employees incurred some expenditures that did not appear reasonable and necessary, were not properly approved, and/or were not supported by appropriate documentation.

- A. The SLBPC has 34 purchasing cards issued to various police department employees. Purchasing limits on each card range from \$2,500 to \$100,000. The purchasing cards are official VISA credit cards which are designed to provide a more convenient procurement method than the purchase order system. SLBPC policy requires all purchases, including those made with a purchasing card, to be reviewed by the Purchasing Division.

We reviewed 38 purchasing card expenditures, totaling over \$35,000, and noted the following concerns:

- 1) Several purchases, totaling \$2,976, were made at clothing and department stores, local restaurants, and ticket venues. There was no documentation to indicate these purchases were business related, and these purchases appear to be personal in nature. The majority of the purchases were made by the former Police Chief. The former Police Chief reimbursed the Board \$708 for some of the purchases reviewed, and SLBPC officials indicated they assumed the un-reimbursed purchases were for business purposes. Neither the Board nor department employees reviewed

supporting documentation for the former Police Chief's purchasing card expenditures.

- 2) The Board has not worked with the issuer of the purchasing cards to place restrictions on the types of purchases that may be made. Purchasing cards are assigned for specific purposes such as travel or supplies, but no controls exist on the cards to ensure purchases are limited to these purposes. In addition, the purchasing cards allow cash advances and each cardholder is given a cash advance PIN code.
- 3) Some purchasing card expenditures were not supported by original invoices or other documentation and were not approved in accordance with SLBPC policy. Proper supporting documentation was not submitted for 20 of the 38 (53 percent) purchases reviewed. For 26 of the 38 (68 percent) purchases, documentation of supervisory or other approval prior to payment was not available.
- 4) Purchasing cards were used to purchase items available under existing SLBPC contracts or bids. It appears purchasing cards may have been used to circumvent the normal purchasing procedures. Board and department officials used purchasing cards to buy computer equipment, training courses, and furniture when the SLBPC had a blanket equipment contract with the same vendor or had a contract with another vendor for the same item. No documentation was provided to justify the need to purchase items outside existing contracts. The SLBPC had no assurance items purchased complied with existing contracts or were obtained at a better price than existing contracts.

To ensure all purchasing card expenditures are reasonable and necessary, the SLBPC should review its policies and procedures over purchasing cards and implement additional controls to address the concerns noted above. Supervisory or other approval should be documented and original invoices or other supporting documentation should be provided prior to payment of all purchases. In addition, the SLBPC should review the purchases made by the former Police Chief and seek reimbursement for personal purchases not already reimbursed to the department.

- B. Department employees incurred travel expenses to various conferences and events that did not appear reasonable and necessary. In addition, some hotel rates paid by the department exceeded federal CONUS rates (maximum lodging rates allowed for federal employees). Examples of unreasonable or unnecessary travel expenses included:
- The former Police Chief attended a 15-day conference in Australia for a Pacific Coast Terrorism conference at a cost of at least \$1,950.

- A Lieutenant traveled to New York City and stayed at the Waldorf-Astoria Hotel during the 2008 Major League Baseball All-Star Game to assess law enforcement efforts in preparation for the 2009 All-Star Game. While this may be a law enforcement need, no reports or documentation were prepared to justify the trip and its usefulness. The total cost of the trip was \$2,652.
- The Director of Planning and Technology attended a 20-day management training course at Harvard University that did not appear directly related to the employee's official duties. The total cost of the training and associated travel was \$13,855.
- The former Police Chief attended a conference in Colorado Springs and incurred lodging expenses of \$244 per night for 2 nights, while the CONUS rate was \$83 per night.

To ensure all travel expenses are reasonable, the SLBPC should ensure the purpose of all travel costs is adequately documented and the travel is for a valid business purpose. In addition, the SLBPC should consider adopting federal CONUS rates for maximum allowable lodging costs.

- C. The department spent \$10,141 between June 2007 and May 2008 on food purchases for various events. This included various purchases at local restaurants and catering companies for banquets and graduations. The business purpose for these food expenditures was not documented. For example, the department spent \$2,550 on catering for a holiday banquet in December 2007. To ensure expenditures are reasonable and necessary, the SLBPC should develop a comprehensive policy establishing guidelines for SLBPC-provided food.

Similar conditions were noted in our 1999 and 2001 audits.

- D. The department purchased two hand-crafted gold badges for the former Chief of Police at a cost of approximately \$6,000 each, as it is customary for the chief to have two badges. Upon his retirement in July 2008, he kept one of the badges and the other badge is used by the current Chief of Police. Shortly after the current Police Chief's appointment, the department ordered a similar gold badge to replace the badge kept by the former Police Chief; however, the current Police Chief cancelled the order and requested a less-expensive badge be purchased. The department then purchased a total of 5 gold-plated hand-crafted badges costing \$1,987 each (totaling \$9,935): one for the current Police Chief's second badge, two for lieutenant colonels, and two for assistant chiefs. In the past, retired officers have been allowed to keep their badges, but the current Police Chief issued a policy prohibiting retiring officers from keeping their badges.

Bids were not obtained for the badge purchases noted above, and were purchased from a jeweler the department has used for many years to purchase hand-crafted badges for top-ranking officers. The department obtains bids for badges

purchased for other officers which cost approximately \$20 each. The purchase of hand-crafted gold or gold-plated badges appears to be an excessive and unnecessary expense of public funds and should be discontinued.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Implement adequate controls over the use of purchasing cards to ensure all purchases are reasonable and necessary. Supervisory or other approval should be documented and original invoices or other supporting documentation should be provided prior to payment of all purchases. In addition, the SLBPC should review the purchases made by the former Police Chief and seek reimbursement for personal purchases not already reimbursed to the department.
- B. Ensure all travel expenses are for a justified business purpose and consider adopting federal CONUS rates for maximum allowable lodging costs.
- C. Develop a policy regarding food purchases and ensure all applicable purchases are reasonable and necessary.
- D. Discontinue purchasing hand-crafted gold or gold-plated badges for top-ranking officers, and ensure bids are obtained for all badge purchases.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *Agreed. Now purchases made through the use of purchasing cards require the use of a requisition, travel advance request, or travel expense report. Each of these steps means that approval for such expenditures is carefully reviewed prior to payment. No employee is authorized to commit to a purchase that has not been approved through the established processes.*

As a practical matter, the access to purchasing cards has been significantly restricted to those who have demonstrated the need to have one. The Department cannot seek reimbursement from the former Chief of Police, as the receipts applicable to the period of audit are not available.

- B. *Agreed. The travel policy of the Department has been amended to include the use of federal lodging rates.*
- C. *Agreed. A new policy has been put into place which severely restricts most food purchases.*

This observation was brought to the attention of the Department during the 1999 State Audit. The limited occasions of food purchases has been stopped, with an allowance extended to the Chief of Police to authorize expenditures if appropriate to the interests of

the Department. For instance, there are limited occasions for purchases of refreshments for functions such as recruit graduations, awards ceremonies and promotional ceremonies.

The Department will prepare a policy on purchases of this nature. There will be limits on the amounts and on the occasions when food purchases will be approved.

- D. Agreed. The long-standing policy regarding the purchasing of badges was changed during the late summer of 2008. Currently, the Department is seeking alternatives to the badges for the ranks of Lieutenant Colonel and Chief of Police.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Purchasing cards are used by the Department to procure travel arrangements. These cards are issued to senior commanders, traveling divisions (Warrant/Fugitive), and those divisions making emergency purchases such as Fleet services and the Academy. These items are procured with either a travel advance request, travel expense report or a requisition.

Purchases made on the credit card of the former Chief of Police were made through a contingency account. Reimbursements were made and receipted by Budget and Finance in the amount of \$ 1,846.40. Charge card receipts for these purchases (restaurants, etc.) were maintained in the Chief's Office. During the change of administration, this file was destroyed. A large portion of the meals purchased from local restaurants occurred during a leadership training period in February and March 2008. In order to maintain continuity of training and one on one conversation with the facilitator, meals were brought in during training. In addition, to add to the team building experience, meals were shared among participants.

Other meals were purchased by the former Chief of Police to meet with city business leaders or reward units for a job well done.

With the change in administration, the policy regarding the use of the purchasing card has changed. Personal purchases requiring reimbursement are no longer permitted. In addition, the use of credit cards for the purchase of meals not associated with travel is no longer permitted.

As previously stated, documentation was maintained prior to the change in administration. In a review of the charge card invoices during the audit period, it was found that there were no other high ranking officials using their purchasing cards for other than travel purposes. The items mentioned in the audit appear to originate from the Chief's contingency account and largely relate to the leadership training period in February and March 2008.

Purchasing cards are used for a small number of supply items that are available only on the internet from vendors that do not accept purchase orders. In several areas, experts, such as Information Technology, Supply Division for furniture and the TV Section, are used to determine if a different method, item or pricing plan can be used.

The number of purchasing cards has been reduced. Therefore, the number of purchases on these cards has also been reduced. Requisitions are required for all purchases. Subsequent to the purchase, receipts are presented to Purchasing to be maintained with the appropriate credit card invoice. Food purchases are forbidden, with the exception of travel, on purchasing cards.

The policy for purchases under the former administration was to use the purchasing card and the Chief's contingency account to purchase meals for business and government leaders to discuss areas of interest in law enforcement and public safety. Reimbursement of purchases made under this policy will not be sought.

Regarding the trip to New York City, the trip was made at the behest of Major League Baseball and the St. Louis Cardinals. All arrangements were made by Major League Baseball including the lodging arrangements. The trip was originally scheduled for four employees but was reduced to one member of the Operational Planning Staff to reduce the cost. Following the trip, this Lieutenant was able to share this knowledge with those employees who were unable to attend as well as other public safety officials in the St. Louis Area. The logistics information and security experiences gained during the visit provided an important insight that helped make the St. Louis All-Star event such a success.

*The purchasing of hand crafted badges for the Chief of Police and the Lieutenant Colonels has long been a tradition of the St. Louis Metropolitan Police Department. The vendor that **provided these badges previously** provided all police badges for the Department. The vendor created all of the dies for these badges. Approximately six years ago, the vendor discontinued production of the badges for the rank of Major and below. The business was no longer profitable. The dies for the ranks of Lieutenant Colonel and Chief of Police remained with the vendor. All other badges were put out for bid. The prices ranged in price from \$27.77 for a police officer's badge to \$58.33 for a lieutenant's badge.*

9. Purchasing and Bidding Policies

The SLBPC purchasing policies are not in compliance with state law, and the SLBPC does not always follow its procedures for contracting and bidding.

- A. The SLBPC has adopted a purchasing manual; however, the policies contained in the manual do not include some provisions applicable to state boards as required by Chapter 34, RSMo. SLBPC policy requires bids for purchases over \$5,000; however, Section 34.040, RSMo, requires bids for purchases over \$3,000. Other requirements of Chapter 34, RSMo, are not included in the purchasing manual, including a review to determine whether potential vendors have met requirements for collecting and paying state sales and use taxes.

Section 34.010. RSMo, states the provisions of the chapter related to purchasing are applicable to state boards. As a board appointed by the governor, it appears the SLBPC qualifies as a state board. Personnel of the board's Purchasing Division indicated they were not aware the SLBPC was subject to these

provisions. Upon request, the Board's Legal Division concluded the provisions of Chapter 34, RSMo, are applicable to the SLBPC.

To ensure the Board's procedures comply with state law, the SLBPC should review its purchasing manual and make amendments as necessary.

- B. The Board does not ensure vendors have a valid City of St. Louis business license as required by board policy. Board officials indicated they believed the Comptroller's Office performed this task when creating a vendor file in the city's accounting system; however, Comptroller's Office personnel indicated that office does not perform this procedure. To ensure the SLBPC purchases are from valid licensed businesses (if within the city), it should work with the city License Collector's office to review vendor license status before contracting with a vendor.
- C. The SLBPC did not always solicit bids for goods and services in accordance with current policies and procedures. SLBPC purchasing procedures require solicitation of bids or proposals for goods and services over \$5,000.
 - 1) Our review of various purchases made in 2007 and 2008 noted bids or proposals were not solicited for some purchases over \$5,000. Examples included contracts for goods and services where individual transactions did not exceed \$5,000, but cumulative payments to the vendors during the year exceeded \$5,000. It appears the SLBPC could have solicited bids or price quotes and negotiated contracts with these vendors to establish uniform rates and prices.

In addition, the Board has not solicited proposals for internal affairs legal services since 2005. At that time, the lowest proposal was not chosen and justification was not documented for choosing a higher-priced proposal.

- 2) Justification for purchases from sole-source vendors was not always adequately documented. While some documentation was normally provided, the justifications did not adequately describe the reason why other vendors were not or should not be considered. Examples of purchases indicated as sole-source included software and management consultant services. It appears other vendors may have been available to offer similar services. The SLBPC paid a total of over \$200,000 to a vendor during fiscal years 2008 and 2009 for management and hiring consulting, but no reason was documented why this vendor was considered sole-source.

To ensure the SLBPC receives fair and competitive prices for goods and services and vendors are given equal opportunity to participate, bids and proposals should be solicited for all applicable purchases and reasons for sole-source transactions should be adequately documented.

Similar conditions were noted in our 1999 and 2001 audits.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Review the purchasing manual and make necessary amendments to ensure compliance with state purchasing laws.
- B. Ensure vendors within the city have current business licenses in accordance with board policy prior to purchasing from or contracting with the vendor.
- C. Solicit bids and proposals for all applicable purchases and document justification for sole-source vendor purchases.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *Agreed. A Board order was issued on June 3, 2009, changing the bid threshold to the amount included in Chapter 34. This policy was instituted for fiscal year 2010 and is currently in use.*
- B. *Agreed. Due to a miscommunication with the Comptroller's Office, this procedure was missed. A business license is now a requirement included in all contracts, and the presentation of a current business license is a pre-requisite for the processing of a purchase order.*
- C. *Agreed. These procedures will be reviewed. Sole source procurement for legal representation and other personal services will be continued. There will be a process to require specific reporting to assuring more documentation on the exercise of the sole source designation of the contractor.*

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

The legal firms chosen for internal affairs legal services have been used for this period of time due to ongoing litigation that they are involved in with the Board. To change counsel in the middle of litigation would cause a disruption of the process and cause a delay by having to bring the new counsel up to date. That is not something the Board feels is in the best interest of the Department or the community.

Sole source purchases are specifically discussed in the purchasing manual. An exception is needed to allow for personal services in fields such as legal services and consulting. If an individual is providing the service based on their experience either in the field or previously with the Department, they may be awarded a sole source by the Board of Police Commissioners.

The SLBPC purchased over \$200,000 of computer equipment that was not placed into service for extended periods of time. Some items were not recorded on the capital asset inventory records, and periodic physical inventories were not performed on a timely basis.

- A. As of February 2009, over \$200,000 of computer equipment purchased between 2005 and 2008 was stored in original shipping materials at the Board's Supply Division warehouse. The equipment included CPUs, monitors, printers, and scanners. More than one-half (approximately \$116,000) of the equipment was purchased prior to August 2008.

Board and department officials stated the items were purchased by the Planning and Technology Division, but the division would not take possession of the items because of lack of storage space and the inability to place the items into service. Acquiring equipment when it is not immediately needed is not a prudent use of public funds. In addition, because of rapid changes in technology, this equipment could be outdated before it is taken out of storage.

To ensure computer equipment does not become obsolete before utilized, the SLBPC should refrain from purchasing equipment that cannot be placed into service on a timely basis. In addition, the SLBPC should determine if the stored equipment can be used by other divisions or other city departments, and dispose of items which cannot be used.

- B. SLBPC capital asset records are maintained in five separate databases maintained by five separate divisions and there are no policies or procedures requiring uniform information be maintained on the various databases. The Supply, Fleet Services, Armory, Communications, and Planning and Technology Divisions maintain lists of capital assets. The Supply Division's list includes most department assets as most assets are purchased through the Supply Division. Fleet (vehicles), Armory (weapons) and Communications (radios and communication equipment) maintain separate lists for assets purchased directly by these divisions. Both the Supply Division and the Planning and Technology Division maintain records of computer equipment. Each division maintains information about assets that are specific to the division such as technical specifications of computer equipment or vehicle assignment information. Some lists include duplicate information and the lists are not reconciled to ensure completeness or to identify duplicate recording of assets.

The Board should review its procedures for maintaining capital asset lists to ensure the lists are complete and accurate. Consideration should be given to maintaining one centralized list of all capital assets. The current procedure of

maintaining five separate lists provides less assurance that all capital assets are properly accounted for and recorded.

- C. Our review of capital asset records noted items were not always recorded in the appropriate capital asset database, the location of items was incorrectly recorded in the database, and items were not always tagged or identified as police department property. In addition, some tools and diagnostic equipment utilized by the Fleet Services Division are not tracked in the capital asset database despite these items meeting the current criteria for classification as capital assets.

For items not recorded in the database, it appears divisions receiving the items did not always notify the applicable Supply Division personnel responsible for recording additions to the capital asset database. It appears item locations were recorded incorrectly due to data entry errors and items transferred between divisions that were unreported or unrecorded. Adequate capital asset records are necessary to safeguard department assets which are susceptible to loss, theft, or misuse; identify property as belonging to the police department; ensure capital assets are accurately reported on the department's financial statements; and provide a basis for insurance coverage.

- D. Periodic physical inventories of capital assets were not conducted and board policy only requires the Supply Division conduct annual inventories. The Supply Division conducted its first physical inventory in at least 3 years in 2008. The Communications Support Division has not conducted a physical inventory since 2005. The last complete physical inventory of Armory assets was conducted by the department's internal auditor in 2005.

To ensure records are accurate and complete, the Board should adopt written procedures requiring annual physical inventories be conducted for all department capital assets. If the Board consolidates its records into one capital asset listing as recommended in Part B, annual physical inventories should be conducted on a department-wide basis and the results of the inventories should be reconciled to the capital asset list.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Ensure only equipment that is necessary and readily able to be placed in service is purchased. In addition, the SLBPC should determine if any of the equipment in storage can be used by other divisions or other city departments, and dispose of items which cannot be used.
- B. Review capital asset procedures to ensure complete and accurate lists are maintained for all assets. Consideration should be given to adopting one centralized list for all assets.

- C. Ensure all capital assets are promptly and accurately recorded on the capital asset database and assets are tagged or identified as SLBPC property.
- D. Adopt policies to require annual physical inventories of all department capital assets.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Department agrees that the computer equipment to which this finding refers should have been distributed in a more timely manner. The purchase of the equipment was made at a time when prices were lower, so the intention was to save future costs. Unfortunately, the department was not able to move the equipment into service as quickly as originally thought. Future purchases in quantity will be more carefully monitored to assure that we do not unnecessarily store inventory. The computer inventory number noted by the State Audit has been significantly reduced through distribution.*
- B. *The Department maintains a centralized list for capital assets and will consider adopting a centralized list to be used for both capital assets as well as assets of lesser value that are tracked for control purposes. Furniture that does not meet capitalization criteria will no longer be tracked to match the policy of both the state and city.*
- C. *The Budget and Finance Division reviews invoices at the time of payment to capture items which need to be added to the fixed asset listing. Monthly reviews of expenditures will be scheduled with the Supply Division to ensure that this division is made aware of assets it must track that may not have passed through the Division. Moreover, reminders will be sent to managers that all capital assets, no matter how acquired, must be properly recorded. It is each manager's responsibility to oversee their operations to assure that the unit's inventories are listed.*
- D. *Each Unit Commander is required to conduct an inventory of assigned unit equipment annually and report this information to Budget and Finance and Supply Division. The Compliance Auditor is required to complete a total inventory of assigned equipment of some units on an annual basis. His duties will be expanded to include doing a physical inventory of all capital assets on an annual basis. As previously mentioned, the Compliance Auditor will rely on the individual managers to help with the compilation of a complete fixed asset inventory.*

11.	Vehicle Usage
------------	----------------------

The SLBPC allows commuting and other personal use of some department vehicles for employees considered on-call status, but does not require these employees maintain documentation to distinguish between business, commuting, and personal use. The SLBPC assigns unmarked vehicles to officers with the rank of captain and above and to

four civilian department directors, and board policy allows personal use of these vehicles. As of January 2009, 47 unmarked department vehicles were assigned to officers and civilian personnel for commuting and other personal use. Personal use is not allowed for any other department vehicles.

Board and department officials indicated the high-ranking officers and civilian directors are on-call 24 hours a day and are provided take-home vehicles with personal use privileges. While it appears some of these officers respond to emergency calls outside normal work hours, the department does not require documentation of the amount of mileage incurred for after-hours emergency calls and has not compiled any data of the frequency of these employees responding to after-hours emergencies.

Personal use of department vehicles results in additional fuel and maintenance costs for the department. In addition, the board's Legal Division recommended the 47 vehicles be insured by an outside insurer due to personal use of these vehicles, and the department incurs approximately \$58,000 in annual insurance costs for these vehicles.

IRS regulations require the department to report the value of all personal use and the value of some commuting use as taxable benefits for department employees. The department reports the commuting benefits on the W-2 forms for the civilian employees, and it appears the department is not required to report commuting benefits for the officers; however, the department does not report the taxable benefit of other personal use for any of the employees.

To ensure commuting use of unmarked department vehicles is reasonable and necessary, the SLBPC should determine the frequency of each high ranking officer and civilian employee responding to after-hours emergencies and evaluate the need to assign unmarked department vehicles to these employees for 24-hour on-call status. In addition, the SLBPC should consider prohibiting all personal use of department vehicles other than for commuting purposes. In addition, the Board should require employees to maintain mileage logs or other records to distinguish between personal, commuting, and business use, and report the taxable benefit of personal use on employees' W-2 forms.

WE RECOMMEND the St. Louis Board of Police Commissioners evaluate the need to assign unmarked vehicles to all high ranking officers and civilian employees and consider prohibiting personal use of department vehicles other than for commuting purposes. Mileage logs or other records should be maintained to distinguish between personal, commuting, and business use for all unmarked vehicles, and the taxable benefit of personal use should be reported on employees' W-2 forms.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

This issue was broached during the 1999 State Audit and essentially the response by the Department has not changed. The only modification has been the development of a policy that

clarifies permissible use of vehicles assigned to commissioned personnel – as was assured in the 1999 reply. Unmarked vehicles continue to be assigned to select Department personnel based on their responsibility and accountability. Generally, cars taken home are issued to specialty assignments to be used for official business, responding to emergency situations that will arise. The civilian Directors of Buildings and Public Information are required to respond to various emergency or urgent situations, and their vehicles are appropriately accounted for in tax reporting.

12. Budgetary Practices

The SLBPC maintains an account outside the city treasury, and the financial activity of this account is not budgeted. In addition, multiple transfers were made between budgetary line items, and policies do not exist to monitor the use of contingency funds.

- A. The SLBPC does not prepare formal budgets for the activity of the Board Secretary's Account. Custody of the Board Secretary's Account is maintained outside the city treasury by the SLBPC for the deposit of certain monies collected by the police department and is primarily spent on special projects. Board Secretary's Account receipts and disbursements totaled \$2.7 and \$1.2 million, respectively, for the year ended June 30, 2008. While the majority of the department's operating funds are budgeted and spent from the city's General Fund, budgets should be prepared for all applicable funds utilized by the SLBPC to provide the public and other city officials a better overall estimate of the amount of city funds needed for the operations of the police department.

Section 84.210, RSMo, requires the SLBPC to submit a budget request to the city which includes an estimate of the sum of money necessary to enable them to discharge the duties imposed upon them, and to meet the expenses of the police department. Such estimate shall include, but not be limited to, all reasonably anticipated board revenues and expenses from all sources.

Similar conditions were noted in our 1999 and 2001 audit.

- B. The SLBPC approved over \$3.1 million in transfers between General Fund budgetary expenditure accounts during the year ended June 30, 2008. Transfers were made to cover budget overruns in some budgetary expenditure accounts. In addition, both transfers-in and transfers-out occurred throughout the fiscal year in nine different accounts. Generally, budget transfers should only be made for unforeseen expenditures, but it appears many of the transfers were made to cover normal operating cost overruns. Per board and department officials, some transfers were necessary because the original budget approved by the City of St. Louis Budget Director and Board of Aldermen did not reflect the needs of the SLBPC.

To ensure budget transfers are only used for unforeseen expenditures, the SLBPC should work with the city to establish a budget which is sufficient to meet the needs of the department and refrain from utilizing the budget transfer process to allow excessive expenditures.

- C. The SLBPC has not adopted policies or guidelines defining allowable expenditures from the Police Chief Contingency budgetary account within the General Fund. During the year ended June 30, 2008, the contingency account was originally budgeted for \$89,000; however, budget transfers increased the final budgeted amount to \$149,000 and actual expenditures totaled \$148,491.

A contingency is generally considered something unforeseen or accidental, and it would appear funds from this budgetary account should be used for unforeseen events. However, the majority of expenditures charged to this account in fiscal year 2008 were for normal operating costs, including travel reimbursements, contracted services, and software subscriptions. The SLBPC should establish formal policies to define eligible costs for the Police Chief Contingency account to ensure proper budgetary control and use of these funds.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Prepare annual budgets for the Board Secretary's Account.
- B. Work with applicable city officials to prepare budgets which accurately reflect the needs of the department, and refrain from making excessive and unnecessary transfers between budgetary accounts.
- C. Establish formal policies to define eligible costs for the Police Chief Contingency budgetary account.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

- A. *The Board Secretary's Account has been transferred to the City and expenditures will be budgeted for in the same fashion as other Department funds.*
- B. *The Department does work with City officials. However, the Board's spending priorities may not match those of City officials. The Board considers each recommended transfer of money between budgetary accounts and does not share the opinion that such adjustments are excessive or unnecessary. The budget transfers are accomplished during the open meetings of the Board of Police Commissioners and are matter of public record and scrutiny.*
- C. *The Chief no longer has access to the Contingency Account. This account has been moved to Budget and Finance's cost center. Expenditures are no longer charged to this*

account. As needed, budget dollars will be transferred out of the Contingency Account to regular expenditure accounts requiring an additional budget. Any transfer under the number for the Chief's Contingency Account will be approved through the budget transfer protocol.

13.

Bank Accounts and Investments

The SLBPC does not request proposals for banking services and maintains funds in banks not located in the City of St. Louis contrary to board policy. On December 31, 2008, the SLBPC maintained over \$12.1 million in 8 checking accounts and 22 certificates of deposit.

Our review of SLBPC banking services noted the following concerns:

- A. The SLBPC has not requested proposals for banking services since 2000, and the Board's current policies do not require competitive selection for banking and investment services. The Board's checking accounts are located at two separate banks located in the city, one which also provides investment brokerage services.

The SLBPC should solicit formal bids or proposals for banking and investment services to ensure the Board receives the best possible banking services at the lowest costs and earns the highest possible return on investments. The solicitations should include interest rates to be earned, minimum balance requirements, and collateral limits.

Similar conditions were noted in our 1999 audit report.

- B. At December 31, 2008, the SLBPC held 22 certificates of deposit totaling \$5.275 million at 22 banks throughout the country, none of which have a presence in the City of St. Louis. The Board's investment policy requires time deposits be made at banks with a presence within the City of St. Louis. These certificates of deposit were purchased through the bank which provides investment brokerage services. The SLBPC should comply with its investment policy or review the policy to determine if bank location continues to be an objective.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A. Periodically solicit formal proposals for banking and investment services.
- B. Deposit funds in banks with a City of St. Louis presence in accordance with board policy, or review the policy to determine if the bank location continues to be an objective.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The Board is transferring control of its Secretary's Account and Asset Forfeiture accounts to the City of St. Louis Treasurer's Office. It will also move its account that it uses to process workers' compensation payments to the City's depository institution. Small bank accounts that were utilized for various flower funds have been consolidated into the Secretary's Account.

14. Traffic Tickets

Improvements are needed in controls over traffic tickets as follows:

- A. The police department does not sufficiently account for tickets assigned and issued and the ultimate disposition.
 - 1) Documentation of some tickets assigned to area stations was missing or inadequate, and ticket books were not always assigned in numerical sequence. Department procedures require the Supply Division to issue ticket book receipts to each area station representative who receives blank tickets from the Supply Division. The representative is required to sign the receipts which document the area station and ticket numbers received. Our review of Supply Division records noted blank tickets were not assigned in numerical sequence or receipts were not completed for 10 of 32 (31 percent) ticket assignments reviewed.
 - 2) A ticket database is maintained to account for all ticket numbers assigned to the department and the ultimate disposition of each ticket number; however, the database is incomplete and department officials do not investigate gaps in the numerical sequence of tickets. Our review of 100 traffic ticket numbers assigned to the department noted information for 14 of the ticket numbers was not recorded in the database. As a result, the ultimate disposition of each ticket is not recorded. In addition, reports are available which identify ticket numbers not entered into the database; however, department officials indicated these reports are not reviewed.

Without a proper accounting of the numerical sequence and ultimate disposition of all traffic tickets, the department has little assurance all tickets were properly handled.

Similar conditions were noted in our 1999 and 2001 audits.

- B. Some tickets were voided by officers without adequate documentation, and copies of some voided tickets were not maintained. In addition, some personnel may not be aware of voided ticket policies and procedures. SLBPC Special Order 07-01

requires officers complete a "request to void a uniform traffic citation" form for each voided ticket. The officer is required to document a reason code and the form must be approved by a lieutenant or above. If the reason code is "other", the officer is required to include a description of the reason.

- 1) Officers are required to complete a form for each voided ticket for approval by a supervisor, which includes an explanation code of the reason for voiding the ticket; however, some voided ticket forms were approved with inadequate or no documentation of the reason. Of the 525 tickets recorded as voided in the database during fiscal year 2008, 60 percent were voided with an explanation code of "emergency" or "other". Voided ticket forms require officers to provide limited additional information, and while some explanation codes are more descriptive, these procedures do not ensure the reasons for voided tickets are adequately documented. In addition, voided ticket forms could not be located for some tickets recorded as voided in the ticket database.
- 2) It appears some area station officers may not be aware of the required procedures for voiding tickets and maintaining documentation, and copies of voided tickets are not always maintained. Personnel from one area station indicated voided tickets could be destroyed and were not aware of the documentation to be maintained in accordance with Special Order 07-01.

To ensure tickets are voided with appropriate cause and adequate records are maintained, the department should require detailed descriptions of the reason for voiding tickets be documented and copies of all voided tickets and applicable forms be maintained. In addition, the department should ensure the requirements for voided tickets contained in Special Order 07-01 are communicated to all applicable personnel.

WE RECOMMEND the St. Louis Board of Police Commissioners:

- A.1. Ensure traffic tickets are assigned to area stations in numerical sequence and documentation is properly completed and maintained for all tickets assigned.
2. Ensure all tickets, including the ultimate disposition, are recorded on the database and gaps in the numerical sequence of tickets are investigated and resolved.
- B.1. Require detailed descriptions of reasons for voided tickets are documented and ensure all required documentation, including copies of tickets, is maintained.
2. Ensure all applicable personnel are informed of procedures for voiding tickets.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The proper accounting for traffic tickets is a priority for the Department. The Department agrees that there is a need to assure that the distribution and receipt of tickets should be carefully monitored. The processes for voiding tickets are rigid, but the maintenance of records for that and all tickets is an important accountability measure.

Auditing of the traffic ticket protocol is accomplished by the Audit/Advisory Unit. The documentation for sequences and assignment of tickets is a responsibility vested in the appropriate units distributing the forms. We will re-state our ticket processes to assure the maintenance of records and accountability as recommended by the State Auditor.

15. Acceptance of Baseball Tickets

The police department accepted season tickets from the St. Louis Cardinals baseball team in 2008 and previous years which may be a violation of state law. The season tickets have been provided to the department for at least 7 years without payment to the baseball team. The department did not accept tickets for the 2009 season. The season tickets included six seats in the lower tier of the stadium. Based on the value of season tickets in a similar location in the stadium, the approximate value of the tickets in 2008 was \$19,000.

Section 84.180, RSMo, states no officer or policeman shall be allowed to receive any money or gratuity or compensation for any services without the consent of the police board. It appears acceptance of the baseball tickets may violate this statute. In addition, Section 7.004 of the Police Manual states receiving money, gifts, gratuities, rewards, or compensation for services is considered an act contrary to good conduct. To ensure the police department maintains the appearance of independence and to ensure compliance with state law and department policy, the department should refrain from accepting any gifts.

WE RECOMMEND the St. Louis Board of Police Commissioners refrain from accepting gifts or gratuities.

AUDITEE'S RESPONSE

The St. Louis Board of Police Commissioners provided the following written response:

The St. Louis Metropolitan Police Department has discontinued the policy of accepting baseball tickets, and did so prior to the recommendation of the State Auditors.

ADDITIONAL DETAIL AND COMMENTARY ON FINDINGS

Historically, the Department has received season baseball tickets for use by Department personnel and others. The distribution of these tickets has been through the Office of the Chief of Police. There has never been a "quid pro quo" for provision of police service or the use of police resources in exchange for tickets. This policy of the St. Louis Cardinals Baseball Club to donate tickets to the Department was a decision made by them, and is long-standing. The current administration has determined that the practice should end, and was discontinued in April 2009.

HISTORY AND ORGANIZATION

ST. LOUIS BOARD OF POLICE COMMISSIONERS HISTORY AND ORGANIZATION

The St. Louis Board of Police Commissioners was established by an act of the legislature in 1861 to provide law enforcement protection to the citizens of the City of St. Louis. The board operates under the provisions of Sections 84.010 to 84.340, RSMo.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the Mayor of the City of St. Louis as an ex officio member, control the operations of the St. Louis Metropolitan Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department, are subject to the rules and orders of the Board of Police Commissioners.

The board directly oversees the Divisions of Budget and Finance, Purchasing, Supply, and Legal. The board sets policy, makes promotions, holds both closed and open meetings, and coordinates with the Chief of Police in providing police services to the citizens of the City of St. Louis.

The members of the Board of Police Commissioners at June 30, 2008, were:

<u>Member</u>	<u>Term Expires</u>
Colonel Chris Goodson, President*	January 31, 2009
Colonel Julius Hunter, Vice President	January 31, 2010
Colonel Todd Epsten, Purchasing Member	January 31, 2012
Colonel Vincent Bommarito, Treasurer	January 31, 2011
Mayor Francis Slay, Ex-Officio Member	N/A

- * Colonel Goodson continued to serve on the board until his resignation on February 28, 2009. Colonel Bettye Battle-Turner was appointed to the board effective March 26, 2009. On April 14, 2009, Colonel Epsten was appointed President and Colonel Battle-Turner was appointed Vice President.

The Chief of Police is appointed by the board and oversees the four department bureaus that provide police services in various capacities to the City of St. Louis. The current Chief of Police is Colonel Daniel Isom who was appointed on October 6, 2008. Colonel Joe Mokwa retired as Chief of Police in July 2008. The department consisted of 1,369 commissioned officers, 556 civilian employees, and 3 part-time employees at June 30, 2008. The four bureaus of the department are as follows:

The Bureau of Auxiliary Services includes the Communications Division, Crime Laboratory, Property Custody Unit, Fleet Services Division, and Records Division.

The Bureau of Criminal Investigation and Support includes Crimes Against Persons and Property as well as Tactical and Support Operations.

The Bureau of Professional Standards includes the St. Louis Police Academy, Internal Affairs, the Police Library, Private Security, and the Commission on Accreditation for Law Enforcement Agencies (CALEA).

The Bureau of Community Policing includes the nine police districts, district detectives, the Crime Analysis Unit, the Housing Unit, and police officers assigned to the Circuit Attorney's Office as investigators.

APPENDIX

ST. LOUIS BOARD OF POLICE COMMISSIONERS
APPENDIX

The following table lists check receipts collected by the Fitness Center but not transmitted to the City Treasurer from July 1, 2007 to January 8, 2009:

Undeposited Check Receipts		
Receipt Date	Receipt Slip	
	Number	Amount
2/8/08	232474	\$ 120
2/29/08	1140	12
3/3/08	1160	35
4/1/08	232491	120
4/7/08	232493	120
7/15/08	1258	60
7/15/08	1259	60
8/26/08	1267	59
Total		<u>\$ 586</u>

The following schedule summarizes the cash shortage accumulated by the Fitness Center between July 1, 2007 and January 8, 2009:

Undeposited Cash	Amount
Cash receipts	\$ 10,973
Less: Cash transmitted to City Treasurer	(6,708)
Less: Other disbursements (1)	(1,295)
Computed cash-on-hand	<u>3,270</u>
Less: Cash counted, January 8, 2009	<u>(2,694)</u>
Shortage	<u>\$ (576)</u>

(1) Cash disbursements were made to the following vendors:

Date	Vendor	Amount
December 2007	PowerAide	\$ 1
March 2008	St. Louis Marathon	1,000
June 2008	PowerAide	2
December 2008	Imo's Pizza	120
January 2009	Imo's Pizza	172
Total		<u>\$ 1,295</u>



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Department of Public Safety



November 2009
Report No. 2009-122

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report on the City of St. Louis, Department of Public Safety.

The Corrections Division procedures for the commissary need improvement. Monthly bank reconciliations and liability lists are not prepared for the commissary account. The bank reconciliations for July 2005 through February 2009 were not completed as of March 24, 2009. At our request, the Corrections Division prepared liabilities lists for March 31, 2009; however, the total of the lists was \$322,714 less than the commissary account balance. In addition, the Correction Division does not make adequate efforts to review the status of old inmate accounts. At March 31, 2009, inmate accounts for 11,493 inmates on the liabilities list totaled \$143,174. However, the city jails can only house 2,153 inmates. Some liabilities were for inmates who were released from the city jails as far back as 1999. The Abandoned Funds classification, totaling \$59,921, represents inmate accounts that have been inactive for at least three years. Also, the Corrections Division has not established procedures to collect unpaid inmate balances. The agreement for commissary services does not specifically address all services provided by the contractor including collecting and recording monies and personal property received when inmates are arrested.

The Corrections Division does not adequately review invoices for compliance with contract terms prior to approving payments. For 5 of 34 expenditures reviewed, the amount paid exceeded the itemized contract amount. The Corrections Division approves payments for commissary and inmate necessity purchases without performing a review of invoices. The Building Division does not maintain adequate documentation of efforts to compare prices for emergency demolitions or prepare and approve change orders for demolitions.

Numerous employees in the Building Division collect and receive checks and money orders. Various sections of the Building Division record receipts on unnumbered receipt slips which do not always have duplicate copies. Licenses and electrical contractor permits issued are not reconciled to monies collected and amounts transmitted.

Monitoring procedures related to outstanding electrical permit fees are not adequate. The March 29, 2009, outstanding electrical permit fees list totaled over \$81,000, with fees owed for electrical permits dating back to 2005. The Building Division does not ensure demolition costs are correctly billed to various property owners. As a result, 2 of 15 property owners tested were under billed by \$2,200. The Building Division has not performed a cost benefit analysis to determine when a lien should be placed on property for unpaid building violations.

YELLOW SHEET

Meeting minutes for the Board of Appeals are not adequately detailed. Although the meeting minutes record decisions made, the minutes do not record who made or seconded the motion or the votes taken. In addition, the meeting minutes are not reviewed by the Board or signed by a Board member to attest to the completeness and accuracy.

The Director's Office does not have adequate procedures to ensure criminal cost billings to the state for incarceration costs are accurately prepared. For 5 of 11 cases reviewed, incarceration costs totaling approximately \$12,300 did not appear to have been billed to the state. For two cases, incarceration costs totaling approximately \$700 were overbilled to the state.

The Director's Office does not adequately monitor the burglar alarm contract. Although the Director's Office approves false alarm appeals and reviews the calculation of the amount retained by the burglar alarm contractor, the Department of Public Safety has not conducted a review of the contractor's accounting records nor has it requested the Internal Audit Section of the Comptroller's Office to conduct a review of the contractor to ensure the accuracy of the gross revenues reported to the department. In addition, the Director's Office has not performed an analysis to determine the most cost effective method to manage burglar alarm fees.

Records and monitoring procedures for the Department of Public Safety's vehicles are not sufficient. The department does not require vehicle usage logs be maintained for its vehicles. In addition, the Department of Public Safety does not regularly monitor its fleet to ensure vehicles are used efficiently and effectively. The Director of Public Safety did not report commuting mileage to the Internal Revenue Service (IRS) as reportable compensation.

The Excise Division does not maintain adequate records to account for the numerical sequence of summonses issued for violations of city and state liquor laws. A log is not maintained to account for the summonses assigned to officers or issued to violators, or the ultimate disposition of all summonses.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
DEPARTMENT OF PUBLIC SAFETY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-19
<u>Number</u>	<u>Description</u>
1.	Commissary5
2.	Expenditures8
3.	Building Division Receipts9
4.	Building Division Receivables11
5.	Meeting Minutes13
6.	Criminal Cost Billings14
7.	Burglar Alarm Controls and Procedures16
8.	Vehicles.....17
9.	Excise Division Summonses.....19
HISTORY AND ORGANIZATION	20-22

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of Public Safety
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended June 30, 2008. We have conducted an audit of the City of St. Louis Public Safety Department. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Public Safety.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in progress, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie Vollmer, CPA
Audit Staff:	Joseph Adrian
	Nathaniel Fast, M.Acct., CPA
	Jay Dowell
	Monique Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF PUBLIC SAFETY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Commissary
-----------	-------------------

The Corrections Division procedures for the commissary need improvement. The Corrections Division maintains a bank account to hold personal monies for inmates and contracts with a vendor to provide commissary services to the inmates.

- A. Monthly bank reconciliations are not prepared for the commissary account. The bank reconciliations for July 2005 through February 2009 were not completed as of March 24, 2009. The Corrections Division indicated the bank reconciliations have been started, but it is working on completing all of them at the same time. The March 31, 2009, bank balance was \$714,235 and the book balance was \$615,708.

As a result of not performing monthly bank reconciliations, the Corrections Division was not aware of unauthorized withdrawals from the commissary bank account. The unauthorized electronic withdrawals by a former inmate were discovered after a tip was received by the St. Louis Metropolitan Police Department. The Internal Audit Section of the Comptroller's Office determined unauthorized withdrawals from January 1, 2007, to March 31, 2008, totaled \$18,012. The Corrections Division has recovered approximately \$15,000 from the bank.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, and to detect and resolve errors and unauthorized transactions in a timely manner.

- B. The procedures for commissary account liabilities need improvement.
- 1) The Corrections Division does not prepare liabilities lists. At our request, the Corrections Division prepared liabilities lists for March 31, 2009. These lists did not reconcile to the book balance as noted below:

Book Balance, March 31, 2009	\$ 615,708
Add: Excess Distribution to City	3,000
Less: Inmate Accounts	(143,174)
Undistributed Phone Card Receipts	(90,571)
Undistributed Restitution	(2,328)
Abandoned Fund	(59,921)
Unidentified Balance, March 31, 2009	\$ <u>322,714</u>

However, the liabilities lists are overstated because some inmate accounts had receipts recorded twice for held checks. Although the commissary account earns interest, the Corrections Division was unable to determine the amount of interest in the commissary account. The Corrections Division was also unable to determine the reason for the unidentified balance.

Accurate lists of liabilities should be prepared and reconciled to the cash balance on a monthly basis to ensure accounting records are in balance and all monies in the account are properly identified. Differences between identified liabilities and cash balances should be investigated and resolved.

- 2) The Correction Division does not make adequate efforts to review the status of old inmate accounts. At March 31, 2009, inmate accounts for 11,493 inmates on the liabilities list totaled \$143,174. However, the city jails can only house 2,153 inmates. Some liabilities were for inmates who were released from the city jails as far back as 1999.

According to the Corrections Division, inmate monies are disbursed at the time of release if the inmate is released during normal business hours and the inmate signs a release form. If monies are not disbursed when the inmate is released, the inmate is required to contact the Corrections Division to request the monies. As a result of these procedures, many inmate balances are not disbursed upon the inmate's release or in a timely manner following release.

The Abandoned Funds classification, totaling \$59,921, represents inmate accounts that have been inactive for at least three years. It does not appear significant monies have been transferred to or from this classification for several years.

Released inmate balances create additional and unnecessary record keeping responsibilities and, if resolved and distributed, could significantly aid in the reconciliation of liabilities. Various statutory provisions provide for the disposition of unclaimed monies. Routine procedures should be established to resolve and distribute unclaimed balances for released inmates.

- 3) The Corrections Division has not established procedures to collect unpaid inmate balances. An inmate has a negative balance if the inmate has charges for medical services and restitution but does not have any monies in the inmate account. Some negative inmate balances were for inmates released from city jails as far back as 1999. According to the Corrections Division, the monies would be collected from the inmate if held again in the city jail.

To maximize city revenues, the Corrections Division should establish procedures for collecting balances from released inmates.

- C. The agreement for commissary services does not specifically address all services provided by the contractor including collecting and recording monies and personal property received when inmates are arrested. Although the contractor has provided the additional services to the city since December 2004, the commissary services agreement for January 2008 to 2012, does not address these services. As a result, the city is exposed to unnecessary potential liability if monies or personal property is determined to be missing.

The Department of Public Safety should ensure contract terms address all services provided by the commissary services contractor and do not expose the city to unnecessary potential liability.

WE RECOMMEND the Department of Public Safety:

- A. Require monthly bank reconciliations be prepared for the commissary account.
- B.1. Require liabilities lists be prepared on a monthly basis and reconciled to the cash balance.
 - 2. Ensure the division attempts to resolve unclaimed balances of old inmate accounts and establishes routine procedures to distribute inmate balances of released prisoners in a timely manner.
 - 3. Establish procedures to collect unpaid inmate balances.
- C. Ensure agreements address all services provided by the contractor.

AUDITEE'S RESPONSE

The Director provided the following written response:

We agree with all of the auditor's recommendations with regard to the Commissary. We are in the process of hiring two temporary accounting personnel who will be responsible for reconciliation of the bank statements as well as reviewing all inmate accounts for collection of unpaid balances. These actions will enable the existing accounting staff to concentrate their efforts on establishing procedures for the collection of unpaid balances and the review of services provided by the commissary contractor. Their recommendations will be submitted to the Corrections Commissioner and the Director of Public Safety for review and approval.

2.**Expenditures**

The Department of Public Safety's procedures for expenditures need improvement.

A. The Corrections Division does not adequately review invoices for compliance with contract terms prior to approving payments. The Corrections Division also did not adequately review some invoices and/or supporting documentation.

- For 5 of 34 expenditures reviewed, the amount paid exceeded the itemized contract amount. As a result, the Corrections Division overpaid two vendors a total of approximately \$5,600. The overpayments could have been prevented by reviewing invoices for compliance with contract terms prior to approving payments.
- The Corrections Division approves payments for commissary and inmate necessity purchases without performing a review of invoices. Although the invoices sometimes include credits for items which were not received, the Corrections Division pays the invoices without ensuring accuracy. During the year ended June 30, 2008, the Corrections Division paid approximately \$918,000 for commissary and inmate necessity items.

A careful review of invoices and supporting documentation is necessary to substantiate the validity, propriety, and reasonableness of amounts billed to the department. Failure to properly review all individual payments, including invoices and other supporting documentation, increases the possibility of inappropriate expenditures occurring. The department should also ensure contract amounts are not exceeded.

B. The Building Division's procedures for demolition expenditures need improvement. The Building Division pays for demolition of buildings condemned by the city. During the year ended June 30, 2008, the Building Division paid approximately \$3.4 million for demolitions.

- 1) The Building Division does not maintain adequate documentation of efforts to compare prices (i.e., phone contacts, inquiries, etc.) for emergency demolitions. The division indicated demolition contractors are called when an emergency demolition is required. However, documentation of the calls and prices obtained are not retained.

Routine use of a competitive procurement process for major purchases ensures the department has made every effort to receive the best and lowest price. Documentation of the various proposals received, and the department's selection process and criteria should be retained to support decisions made.

- 2) The Building Division does not prepare and approve change orders for demolitions. The division conducts a bid process and contracts with a demolition company for each building demolition. After the contract is awarded, changes to the project are sometimes made for unforeseen problems encountered, and the total due is adjusted for additional services performed; however, the changes are not always clearly documented and approved. As a result, the total paid does not agree with some contracts.

The department should prepare change orders for changes to contracts to ensure any additional expenditures represent valid and appropriate costs to the city. Approval of change orders should be documented by the department.

WE RECOMMEND the Department of Public Safety:

- A. Ensure invoices are adequately reviewed for validity, accuracy, and compliance with contract terms. In addition, the department should seek reimbursement of overpayments.
- B.1. Ensure services are obtained through a competitive selection process and documentation of the process is maintained.
2. Require change orders be prepared and approved for changes to contracts.

AUDITEE'S RESPONSE

The Director provided the following written response:

We agree with the recommendations regarding expenditures and will implement procedures to ensure consistency in application of procedures throughout the department, particularly the Division of Corrections and the Building Division, including price comparisons and review of change orders.

3. Building Division Receipts

Building Division procedures for processing receipts need improvement. The division receives monies for items such as permits, licenses, and appeals. Various sections of the Building Division record receipts on unnumbered receipt slips without duplicate copies. In addition, the electrical contractor permits and licenses issued are not reconciled to monies collected and amounts transmitted. During the year ended June 30, 2008, the Building Division transmitted approximately \$8.8 million to the City Treasurer.

- A. Numerous employees in the Building Division collect and receive checks and money orders. Various sections of the Building Division record receipts on unnumbered receipt slips which do not always have duplicate copies. In addition,

a copy of the receipt slip is not always retained by the section initially receiving the monies even when there are duplicate copies.

The unnumbered receipt slips along with the monies are transmitted to the Building Division cashiers to be stamped paid and entered into the cash register. Although the cashiers post individual receipts into the cash register, the report generated shows only total amounts received by receipt type and method of payment. The cashiers also record monies on unnumbered receipt slips when initially received by them.

To safeguard monies from theft, loss, or misuse, the number of employees who receive and handle monies should be limited to the extent possible. Official prenumbered duplicate receipt slips or a log should be prepared when monies are initially received, and this record should be reconciled to amounts transmitted to the Building Division cashiers by someone independent of the receipting or collection functions.

- B. Licenses and electrical contractor permits issued are not reconciled to monies collected and amounts transmitted. The Building Division does not note the permit number on some receipt slips issued and cannot determine whether a license or electrical contractor permit fee has been collected when the license or permit number is not indicated on the receipt slip. In addition, the Building Division does not indicate the receipt slip number in the computer system for licenses and electrical contractor permits.

For example, a \$40 electrical permit which was shown in the computer system as being paid could not be traced to a receipt slip. The Building Division sometimes allows individuals with unpaid licenses and permits to submit canceled checks as proof of payment; however, companies obtain permits for every project and the check could have been for payment of different licenses or permits.

To ensure fees for all licenses and permits are properly collected, recorded, and transmitted, the department needs to clearly indicate which licenses and/or permits are included on a receipt slip. Licenses and permits issued should also be periodically compared to amounts recorded and transmitted.

WE RECOMMEND the Department of Public Safety:

- A. Limit the number of employees who receive or handle monies prior to recording and processing payments. The department should also require official prenumbered duplicate receipt slips or a log be prepared and reconciled to transmittals.
- B. Require licenses and/or permits included on a receipt slip be clearly identified. The department should also reconcile licenses and permits issued to amounts transmitted.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *We agree that limiting the number of employees receiving and handling monies increases control and accountability of receipts. We will review current operational procedures with the goal of reducing this number. The Building Division has already instituted the recommendation to reconcile receipts to transmittals. Daily reconciliations are performed by the Permit Supervisor. A temporary lack of reconciliations was the result of the employment turnover in the Permit Supervisor position.*
- B. *The Building Division agrees with recommendation to require that licenses and/or permits included on a receipt slip are clearly identified and to reconcile licenses and permits to amount transmitted. The division has already taken steps to improve in this area. The Trades Section of the Building Division is currently in the testing stage of a modern, web-based electronic operating system. This new system will automatically link receipts to appropriate license/permit. However, during the time that we continue to utilize the old manual system, the Cashier's Section has been instructed to only take receipts from the Trades Section with clearly identified permit/license number written on the receipts. These receipts are then copied and filed in the appropriate contractor file for easy reference.*

4. Building Division Receivables

The Building Division receivable procedures for electrical permit, demolition, and building violation administrative fees need improvement.

- A. Monitoring procedures related to outstanding electrical permit fees are not adequate. The Building Division allows electrical contractors to obtain electrical permits and pay the permit fee after the final inspection. Prior to discussions with the Building Division on March 25, 2009, the Building Division did not perform any follow up on outstanding electrical permit fees.

The March 29, 2009, outstanding electrical permit fees list totaled over \$81,000, with fees owed for electrical permits dating back to 2005. After the Building Division notified electrical contractors of outstanding electrical permit fees, four electrical contractors submitted canceled checks or receipt slips as proof of payment for the electrical permit fees. The Building Division indicated the inaccurate outstanding fees may have resulted from not appropriately recording the receipt in the computer system.

A complete and accurate list of outstanding fees would allow the Building Division to more easily review amounts due to the city and take appropriate steps to ensure amounts owed are collected or determine if amounts are uncollectible.

Failure to maintain an accurate receivables list and pursue unpaid fees on a timely basis may result in lost revenue to the city.

- B. The Building Division does not ensure demolition costs are correctly billed to various property owners. As a result, 2 of 15 property owners tested were under billed by \$2,200. After a building has been condemned, the Building Division obtains demolition bids, pays the demolition costs, and turns over the demolition receivable to the Department of Parks, Recreation, and Forestry for billing and collection. Some Building Division demolition costs sent to the Department of Parks, Recreation, and Forestry did not include amounts paid for some change orders and emergency work. During the year ended June 30, 2008, demolition costs billed totaled approximately \$1.7 million.

Careful scrutiny of billing information is necessary to ensure property owners are billed the correct amount for demolition costs to recover total demolition costs incurred by the city.

- C. The Building Division has not performed a cost benefit analysis to determine when a lien should be placed on property for unpaid building violations. The Building Division sends two letters requesting payment for current building violation administrative fees. If payment is not received, the city can put a lien on the property for the unpaid amount. City officials indicated the Building Division and City Counselor's office informally determined liens should only be filed when a property owner has unpaid fees for at least 10 current building violations due to the cost of filing the lien. During the year ended June 30, 2008, the city filed 640 liens for unpaid administrative fees. While it appears reasonable the cost of filing a lien could be greater than unpaid fees, there was no documentation a formal cost/benefit analysis was performed. Such an analysis is necessary to ensure the city's decision is the best economical use of city resources.

WE RECOMMEND the Department of Public Safety:

- A. Establish procedures to adequately record and monitor outstanding electric permit fees.
- B. Ensure property owners are billed the correct amount for demolition costs.
- C. Perform a formal cost analysis to ensure the city is making the most economical decisions regarding follow up procedures for administrative fee receivables.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *We agree with the recommendation to establish procedures to adequately record and monitor outstanding electric permit fees. They are in the process of implementing a*

modern, web-based operating system with capability to adequately record and monitor electric permit fees. This system will have the ability to establish escrow accounts for Electrical Contractors and to electronically debit and credit the proper account. This system will generate letters informing a contractor when the escrow account reaches a predetermined minimum level. In addition, the system will have safeguards to eliminate large receivables by ensuring that permits will be issued only if contractor has paid in full for past permit fees. This system will similarly handle license fees and will generate letters when licenses are to expire and prevent issuance of permits to contractors with expired licenses.

- B. The Building Division will take immediate steps to ensure property owners are billed the correct amount for demolition costs by requiring additional supervisory review prior to submission of demolition receivables to the Forestry Division. While the Clerical Supervisor will maintain responsibility for demolition billing, all receivables must be reviewed for validity and accuracy by the Demolition Supervisor prior to submission to the Forestry Division. The Demolition Supervisor will maintain a log of all demolition change orders to ensure that all costs associated with a property are recorded and charged properly.*
- C. As the staff and resources involved in the collection of overdue administrative fees are those of the City Counselor's Office, it is not the place of the Building Division to determine when a lien should be placed on properties for unpaid building violations. Historically, the floor for the City Counselor's Office to file liens has been set at \$500.00. Almost twenty years ago, the City Counselor's Office determined that court costs and the associated attorney salary to file a lien did not justify filing for smaller amounts. As this \$500 minimum has been in existence for some time, it does not seem probable that costs of filing liens have gone down in any significant manner. However, the Building Division will share this observation with the City Counselor's Office. It is the position of the Building Division that unpaid administrative fees associated with building code violations should be attached to annual property tax bills for collection. However, this step requires a state ordinance. Another possible approach would be for the Building Division to hire performance attorneys to collect fees on a commission basis. This approach would require a cost benefit analysis from the Building Division.*

5.

Meeting Minutes

Meeting minutes for the Board of Appeals are not adequately detailed. The Building Division prepares the minutes for the Board of Appeals which allows an appeal by any interested party for a denial of a building or occupancy permit. Although the meeting minutes record decisions made, the meeting minutes do not include the Board member who made or seconded the motion or the votes taken. In addition, the meeting minutes are not reviewed by the Board or signed by a Board member to attest to the completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but are not limited to, the date, time, and place; members present and members absent; and a record of votes taken. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board. In addition, minutes should be signed by a board member to show minutes have been reviewed and accurately reflect discussions held and actions taken in the previous meeting.

WE RECOMMEND the Department of Public Safety ensure complete and accurate minutes of the Board of Appeal's meetings are maintained in compliance with state law and signed.

AUDITEE'S RESPONSE

The Director provided the following written response:

This suggestion has been fully implemented and notes now conform to Sunshine Law, Chapter 610 requirements.

6. Criminal Cost Billings

The Director's Office does not have adequate procedures to ensure criminal cost billings to the state for incarceration costs are accurately prepared. Section 221.105, RSMo, allows the state to reimburse certain court and incarceration costs for criminal cases when the state has been rendered liable. The state is rendered liable for criminal costs when a defendant is sentenced to imprisonment in the state Department of Corrections.

The Director's Office prepares and submits billings for incarceration costs utilizing the Sheriff's certification of the number of days incarcerated which is verified by the Corrections Division. The Department of Public Safety does not maintain records to track and monitor the status of the billing when it is initially received from the Sheriff's office. During the year ended June 30, 2008, the city received approximately \$6.2 million for state criminal cost billings of incarceration costs. We reviewed the criminal cost billing for 11 cases in which the Sheriff had transported the defendant to the state Department of Corrections.

- For five cases, incarceration costs totaling approximately \$12,300 did not appear to have been billed to the state. We were unable to determine whether the Director's Office received the certification from the Sheriff's office. The Director's Office indicated the cases may not have been billable; however, no documentation was provided to show why these cases were not billed to the state. The Director's Office would still be able to fully bill the costs since the cases did not exceed the two-year limit for billing the state.

- For two cases, incarceration costs totaling approximately \$700 were over billed to the state. The overbilling resulted from incorrectly reporting the dates or number of days on the billings. For one case, the state had noted the error and corrected the number of days billed.

The Director's Office should develop procedures to ensure criminal cost billings are accurately prepared and billed to the state, and to adequately track and monitor the status of the criminal cost billing once the Department of Public Safety is notified. Section 33.120, RSMo, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgment and sentence. Failure to prepare or submit timely reimbursement requests to the state could result in a loss of revenue to the city.

WE RECOMMEND the Department of Public Safety develop procedures to ensure all criminal costs for incarceration are accurately billed to the state.

AUDITEE'S RESPONSE

The Director provided the following written response:

We agree there is a need to improve the procedures to ensure criminal cost billings are accurate. Historically, we have relied on the transmission of jail time endorsement papers from the Sheriff's Department, which must be reviewed to determine if prior billing has occurred. If no billing has occurred, the bill of cost form is prepared in the Director's office and forwarded to the Circuit Court Judge and Circuit Attorney for signature. The forms are returned to the Director's office, batched and sent to Jefferson City. Periodically, errors in the inmate name, case number or other pertinent data cause delays in both our transmission and the State's payment. The criminal cost billings are very labor intensive and time consuming. We are currently pursuing a two part resolution to this process.

First, we will shortly obtain an interface between the court and the Division of Corrections which will enable us to receive immediate notification of court dispositions and not rely upon a paper transmission from another department. This will also enable us to verify names, court case numbers and days served in a more efficient and timely manner.

Secondly, we have been authorized a new position of Accountant in our office to regularly review the billing process and documents in addition to other fiscal responsibilities. This person should be on board shortly, and will be able to help with review of state billings to ensure we have identified and properly billed for all inmate housing. The accountant will also review and submit those that may have been delayed or missed within the two year requirement.

To further enhance our efforts, we are investigating the possibility of obtaining electronic review and authorization from the Circuit Court and Circuit Attorney. This will further streamline the process and reduce the potential for error and for lost or delayed documentation.

City Ordinance 66264 requires burglar alarms be registered and sets fees for false alarm violations. The Director's Office procedures for monitoring the burglar alarm contract and evaluating the cost effectiveness of the burglar alarm management need improvement. The burglar alarm contractor retains 32.5 percent of fees collected and an additional \$100,000 a year. During the year ended June 30, 2008, the city and the burglar alarm contractor received \$710,811 and \$442,243, respectively, for burglar alarm receipts.

- A. The Director's Office does not adequately monitor the burglar alarm contract. The Director's Office entered into a 5-year agreement on January 1, 2005, with a contractor to process and collect receipts for burglar alarm permits and false alarms. The agreement requires the contractor to keep all books and records for 5 years which are to be open to the city for inspection. Although the Director's Office approves false alarm appeals and reviews the calculation of the amount retained by the burglar alarm contractor, the Department of Public Safety has not conducted a review of the contractor's accounting records nor has it requested the Internal Audit Section of the Comptroller's Office to conduct a review of the contractor to ensure the accuracy of the gross revenues reported to the department.

Because of the amount of city funds collected by the burglar alarm contractor and the risks associated with these receipts, it is imperative for the Director's Office to have an effective, timely, and thorough monitoring system in place. Failure to adequately monitor the contractor exposes the city to the potential of lost revenues.

- B. The Director's Office has not performed an analysis to determine the most cost effective method to manage burglar alarm fees. The Director's Office indicated collections have doubled since taking over burglar alarms in 2004 from the Police Department which used to handle all burglar alarm responsibilities including billing and collecting the fees.

A careful analysis of cost data would assist the city in determining whether a cost savings could be realized for managing burglar alarm fees instead of contracting for this service.

WE RECOMMEND the Department of Public Safety:

- A. Adequately and effectively monitor the operations of the burglar alarm contractor.
- B. Perform an analysis to determine the most cost effective method for managing burglar alarm fees. Once this analysis is completed, the department should consider whether to manage burglar alarm fees or contract for this service.

AUDITEE'S RESPONSE

The Director provided the following written response:

The contract for the Alarm Reduction and False Alarm Management (ARFAM) program has been in effect for not quite five years. In addition to collecting fees and fines associated with this process, our contractor was responsible for working with the Police Department, REJIS, and the Department of Public Safety to reorganize the entire program; based on the new ordinance adopted by the Board of Aldermen in 2004. This new ordinance, in addition to moving responsibility for the program to the Department of Public Safety, called for a variety of other improvements in the burglar alarm permitting process and credentialing for those who work in the industry. A new database was built based on information culled from the Police Department records, REJIS records and a survey of all commercial and residential properties that previously held a burglar alarm permit. Procedures were developed to daily transmit data from the Police Department to the contractor for the permitting process, and burglar alarm subscribers or their monitoring companies can register their alarms in a matter of minutes as opposed to the weeks it previously required. The ARFAM became operational on July 1, 2005. The first permits issued under the new ordinance were effective on that date.

We agree that an in-depth review of the contractor's accounting records is in order as it has been four years since the program became operational. We will ask the Comptroller to conduct such a review.

With regard to the second finding concerning the cost analysis to determine the most cost effective method to manage burglar alarm fees (and fines), we have initiated this review and anticipate it to be accomplished within the next several weeks. The results of this review will determine our next steps.

8. Vehicles

Records and monitoring procedures for the Department of Public Safety's vehicles are not sufficient. Also, the Director of Public Safety did not report commuting mileage as reportable compensation. The department has approximately 154 vehicles and other pieces of equipment such as fire trucks, ambulances, all terrain vehicles, etc.

- A. Records and monitoring procedures for the Department of Public Safety's vehicles are not sufficient. The city's vehicle policy does not address records to be maintained for vehicles (see Report No. 2008-61, *City of St. Louis Board of Public Service*, issued in September 2008). The department does not require vehicle usage logs be maintained for its vehicles.

In addition, the Department of Public Safety does not regularly monitor its fleet to ensure vehicles are used efficiently and effectively. The department could accomplish this with a review of usage logs. Also, the Board of Public Service's Equipment Services Division maintains a fleet management report of all city

vehicles, including those of the Department of Public Safety, which shows the mileage for vehicles when refueled; however, the Department of Public Safety does not regularly obtain and review the reports to ensure the reports are accurate and vehicles are used efficiently and effectively. For example, the Board of Public Service's Equipment Services Division records indicate three Fire Department vehicles did not report mileage for several months although the vehicles used fuel during these months.

Without adequate usage logs, the department cannot effectively monitor vehicles are used for official business only and vehicles are used efficiently and effectively. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by a supervisor to ensure vehicles are used only for city business and are used efficiently and effectively.

- B. The Director of Public Safety did not report commuting mileage to the Internal Revenue Service (IRS) as reportable compensation. The Director does not maintain a vehicle usage log (see part A above) to document miles driven for official, commuting, and personal use. The department was unable to show why the director's vehicle should be exempt from IRS reporting requirements although the director takes his vehicle home every day. Department personnel indicated the director needed his vehicle to respond to some public safety emergencies; however, no one could provide the IRS regulation which exempts vehicles for this reason.

The IRS reporting guidelines indicate commuting mileage is reportable compensation. The department may be subject to penalties and/or fines for failure to report all taxable benefits. The department needs to review the situation to identify and comply with applicable IRS guidelines and reporting requirements.

WE RECOMMEND the Department of Public Safety:

- A. Require the preparation of usage logs for all vehicles and ensure the logs are properly reviewed.
- B. Ensure commuting mileage is reported in compliance with IRS requirements or reasons for the exemption status is clearly documented.

AUDITEE'S RESPONSE

The Director provided the following written response:

The Department of Public Safety will take steps to ensure that usage logs are prepared and maintained for the entire department and to ensure commuting mileage is reported in compliance with IRS requirements.

9.**Excise Division Summonses**

The Excise Division does not maintain adequate records to account for the numerical sequence of summonses issued for violations of city and state liquor laws. A log is not maintained to account for the summonses assigned to officers or issued to violators, or the ultimate disposition of all summonses. The Excise Commissioner does not retain the summons if the Excise Commissioner decides not to forward the violation to the City Counselor's office for any reason such as the lack of severity of the offense. The Excise Division issues approximately 90 summonses a year.

Without a proper accounting for the numerical sequence of summonses, the Excise Division cannot be assured all summonses issued are properly submitted to the City Attorney for processing. A log listing summons books assigned, the number of each summons, the date issued, and the violator's name would ensure all summonses issued were submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each summons should also be maintained to ensure all summonses have been accounted for properly.

WE RECOMMEND the Department of Public Safety ensure records are maintained to account for the numerical sequence of summonses assigned and issued, and the ultimate disposition.

AUDITEE'S RESPONSE

The Director provided the following written response:

This recommendation has already been implemented.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF PUBLIC SAFETY
HISTORY AND ORGANIZATION

The mission of the City of St. Louis Department of Public Safety is to safeguard the city's well being and protect lives and property. The department consists of the Director's Office and seven divisions including the Fire Department, Excise Division, Building Division, Neighborhood Stabilization Office, City Emergency Management Agency, Corrections Division, and beginning in July 2008, the Office of Special Events. The Director of Public Safety is Charles Bryson who was appointed in September 2007. At June 30, 2008, the department had approximately 1,555 full-time and 65 part-time employees.

The following briefly describes the responsibilities of the Director's Office and each of the seven divisions in the department:

Director's Office

The Director's Office is responsible for the oversight of the seven divisions in the department. The Director serves as the appointing authority for the divisions in the department, establishes department-wide policy, provides direction for human resource management, and serves on various boards and commissions. The office also issues citation letters for nuisance ordinance violations, investigates allegations of improper employee behavior, prepares billings for state and federal prisoners, administers federal grants related to public safety, issues dance hall and brick dealer licenses, and oversees the contract for issuing burglar alarm permits and false burglar alarm violations.

Fire Department

The Fire Department is responsible for fire prevention, fire suppression, and emergency medical services. The department enforces provisions of ordinances for fire prevention, carbon monoxide detectors, smoke detectors, and hazardous materials by reviewing fire protection systems, inspecting existing structures, and reviewing applications for permits. The department also prepares billings for emergency medical services.

Excise Division

The Excise Division is responsible for the regulation and control of liquor. The division determines licensing in accordance with the City Liquor Code, authorizes issuance of all liquor and non-intoxicating beer licenses, enforces city liquor laws and ordinances, and initiates civil action to suspend, cancel, or revoke licenses when violations of statutes occur.

Building Division

The Building Division is responsible for ensuring residents and businesses comply with the Building Code and other national codes that regulate new construction and the maintenance of existing buildings. The division issues trade and occupancy building permits, administers licensing exams, conducts inspections, demolishes vacant buildings, and enforces zoning ordinances.

Neighborhood Stabilization Office

The Neighborhood Stabilization Office is responsible for enhancing the safety, livability, and economic vitality of city neighborhoods. The office provides community networking to develop crime prevention programs, coordinates municipal services to address citizen and community concerns, and enhances communications among various special interest groups serving the community.

City Emergency Management Agency

The City Emergency Management Agency is responsible for planning and developing response plans for disasters or other emergencies. The agency directs the operation and maintenance of the Emergency Operations Center, oversees the operation and maintenance of an outdoor warning siren system, and maintains the city's mobile emergency communications van. The agency is also involved with emergency preparedness training for citizens.

Corrections Division

The Corrections Division operates the City Justice Center and Medium Security Institution. The division is responsible for providing for the care, custody, and control of legally incarcerated residents in the least restrictive setting conducive to a safe, clean environment for staff and visitors. The division provides for the basic human needs of the residents/client population and creates an environment in which positive behavioral change may occur.

Office of Special Events

The Office of Special Events is responsible for coordinating the acquisition of permits and city requirements related to special events located in the city. The office initiates special event permits, assists organizers to obtain required permits, and maintains the city-wide special event calendar.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Lambert-St. Louis International Airport



November 2009
Report No. 2009-121

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report on the City of St. Louis, Lambert-St. Louis International Airport.

Opportunities exist for airport officials to reduce operating costs. The airport is incurring unnecessary costs by continuing to fund the operations of the south firehouse at the airport. The airport has received confirmation from the Federal Aviation Administration (FAA) that the south firehouse is not necessary to meet FAA regulations for emergency response times. A cost analysis performed by the airport estimated the potential cost savings of closing the south firehouse would be approximately \$1.8 million per year. Also, airport management has not performed a cost analysis to determine if janitorial services should be performed by city employees or outsourced.

Landing and fuel flowage fees charged to users of fixed based operator facilities, also called general aviation traffic, have not been updated for approximately 10 years, and the airport has no documentation of how the fees were determined. Fees charged to the various food vendors, car rental companies, and miscellaneous shops at the airport terminals are not subject to a competitive process and have not been updated for approximately 10 years. The airport has not adequately monitored the cash receipt operations of the parking contractor and has not adequately reviewed audit reports of passenger facility charge (PFC) revenues.

Airport accounting controls and procedures could be improved. Accounting duties within the Finance and Accounting Division are not adequately segregated and there is minimal independent oversight related to receipts. Receipts collected and recorded by the account clerk are not always transmitted intact. The Finance and Accounting Division allows vending machine commission checks and petty cash replenishment checks to be cashed from the daily cash receipts. The method of payment is not recorded on some receipt slips issued by the front office window and the composition of receipts is not reconciled to turnovers to the City Treasurer's Office. In addition, several large airport expenditures were not properly approved as outlined by airport policy.

The airport has approximately 319 vehicles including passenger vehicles, trucks, vans, and dump trucks. Monitoring procedures for the airport's vehicles are not sufficient. The city's vehicle policy does not address records to be maintained for vehicles, and the airport does not require vehicle usage logs be maintained for its vehicles. In addition, no documentation was provided to show the airport regularly monitors the fleet to ensure vehicles are used efficiently and effectively. The airport does not have adequate procedures in place to ensure employees assigned a take home vehicle do not continue to receive a commuting allowance. Also, the airport does not reconcile fuel purchased to fuel used.

YELLOW SHEET

Procedures for tracking capital assets and depreciation could be improved. The airport has two conflicting written policies concerning assets. The airport has not recently performed an annual physical inventory of assets. Property purchases and accumulated depreciation are not adequately reconciled between the general ledger trial balance and the capital asset list. The property records maintained do not include all necessary information and some descriptions are not accurate. The airport police department maintains an additional property list which duplicates the records maintained by the Finance and Accounting Division. In addition, the police department list contains small items (minimum value of \$20) which may not need to be tracked.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-19
<u>Number</u>	<u>Description</u>
1.	Operational Costs.....5
2.	Contract Monitoring.....6
3.	Airport Accounting Controls and Procedures10
4.	Vehicles and Fueling Procedures13
5.	Asset Controls and Procedures16
HISTORY AND ORGANIZATION	20-22

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Airport Director
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended June 30, 2008. We have conducted an audit of the City of St. Louis Lambert-St. Louis International Airport. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the airport has adequate internal controls over significant management and financial functions.
3. Determine if the airport has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the airport, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the airport's management and was not subjected to the procedures applied in our audit of the airport.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Lambert-St. Louis International Airport.

Additional audits of various officials and departments of the City of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert Showers, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Deborah Whitis, MBA, CPA
	Lisa Henderson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Operational Costs
-----------	--------------------------

Opportunities exist for airport officials to reduce operating costs. The airport is currently incurring costs to operate an additional firehouse which may not be needed and has not conducted a cost analysis of janitorial services to determine if cost savings could be achieved by providing the service with city employees.

- A. The airport is incurring unnecessary costs by continuing to fund the operations of the south firehouse at the airport. The airport has received confirmation from the Federal Aviation Administration (FAA) that the south firehouse is not necessary to meet FAA regulations for emergency response times. A cost analysis performed by the airport estimated the potential cost savings of closing the south firehouse would be approximately \$1.8 million per year. Because the airport operations are accounted for as an enterprise fund of the city, the costs associated with the south firehouse are charged to the airport. However, the airport does not have the authority to close the south firehouse or reassign the firefighters stationed there. The City of St. Louis Fire Department is in control of all firehouse operations and would be responsible for making the decision to close the south firehouse. Based on discussions with Fire Department officials, they feel the south firehouse is still necessary, but did not provide any specific information to support this position. To eliminate unnecessary operating costs, airport management should continue to work with the fire department regarding the closure of the south firehouse.

- B. Airport management has not performed a cost analysis to determine if janitorial services should be performed by city employees or outsourced. Currently, the airport contracts with a company to perform janitorial services for the concourses for approximately \$2.9 million per year. Janitorial services for the terminals are performed by in-house airport staff at a cost of approximately \$3.7 million. The airport's Senior Deputy Director stated it may be difficult to staff a full in-house janitorial crew due to the airport location in St. Louis County and the city requiring city employees to live in the City of St. Louis. However, without a cost analysis, the airport cannot ensure the services are provided in the most economical way.

According to the Deputy Director of Finance and Administration, unnecessary and inflated operating costs contribute to Lambert being considered a high cost airport relative to its peers. Higher operational costs are passed on to the airlines through increased fees; the airlines then pass those costs on to the consumer. High fees can also be an obstacle to attracting new airlines to St. Louis, according to the official. More

airlines at the airport results in more competition and potentially better rates for the consumer.

WE RECOMMEND the Airport Director:

- A. Work with the St. Louis Fire Department to conduct additional analysis regarding the feasibility of closing the south firehouse.
- B. Perform a cost analysis to determine the most cost effective method of providing janitorial services.

AUDITEE'S RESPONSE

The Airport provided the following written responses:

- A. *The Airport agrees with this finding and recommendation. This cost is directly passed on to the airlines because it is attributable to the airfield. Therefore, STL's landing fee could be lower and, potentially, assist in attracting new carriers. We will continue to pursue this request with the City's Fire Department.*
- B. *The Airport agrees that an updated cost analysis is appropriate.*

2. Contract Monitoring

The airport has not documented in at least 10 years how some airline and vendor fees were determined. In addition, an adequate review has not been conducted of audit reports and accounting records for the parking facilities management company and the passenger facility charges.

- A. The airport has not documented in at least 10 years how the fees generated from general aviation through fixed based operators and for car rental and concession companies are determined.
 - 1) Landing and fuel flowage fees charged to users of fixed based operator facilities, also called general aviation traffic, have not been updated for approximately 10 years, and the airport has no documentation of how the fees were determined. The airport collected approximately \$1.6 million during the year ended June 30, 2008, from fixed based operators for general aviation activity. An analysis is needed to ensure the fees charged to fixed based operators are sufficient to cover related costs.
 - 2) Fees charged to the various food vendors, car rental companies, and miscellaneous shops at the airport terminals are not subject to a competitive process and have not been updated for approximately 10 years. Each vendor contract requires the vendor to pay a minimum annual

guarantee, or a fixed percent of gross revenues, whichever is larger. Historically, the majority of vendors pay the fixed percent fee. While the bid process for concession vendors allows the vendors to state their annual minimum guarantee, the fixed percent fee remains the same for all vendors and is not subject to a competitive process or negotiated.

Airport officials stated the fixed percent fees used are industry standards and putting the fee portion up for bid would not generate additional revenues. However, discussions with officials at the Indianapolis, Kansas City, and Cincinnati airports indicated the fee portion of their concession contracts is subject to a request-for-proposal process and negotiated. In addition, considering incentives exist for vendors to submit attractive bids, a competitive process to determine the fee portion of concession contracts appears reasonable and could increase operational revenues. Maximizing operating revenues would also help to offset operating costs and could reduce the fees charged to airlines.

- B. The airport has not adequately monitored the cash receipt operations of the parking contractor. The airport entered into an agreement with a company to manage the day to day operations of the six airport parking facilities. All of the receipts from the operation are transmitted to the airport's accounts and the airport is required to reimburse the company for operational expenses plus a management fee. For the year ended June 30, 2008, revenues for parking facility operations totaled approximately \$29.7 million, of which \$9.2 million (31 percent) was cash. The remaining \$20.5 million collected was in the form of credit cards.

The airport's agreement with the parking contractor provides the airport the right to audit and examine the accounting records of the management company at any time; however, the airport has not performed a review of parking cash collections or receipt transmittal operations since 2007. The time frame of this review was for the 2 years ended June 30, 2005. The parking contractor has performed its own internal audits which have been critical of parking operations; however, the airport has not requested copies of such reports be submitted for review. The parking contractor also had financial statement audits performed and copies are not submitted to the airport for review. The financial statement audits are not required by the agreement to be conducted and submitted to the airport.

By not conducting a review of the parking contractor's receipt procedures and accounting records and not reviewing related audit reports, the airport cannot ensure the amount of revenues submitted to the airport is accurate. A periodic review of the audit reports and accounting records would help ensure the airport is receiving the proper amounts. In addition, the airport should consider requiring financial statement audits be submitted to the airport for review.

- C. The airport has not adequately reviewed audit reports of passenger facility charge (PFC) revenues. The airport receives PFC revenues for FAA approved projects

from each airline. Currently, the airlines are required to charge \$4.50 per enplaned passenger and remit this charge, less an 11 cent per passenger administration fee, to the airport monthly. The airport received PFC revenues of approximately \$30.5 million for the year ended June 30, 2008. FAA regulations require each airline with more than 50,000 passengers annually to provide for an annual audit of their PFC accounts. While the airport received an audit of its PFC Fund expenditures with no issues noted, the airport has not requested copies of the airlines' PFC audits for verification of revenues or general review.

By not conducting a review of the PFC account audit reports, the airport cannot ensure the amount of revenues submitted to the airport is accurate. A periodic review of the audits would help ensure the airport is receiving the proper amounts.

WE RECOMMEND the Airport Director:

- A.1. Review and document the costs of fixed based operators and establish the fee to recover those costs.
- 2. Subject the fee portion of concession contracts to a competitive process.
- B. Ensure a periodic review is conducted of the parking facility management cash collection and transmittal procedures. In addition, the agreement with the contractor should require copies of audit reports related to the parking facilities be submitted, and those audit reports should be reviewed by airport management.
- C. Request and review all PFC account audit reports to ensure amounts received are correct.

AUDITEE'S RESPONSE

The Airport provided the following written responses:

- A.1. *The Airport does not agree with this finding. While it is accurate to say the Airport has not raised landing fees and fuel flowage fees in recent years, it must be noted that the environment for attracting general aviation (GA) traffic has been, and continues to remain extremely competitive. The following table demonstrates this fact for GA traffic:*

	<u>Landing Fees</u>	<u>Fuel Flowage Fees</u>
<u>Lambert-St. Louis</u>		
<i>Less than or equal to 12,500 lbs</i>	\$7.50	\$.06/ gallon
<i>12,500 to 65,000 lbs</i>	\$10.00	\$.06/ gallon
<u>Spirit of St. Louis</u>	\$0.00	<i>Fuel is purchased from the Airport</i>

<u>Downtown-Parks</u>	\$0.00	\$.09/gallon
<u>Mid-America Airport</u>		
12,500 lbs & under	\$0.00	\$0.00
Over 12,500 lbs	\$1.10/1,000 lbs	\$0.00

A.2. *The Airport does not agree with this finding. Lambert does take advantage of a competitive bid process for its concessions. The concessions are awarded based on a bid of the highest Minimum Annual Guarantee (MAG). A MAG is the minimum dollar amount the concession operator promises to pay the Airport each year of the agreement. In addition to the MAG, concession agreements have financial terms that call for payment of the greater of the MAG or a specific percentage specified to bidders, in advance, by the Airport. This percentage becomes payable if the concession operator's total gross sales percentage surpasses the MAG. For example, a concession operator with a MAG of \$100,000 and a percentage of 10% would begin paying 10% of all gross sales over \$1 million.*

It is true that the Airport only bids the amount of the MAG and sets the percentage fee for concession agreements. This policy allows the Airport to conduct a clear solicitation process, wherein, a single bid item can be evaluated transparently.

B. *The Airport partially agrees with this finding. Finance and Accounting has been performing in-depth monthly revenue reconciliations for the Airport parking operations. This reconciliation ensures that:*

- a) *credit card activity reconciles between the credit card clearinghouse, the Airport's bank account and financial reports, and the Central Parking financial reports; and*
- b) *cash activity reconciles between the Airport's bank account and financial reports, and the Central Parking financial reports.*

In addition, Central Parking is listed on the Airport Audit Plan for fiscal year 2010 and is scheduled to be audited by the City's Internal Audit Section for the period 7/1/08 – 6/30/09.

The Airport has requested a copy of Central Parking's most recent financial statement audit. In addition, language requiring the parking facility management company to obtain an annual financial statement audit and to submit a copy to the Airport will be incorporated in a future operating agreement.

C. *The Airport agrees with this finding. The Airport's Passenger Facility Charges (PFC) fund is audited annually by an outside, independent accounting firm. St. Louis has*

received an unqualified (clean) audit report since the mid-1990s when annual PFC audits were mandated by the FAA.

Effective July 2009, the Airport implemented a policy requiring airlines with more than 50,000 passengers annually to provide a copy of their FAA mandated annual PFC audit.

3. Airport Accounting Controls and Procedures
--

Airport accounting controls and procedures could be improved. Accounting duties are not adequately segregated and there is minimal independent oversight related to receipts. Improvements are also needed in procedures related to receipts. In addition, the airport policy on the approval of large expenditures was not followed in several instances.

The Finance and Accounting Division is responsible for the accounting duties of the airport as well as the collection of most airport receipts. The Finance and Accounting Division administers the collection of monies for passenger facility charges, grants, airline agreements, landing fees, concession fees, rental car fees, etc. The Finance and Accounting Division transmitted approximately \$206 million to the City Treasurer during the year ended June 30, 2008.

- A. Accounting duties are not adequately segregated and there is minimal independent oversight related to receipts. An account clerk in the Finance and Accounting Division receives monies in the mail such as rent payments, landing fees, passenger facility charges, and airline fees. The clerk also receives a turnover from the Finance and Accounting Division's front office window clerk for ID badges, fingerprint fees, copies of police reports, etc. The same account clerk reconciles the turnovers from the front window clerk, records all of the transactions, prepares transmittals to the City Treasurer's office, and reconciles the monies transmitted to the City Treasurer to airport documentation. There is no documented supervisory review or comparison of the monies received by the account clerk to amounts transmitted to and received by the City Treasurer's office.

The segregation of receipting duties to the extent possible can help provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded, and can help safeguard against possible loss or misuse of funds. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary.

- B. Receipts collected and recorded by the account clerk are not always transmitted intact. The Finance and Accounting Division allows vending machine commission checks and petty cash replenishment checks to be cashed from the daily cash receipts.

Cashing checks from the daily cash receipts is a poor practice and reduces the accountability for monies received. Transmitting daily receipts in the same form in which they were received helps to ensure cash receipts are accounted for properly.

- C. The method of payment (i.e., cash, check, or money order) is not recorded on some receipt slips issued by the front office window and the composition of receipts is not reconciled to turnovers to the City Treasurer's Office. To ensure all receipts have been recorded properly and transmitted intact, the method of payment should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of transmittals.
- D. Several large airport expenditures were not properly approved. According to airport policy prior to June 2008, the Airport Director or the Assistant Director of Finance was required to sign requisitions and vouchers over \$100,000. Our review of expenditures noted errors on 2 of 14 (14 percent) applicable transactions reviewed:
- In October 2007, the airport paid an expenditure voucher for taxiway reconstruction for approximately \$1,875,000. The voucher was signed by one of the Finance and Accounting Division's Accounting Managers. The voucher indicated the accounting manager's approval was intended to be in place of the approval of the Assistant Director of Finance.
 - In November 2007, the airport paid an expenditure voucher for a rescue and fire fighting vehicle for approximately \$834,000. The voucher was again approved by one of the Finance and Accounting Division's Accounting Managers for the Assistant Director of Finance.

In June 2008, airport policy was changed to require approval from the Airport Director or the Deputy Director of Finance and Administration for expenditures over \$100,000. This policy change does not allow Accounting Managers to approve major expenditures as noted in the errors above.

Good business practice requires all expenditures to be reviewed and properly authorized and established policies be followed. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate expenditures occurring. To adequately document the airport's approval, expenditure vouchers should be signed by the appropriate employee. Failure to follow airport policy regarding the approval of large expenditures reduces the airport's ability to monitor and control expenditures.

WE RECOMMEND the Airport Director:

- A. Segregate the accounting duties of the Finance and Accounting Division to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.
- B. Discontinue the practice of cashing checks from daily cash receipts. Daily receipts should be deposited intact.
- C. Ensure the method of payment is recorded on each receipt slip, and the composition of the receipt slips issued is reconciled to the composition of transmittals.
- D. Ensure all expenditures are properly authorized.

AUDITEE'S RESPONSE

The Airport provided the following written responses:

- A. *The Airport partially agrees with this finding. Finance and Accounting has independent oversight related to the receipts through the monthly reconciliation process for Accounts Receivable, including window cash. The monthly reconciliation for Accounts Receivable is reviewed and approved by the Accounting Manager I.*

The duties for Accounts Receivable, including window cash, have been properly segregated as a result of the audit recommendation. Both the Accounts Receivable and Cash Receipts policies and procedures have been updated and the duties are segregated as follows:

	<i>Duty</i>	<i>Responsible Party</i>
i.	<i>Collects Receipts</i>	<i>Cash Window Attendant</i>
ii.	<i>Deposits Receipts</i>	<i>Account Clerk II – A</i>
iii.	<i>Records Receipts</i>	<i>Account Clerk II – B</i>
iv.	<i>Posts Receipts</i>	<i>Accountant II</i>
v.	<i>Monthly Reconciliations</i>	<i>Accounting Manager I</i>

- B. *The Airport agrees with this finding and recommendation. The Accounts Receivables policy and procedure has been updated:*
 - *All receipts collected are required to be properly recorded and deposited intact; and*
 - *Checks of any kind are prohibited from being cashed from the daily cash receipts.*
- C. *The Airport partially agrees with this finding. Finance and Accounting records cash receipts on a triplicate copy of pre-printed and pre-numbered receipts. The Cashier*

receiving cash at the cash window is required to complete the receipt in its entirety, which includes spaces for the following information:

- i. Type of transaction (fingerprint, ID card, ID replacement, Police rpt, etc.)*
- ii. Total amount received*
- iii. Method of Payment (Cash, Check, including check number)*
- iv. Name of person cash received from and his/her employer*
- v. Name of the Cashier who received the cash and issued the receipt*
- vi. Date of the transaction*

At the end of each day, all receipts are reconciled to a daily transmittal form used to deposit funds with the Treasurer's Office. During a verbal exit interview, the auditors informed management that they found 9 examples that were of concern. The Airport generates approximately 1,000 receipts annually so this is .9%, or less than 1% of the total receipts issued.

- D. It is difficult to disagree with a recommendation that the Airport had already taken care of long before the auditors began their audit. As noted in their report, "In June 2008, the policy was changed..."*

4. Vehicles and Fueling Procedures

Records and monitoring procedures for the airport's fleet of vehicles are not sufficient. The airport does not have adequate procedures to ensure employees with take-home vehicles do not also receive a commuting allowance. In addition, the airport does not reconcile fuel purchased to fuel used.

- A. Monitoring procedures for the airport's vehicles are not sufficient. The city's vehicle policy does not address records to be maintained for vehicles (see audit report No. 2008-61, *City of St. Louis Board of Public Service*, issued in September 2008). The airport has approximately 319 vehicles including passenger vehicles, trucks, vans, dump trucks, etc.

The airport does not require usage logs be maintained for its vehicles. Although a monthly vehicle mileage report is maintained documenting the airport vehicles and mileage, the report only shows the odometer reading for the beginning of the month. The report does not include documentation of the daily beginning and ending odometer readings, destination, and purpose.

In addition, no documentation was provided to show the airport regularly monitors the fleet to ensure vehicles are used efficiently and effectively. The airport could accomplish this with a review of usage logs. For example, the Properties Management Department which is under the Finance and Accounting Division has two pool vehicles that were driven only 2,195 and 1,122 miles during the year ended June 30, 2008.

Without adequate usage logs, the airport cannot effectively monitor that vehicles are used for official business only and vehicles are used efficiently and effectively. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by a supervisor to ensure vehicles are used only for city business and the vehicles are used efficiently and effectively.

- B. The airport does not have adequate procedures in place to ensure employees assigned a take home vehicle do not continue to receive a commuting allowance. The commuting allowance is authorized under Ordinance 68126, Section Two, (the compensation ordinance) which states employees residing in the city and assigned to a position located outside of the city limits are entitled to a commuting allowance of \$141 every two weeks. The airport has approximately 30 vehicles which have been assigned to employees and can be taken home due to the nature of their position at the airport. An employee assigned a vehicle for commuting from home would not be eligible for the commuting allowance. Our review of take-home vehicles noted two employees which had been assigned vehicles and were also receiving the commuting allowance. The total amount of overpayment to these two employees when they first received the allowance in September and October 2008 through the pay period ending March 28, 2009, was approximately \$2,100 and \$910, respectively.

Without adequate procedures to reconcile take home vehicles and employees receiving the commuting allowance, the airport cannot ensure overpayments are not made to employees assigned an airport vehicle for commuting purposes. The airport should establish procedures to ensure the appropriate employees are notified when a take-home vehicle is assigned to an employee and the commuting allowance is discontinued.

- C. The airport does not reconcile fuel purchased to fuel used. The Fleet Maintenance Division purchases diesel and unleaded fuel for two bulk tanks located at the airport. The bulk fuel tanks are equipped with an electronic meter system to record fuel use. The system can produce a fuel report showing the amount of fuel used by each airport vehicle. The fleet manager indicated he examines the report for reasonableness of fuel used by each of the airport vehicles, but this review is not documented. In addition, the fleet manager is not using the fuel report to reconcile the amount of fuel used at the airport to the amount of fuel purchased. The airport spent approximately \$538,000 on fuel during the year ended June 30, 2008.

Reconciliation of fuel purchased to fuel used helps ensure fuel is accounted for properly and helps detect and prevent loss, theft, or misuse of fuel. The airport should perform the reconciliations, and use past experience or industry standards to analyze the data to understand if temperature changes or other known factors are the reasons for discrepancies, and then follow up on unanticipated discrepancies.

WE RECOMMEND the Airport Director:

- A. Require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.
- B. Establish procedures to ensure employees assigned a take home vehicle do not also receive a commuting allowance.
- C. Require reconciliation of fuel purchased to fuel used, and require follow-up procedures on significant differences. In addition, the reconciliation and follow-up procedures should be properly documented.

AUDITEE'S RESPONSE

The Airport provided the following written responses:

- A. *The Airport does not agree with this finding and recommendation. We believe daily reports would be time consuming and not cost effective. An employee would have to collect the reports and tabulate them. Reviewing the daily logs for a fleet this large would take an incredible amount of man-hours and would not be efficient. The Airport believes the monthly reports we are already using demonstrates potential spikes and valleys in individual mileage that can be reviewed. This system has worked effectively for years at minimal cost. Even though the Fleet Manager reviews these logs on a regular basis, the process will be formalized. In addition, the Airport has six Global Positioning System (GPS) units that can be installed on any of the vehicles if problems are suspected.*

We also do not agree with the report's statement that "...the airport does not regularly monitor the fleet to ensure vehicles are used efficiently and effectively." Monitoring the fleet's usage is performed on an annual basis by the Airport Assistant Director-Operations & Maintenance with the Fleet Manager. This is part of the review and update of the five year vehicle replacement program. Vehicles are moved from one department to another so low mileage vehicles are placed in a department with high usage and high mileage vehicles are placed in a department with low usage. The life of many vehicles has been lengthened by this process. However, we have still begun a more formal procedure for this process and will do this on a semi-annual basis instead of annually.

- B. *The Airport agrees with the finding and the recommendation but believes the audit report left out a very important fact. The report cites that "approximately 30 vehicles" are assigned to employees "due to the nature of their position at the Airport." The audit report would have indicated if it was found that any of these vehicles did not meet the criteria and approval for a take-home vehicle. This is because all take-home vehicles do meet the criteria of being available in case of any Airport emergency.*

The two employees listed in the report as receiving the commuting allowance and assigned a take-home vehicle are required to return the commuting allowance. One employee repaid the appropriate amount in July, 2009. The other employee has a repayment plan which will be completed in September, 2009.

A procedure is in place to ensure this situation will not occur again. The Fleet Manager is required to generate a bi-weekly list of employees assigned a take-home vehicle and send it to each department manager for verification. Each department manager is required to review, update, and return this list to the Fleet Manager. The Fleet Manager will then submit a complete list to the Human Resources Manager and to the Accounting Manager II responsible for the Airport's Payroll. The Payroll Specialist II will cross reference the take-home vehicle list with the commuting allowance list for possible duplications.

- C. *The fuel tanks are tested for leaks according to EPA regulations on a regular basis. The Airport also checks fuel usage by reviewing the vehicle card/shop card on a monthly basis. If unusual activity is detected, it is investigated. In fact, it was just recently discovered that the fuel dispensers were out of calibration. The appropriate company was called to recalibrate. This company indicated that all of the fuel dispensers were, in fact, within the calibration range as dictated by the State. However, our Fleet Manager said that was not acceptable to the Airport and asked them to recalibrate each fuel dispenser to as close to a zero range as possible. The Airport will continue to monitor on a regular basis. In addition, monthly reconciliation reports will be generated and reviewed by the Fleet Manager.*

5. Asset Controls and Procedures

Procedures for tracking capital assets and depreciation could be improved. The airport is responsible for maintaining a complete detailed record of airport property separate from the City Comptroller's Office. The Finance and Accounting Division maintains two asset lists. The first list is maintained in the accounting section and contains items costing over \$10,000. The airport capitalizes the items on this list. The second list is maintained by the Materials Management Department under the Finance and Accounting Division and contains items costing between \$1,000 and \$10,000, which are not capitalized.

- A. The airport has two conflicting written policies concerning assets. For example, one policy indicates physical inventories should be performed every 3 to 5 years, but the other policy indicates the physical existence of assets should be verified and reconciled to the asset records on an ongoing basis. Airport officials indicated they are working on updating the policies to reflect one current policy. To ensure assets are handled in a uniform manner, one policy should be developed and approved by the airport.
- B. The airport has not recently performed an annual physical inventory of assets. As noted in the finding above, the airport's policy on physical inventories is not clear

regarding how often physical inventories are to be performed. During the year ended June 30, 2008, the airport conducted partial physical inventories of vehicles and equipment purchased with federal funds, but has not conducted a complete physical inventory of airport assets in several years.

The airport should require a physical inventory be conducted annually. Adequate airport property records and procedures are necessary to ensure effective internal controls and provide a basis for determining proper insurance coverage. Physical inventories of airport property items are necessary to evaluate the accuracy of the records and deter and detect theft.

- C. Property purchases and accumulated depreciation are not adequately reconciled between the general ledger trial balance and the capital asset list. A difference of approximately \$1.2 million was noted between the general ledger and capital asset list for both the original cost entries and accumulated depreciation entries. Periodic reconciliations of the capital asset additions and depreciation amounts are needed to ensure all capital assets are correctly recorded on the property records.
- D. The property records maintained do not include all necessary information. The capital asset records for items over \$10,000 contain some descriptions which are not accurate. The asset record for items between \$1,000 to \$10,000 does not include some information such as acquisition costs, tag numbers, complete descriptions of the asset, and date and method of disposal. Adequate asset records are necessary to ensure adequate internal controls over airport property.
- E. The airport police department maintains an additional property list which duplicates the records maintained by the Finance and Accounting Division. In addition, the police department list contains small items (minimum value of \$20) which may not need to be tracked. While it may be necessary for the police department to track sensitive items, such as badges and weapons, the tracking of many small items and duplication of Finance and Accounting records is an inefficient use of police department resources. In addition, the only documentation of police department property disposal is an approval of the Supply Officer. To ensure assets are disposed of properly, asset disposal authorizations should come from a more appropriate level of the organization, and be properly documented.

WE RECOMMEND the Airport Director:

- A. Revise and approve the written policy concerning procedures for assets and ensure the policies do not conflict.
- B. Ensure physical inventories are conducted annually.

- C. Ensure capital asset additions and depreciation amounts are periodically reconciled to the property records.
- D. Ensure asset records contain all necessary information such as accurate descriptions, acquisition costs, tag numbers, and the date and method of disposal.
- E. Require the police department to discontinue the practice of tracking all police assets and track only sensitive items, such as badges and weapons. In addition, disposal of police department property should be authorized by an appropriate level of the department and reported to the Finance and Accounting Division.

AUDITEE'S RESPONSE

The Airport provided the following written responses:

- A. *The Airport agrees with the finding and the recommendation. The fixed asset policy and procedure was updated in March 2009.*
- B. *The Airport partially agrees with this finding and recommendation. The fixed asset policy and procedure was updated in March 2009. Due to the volume of Airport fixed assets, the Airport will attempt to conduct physical inventories for each Airport department every year.*
- C. *The Airport partially agrees with this finding and recommendation. The reconciliation between the general ledger and the Capital Asset Register (CAR) has been updated to reconcile the assets and accumulated depreciation separately. The previous monthly reconciliation process reconciled them by net book value. The current monthly reconciliation process reconciles the assets and accumulated depreciation separately.*

The \$1.2 million noted in this audit report refers to an impairment adjustment. The impairment adjustment was initially made to the general ledger and the CAR at net. The following year, per the Airport's independent auditors (KPMG, LLP), the impairment entry originally recorded at net was adjusted to reflect assets and accumulated depreciation separately. Both cost and accumulated depreciation were reduced by the same dollar amount (\$1.2 million) in the general ledger. However, when Finance and Accounting was making the changes in the CAR, additional questions came up and the changes in the CAR were not made pending additional information from KPMG, LLP.

- D. *The Airport agrees with the finding and the recommendation but believes the audit report left out a very important fact. The draft report states "... items over \$10,000 contain some descriptions which are not accurate." These items are primarily items capitalized in excess of 10 years. Prior to 10 years ago, items were capitalized at the end of the contract. Each contract consisted of numerous assets and the assets were capitalized as one unit. In these instances the contract number and company name was used as the description due to the large number of assets capitalized as one unit.*

The asset records for items between \$1,000 and \$10,000 are maintained in the Asset Tracking System. Although the information in the database was complete for each item, the fields for the data on the report were too narrow to display the information and had to be expanded to allow readability. It was also discovered that some of the description fields were not complete. Those fields have now been completed.

- E. *We disagree with this finding and recommendation. The Police Chief, with the concurrence of the Airport's Senior Deputy Director, believes these items should be kept track of in the Police Department. While they understand that Finance & Accounting has the official Airport inventory, the Police Department has emergencies and wants to make sure equipment is tracked before, and after, any emergency. This type of equipment includes handcuffs, badges, pepper spray and other "low dollar" items.*

The Airport also disagrees with the finding related to the disposal of assets in the Police Department. Prior to March, 2009, the Supply Officer would generate a memo addressed to the Purchasing Manager in the Materials Management Division. This memo accompanied the property being requested to be disposed of. The Supply Officer prepared the memos, at the direction of the Police Chief's Administrative Assistant III, only to document the disposal request. No property has ever been disposed of directly from the Police Department. All property is returned to Materials Management for final disposition.

This disposition of Airport assets is addressed in the Airport's Purchasing Policy and Procedure. It states that obsolete, excess to department needs, unsafe and unserviceable assets must never be discarded by Airport departments. The proper procedure, as stated in the policy, for disposing an asset is a) department completes a Property Control Form; b) obtain department manager's signature to authorize the request; c) submit the Property Control Form to Materials management for review and approval; and d) Materials Management reports the disposition to the city's Supply Commissioner.

After March, 2009, Materials Management had developed a disposal form to be used by all Airport departments and that is the form now being used by the Police Department. The Police Chief's Administrative Assistant III signs this particular form as the authorized signer.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HISTORY AND ORGANIZATION

The St. Louis Airport Authority was created in 1968 by an ordinance adopted by the St. Louis Board of Aldermen. It oversees the operations of Lambert-St. Louis International Airport. The Mayor appoints a director to be the chief executive officer of the airport authority. The Director is responsible for the supervision and coordination of activities for the three divisions. The airport's divisions include Finance and Administration, Planning and Development, and Operations and Maintenance. In addition, the director serves as the Chairman of the Airport Commission. Currently, the Airport Director is Richard Hrabko who was appointed in April 2007. The airport has approximately 600 full-time and 16 part-time equivalent employees.

The following briefly describes the Airport Commission, responsibilities of the Director's Office, and each of the three divisions in the airport:

St. Louis Airport Commission

The Airport Commission is responsible for planning, development, operation, and management of the airport. The Airport Commission is made up of 17 members including the airport Director who serves as the Chairman.

Director's Office

The Director's office is responsible for coordinating and directing all aviation activities as well as promoting and developing all aviation facilities at the airport. The Director supervises the airport's three divisions.

Division of Finance and Administration

The division is responsible for the various accounting duties of the airport, as well as oversight on accounts payable, receivables, and establishing rates charged to airlines for use of airport facilities. This division is also responsible for all leases and agreements with the various airlines, concessions, car rentals, etc. involving airport owned property. In addition, the division oversees the airport's federal Disadvantaged Business Enterprise (DBE), the city's Minority Business Enterprise (MBE), and Women Business Enterprise (WBE) programs.

Division of Planning and Development

The division is responsible for planning and managing the airport's development program. This includes development of the airport's long-term strategic plans. One of the primary responsibilities of the division is the planning, design, and construction management for landside and airside capital improvement projects. These duties also include reviewing any improvements which are made by tenants of the airport. The division also has responsibilities for the airport's noise programs which includes relocation, real estate acquisitions, and noise

mitigation programs. In addition, the division coordinates various environmental studies and clean up efforts at the airport.

Division of Operations and Maintenance

The division is responsible for administering all activities concerning police protection and building and airfield maintenance on a day to day basis. Duties also include maintenance of the airport's fleet of vehicles and the information technology section of the airport. This division also coordinates with the city's Fire Department under the Department of Public Safety who controls the airport's Fire Department operations.



Susan Montee, JD, CPA
Missouri State Auditor

City of Pleasant Hope



October 2009

Report No. 2009-120

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the City of Pleasant Hope

Potential Conflicts of Interest	A number of transactions were noted between the city and businesses owned by an Alderman or relatives of an Alderman for purchases of various goods and services.
Bidding Procedures	While the city made improvements to its bidding procedures and adopted a bid policy in December 2008, several items purchased in 2008 were not bid and the new bid policy does not require the Board to document emergency situations when bids are not obtained. The city did not solicit proposals for engineering services for construction of a bridge and has contracted for legal and audit services with its current attorney and independent auditor for several years without conducting a selection process. The city has not periodically solicited proposals from various banking institutions for the deposit of city monies and does not have a written agreement with its depository bank.
Disbursements	Employees were not always required to submit invoices for employee reimbursements. As a result of not adequately reviewing disbursements, the city was not aware of a duplicate payment made to a former Alderman. Controls over the city's credit and debit cards need improvement, and prevailing wage rates are not adequately monitored by the city. Fuel and usage logs are not maintained for the city's equipment and vehicles, and fuel usage is not reconciled to fuel purchases. The city has not entered into a written rental agreement for use of a garage owned by the local fire department.
Restricted Monies	The city has not established adequate procedures to ensure disbursements are properly allocated among funds and restricted monies are disbursed only for their intended purpose. The city did not track the balance of state motor vehicle-related monies, and Police Officer Standards Training and Law Enforcement Training fees are not properly accounted for separately or maintained in a separate fund. Documentation does not exist to support the allocation of some disbursements to city funds.
Federal Emergency Management Assistance	The Board did not obtain reimbursement of Federal Emergency Management Agency (FEMA) funds for work completed related to an approved FEMA project. The city did not solicit bids for some excavation work and supplies purchased as required by FEMA.
Payroll Controls and Procedures	The city overpaid the former Chief of Police \$1,201 for additional vacation hours upon his resignation. The city did not require employees to provide proof of payment for outside insurance premiums paid by the employees, which were reimbursed by the city. In addition, these payments were not included on the employees' W-2 form and were not subjected to payroll tax withholdings. The city did not require timesheets be prepared or records of vacation and sick leave be maintained for employees until January 2009.

During 2007, additional compensation was paid to a former City Clerk and a former part-time meter reader; however, timesheets or other supporting documentation was not retained to support this additional compensation. In addition, these payments were not included on the employees' W-2 form and were not subjected to payroll tax withholdings. City personnel files are incomplete.

Utility Controls and
Procedures

Significant problems were identified in the control procedures related to the city's utility system. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services. There is no independent approval of adjustments posted to the utility system and the justification or reasons for the adjustments are not adequately documented. Sewer and water service is not always shut-off in accordance with city ordinance when accounts are delinquent, the city has not established formal written policies and procedures related to payment plans, and some city ordinances are not enforced. Deposits totaling at least \$2,700 were held for 71 customers no longer receiving utility services. While the city maintains a list of water deposits, a separate fund is not maintained; therefore, the list of water deposits cannot be reconciled to related balances. The city does not adequately account for deposits charged to owners of rental properties. The city has not performed a formal review of the water and sewer rates for several years.

Accounting Controls and
Procedures

Accounting duties are not adequately segregated, and improvement is needed in the handling of city receipts. The cash balances on the city's balance sheet were overstated because the City Clerk did not properly record interest earned and the redemption and purchase of several CDs. Controls over the petty cash fund need improvement.

Budgets, Financial Reporting,
and Maintenance Plans

The city's 2009 and 2008 budgets were not accurate and complete. The city overspent the budget during the year ended December 31, 2007, and the 2008 budget was not approved by the Board until March 2008. The city did not submit an annual financial report to the State Auditor's office for the year ended December 31, 2008, and formal maintenance plans for the city's utility system and roads have not been prepared.

Other findings in the audit report relate to meeting minutes, ordinances, and board approval, and capital asset and inventory procedures.

All reports are available on our Web site: auditor.mo.gov

City of Pleasant Hope

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Potential Conflicts of Interest.....4
	2. Bidding Procedures5
	3. Disbursements7
	4. Restricted Monies11
	5. Federal Emergency Management Agency Funds.....14
	6. Payroll Controls and Procedures15
	7. Utility Controls and Procedures18
	8. Accounting Controls and Procedures22
	9. Budgets, Financial Reporting, and Maintenance Plans24
	10. Meeting Minutes, Ordinances, and Board Approval.....27
	11. Capital Asset and Inventory Procedures.....29

Organization and Statistical Information	31
---	----



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Pleasant Hope, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Pleasant Hope. The city engaged Davis, Lynn, and Moots, P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2008; however, the audit has not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Pleasant Hope.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish
Audit Staff:	David Olson

City of Pleasant Hope Management Advisory Report State Auditor's Findings

1. Potential Conflicts of Interest

A number of transactions were noted between the city and businesses owned by an Alderman or relatives of an Alderman for purchases of various goods and services.

- The city conducted business with a local construction company owned by former Alderman Mullings' father while she served in office. During the period of January 2007 through April 2008, the city disbursed a total of \$43,891 to this business. Former Alderman Mullings did not abstain from the approval of disbursements to this business totaling \$28,061. In addition, bid documentation was not retained by the city for \$14,777 of these disbursements.
- The city paid a local automobile repair shop co-owned by former Alderman Bradford to complete most repair and general maintenance work to city vehicles while he served in office. During the period of January 2007 through July 2007, the city disbursed a total of \$2,448 to this business. Former Alderman Bradford did not abstain from the approval of disbursements totaling \$1,332 to his business. In addition, the city did not solicit bids for these services.

Officers of a city serve in a fiduciary capacity. Personal interests in business matters of the city could create actual and the appearance of conflicts of interest. Officials should abstain from any type of involvement in decisions which relate to themselves or relatives. In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the city and elected or appointed officials which involve more than \$500 unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received. The Board should also consider establishing a policy that addresses these types of situations and provides a code of conduct for city officials.

Recommendation

The Board of Aldermen closely examine transactions to identify and avoid apparent and actual conflicts of interests. City officials who have a conflict should fully disclose their interest and should not vote on matters that involve them personally. Such matters and transactions should be completely documented so the public has assurance no official or relative has profited improperly. The Board should ensure strict compliance with the law when conducting official business and establish a policy addressing these issues.

Auditee's Response

The Mayor and Board of Aldermen provided the following written response:

We will establish a policy which addresses possible conflicts of interest involving members of the city council and other elected officials. We will establish a policy addressing prohibition of financial transactions pursuant to RSMo 105.454 and 105.458. We will establish a policy relating to conflict



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

of interest, when voting on matters which involve the Board personally. The City Clerk will make every effort to note in the minutes any abstentions due to conflict of interest.

2. Bidding Procedures

Improvement is needed in the city's bidding practices.

2.1 Bidding policy and procedures

Although the city made improvements to its bidding procedures and adopted a bid policy in December 2008, several items purchased in 2008 were not bid. In addition, the new bid policy does not require the Board to document emergency situations when bids are not obtained. Bids were not solicited or bid documentation was not retained for the following purchases made during 2008:

Item Purchased	Cost
Waterline replacements	\$ 4,100
Water pressure system and tank rental	3,950
Pump repairs	3,892
Propane	2,605
Cellular phone service	2,597

In addition, due to the lack of formal written bid policies and procedures in 2007, the decision of whether to solicit bids for a particular purchase was made on an item-by-item basis, and bids were not solicited or bid documentation was not retained for the remodeling of the former city hall costing \$6,715, the purchase of a mini-truck costing \$5,299, or the purchase of a snow plow costing \$4,300.

In 2007, the city also failed to document its reasons for accepting other than the low bid for debris clean up and removal. The city advertised for proposals and three bids were submitted; however, the lowest bid was not selected. According to city officials, the lowest bidder retracted its bid before the bid was awarded and the second lowest bidder was awarded the contract; however, documentation of the retraction was not retained by the city. The city paid \$50,751 to this vendor.

The city's new bid policy requires three verbal bids for purchases costing less than \$500, three written bids for purchases costing between \$500 and \$2,000, and formal advertising for bids for purchases costing more than \$2,000.

Formal bidding procedures for major purchases provide a framework for economical management of the city's resources and help ensure the city receives a fair value by contracting with the lowest or best bidder. Competitive bidding also helps ensure all parties are given an equal



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

opportunity to participate in the city's business. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected. In addition, justification and documentation of emergency purchases should be retained by the city, and the new policy should be amended to include this requirement.

2.2 Professional services

The city has not solicited proposals for various professional services.

- The city did not solicit proposals for engineering services for construction of a bridge. The city has paid the engineer \$25,101 for work completed on the project through December 2008. Sections 8.285 to 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating such services. These sections, in part, require the city to obtain annual statements of qualifications and performance data from interested engineers and consider at least three highly qualified engineers.
- The city has contracted for legal and audit services with its current attorney and independent auditor for several years without conducting a selection process. The city paid \$8,239 and \$3,000 for legal and audit services, respectively, during the year ended December 31, 2008.

Selection processes are necessary to ensure the city is receiving the best services and rates. The process should include advertising and soliciting proposals and evaluating the proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the city. Information concerning the selection process should be documented and retained.

2.3 Banking services

The city has not periodically solicited proposals from various banking institutions for the deposit of city monies and does not have a written agreement with its depository bank including the services the bank will perform for the collection of utility payments.

A periodic evaluation of proposals from various banking institutions would provide the Board with current information for making sound banking decisions. In addition, a depository agreement is necessary to ensure all parties are aware of duties and responsibilities. The agreement may include costs of bank services and safe deposit boxes, interest charges for borrowed funds, interest to be paid on investments, collateral securities required to be pledged by the bank, and requirements for the collection of utility payments. Further, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 2.1 Amend the newly adopted policy to require justification and documentation of emergency purchases and enforce the bidding policy and related procedures. Complete documentation of the bidding process should be maintained, including all bids received and justification for selecting, rejecting, or not obtaining bids.
- 2.2 Solicit proposals for professional services.
- 2.3 Solicit proposals from various banking institutions on a periodic basis and enter into a depository agreement with the selected bank.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 2.1 *We are reviewing the current bid policy in conjunction with emergency situations and will update/revise the policy to include documentation for justification of the purchases and will enforce the bidding policy and related procedures for all situations. Bids for propane service, trash service, and healthcare services have been completed for 2009. Contracts have been signed and are on file with all the bid information.*

We will solicit bids for other services as necessary. All documentation for bids will be retained per the Secretary of State Retention Schedules.

www.sos.mo.gov/archives/localrec/schedules/municipl.asp

- 2.2 *We will solicit bids for legal services for 2010 and will also solicit bids for audit services for the 2009 audit. Future engineering services will be selected by the bid process as provided by RSMo Sections 8.285 thru 8.291 and City Ordinance 244. All bid documentation will be retained and kept on file. Contracts will be signed and placed on file.*
- 2.3 *We have sent out letters for sealed banking service bids within the city limits of the city. These bids will be opened at the October 19, 2009, meeting. Selection will be done in accordance with Missouri Statutes, and we will have a formal depository agreement on file by November 1, 2009.*

3. Disbursements

Controls and procedures over city disbursements including adequate supporting documentation, credit and debit cards, prevailing wages, fuel, and written agreements need improvement.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

3.1 Adequate supporting documentation

No documentation was retained by the city for purchases totaling \$589 to a local small engine store, and as a result, the city had no assurance the purchases were for city business and the purchased items were received. In addition, employees were not always required to submit invoices for employee reimbursements. For example, a former City Clerk was reimbursed over \$1,700 in 2007, without being required to submit adequate supporting documentation for expenses incurred. Most documentation submitted was prepared by the former City Clerk on her personal stationary. These expenses included software updates, office supplies, computer equipment, business cards, stationary, development of pictures, and web page set-up and maintenance charges. The former City Clerk resigned in October 2007. All disbursements should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and disbursements represent appropriate uses of public funds.

3.2 Duplicate payments and receipt of goods or services

As a result of not adequately reviewing disbursements, the city was not aware of a duplicate payment. The city reimbursed former Alderman Bradford \$114 twice (on May 15, 2007, and again on May 22, 2007) for repairs made by the repair shop co-owned by the Alderman. In addition, the acknowledgement of receipt of goods or services is rarely indicated on invoices prior to approval for payment.

A thorough and documented review of disbursements reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services. In addition, the Board should seek reimbursement of the double payment from the former Alderman.

3.3 Credit and debit cards

Controls over the city's credit and debit cards need improvement. The city has not adopted formal policies and procedures for the use of these cards. We also noted the following additional concerns:

- The city charged \$734 to a discount store credit card during the year ended December 31, 2008, and adequate supporting documentation was not retained for \$390 of these transactions.
- City officials indicated the cards were intended to be used for small purchases of office supplies, meals, and travel expenses. However, we noted three laptop computers were purchased for a total of \$1,564, and a digital camera was purchased for \$189.

Complete and detailed written credit and debit card policies and procedures are necessary to provide guidance to employees. The city should develop policies that require all invoices to be submitted prior to payment of credit and debit card statements, and purchases to be approved by someone other than the card user. The city should perform an adequate review of all card



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

purchases to ensure expenses paid are necessary, reasonable, and adequately documented.

3.4 Prevailing wages

Prevailing wage rates are not adequately monitored by the city. The city hired a local construction company to complete a bridge replacement project in 2008. While the city did require and retain an affidavit from the company stating the company would agree to pay prevailing wages, the city did not require the contractor to provide supporting documentation of wages paid to ensure compliance with prevailing wage laws. The city paid this vendor \$135,997 for this project. In addition, the city hired a local construction company for various city projects and did not require the company to pay prevailing wages. The city paid this vendor \$41,776 during the year ended December 31, 2008.

Section 290.230, RSMo, requires prevailing wages to be paid to all workers employed by or on behalf of any public body, who perform construction work projects other than routine maintenance. Without supporting documentation of wages paid, the city cannot ensure compliance with state law.

3.5 Fuel and usage logs

Fuel and usage logs are not maintained for the city's equipment and five vehicles and fuel usage is not reconciled to fuel purchases. The city purchases fuel and other supplies from several local gas stations, and as a result, we were unable to determine the amount the city specifically spent on fuel.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include the date, driver, purpose, and destination of each trip; daily beginning and ending odometer or hour readings for vehicles and equipment; and amount of fuel pumped. The logs should then be reconciled to fuel purchases. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

3.6 Written contracts

The city has not entered into a written rental agreement for use of a garage owned by the local fire department. In lieu of rent, the city mows the fire department's property and does not charge the fire department for water usage. In addition, the city does not track the fire department's water usage to ensure the exchange is reasonable.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, the city should track the fire department's water usage to ensure the exchange is reasonable.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 3.1 Require adequate supporting documentation for all disbursements, including employee reimbursements.
- 3.2 Ensure all invoices are adequately reviewed to reduce the possibility of duplicate payments, and require all invoices be initialed or signed by an employee to indicate acceptance of goods or services. In addition, the Board should seek reimbursement of the double payment from the former Alderman.
- 3.3 Adopt formal policies and procedures for credit and debit card usage that include requiring adequate documentation be maintained and reconciled to billing statements, and purchases be approved by someone other than the card user.
- 3.4 Ensure adequate supporting documentation is submitted to substantiate prevailing wages are paid on construction projects as required by law.
- 3.5 Require usage logs be maintained for all city owned vehicles and equipment, and fuel logs be reconciled to fuel purchases. A periodic review should be performed to ensure the reasonableness of the fuel purchases and usage. In addition, all reviews and reconciliations should be documented.
- 3.6 Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received. In addition, the city should track the fire department's water usage.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 3.1 *We will require receipts and other supporting documentation for all expenses before disbursements will be made. The City Clerk has implemented a process that requires the signature of whomever received the goods and the date that the goods were received. Purchase orders will be created and tracked against the invoices. The Mayor will review and initial the invoices when checks are ready for his signature. We will receive a more detailed list of pending bills. The pending bill list will become part of the formal meeting minute documentation and kept with the minutes.*
- 3.2 *We have directed the City Clerk to contact former Alderman Bradford and request that he either provide documentation to*



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

substantiate two separate invoices or repay the city \$114. The City Clerk has implemented a process that requires the signature of whomever received the goods and the date that the goods were received.

3.3 *We have on the agenda for September, to approve Bill #93 which denies the use of a credit or debit card in order to circumvent the bidding process. We are currently writing a more inclusive debit and credit card policy for all business practices that will include an oversight process to ensure that all charges are necessary, reasonable, and adequately documented.*

3.4 *We will, in the future, when dealing with contractors or subcontractors hired to do construction work in connection with public works, require prevailing wages be paid and ensure that prevailing wages have been paid as part of the construction contract.*

3.5 *We have implemented a mileage/fuel tracking log for all city equipment. These logs are completed and turned in at the end of each month, and the City Clerk matches the logs with fuel purchases from various vendors inside the city limits. Specific use of vehicles is noted on the tracking logs so that the cost of fuel can be paid from the appropriate city services department's fuel budget. These logs will be reviewed by the Board monthly.*

We will solicit a bid for a fuel service provider for the year 2010.

3.6 *We now have a contractual agreement on file for a reciprocity agreement with the fire department. The water department has started reading and accounting for the water used at the fire department. All future services and compensation paid for services shall all be initialed with a contractual agreement per RSMo 432.070.*

4. Restricted Monies

The city has not established adequate procedures to ensure disbursements are properly allocated among funds and restricted monies are disbursed only for their intended purpose.

4.1 State motor vehicle-related receipts

While the city tracks the receipts and expenses related to the state motor vehicle-related receipts in the city's General Fund, the balance of these monies is not tracked by the city.

Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be disbursed for street related purposes only. To ensure compliance with the Missouri Constitution, the



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

city should determine state motor vehicle related receipts collected that remain unspent and transfer the balance to a separate fund or maintain a separate accounting of the balance of these monies.

4.2 Police Officer Standards Training and Law Enforcement Training

Police Officer Standards Training (POST) and Law Enforcement Training (LET) fees are not properly accounted for separately or maintained in a separate fund. Currently, all training monies received from these fees are deposited in the city's General Fund with other non-restricted monies.

Section 488.5336.2, RSMo, requires POST and LET fees, respectively, to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate Police Training Fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

4.3 Allocation of disbursements and salaries

Documentation does not exist to support the allocation of some disbursements to city funds as follows:

- The city paid \$11,500 from the Sewer Fund to purchase a patrol car in November 2006.
- The city paid \$6,000 from the Water Fund to purchase a truck in February 2007, which city officials indicated was primarily used to maintain city streets.
- Rent for city hall totaling \$500 per month is paid 2/3 and 1/3 from the General Fund and Water Fund, respectively.
- Some disbursements were paid from the General Fund, which could have been paid from other city funds including the purchase of a mini-truck for \$5,299 in October 2007, which is used by all city departments.
- The City Clerk's salary is paid entirely from the Water Fund; the Director of City Services' salary is paid from the Water Fund and his health insurance is paid from the Sewer Fund; and the Water/Sewer Operator's salary is paid entirely from the Sewer Fund. However, not all of their duties are related to those funds. Timesheets are currently prepared by all employees; however, no documentation is maintained to separately indicate the number of hours worked for each city service.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Generally accepted accounting principles and various legal restrictions require receipts and disbursements associated with specific activities be reflected in the fund established to account for those activities. Reflecting receipts and disbursements in the proper fund is also necessary to accurately determine the results of



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. In addition, documentation should be maintained to support the allocations used.

Recommendations

The Board of Aldermen:

- 4.1 Ensure compliance with the Missouri Constitution by tracking the balance of state motor vehicle-related monies.
- 4.2 Establish a separate accounting for POST and LET fees to ensure compliance with state law.
- 4.3 Ensure disbursements and salaries are properly allocated to the applicable city funds and allocations are supported by adequate documentation. A plan should be established for repayment of monies spent which were unrelated to water and sewer services.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 4.1 *We have directed the City Clerk to do the research necessary to attain a retained earnings amount for state motor vehicle receipts and expenses after which a separate bank account will be established.*
- 4.2 *We have directed the City Clerk to do the research necessary to attain a retained earnings amount for POST and LET receipts and expenses after which a separate bank account will be established.*
- 4.3 *We implemented timesheets in April 2009, for all employees, but will review the timesheets and revise as necessary to include the ability to track each employee's time as it relates to each city service. The City Clerk will then prepare a payroll report which provides documentation for the payroll breakdowns for each city service and move the appropriate money from each fund to the payroll fund.*

We will direct the City Clerk to document and align all expenditures with the appropriate city service.

We will establish a plan for repayment of monies incorrectly spent out of the Sewer and Water Funds.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

5. Federal Emergency Management Agency Funds

The Board did not obtain reimbursement of Federal Emergency Management Agency (FEMA) funds for work completed related to an approved FEMA project. The city did not solicit bids for some excavation work and supplies purchased as required by FEMA.

Flooding in August 2008 and ice storms in January 2007 caused significant damage to city property and roads, and as a result, the city received approximately \$195,000 in FEMA grants for repairs, restoration, and debris removal. The grants received required the city to match 25 percent of the costs.

5.1 De-obligation of funding

On December 15, 2008, the Board voted to de-obligate (return) \$12,844 of FEMA funds received because the city did not believe it had sufficient matching funds and was concerned about incurring higher independent audit costs. According to the Mayor, city employees and local volunteers removed debris and completed work at the city park related to the de-obligated project; however, the costs related to this project were not tracked by the city. The wages paid to the city employees on this de-obligated project would have been 75 percent reimbursable by the FEMA grant, if adequate supporting documentation of time and work completed had been maintained and submitted for reimbursement.

To maximize city revenues, in the future, the city should maintain adequate documentation of time and work completed on approved FEMA projects and submit it for approval to retain the approved funding.

5.2 Bidding

The city did not solicit bids for some excavation work performed to remove debris and reconstruct creek beds. The city paid a local construction company \$18,181 during the 2 years ended December 31, 2008, for these services; however, bid documentation was retained for only \$5,647. In addition, the city purchased gravel, water line supplies, and top soil costing \$5,214 from this same vendor during the 2 years ended December 31, 2008, without soliciting bids.

The FEMA documentation guide requires advertisement and solicitation of bids for construction or debris removal services. The guide also requires the city to obtain a price or rate quotation from an adequate number of qualified sources for supplies purchased.

Recommendations

The Board of Aldermen:

- 5.1 In the future, ensure records are maintained for work completed on approved FEMA projects and are submitted for approval to FEMA.
- 5.2 Ensure bids are solicited as required by FEMA guidelines.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 5.1 *We will ensure that work records are maintained for all future FEMA projects, and all FEMA requirements and guidelines are followed.*
- 5.2 *We will ensure that all bid requirements as set forth in city Ordinance #245 are followed for any future FEMA projects.*

6. Payroll Controls and Procedures

Improvement is needed over payroll policies and procedures.

6.1 Calculation of final paycheck

The city overpaid the former Chief of Police \$1,201 upon his resignation. The city paid the Chief for 80 hours of vacation leave totaling \$981 on September 12, 2008, then the Board of Aldermen approved an additional payment for another 40 hours of vacation leave totaling \$490 during a meeting held on September 15, 2008.

The former Chief of Police submitted a letter of resignation in September 2008 after 2 years and 9 months of employment with the city, and requested payment for 4 weeks (160 hours) of vacation. However, the personnel manual effective at the time only provided 7 days (56 hours) for the third year of employment. The personnel manual also indicated vacation leave must be used in the year earned and could not be accrued. Further, while timesheets or leave records were not prepared by the Chief, the city's computerized payroll system indicated 34 hours of leave had been used during 2008 by the Chief.

Based on the city's personnel policy and computerized payroll system, the Chief should have only been paid for 22 hours of vacation leave, or \$270.

To ensure all employees are treated equitably and compensated properly, personnel policies should be followed to aid in the determination of an employee's final paycheck.

6.2 Health insurance premiums

The city did not require employees to provide proof of payment for outside insurance premiums paid by the employees, which were reimbursed by the city. In addition, these payments were not included on the employees' W-2 forms and were not subjected to payroll tax withholdings. During 2008, the City Clerk and Water/Sewer Operator were reimbursed \$4,743 and \$266, respectively, for health insurance premiums because they did not participate in the city's health insurance plan.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

IRS regulations provide when an employer issues a check to an employee to pay for health insurance premiums without requiring proof of payment, the amount is a taxable fringe benefit. The Board should require adequate supporting documentation be submitted by the employees or report these payments on the employees' W-2 forms and subject them to payroll tax withholdings.

6.3 Timesheets and leave records

The city did not require timesheets be prepared or records of vacation and sick leave be maintained for employees until January 2009. Timesheets are necessary to document hours worked, substantiate payroll disbursements, provide the city with a method to monitor hours worked and leave taken, are beneficial in demonstrating compliance with FLSA requirements, and would aid the city in allocating payroll costs to specific activities (see MAR finding number 4.3). In addition, without leave records, the city cannot ensure vacation and sick leave balances are accurate and all employees are treated equitably. Leave records also aid the city in determining unused leave upon termination of employment, in the event a dispute arises.

6.4 Additional compensation

During 2007, additional compensation totaling \$690 was paid to a former City Clerk for work related to the preparation of FEMA grants and \$429 was paid to a former part-time meter reader for maintenance work on city equipment and vehicles; however, timesheets or other supporting documentation was not retained to support this additional compensation. In addition, these payments were not included on the employees' W-2 forms and were not subjected to payroll tax withholdings. Also, it is unclear how the work performed was not within the normal job duties of these employees.

Any overtime or additional part time hours worked should be reported on the employees' timesheets and compensated as such to ensure compliance with the FLSA. The city should amend these employees' W-2 forms for these payments.

6.5 Personnel files

City personnel files are incomplete. Personnel files should be maintained for all employees to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the Board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate. Currently, the city relies on prior meeting minutes to document these items.

Recommendations

The Board of Aldermen:

- 6.1 Ensure personnel policies are followed in determination of final payroll checks.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

- 6.2 Require adequate supporting documentation of amounts paid to employees for health insurance premiums to be submitted or report these payments on the employees' W-2 forms and subject them to payroll tax withholdings. In addition, the Board should amend the employees' 2008 W-2 forms.
- 6.3 Continue to require all employees prepare timesheets and maintain leave records.
- 6.4 Ensure additional time worked is reported on employee timesheets and compensated properly. In addition, the Board should amend the employees' 2007 W-2 forms.
- 6.5 Ensure complete personnel files are maintained for all employees.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 6.1 *We implemented a personnel manual on September 15, 2008. The payroll system in Quick Books has been updated to track vacations and sick time. Timesheet tracking and a formal time-off request form has been implemented to assist in proper documentation and time tracking.*
- 6.2 *We have acquired all documentation related to reimbursement for healthcare expenses and will, in the future, require such documentation before payment is made.*
- 6.3 *We currently require employees to prepare timesheets and will ensure that documentation for personal leave and hours worked are tracked properly and appropriately charged to specific city services.*
- 6.4 *We will ensure that all work performed for the city by a city employee is compensated through payroll and that all hours worked are accurately documented through the use of time sheets.*

We have directed the City Clerk to prepare amended W-2 forms for the former City Clerk and the former part-time meter reader.
- 6.5 *We have directed the City Clerk to review the content of each employee's personnel file and make sure all documentation pertaining to the individual is in the file and then to continue to keep the files current with all the required documents.*



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

7. Utility Controls and Procedures

Significant problems were identified in the control procedures related to the city's utility system. As a result of these weaknesses, there is less assurance all utility monies have been accounted for properly, and utility charges are set at the appropriate level to cover the cost of providing the related services.

7.1 Reconciliation of utilities

The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services including water and sewer. The city utilizes a computerized system to record meter readings, prepare bills, and record payments of utility fees.

Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.

7.2 Adjustments

There is no independent approval of adjustments posted to the utility system and the justification or reasons for the adjustments are not adequately documented. The City Clerk collects utility payments and has the ability and authority to post adjustments to the computer system without obtaining independent approval. For example, during the year ended December 31, 2008, 167 credit/debit adjustments were made to customer accounts in the net amount of \$90,740 without any independent approval. Included in this amount is a debit adjustment of \$80,145 made to a customer account, and the only documentation maintained was a note indicating the adjustment was for a "major correction."

To ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained of such adjustments.

7.3 Shut-off procedures

Sewer and water service is not always shut-off in accordance with city ordinance when accounts are delinquent. In 1996, the Board approved utility services to be disconnected if the customer's bill was not paid 30 days after the billing period. This ordinance was amended on October 6, 2008, and required utility service to be disconnected if the customer's bill was not paid by the end of each month. We noted instances where utility service was not disconnected when customer accounts became delinquent. For example, during the year ended December 31, 2008, some Board members and several residents had delinquent utility accounts not paid within the required time period; however, service was not disconnected.

Allowing customers to receive utility service without paying reduces the incentive to make payments and may result in a loss of revenue to the city. The city's failure to disconnect service for elected officials in accordance with local ordinance creates the appearance these officials may have benefited improperly. The members of the Board of Aldermen serve the city in a fiduciary capacity. Failure to pay their own utility accounts could harm



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

public confidence and reduce their effectiveness. The city should ensure utility service is shut-off in accordance with city ordinances.

7.4 Delinquent accounts and penalties

The city has not established formal written policies and procedures related to payment plans and some city ordinances are not enforced. Currently, the city allows some utility customers to set up payment plans with the City Clerk to pay off delinquent utility accounts and avoid disconnection from utility services. Customers are required to sign a payment plan documenting a monthly payment amount (determined by the customer), which will be applied to delinquent balances. The payment plan also requires the customer to pay all current balances due. If the customer does not comply with the payment plan, utility services are shut off and the city refers the delinquent account to a collection agency.

In addition, city ordinance requires any payments received after the 15th of the month to be subject to a 5 percent penalty; however, during our review of customer accounts, no utility customers were charged penalties for payments received after the 15th of the month.

To ensure all delinquent utility accounts are handled equitably and in a consistent manner and payment plans are properly approved, formal policies and procedures should be established for payment plans and penalties should be assessed in accordance with city ordinance.

7.5 Deposits

Controls over water and rental property deposits should be improved. As of June 9, 2009, the city held approximately \$7,900 in water deposits for 144 customers.

Customer refunds

Deposits totaling at least \$2,700 were held for 71 customers no longer receiving utility services. According to city ordinance, deposits paid by renters are to be held until the city receives notification of moving and final payment of the account, and deposits paid by homeowners may be refunded after 12 consecutive months of paying bills on time. The city should attempt to refund these deposits in accordance with city ordinances.

Accounting for deposits received

While the city maintains a list of water deposits, a separate fund is not maintained; therefore, the list of water deposits cannot be reconciled to related balances. To ensure records are in balance and all water deposits are accounted for properly, the water deposit list should be reconciled to the fund balance monthly. Any differences should be investigated and any unidentified amounts should be disposed of properly.

Rental property deposits

The city does not adequately account for deposits charged to owners of rental properties. Currently, the city charges a \$100 deposit to owners of rental properties to use water/sewer service to clean the residence before renting it to a new tenant. Monies received for deposits are held by the city



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

until the owner notifies the city the water/sewer service is no longer needed. Upon notification, if less than 50 gallons of water is used, the deposit is given back to the owner, and if water usage is more than 50 gallons of water, the monies are deposited and credited against the owner of the rental property's bill. The city does not issue receipt slips or maintain a list of these deposits nor does it track the disposition of each deposit. In addition, the city has not established an ordinance related to these deposits.

Failure to record and deposit these monies increases the risk of misuse. To ensure rental property deposits are properly handled, receipt slips should be issued and a list of deposits received and subsequent disposition should be maintained. In addition, the city should deposit all monies received in a timely manner, and if a refund is due, a refund check should be issued. Also, the city should establish an ordinance regarding the requirement and use of these deposits.

7.6 Water and sewer rates

The city has not performed a formal review of the water and sewer rates for several years. In December 2006, the Board passed an ordinance to increase water rates, and in May 2008, the Board passed another ordinance to decrease water rates. Both of these rate changes were based on information provided by the United States Department of Agriculture (USDA) regarding the rate structure needed to ensure the city could repay debt service obligations to the USDA; however, the city did not complete a formal rate study or allocate payroll and other costs appropriately to ensure the rates charged would also cover its costs of operation.

Sewer rates have not been increased since 2004, and a formal rate study has not been completed. In addition, Sewer Fund disbursements exceeded receipts by \$16,168 for the year ended December 31, 2007, according to the city's independent audit report.

Water and sewer fees are user charges that should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation.

Recommendations

The Board of Aldermen:

- 7.1 Ensure monthly reconciliations of the amounts billed to amounts collected and delinquent accounts are performed. In addition, the Board should ensure adequate documentation to support reconciliations is retained.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

- 7.2 Require someone independent of the utility system review and approve all adjustments and ensure adequate documentation is retained of such adjustments.
- 7.3 Ensure water service is shut-off in accordance with city ordinance.
- 7.4 Establish formal written policies and procedures for the handling of delinquent accounts and assess penalties in accordance with city ordinance.
- 7.5 Attempt to refund water deposits held for individuals who are no longer utility customers and reconcile the water deposit list to the related fund balance. Any unidentified amounts should be disposed of in accordance with state law. In addition, the Board should issue receipt slips and maintain a list of rental property deposits and disposition, deposit these monies in a timely manner, and issue refunds checks for any overpayments. Further, the Board should establish an ordinance regarding the requirement and use of these rental property deposits.
- 7.6 Review water and sewer rates periodically to ensure receipts are sufficient to cover all costs of providing these services, but not set at a level that results in excessive fund balances.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 7.1 *We have directed the City Clerk to establish a manual ledger to help in the reconciliation of the WaterWorks software to the QuickBooks software to ensure that all payments are accounted for in each system. A reconciliation will be performed on a monthly basis.*
- 7.2 *We acknowledge the large amount of adjustments that were made in 2008. These adjustments were made as part of a clean-up of old inactive records from 2006-2008, that should have been taken care of on a monthly basis rather than allowed to accumulate over time. In the future, we will ensure that all adjustments are prepared with supporting documentation. The Mayor will review all adjustments before water bills are created. An adjustment report is currently being prepared by the City Clerk and presented to the Board each month.*
- 7.3 *We will ensure we pay our utility bills promptly each month and that shut-off procedures are strictly adhered to regardless of status*



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

in the community. The City Clerk is currently presenting the Board with a delinquent/shut-off list each month.

7.4 *We will establish a formal written policy and procedures resolution to ensure that all delinquent accounts are fairly and consistently handled and that all payment plans are properly approved and penalties are assessed in accordance with city Ordinance #243.*

7.5 *We have directed the City Clerk to research all water deposits since 2005, and to determine if they should be refunded or placed against the accounts unpaid final bill and make every effort to refund the money according to city ordinance and state mandates.*

We will, once the water deposit research is complete, separate the water deposits into a new fund and reconcile the amounts held each month.

We have directed the City Clerk to immediately open a new water account for the landlord deposits and account for the deposits in accordance to the city ordinance 243(a).

7.6 *We will begin a study of both the water and sewer rates after all the audit tracking policies have been written and implemented, but no later than July 1, 2010. The rate study reports will be reviewed by the Board at the first regular January 2011 meeting.*

8. Accounting Controls and Procedures

Accounting duties are not adequately segregated and improvement is needed in the handling of city receipts. The cash balances on the city's balance sheet were overstated because interest earned and the redemption and purchase of several certificates of deposits (CDs) were not properly recorded. Improvement is needed in the controls and procedures over the city's petty cash fund.

8.1 Segregation of duties

Accounting duties are not adequately segregated. The City Clerk is responsible for all record keeping duties for the city including receiving and depositing monies, preparing and distributing checks, recording receipts and disbursements, signing checks, and reconciling bank accounts.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and disbursing monies from reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of bank reconciliations, a reconciliation of receipts and deposits, and a comparison of invoices and disbursements.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

8.2 Receipt slips

Receipt slips are only issued for monies upon request, and when issued, receipt slips are not accounted for properly. Although duplicate receipt slips are used, one copy is given to the payee and the other copy is torn out of the receipt book and filed with information related to the receipt, and as a result, the receipt slips cannot be accounted for easily. In addition, the composition of receipt slips is not reconciled to the composition of deposits.

Without issuing and accounting for official prenumbered receipt slips for all monies collected and reconciling the composition of receipts to the composition of deposits, the city cannot ensure all monies collected are ultimately deposited.

8.3 Overstated balance sheet

The cash balances on the city's December 31, 2008, balance sheet were overstated because the City Clerk did not properly record interest earned and the redemption and purchase of several CDs. For example, three CDs included on the balance sheet were redeemed prior to December 31, 2008, and a CD purchased in October 2008 was not included on the balance sheet. To be of maximum assistance to the Board and to adequately inform the public, the accounting records of the city should accurately report financial activity and CD balances.

8.4 Petty cash fund

Controls over the petty cash fund need improvement. The city maintains a \$150 petty cash fund to be used for small emergency purchases and supplies. The fund is replenished by writing checks from various city funds. We noted the following concerns:

- The petty cash fund was not maintained on an imprest basis (at a set amount). The balance of the fund fluctuated during 2008.
- The City Clerk does not maintain a petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund.
- Some petty cash fund disbursements were not supported by vendor invoices.

To ensure petty cash funds are accounted for properly, the petty cash fund should be maintained on an imprest basis, where petty cash on hand plus the total of all paid invoices should always equal the predetermined balance of the petty cash fund. The petty cash fund should only be reimbursed by city checks equal to the amount of the paid invoices, and all petty cash reimbursements should be reviewed by an independent person. The city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund, and retain documentation to support all disbursements of the fund.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 8.1 Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- 8.2 Ensure receipt slips are issued for all monies received, properly account for the numerical sequence of official receipt slips issued, and reconcile the composition of receipts to the composition of amounts deposited.
- 8.3 Ensure accounting records accurately reflect the financial activity including interest earned and balances of CDs.
- 8.4 Maintain the petty cash fund on an imprest basis and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. A ledger of petty cash fund transactions should be maintained to properly document the financial activity of the fund, and adequate supporting documentation should be retained for all petty cash disbursements.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 8.1 *We will ensure that a supervisory review is performed by the Mayor. The Mayor is currently reviewing and signing off on bank reconciliations. The Mayor is also reviewing invoices that are matched to the disbursement checks when presented for payment signature.*
- 8.2 *We will review this process and decide on a plan of action.*
- 8.3 *We will enlist the help of a CPA on correcting entries in Quick Books.*
- 8.4 *We have directed the City Clerk to eliminate the use of petty cash. All expenditures will require a detailed signed receipt and be placed on the pending bills report each month for reimbursement.*

9. Budgets, Financial Reporting, and Maintenance Plans

Controls and procedures over city budgets are in need of improvement. The city did not submit an annual financial report to the State Auditor's office as required, and formal maintenance plans for the city utility system and roads have not been prepared.

9.1 Budgets

The city's 2009 and 2008 budgets were not accurate and complete.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

- The 2009 budget did not contain a budget message or a budget summary.
- The budgets did not include estimated receipts from all sources with a comparative statement of actual receipts for the 2 preceding years.
- The budgets included proposed disbursements for the year; however, they did not include a comparative statement of actual disbursements for the 2 preceding years.
- The budgets did not include the beginning and ending estimated fund balances.
- Documentation of public hearings for the adoption of the city's budgets was not maintained.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provides a means to effectively monitor actual costs and receipts.

9.2 Overspending of budget

Actual disbursements of the city exceeded budgeted amounts by \$124,870 during the year ended December 31, 2007. The independent audit has not been completed for 2008, and the Board did not periodically compare actual disbursements to budgeted amounts. As a result, we were unable to determine if actual disbursements exceeded budgeted amounts during the year ended December 31, 2008. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursements unless the governing body adopts a resolution setting forth the reasons making the increase necessary and approves or adopts a resolution to authorize the additional disbursements.

9.3 Timely adoption of budget

The 2008 budget was not approved by the Board until March 2008. Section 67.070, RSMo, requires if a new budget is not adopted by the beginning of the new year, the Board should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the city, the budget should be adopted in a timely manner.

9.4 Financial reporting

The city did not submit an annual financial report to the State Auditor's office for the year ended December 31, 2008. Section 105.145, RSMo, requires each political subdivision to file an annual report of its financial transactions with the State Auditor's office.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

9.5 Maintenance plans

Formal maintenance plans for the city's utility system and roads have not been prepared. The city's budget document presents proposed activities in general categories which contain significant dollar amounts; however, it does not provide details regarding specific projects or plans. Specific projects are also not documented in meeting minutes or made available to the public.

Formal maintenance plans should be prepared in conjunction with the annual fiscal budget and include a description of the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and be approved by the Board. In addition, the Board should consider holding a public hearing to obtain input from city residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor repair and maintenance projects throughout the year.

Recommendations

The Board of Aldermen:

- 9.1 Prepare complete and accurate budget documents and ensure budget hearings are held to obtain input from city residents.
- 9.2 Periodically monitor actual disbursements to budgeted amounts and ensure actual disbursements do not exceed budgeted amounts. If circumstances require disbursements in excess of the amounts budgeted, a formal resolution should be adopted authorizing the additional disbursements and the reasons for such.
- 9.3 Ensure budgets are prepared timely and in compliance with state law.
- 9.4 Submit annual financial reports to the State Auditor's office as required by state law.
- 9.5 Establish a formal annual maintenance plan for the utility system and roads.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 9.1 *We will prepare a complete and accurate budget and ensure that a budget hearing is held to obtain input from city residents.*
- 9.2 *We will review the budget quarterly and prepare a formal resolution to authorize the additional disbursements with documentation for the reasons for such.*



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

- 9.3 *We will ensure that budgets are prepared in a timely manner and in compliance with state law.*
- 9.4 *We will ensure that annual financial reports are made to the State Auditor's office as required by state law. The City Clerk has submitted all required financial reports to the State Auditor's office and will, in the future, submit the annual report on time.*
- 9.5 *We will establish a formal maintenance plan for the utility systems and the city streets.*

10. Meeting Minutes, Ordinances, and Board Approval

The city did not always ensure compliance with the Sunshine Law and improvement is needed in the city's ordinances. In addition, the Board did not formally approve or document some decisions made relating to the redemption of a CD.

10.1 Meeting minutes

Meeting minutes did not always include sufficient detail of matters discussed. There were several instances where the open meeting minutes indicated citizens voiced concerns regarding various issues; however, no detail of the concerns were documented. In addition, while several closed meeting minutes indicated the meeting was closed to discuss litigation or personnel, the closed meeting minutes did not include details of the discussion to ensure it was appropriate for a closed meeting. Also, there was no evidence a roll call vote was taken during open meetings to close any of the meetings.

To ensure the Board's intentions are clear and to demonstrate compliance with state law, discussions should be adequately documented. In addition, Chapter 610.020.7, RSMo, requires meeting minutes to at least include the date, time, place, members present, members absent, and a record of any votes taken. Also, Section 610.022, RSMo, requires the Board to vote in open session to close a meeting and to announce publicly the reasons for going into closed session.

10.2 Ordinances

Improvement is needed in city ordinances. We noted the following concerns during our review of ordinances:

- The city has not adopted ordinances to adequately establish the compensation of some city officials and employees. While the city has adopted an ordinance addressing specific compensation of the City Attorney and the Municipal Judge, ordinances have not been adopted for other officials and employees.

Sections 79.270 and 79.290, RSMo, require the Board of Aldermen to fix the salaries of all city officials and employees by ordinance. To



City of Pleasant Hope Management Advisory Report - State Auditor's Findings

avoid misunderstandings, the Board should adopt ordinances that specify the compensation of all city officials and employees.

- Ordinances were not always properly updated for Board decisions. For example, on December 11, 2006, the Board passed an ordinance that set the minimum water usage rate at \$37.35 for the first 1,000 gallons used and \$2.20 for each additional 1,000 gallons of usage. On January 8, 2007, the Board approved setting the minimum water usage charge at \$26.58 for the first 1,000 gallons used and \$2.20 for each additional 1,000 gallons of usage; however, the Board did not amend the original ordinance for this change or formally adopt a new ordinance. While the original ordinance was not amended, the former City Treasurer only charged residents the new minimum water usage rate of \$26.58 each month.

Since ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important the city's ordinances be maintained in an up-to-date manner. A list of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

10.3 Board approval

On April 7, 2008, the Board approved the City Clerk redeeming a CD and establishing separate checking accounts for the Park Fund and Transportation Fund. However, the City Clerk redeemed the \$34,652 CD in June 2008, deposited it into another bank account, and used it to pay for a paving project. Separate checking accounts for the Park Fund and Transportation Fund were not established. While the Mayor indicated the City Clerk discussed this change with him and the Board, the Board did not formally approve or document this decision.

To ensure city monies are used as intended, the Board should ensure all decisions are formally approved and documented.

Recommendations

The Board of Aldermen:

- 10.1 Ensure meeting minutes (open and closed) include the information necessary to provide a complete record of all significant matters discussed and actions taken and a roll call vote is taken during open meetings to close any meetings.
- 10.2 Establish the compensation of all city officials and employees by ordinance as required by statute, and update the city ordinances for any Board decisions.
- 10.3 Ensure all Board decisions are formally approved and documented.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 10.1 We will ensure that the meeting minutes both open and closed include the information necessary to provide a complete record of all significant matters discussed, actions taken, abstentions, and roll call votes.*
- 10.2 We will ensure that all ordinances are maintained in a complete, well organized, and up-to-date manner. We have on the agenda for September, Bill #92 which establishes the compensation of all city officials as required by statute.*
- 10.3 We will ensure that all Board decisions are formally documented, approved, and implemented.*

11. Capital Asset and Inventory Procedures

The city does not maintain complete and current records for its capital assets and inventory records are not maintained to account for supplies and materials purchased or stored for the operation of the city.

11.1 Capital asset records

The city does not maintain complete and current records for its capital assets including land, buildings, equipment, and other property. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

Adequate capital asset records are necessary to secure better internal controls and safeguard city assets that are susceptible to loss, theft, or misuse; and to provide a basis for determining proper insurance coverage.

11.2 Inventory records

Inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the city. The city typically stockpiles gravel, culverts, and other supplies at various locations in the city. Without inventory records, the city cannot effectively evaluate the reasonableness of purchases and usage of supplies and materials, and theft and improper use may go undetected.

Recommendations

The Board of Aldermen:

- 11.1 Ensure property records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location and subsequent disposition. Property records should be compared to the city's insurance coverage. The Board should also properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.



City of Pleasant Hope
Management Advisory Report - State Auditor's Findings

- 11.2 Maintain adequate inventory controls and records to account for city supplies and materials.

Auditee's Response

The Mayor and Board of Aldermen provided the following written responses:

- 11.1 *We will ensure that the asset records are kept up-to-date and include a tag number, description, cost, acquisition date, location and subsequent disposition date. We will require a semi-annual audit to be conducted by an Alderman or the Mayor.*
- 11.2 *We will require an annual update of the asset records and a full accounting of any supplies or materials that were purchased and stored for future use.*

City of Pleasant Hope

Organization and Statistical Information

The City of Pleasant Hope is located in Polk County, Missouri. The city was incorporated in 1980 and is currently a fourth class city.

Mayor and Board of Aldermen

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2008, are identified below. The Mayor and members of the Board of Aldermen receive no compensation.

Name and Title	Dates of Service During the Year Ended December 31, 2008
John Homer, Mayor	January - December
Kelly Crites, Alderman (1)	January - May
Dawn Buckner, Alderman	June - December
Gwen Parker, Alderman (2)	January - July
Richard Harralson, Alderman	August - December
Josh Norton, Alderman (3)	January - March
Eric Hindes, Alderman	April - December
Anita Mullings, Alderman (4)	January - March
Gary Dooley, Alderman	April - December

- (1) Kelly Crites resigned from the Board in May 2008. The Board of Aldermen appointed Dawn Buckner to fill the remainder of her term.
- (2) Gwen Parker resigned from the Board in July 2008. The Board of Aldermen appointed Richard Harralson to fill the remainder of her term.
- (3) Josh Norton was replaced by Eric Hindes, who was elected in April 2008.
- (4) Anita Mullings was replaced by Gary Dooley, who was elected in April 2008.

Other Officials and Employees

Name and Title	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Georgia L. Esser, City Clerk	January - December	\$ 21,859
Jamie M. Hannaford, City Treasurer (1)	January - April	4,780
Paul B. Byer, Police Chief (2)	January - September	19,289
Christian L. Mueller, Police Chief	October - December	4,652
Rick J. Davis, Director of City Services	January - December	21,808
Mel L. Gilbert, City Attorney	January - December	8,239

- (1) Jamie M. Hannaford terminated employment with the city on April 11, 2008. This position has not been filled.
- (2) Paul B. Byer resigned on September 12, 2008. Christian L. Mueller was hired to fill this position on October 6, 2008.

The city did not employ any other employees other than those listed above on December 31, 2008.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Scotland County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-119

ANNUAL FINANCIAL REPORT

SCOTLAND COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

SCOTLAND COUNTY, MISSOURI

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials	i
FINANCIAL SECTION	
Independent Auditors' Report	ii
BASIC FINANCIAL STATEMENTS	
<i>Governmental Funds:</i>	
Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regular Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	17
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	23
Findings and Recommendations	25
Schedule of Prior Year Audit Findings	28

INTRODUCTORY SECTION

SCOTLAND COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Mike Stephenson

Associate Commissioner – Denis Clatt

Associate Commissioner – Paul Campbell

Other Elected Officials

Assessor - Jim Ward

Circuit Clerk - Anita Watkins

Recorder - Dana Glasscock

Collector - Kathy Becraft

Treasurer – LaMayra Brown

Coroner – Ginny Monroe

County Clerk – Betty Lodewegan

Prosecuting Attorney – Kimberly Nicoli

Public Administrator – Ellen Aylward

Sheriff – Wayne Winn

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Scotland County, Missouri

We have audited the accompanying financial statements of Scotland County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Scotland County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Scotland County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Scotland County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 15, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Original signed by Auditor)

McBride, Lock & Associates
July 15, 2009

SCOTLAND COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ 21,230	\$ 786,535	\$ 738,876	\$ 68,889	\$ 719,444	\$ 672,678	\$ 115,655
Special Road and Bridge	39,346	833,571	814,776	58,141	860,437	893,195	25,383
Assessment	-	74,131	73,242	889	90,036	90,925	-
Road and Bridge Capital Improvement	52,681	202,891	208,553	47,019	217,245	148,715	115,549
Road Rock	8,911	67,479	57,128	19,262	66,584	72,361	13,485
Off System	2,760	324,887	321,150	6,497	42,154	45,874	2,777
Law Enforcement Sales Tax	23,262	101,335	107,125	17,472	107,932	91,860	33,544
Law Enforcement Training	2,448	1,243	1,202	2,489	1,260	1,250	2,499
Prosecuting Attorney Training	674	181	585	270	189	216	243
User Fee	7,946	2,377	1,654	8,669	2,806	635	10,840
Community Development Block Grant	-	1,500	1,500	-	-	-	-
LEPC	1,820	5,918	2,272	5,466	1,209	2,000	4,675
Recorder Technology	8,076	1,504	2,550	7,030	1,723	-	8,753
Prosecuting Attorney Bad Check	1,042	4,602	4,471	1,173	4,243	4,235	1,181
Courthouse Restoration	2,147	13,515	1,462	14,200	608	14,787	21
Batterer's Intervention	20,061	6,887	9,356	17,592	4,928	5,583	16,937
Divorce Education	5,202	2,065	2,932	4,335	1,855	2,600	3,590
Election Services	312	992	503	801	6,797	4,694	2,904
Help America Vote Act	11,537	395	11,915	17	1,862	1,861	18
Sheriff Civil	9,581	4,315	4,979	8,917	4,342	6,270	6,989
Sheriff Special Project	1,085	966	155	1,896	-	104	1,792
Childrens Trust	250	230	250	230	160	230	160
Tax Maintenance	2,132	4,772	5,743	1,161	5,158	4,196	2,123
Law Library	2,249	2,342	2,269	2,322	2,149	2,297	2,174
Circuit Clerk Interest & Passport	4,343	6,612	1,836	9,119	1,829	4,715	6,233
Concentrated Animal Feeding Operations	3,243	1,000	-	4,243	5,193	9,436	-
Prosecuting Attorney Delinquent Tax	-	260	-	260	356	-	616
Drug Forfeiture	11,368	468	355	11,481	567	-	12,048
DARE	320	-	-	320	-	309	11
Total	<u>\$ 244,026</u>	<u>\$ 2,452,973</u>	<u>\$ 2,376,839</u>	<u>\$ 320,160</u>	<u>\$ 2,151,066</u>	<u>\$ 2,081,026</u>	<u>\$ 390,200</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 252,921	\$ 253,828	\$ 243,407	\$ 265,715
Sales taxes	189,000	200,480	200,000	212,568
Intergovernmental	179,115	203,426	121,712	119,020
Charges for services	87,820	84,692	83,075	89,583
Interest	7,000	10,031	9,500	15,596
Other	17,469	34,078	15,550	16,962
Transfers in	-	-	-	-
Total Receipts	<u>\$ 733,325</u>	<u>\$ 786,535</u>	<u>\$ 673,244</u>	<u>\$ 719,444</u>
DISBURSEMENTS				
County Commission	\$ 69,272	\$ 65,204	\$ 56,482	\$ 62,349
County Clerk	63,199	58,040	58,149	56,827
Elections	-	1,187	30,000	26,469
Buildings and grounds	82,368	82,686	97,889	67,895
Employee fringe benefits	62,000	60,043	51,300	50,706
Treasurer	29,018	28,808	29,060	28,925
Collector	55,665	55,421	56,808	54,296
Recorder of Deeds	54,209	53,863	38,387	38,325
Associate Circuit Court	3,500	3,669	4,500	4,055
Court administration	3,988	2,970	4,249	3,553
Public Administrator	13,166	13,096	13,436	13,411
Sheriff	214,791	168,740	156,556	157,432
Prosecuting Attorney	59,529	59,529	52,509	53,094
Juvenile Officer	26,460	18,658	-	-
Coroner	7,026	7,974	7,026	7,026
Other general revenue	43,100	46,429	39,000	32,298
Health and welfare	2,375	1,291	16,501	3,334
Transfers out	-	-	5,600	12,458
Emergency fund	5,000	11,268	5,000	225
Total Disbursements	<u>\$ 794,666</u>	<u>\$ 738,876</u>	<u>\$ 722,452</u>	<u>\$ 672,678</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (61,341)	\$ 47,659	\$ (49,208)	\$ 46,766
CASH, JANUARY 1	<u>21,230</u>	<u>21,230</u>	<u>68,889</u>	<u>68,889</u>
CASH, DECEMBER 31	<u>\$ (40,111)</u>	<u>\$ 68,889</u>	<u>\$ 19,681</u>	<u>\$ 115,655</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 335,000	\$ 334,502	\$ 321,537	\$ 350,938	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	480,700	477,391	466,700	433,971	78,000	71,987	84,000	75,992
Charges for services	-	-	-	-	-	-	-	-
Interest	6,000	10,697	9,000	13,076	450	730	650	795
Other	12,700	10,981	19,000	62,452	855	1,414	1,110	791
Transfers in	-	-	-	-	-	-	5,600	12,458
Total Receipts	<u>\$ 834,400</u>	<u>\$ 833,571</u>	<u>\$ 816,237</u>	<u>\$ 860,437</u>	<u>\$ 79,305</u>	<u>\$ 74,131</u>	<u>\$ 91,360</u>	<u>\$ 90,036</u>
DISBURSEMENTS								
Salaries	\$ 329,160	\$ 303,451	\$ 305,000	\$ 301,384	\$ 62,587	\$ 62,587	\$ 62,587	\$ 62,587
Employee fringe benefits	68,680	65,381	59,000	55,152	4,676	4,788	4,788	4,788
Materials and Supplies	375,500	377,443	414,300	452,200	5,120	2,327	4,410	4,465
Services and Other	99,200	68,501	94,200	84,459	4,050	3,540	19,864	19,085
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 872,540</u>	<u>\$ 814,776</u>	<u>\$ 872,500</u>	<u>\$ 893,195</u>	<u>\$ 76,433</u>	<u>\$ 73,242</u>	<u>\$ 91,649</u>	<u>\$ 90,925</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (38,140)	\$ 18,795	\$ (56,263)	\$ (32,758)	\$ 2,872	\$ 889	\$ (289)	\$ (889)
CASH, JANUARY 1	<u>39,346</u>	<u>39,346</u>	<u>58,141</u>	<u>58,141</u>	<u>-</u>	<u>-</u>	<u>889</u>	<u>889</u>
CASH, DECEMBER 31	<u>\$ 1,206</u>	<u>\$ 58,141</u>	<u>\$ 1,878</u>	<u>\$ 25,383</u>	<u>\$ 2,872</u>	<u>\$ 889</u>	<u>\$ 600</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND				ROAD ROCK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 67,000	\$ 66,631	\$ 66,000	\$ 65,335
Sales taxes	190,000	200,480	200,000	212,569	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,400	2,411	2,000	4,676	750	848	1,000	1,249
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 191,400</u>	<u>\$ 202,891</u>	<u>\$ 202,000</u>	<u>\$ 217,245</u>	<u>\$ 67,750</u>	<u>\$ 67,479</u>	<u>\$ 67,000</u>	<u>\$ 66,584</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	71,000	46,185	78,000	57,193	76,000	57,128	86,200	72,361
Services and Other	170,000	162,368	85,000	91,522	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 241,000</u>	<u>\$ 208,553</u>	<u>\$ 163,000</u>	<u>\$ 148,715</u>	<u>\$ 76,000</u>	<u>\$ 57,128</u>	<u>\$ 86,200</u>	<u>\$ 72,361</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (49,600)	\$ (5,662)	\$ 39,000	\$ 68,530	\$ (8,250)	\$ 10,351	\$ (19,200)	\$ (5,777)
CASH, JANUARY 1	<u>52,681</u>	<u>52,681</u>	<u>47,019</u>	<u>47,019</u>	<u>8,911</u>	<u>8,911</u>	<u>19,262</u>	<u>19,262</u>
CASH, DECEMBER 31	<u>\$ 3,081</u>	<u>\$ 47,019</u>	<u>\$ 86,019</u>	<u>\$ 115,549</u>	<u>\$ 661</u>	<u>\$ 19,262</u>	<u>\$ 62</u>	<u>\$ 13,485</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	OFF SYSTEM FUND				LAW ENFORCEMENT SALES TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	94,500	100,243	100,000	106,284
Intergovernmental	359,000	324,699	55,674	41,818	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	100	188	-	336	1,500	1,064	950	1,648
Other	-	-	-	-	-	28	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 359,100</u>	<u>\$ 324,887</u>	<u>\$ 55,674</u>	<u>\$ 42,154</u>	<u>\$ 96,000</u>	<u>\$ 101,335</u>	<u>\$ 100,950</u>	<u>\$ 107,932</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	23,037	16,760	23,587	18,961
Services and Other	358,035	321,150	55,674	45,874	94,550	90,365	93,747	72,899
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 358,035</u>	<u>\$ 321,150</u>	<u>\$ 55,674</u>	<u>\$ 45,874</u>	<u>\$ 117,587</u>	<u>\$ 107,125</u>	<u>\$ 117,334</u>	<u>\$ 91,860</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 1,065	\$ 3,737	\$ -	\$ (3,720)	\$ (21,587)	\$ (5,790)	\$ (16,384)	\$ 16,072
CASH, JANUARY 1	<u>2,760</u>	<u>2,760</u>	<u>6,497</u>	<u>6,497</u>	<u>23,262</u>	<u>23,262</u>	<u>17,472</u>	<u>17,472</u>
CASH, DECEMBER 31	<u><u>\$ 3,825</u></u>	<u><u>\$ 6,497</u></u>	<u><u>\$ 6,497</u></u>	<u><u>\$ 2,777</u></u>	<u><u>\$ 1,675</u></u>	<u><u>\$ 17,472</u></u>	<u><u>\$ 1,088</u></u>	<u><u>\$ 33,544</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	500	-	-	-	-
Charges for services	1,000	1,243	1,100	760	300	181	150	189
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,000</u>	<u>\$ 1,243</u>	<u>\$ 1,100</u>	<u>\$ 1,260</u>	<u>\$ 300</u>	<u>\$ 181</u>	<u>\$ 150</u>	<u>\$ 189</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,500	1,202	2,500	1,250	500	585	400	216
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,500</u>	<u>\$ 1,202</u>	<u>\$ 2,500</u>	<u>\$ 1,250</u>	<u>\$ 500</u>	<u>\$ 585</u>	<u>\$ 400</u>	<u>\$ 216</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (500)	\$ 41	\$ (1,400)	\$ 10	\$ (200)	\$ (404)	\$ (250)	\$ (27)
CASH, JANUARY 1	<u>2,448</u>	<u>2,448</u>	<u>2,489</u>	<u>2,489</u>	<u>674</u>	<u>674</u>	<u>270</u>	<u>270</u>
CASH, DECEMBER 31	<u><u>\$ 1,948</u></u>	<u><u>\$ 2,489</u></u>	<u><u>\$ 1,089</u></u>	<u><u>\$ 2,499</u></u>	<u><u>\$ 474</u></u>	<u><u>\$ 270</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ 243</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	USER FEE FUND				COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	7,532	1,500	7,532	-
Charges for services	2,460	2,049	2,000	2,345	-	-	-	-
Interest	210	328	380	461	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,670</u>	<u>\$ 2,377</u>	<u>\$ 2,380</u>	<u>\$ 2,806</u>	<u>\$ 7,532</u>	<u>\$ 1,500</u>	<u>\$ 7,532</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	9,820	1,654	4,000	635	7,532	1,500	7,532	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,820</u>	<u>\$ 1,654</u>	<u>\$ 4,000</u>	<u>\$ 635</u>	<u>\$ 7,532</u>	<u>\$ 1,500</u>	<u>\$ 7,532</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (7,150)	\$ 723	\$ (1,620)	\$ 2,171	\$ -	\$ -	\$ -	\$ -
CASH, JANUARY 1	<u>7,946</u>	<u>7,946</u>	<u>8,669</u>	<u>8,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 796</u></u>	<u><u>\$ 8,669</u></u>	<u><u>\$ 7,049</u></u>	<u><u>\$ 10,840</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	LEPC FUND				RECORDER TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,200	5,918	2,450	1,209	-	-	-	-
Charges for services	-	-	-	-	1,300	1,210	1,210	1,348
Interest	-	-	-	-	223	294	290	375
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,200</u>	<u>\$ 5,918</u>	<u>\$ 2,450</u>	<u>\$ 1,209</u>	<u>\$ 1,523</u>	<u>\$ 1,504</u>	<u>\$ 1,500</u>	<u>\$ 1,723</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,000	2,272	3,300	2,000	4,350	2,550	5,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,000</u>	<u>\$ 2,272</u>	<u>\$ 3,300</u>	<u>\$ 2,000</u>	<u>\$ 4,350</u>	<u>\$ 2,550</u>	<u>\$ 5,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,800)	\$ 3,646	\$ (850)	\$ (791)	\$ (2,827)	\$ (1,046)	\$ (3,500)	\$ 1,723
CASH, JANUARY 1	<u>1,820</u>	<u>1,820</u>	<u>5,466</u>	<u>5,466</u>	<u>8,076</u>	<u>8,076</u>	<u>7,030</u>	<u>7,030</u>
CASH, DECEMBER 31	<u><u>\$ 20</u></u>	<u><u>\$ 5,466</u></u>	<u><u>\$ 4,616</u></u>	<u><u>\$ 4,675</u></u>	<u><u>\$ 5,249</u></u>	<u><u>\$ 7,030</u></u>	<u><u>\$ 3,530</u></u>	<u><u>\$ 8,753</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY BAD CHECK FUND				COURTHOUSE RESTORATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,950	4,348	4,350	4,243	-	-	-	-
Interest	-	-	-	-	600	-	587	608
Other	-	254	-	-	-	13,515	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,950</u>	<u>\$ 4,602</u>	<u>\$ 4,350</u>	<u>\$ 4,243</u>	<u>\$ 600</u>	<u>\$ 13,515</u>	<u>\$ 587</u>	<u>\$ 608</u>
DISBURSEMENTS								
Salaries	\$ 2,400	\$ 2,584	\$ 2,584	\$ 2,613	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	468	725	700	601	-	-	-	-
Services and Other	632	1,162	950	1,021	1,800	1,462	14,787	14,787
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 4,471</u>	<u>\$ 4,234</u>	<u>\$ 4,235</u>	<u>\$ 1,800</u>	<u>\$ 1,462</u>	<u>\$ 14,787</u>	<u>\$ 14,787</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 450	\$ 131	\$ 116	\$ 8	\$ (1,200)	\$ 12,053	\$ (14,200)	\$ (14,179)
CASH, JANUARY 1	<u>1,042</u>	<u>1,042</u>	<u>1,173</u>	<u>1,173</u>	<u>2,147</u>	<u>2,147</u>	<u>14,200</u>	<u>14,200</u>
CASH, DECEMBER 31	<u>\$ 1,492</u>	<u>\$ 1,173</u>	<u>\$ 1,289</u>	<u>\$ 1,181</u>	<u>\$ 947</u>	<u>\$ 14,200</u>	<u>\$ -</u>	<u>\$ 21</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	BATTERER'S INTERVENTION FUND				DIVORCE EDUCATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	8,000	6,887	5,000	4,928	1,500	2,065	1,800	1,855
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 8,000</u>	<u>\$ 6,887</u>	<u>\$ 5,000</u>	<u>\$ 4,928</u>	<u>\$ 1,500</u>	<u>\$ 2,065</u>	<u>\$ 1,800</u>	<u>\$ 1,855</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	13,200	9,356	13,200	5,583	4,000	2,932	3,000	2,600
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 13,200</u>	<u>\$ 9,356</u>	<u>\$ 13,200</u>	<u>\$ 5,583</u>	<u>\$ 4,000</u>	<u>\$ 2,932</u>	<u>\$ 3,000</u>	<u>\$ 2,600</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,200)	\$ (2,469)	\$ (8,200)	\$ (655)	\$ (2,500)	\$ (867)	\$ (1,200)	\$ (745)
CASH, JANUARY 1	<u>20,061</u>	<u>20,061</u>	<u>17,592</u>	<u>17,592</u>	<u>5,202</u>	<u>5,202</u>	<u>4,335</u>	<u>4,335</u>
CASH, DECEMBER 31	<u>\$ 14,861</u>	<u>\$ 17,592</u>	<u>\$ 9,392</u>	<u>\$ 16,937</u>	<u>\$ 2,702</u>	<u>\$ 4,335</u>	<u>\$ 3,135</u>	<u>\$ 3,590</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				HELP AMERICA VOTE ACT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	503	362	762	-	-	1,858	1,861
Charges for services	500	461	1,200	1,925	-	-	-	-
Interest	12	28	50	135	600	393	-	-
Other	-	-	3,975	3,975	-	2	-	1
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 512</u>	<u>\$ 992</u>	<u>\$ 5,587</u>	<u>\$ 6,797</u>	<u>\$ 600</u>	<u>\$ 395</u>	<u>\$ 1,858</u>	<u>\$ 1,862</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ 1,121	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	11,000	11,915	1,875	1,861
Services and Other	800	503	2,600	3,573	1,000	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 800</u>	<u>\$ 503</u>	<u>\$ 2,600</u>	<u>\$ 4,694</u>	<u>\$ 12,000</u>	<u>\$ 11,915</u>	<u>\$ 1,875</u>	<u>\$ 1,861</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (288)	\$ 489	\$ 2,987	\$ 2,103	\$ (11,400)	\$ (11,520)	\$ (17)	\$ 1
CASH, JANUARY 1	<u>312</u>	<u>312</u>	<u>801</u>	<u>801</u>	<u>11,537</u>	<u>11,537</u>	<u>17</u>	<u>17</u>
CASH, DECEMBER 31	<u>\$ 24</u>	<u>\$ 801</u>	<u>\$ 3,788</u>	<u>\$ 2,904</u>	<u>\$ 137</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 18</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF CIVIL FUND				SHERIFF SPECIAL PROJECT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,200	3,924	4,000	3,867	-	-	-	-
Interest	300	391	300	475	-	-	-	-
Other	-	-	-	-	1,000	966	966	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,500</u>	<u>\$ 4,315</u>	<u>\$ 4,300</u>	<u>\$ 4,342</u>	<u>\$ 1,000</u>	<u>\$ 966</u>	<u>\$ 966</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	13,000	4,979	8,400	6,270	-	-	-	-
Services and Other	-	-	-	-	1,500	155	500	104
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 13,000</u>	<u>\$ 4,979</u>	<u>\$ 8,400</u>	<u>\$ 6,270</u>	<u>\$ 1,500</u>	<u>\$ 155</u>	<u>\$ 500</u>	<u>\$ 104</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (9,500)	\$ (664)	\$ (4,100)	\$ (1,928)	\$ (500)	\$ 811	\$ 466	\$ (104)
CASH, JANUARY 1	<u>9,581</u>	<u>9,581</u>	<u>8,917</u>	<u>8,917</u>	<u>1,085</u>	<u>1,085</u>	<u>1,896</u>	<u>1,896</u>
CASH, DECEMBER 31	<u>\$ 81</u>	<u>\$ 8,917</u>	<u>\$ 4,817</u>	<u>\$ 6,989</u>	<u>\$ 585</u>	<u>\$ 1,896</u>	<u>\$ 2,362</u>	<u>\$ 1,792</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CHILDRENS TRUST FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	4,200	4,682	-	5,023
Interest	-	-	-	-	75	90	-	135
Other	250	230	250	160	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 250</u>	<u>\$ 230</u>	<u>\$ 250</u>	<u>\$ 160</u>	<u>\$ 4,275</u>	<u>\$ 4,772</u>	<u>\$ -</u>	<u>\$ 5,158</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	50	-
Services and Other	500	250	330	230	4,500	5,743	4,450	4,196
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 500</u>	<u>\$ 250</u>	<u>\$ 330</u>	<u>\$ 230</u>	<u>\$ 4,500</u>	<u>\$ 5,743</u>	<u>\$ 4,500</u>	<u>\$ 4,196</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (250)	\$ (20)	\$ (80)	\$ (70)	\$ (225)	\$ (971)	\$ (4,500)	\$ 962
CASH, JANUARY 1	<u>250</u>	<u>250</u>	<u>230</u>	<u>230</u>	<u>2,132</u>	<u>2,132</u>	<u>1,161</u>	<u>1,161</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 230</u>	<u>\$ 150</u>	<u>\$ 160</u>	<u>\$ 1,907</u>	<u>\$ 1,161</u>	<u>\$ (3,339)</u>	<u>\$ 2,123</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	LAW LIBRARY FUND				CIRCUIT CLERK INTEREST & PASSPORT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,200	2,325	2,250	2,135	-	-	-	-
Interest	15	17	15	14	750	282	250	14
Other	-	-	-	-	7,208	6,330	1,000	1,815
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,215</u>	<u>\$ 2,342</u>	<u>\$ 2,265</u>	<u>\$ 2,149</u>	<u>\$ 7,958</u>	<u>\$ 6,612</u>	<u>\$ 1,250</u>	<u>\$ 1,829</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,269	2,269	2,297	2,297	9,638	1,836	8,500	4,715
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,269</u>	<u>\$ 2,269</u>	<u>\$ 2,297</u>	<u>\$ 2,297</u>	<u>\$ 9,638</u>	<u>\$ 1,836</u>	<u>\$ 8,500</u>	<u>\$ 4,715</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (54)	\$ 73	\$ (32)	\$ (148)	\$ (1,680)	\$ 4,776	\$ (7,250)	\$ (2,886)
CASH, JANUARY 1	<u>2,249</u>	<u>2,249</u>	<u>2,322</u>	<u>2,322</u>	<u>4,343</u>	<u>4,343</u>	<u>9,119</u>	<u>9,119</u>
CASH, DECEMBER 31	<u>\$ 2,195</u>	<u>\$ 2,322</u>	<u>\$ 2,290</u>	<u>\$ 2,174</u>	<u>\$ 2,663</u>	<u>\$ 9,119</u>	<u>\$ 1,869</u>	<u>\$ 6,233</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CONCENTRATED ANIMAL FEEDING OPERATIONS FUND				PROSECUTING ATTORNEY DELINQUENT TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	260	84	340
Charges for services	-	-	-	-	-	-	-	-
Interest	80	-	193	193	-	-	-	16
Other	1,000	1,000	5,000	5,000	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,080</u>	<u>\$ 1,000</u>	<u>\$ 5,193</u>	<u>\$ 5,193</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 84</u>	<u>\$ 356</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,000	-	9,436	9,436	-	-	300	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 9,436</u>	<u>\$ 9,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,920)	\$ 1,000	\$ (4,243)	\$ (4,243)	\$ -	\$ 260	\$ (216)	\$ 356
CASH, JANUARY 1	<u>3,243</u>	<u>3,243</u>	<u>4,243</u>	<u>4,243</u>	<u>-</u>	<u>-</u>	<u>260</u>	<u>260</u>
CASH, DECEMBER 31	<u>\$ 1,323</u>	<u>\$ 4,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 44</u>	<u>\$ 616</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	DRUG FORFEITURE FUND				DARE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	468	400	567	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 468</u>	<u>\$ 400</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	11,000	355	1,000	-	300	-	320	309
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 11,000</u>	<u>\$ 355</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ 309</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (11,000)	\$ 113	\$ (600)	\$ 567	\$ (300)	\$ -	\$ (320)	\$ (309)
CASH, JANUARY 1	<u>11,368</u>	<u>11,368</u>	<u>11,481</u>	<u>11,481</u>	<u>320</u>	<u>320</u>	<u>320</u>	<u>320</u>
CASH, DECEMBER 31	<u>\$ 368</u>	<u>\$ 11,481</u>	<u>\$ 10,881</u>	<u>\$ 12,048</u>	<u>\$ 20</u>	<u>\$ 320</u>	<u>\$ -</u>	<u>\$ 11</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scotland County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Scotland County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. The County adopted a formal budget for each fund as required by law, except that a formal budget was not adopted in 2007 for the Prosecuting Attorney Delinquent Tax fund.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2008</u>	<u>2007</u>
a. Special Road & Bridge	X	NA
b. Prosecuting Attorney Bad Check	N/A	X
c. Election Service	X	NA
d. Tax Maintenance	NA	X
e. Prosecuting Attorney Training Fund	NA	X

E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 31,425,150	30,883,640
Personal Property	17,050,569	15,883,500

During 2008 and 2007 the County Commission approved a \$0.1160 and \$0.1310 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	.5000	.5000
Special Road & Bridge Fund	.3100	.3100
Road & Bridge Fund	.3500	.3500
Health	-	.1500

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing

obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$390,200 and \$320,160, respectively, and the bank balance was \$551,321 and \$495,616, respectively. Of the bank balances, \$385,610 and \$221,533 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$165,711 and \$274,083, respectively, were covered by collateral held at the County's safekeeping bank agent, in the County's name.

At December 31, 2008 and 2007 the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue, Special Road and Bridge and Road Rock funds. These amounts, all of which were secured by pledged collateral, amounted to \$2,216,795 and \$2,095,051 at December 31, 2008 and 2007, respectively.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and

any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement may be elected at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded by the State from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 6% of gross compensation required for all participants hired on or after February 2002. A contribution of 2% of compensation is required of employees hired before February 2002. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately for \$25,923 and \$27,678, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 240 hours of sick leave -- to accrue at one day per complete calendar month of service. Upon termination, the employee is not compensated for accrued sick leave. Vacation time is accrued for every full time employee, and accrues at the rate of five days up to fifteen days per year depending on length of service. Employees may accrue vacation leave to a maximum of 240 hours, except personnel who are FLSA-exempt may accrue vacation leave to a maximum of 360 hours. Upon termination, employees are compensated for unused vacation credit.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditures of federal awards did not exceed \$500,000 in either 2008 or 2007 and, accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

**AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission and Officeholders of Scotland County, Missouri

We have audited the accompanying financial statements of Scotland County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 15, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Scotland County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Scotland County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Scotland County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Scotland County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Scotland County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Scotland County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Scotland County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scotland County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08-1, 08-2, and 08-3.

We also noted a certain matter that we reported to management of Scotland County, Missouri, in the findings and recommendations section as item 08-4. Scotland County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Scotland County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 15, 2009

FINDINGS AND RECOMMENDATIONS

SCOTLAND COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

08-1. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: We are in the process of developing a formal investment policy.

08-2. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the audit period, there were five different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- Special Road & Bridge – 2008
- Prosecuting Attorney Bad Check – 2007
- Election Service – 2008
- Tax Maintenance – 2007
- Prosecuting Attorney Training Fund – 2007

Additionally, the County did not adopt a formal budget in 2007 for the Prosecuting Attorney Delinquent Tax Fund.

RSMo 50.740 prohibits expenditures in excess of the approved budgets. Chapter 50 of the RSMo also requires the preparation and filing of annual budgets for all funds to present a complete financial plan for the ensuing year.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not authorized in excess of the approved budget, and that budgets are prepared or obtained for all County funds.

County's Response: The County agrees to more closely monitor expenditures to avoid overages in the future.

08-3. Procedures

Condition: The County used one engineering firm (Great River Engineering) for various bridge construction projects and did not solicit proposals from other firms for these projects. The County Commission indicated that other engineering firms had been considered but that Great River Engineering was selected based on the County's prior experience with that firm. However, documentation was not available to clarify the process by which other engineering firms were evaluated prior to the selection of Great River Engineering.

Recommendation: We recommend that the County obtain statements of qualifications and performance data from at least three engineering firms before contracting for engineering services and that the process be documented.

County's Response: We are taking this recommendation under advisement.

OTHER MATTERS

In planning and performing our audit of the financial statements of Scotland County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 15, 2009. (A separate report dated July 15, 2009 which is presented herein, contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 15, 2009.

08-4. Maintenance of Personnel Files

Condition: Personnel files should contain up-to-date contact information for the employee, position title, W-4, payroll authorization, a record of any changes in benefits or pay, evidence of salary level, job titles, and employment forms. Of the four employees we tested, none had documentation setting forth their current authorized salary. For uniformity and efficiency of operations, the personnel files should be complete and should be considered the central source for all information and transactions concerning employees.

Recommendation: We recommend that the County Clerk's Office ensure that the permanent personnel file of each employee contain all information relevant to the individual's position, compensation, deductions, and contact information.

County's Response: The County Clerk's office was not aware that this needed to be documented and agrees to update employee personnel files to incorporate each employee's approved pay rate.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Scotland County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

06.1 Financial Condition

General Revenue and Special Road and Bridge Fund continue to decline in fund balance.

Status: Condition corrected.

06.2 Budgetary Practices

Actual disbursements exceeded budgeted amounts in a number of funds.

Status: Improvement noted, but still uncorrected. See current finding 08-2.

06.3 Published Financial Statements

The County's published financial statements did not include all County funds.

Status: Condition corrected.

06.4 Purchasing Procedures

Bids were not always solicited or bid documentation retained for purchases.

Status: Not corrected. See current finding 08-3.

06.5 Computer Controls

Status: Condition corrected.

06.6 Fixed Assets

Status: Condition corrected.

06.7 Conversion to Governmental Accounting Standards Board (GASB) Pronouncement No. 34

Status: Not corrected, however, conversion to GASB No. 34 is optional. Finding not repeated.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Pulaski County, Missouri

The Office of the State Auditor, in cooperation with Pulaski County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-118

ANNUAL FINANCIAL REPORT

PULASKI COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

PULASKI COUNTY, MISSOURI
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes to Financial Statements	25

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	33
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	35
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Federal Expenditures of Federal Awards	38
Schedule of Federal Findings and Questioned Costs	39
Findings and Recommendations	41
Schedule of Prior Year Audit Findings	47

INTRODUCTORY SECTION

PULASKI COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Bill Ransdall

Associate Commissioner – Bill Farnham

Associate Commissioner – Rick Zweerink

Other Elected Officials

Assessor – Roger Harrison

Circuit Clerk, Recorder – Rachelle Beasley

Collector – Terri Mitchell

Coroner – Mike Hartness

County Clerk – Diana Linnenbringer

Prosecuting Attorney – Deborah Hooper

Public Administrator – Loretta Rouse

Sheriff – J. B. King

Treasurer – Barbara Shackleford

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Pulaski County, Missouri

We have audited the accompanying financial statements of Pulaski County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Pulaski County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pulaski County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Pulaski County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 1, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
May 1, 2009

FINANCIAL SECTION

PULASKI COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash & Equivalents January 1, 2007	Receipts 2007	Disbursements 2007	Cash & Equivalents December 31, 2007	Receipts 2008	Disbursements 2008	Cash & Equivalents December 31, 2008
General Revenue	\$ 5,485	\$ 3,135,138	\$ 3,132,871	7,752	\$ 3,325,857	\$ 3,285,708	\$ 47,901
Special Road and Bridge	27,932	1,690,480	1,614,146	104,266	1,957,648	1,807,911	254,003
Assessment	82,972	315,324	276,398	121,898	296,198	255,908	162,188
Courthouse Sales	2,482,455	115,989	157,610	2,440,834	137,986	332,651	2,246,169
Prosecuting Attorney Training	612	1,332	1,846	98	1,280	1,180	198
Prosecuting Attorney Delinquent	1,466	1,880	3,057	289	1,357	1,603	43
Prosecuting Attorney User	16,905	35,601	52,506	-	32,956	32,752	204
Election Services	10,616	1,421	10,500	1,537	5,694	3,134	4,097
Civil Fee Fund	8,071	50,636	55,101	3,606	50,789	53,561	834
Law Officer Training	3,462	7,913	9,433	1,942	7,476	7,454	1,964
Criminal Investigation	5,780	10,467	8,066	8,181	18,218	15,842	10,557
Recorder User	16,125	20,047	24,969	11,203	17,871	18,920	10,154
Recorder Tech	17,527	10,928	12,842	15,613	10,027	11,184	14,456
Collector Maintenance	8,572	35,327	26,700	17,199	38,367	23,961	31,605
LEPC Chemical	9,560	599	781	9,378	7,142	-	16,520
Sheriff's Revolving	12,097	13,777	4,528	21,346	14,761	15,274	20,833
Inmate Security	15,973	5,740	16,945	4,768	5,281	7,786	2,263
LEPC Hazardous Material	3,434	1,693	809	4,318	304	1,112	3,510
VEST Grant	-	-	-	-	-	-	-
Circuit Clerk Court Maintenance	7,183	10,058	5,761	11,480	15,836	18,439	8,877
County Law Enforcement Restitution	10,336	30,379	35,807	4,908	35,799	35,499	5,208
Circuit Clerk Court Operation	158	88	-	246	65	-	311
Family Reunion	173	757	400	530	41	-	571
Sheriff's Special Equipment	3,134	12,536	13,560	2,110	6,053	5,131	3,032
Law Library	1,208	15,097	11,858	4,447	17,810	14,783	7,474
Tourism Tax	10,559	432,517	431,642	11,434	533,651	532,675	12,410
Highway H NID	146,140	44,868	44,641	146,367	43,241	82,477	107,131
Subtotal	\$ 2,907,935	\$ 6,000,592	\$ 5,952,777	\$ 2,955,750	\$ 6,581,708	\$ 6,564,945	\$ 2,972,513

The accompanying Notes to the Financial Statements are an integral part of this statement.

PULASKI COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash & Equivalents January 1, 2007	Receipts 2007	Disbursements 2007	Cash & Equivalents December 31, 2007	Receipts 2008	Disbursements 2008	Cash & Equivalents December 31, 2008
Subtotal Carried Forward:	\$ 2,907,935	\$ 6,000,592	\$ 5,952,777	\$ 2,955,750	\$ 6,581,708	\$ 6,564,945	\$ 2,972,513
Highway H Maintenance NID	2,407	50,634	50,000	3,041	51,796	52,500	2,337
Northwood NID	32,845	18,089	17,983	32,951	22,203	18,355	36,799
Country Hill NID	14,396	6,429	5,636	15,189	7,130	6,470	15,849
Dye Estates NID	14,270	2,818	3,587	13,501	2,848	16,342	7
Eagle Point NID	9,886	5,551	6,633	8,804	7,355	6,410	9,749
Timbers NID	22,995	13,910	12,721	24,184	15,114	24,226	15,072
Northlake NID	6,199	8,251	7,843	6,607	8,662	7,483	7,786
White Oaks NID	3,069	7,860	8,948	1,981	7,541	8,643	879
Time Payment Fee	6,705	4,315	-	11,020	4,237	7,378	7,879
Passport Fees	6,617	36,209	29,354	13,472	27,043	32,336	8,179
Crisis	10,837	23,666	20,311	14,192	23,707	23,502	14,397
Senior Citizens	65,697	143,442	140,628	68,511	162,525	165,371	65,665
Senate Bill 40	231,235	216,644	233,404	214,475	314,849	294,303	235,021
911 Telephone Board	240,852	942,513	905,131	278,234	960,667	971,402	267,499
CDBG - Genesis Program	-	216,591	216,591	-	83,409	83,409	-
Help America Vote Act	-	-	-	-	12,536	8,845	3,691
Geographic Information System	65,018	16,449	81,467	-	-	-	-
Family Court Justice	34,299	23,207	13,338	44,168	92,935	31,166	105,937
Total	<u>\$ 3,675,262</u>	<u>\$ 7,737,170</u>	<u>\$ 7,706,352</u>	<u>\$ 3,706,080</u>	<u>\$ 8,386,265</u>	<u>\$ 8,323,086</u>	<u>\$ 3,769,259</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 42,900	\$ 47,375	\$ 48,746	\$ 50,666
Sales taxes	1,881,527	1,867,174	1,966,861	1,891,498
Intergovernmental	118,546	143,529	104,851	104,195
Charges for services	681,406	589,774	631,000	600,461
Interest	6,700	6,891	8,000	10,959
Other	313,006	342,921	407,557	485,279
Transfers in	85,678	137,474	128,545	182,799
Total Receipts	<u>\$ 3,129,763</u>	<u>\$ 3,135,138</u>	<u>\$ 3,295,560</u>	<u>\$ 3,325,857</u>
DISBURSEMENTS				
County Commission	\$ 102,700	\$ 102,700	\$ 98,356	\$ 98,356
County Clerk	99,897	99,897	106,360	106,360
Elections	36,960	36,960	88,690	87,895
Buildings and grounds	77,335	77,335	81,521	81,521
Employee fringe benefits	190,632	190,632	211,850	211,850
Treasurer	54,825	54,825	54,063	53,848
Collector	107,019	107,019	103,535	103,535
Recorder of Deeds	47,413	47,413	52,237	52,237
Circuit Clerk	61,141	61,141	61,807	61,807
Associate Circuit Court	669	669	1,000	855
Associate Circuit Court (Probate)	5,999	5,999	247	247
Court administration	84,142	84,142	60,896	60,896
Public Administrator	67,838	67,838	70,355	69,029
Sheriff	921,502	921,502	980,004	995,312
Jail	424,404	509,332	518,649	573,761
Prosecuting Attorney	233,599	233,599	254,768	254,768
Juvenile Officer	92,558	92,558	101,685	101,191
Coroner	22,543	22,543	39,515	39,515
Other general revenue	290,582	288,782	211,787	232,839
Transfers out	120,012	127,785	99,885	99,886
Emergency fund	92,906	200	97,456	-
Total Disbursements	<u>\$ 3,134,676</u>	<u>\$ 3,132,871</u>	<u>\$ 3,294,666</u>	<u>\$ 3,285,708</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,913)	\$ 2,267	\$ 894	\$ 40,149
CASH, JANUARY 1	<u>5,485</u>	<u>5,485</u>	<u>7,752</u>	<u>7,752</u>
CASH, DECEMBER 31	<u>\$ 572</u>	<u>\$ 7,752</u>	<u>\$ 8,646</u>	<u>\$ 47,901</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 540,000	\$ 555,846	\$ 572,521	\$ 688,548	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	717,688	747,207	753,500	782,315	238,945	273,522	261,288	274,503
Charges for services	8,000	2,300	7,500	7,130	-	-	-	-
Interest	12,000	8,638	8,900	30,410	6,500	9,110	9,000	13,995
Other	377,701	306,477	403,450	407,758	-	-	-	7,700
Transfers in	70,012	70,012	82,973	41,487	-	32,692	-	-
Total Receipts	<u>\$ 1,725,401</u>	<u>\$ 1,690,480</u>	<u>\$ 1,828,844</u>	<u>\$ 1,957,648</u>	<u>\$ 245,445</u>	<u>\$ 315,324</u>	<u>\$ 270,288</u>	<u>\$ 296,198</u>
DISBURSEMENTS								
Salaries	\$ 562,500	\$ 549,267	\$ 576,940	\$ 589,208	\$ 157,130	\$ 157,930	\$ 171,807	\$ 146,676
Employee fringe benefits	241,828	241,827	142,224	141,268	26,000	34,832	41,000	30,293
Materials and Supplies	514,256	495,035	694,735	637,785	37,000	47,144	41,000	31,145
Services and Other	222,843	207,039	253,587	234,468	68,716	36,492	41,348	47,794
Capital Outlay	90,978	90,978	135,666	135,182	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	30,000	30,000	70,000	70,000	-	-	-	-
Total Disbursements	<u>\$ 1,662,405</u>	<u>\$ 1,614,146</u>	<u>\$ 1,873,152</u>	<u>\$ 1,807,911</u>	<u>\$ 288,846</u>	<u>\$ 276,398</u>	<u>\$ 295,155</u>	<u>\$ 255,908</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 62,996	\$ 76,334	\$ (44,308)	\$ 149,737	\$ (43,401)	\$ 38,926	\$ (24,867)	\$ 40,290
CASH, JANUARY 1	<u>27,932</u>	<u>27,932</u>	<u>104,266</u>	<u>104,266</u>	<u>82,972</u>	<u>82,972</u>	<u>121,898</u>	<u>121,898</u>
CASH, DECEMBER 31	<u>\$ 90,928</u>	<u>\$ 104,266</u>	<u>\$ 59,958</u>	<u>\$ 254,003</u>	<u>\$ 39,571</u>	<u>\$ 121,898</u>	<u>\$ 97,031</u>	<u>\$ 162,188</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COURTHOUSE SALES FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	204	-	424	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	3,648	1,254	1,500	1,265
Interest	105,000	115,785	115,000	137,562	40	31	31	15
Other	-	-	-	-	-	47	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 105,000</u>	<u>\$ 115,989</u>	<u>\$ 115,000</u>	<u>\$ 137,986</u>	<u>\$ 3,688</u>	<u>\$ 1,332</u>	<u>\$ 1,531</u>	<u>\$ 1,280</u>
DISBURSEMENTS								
Salaries	\$ -	\$ 38,415	\$ 40,040	\$ 37,220	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	5,568	8,000	155,867	4,300	1,846	1,629	1,180
Capital Outlay	400,000	113,627	351,960	139,564	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 400,000</u>	<u>\$ 157,610</u>	<u>\$ 400,000</u>	<u>\$ 332,651</u>	<u>\$ 4,300</u>	<u>\$ 1,846</u>	<u>\$ 1,629</u>	<u>\$ 1,180</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (295,000)</u>	<u>\$ (41,621)</u>	<u>\$ (285,000)</u>	<u>\$ (194,665)</u>	<u>\$ (612)</u>	<u>\$ (514)</u>	<u>\$ (98)</u>	<u>\$ 100</u>
CASH, JANUARY 1	<u>2,482,455</u>	<u>2,482,455</u>	<u>2,440,834</u>	<u>2,440,834</u>	<u>612</u>	<u>612</u>	<u>98</u>	<u>98</u>
CASH, DECEMBER 31	<u><u>\$ 2,187,455</u></u>	<u><u>\$ 2,440,834</u></u>	<u><u>\$ 2,155,834</u></u>	<u><u>\$ 2,246,169</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 198</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY DELINQUENT FUND				PROSECUTING ATTORNEY USER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	3,004	1,818	2,500	1,322	-	-	-	-
Charges for services	-	-	-	-	50,000	33,804	50,000	32,847
Interest	76	62	62	16	700	401	500	109
Other	-	-	-	19	5,000	1,396	1,396	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,080</u>	<u>\$ 1,880</u>	<u>\$ 2,562</u>	<u>\$ 1,357</u>	<u>\$ 55,700</u>	<u>\$ 35,601</u>	<u>\$ 51,896</u>	<u>\$ 32,956</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,546	3,057	2,851	1,603	20,000	20,433	19,823	2,752
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	32,082	32,073	30,000	30,000
Total Disbursements	<u>\$ 4,546</u>	<u>\$ 3,057</u>	<u>\$ 2,851</u>	<u>\$ 1,603</u>	<u>\$ 52,082</u>	<u>\$ 52,506</u>	<u>\$ 49,823</u>	<u>\$ 32,752</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,466)	\$ (1,177)	\$ (289)	\$ (246)	\$ 3,618	\$ (16,905)	\$ 2,073	\$ 204
CASH, JANUARY 1	<u>1,466</u>	<u>1,466</u>	<u>289</u>	<u>289</u>	<u>16,905</u>	<u>16,905</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 20,523</u>	<u>\$ -</u>	<u>\$ 2,073</u>	<u>\$ 204</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				CIVIL FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	300	380	800	3,944	50,000	50,000	50,000	50,000
Interest	500	510	250	225	745	633	500	789
Other	-	531	-	1,525	-	3	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 800</u>	<u>\$ 1,421</u>	<u>\$ 1,050</u>	<u>\$ 5,694</u>	<u>\$ 50,745</u>	<u>\$ 50,636</u>	<u>\$ 50,500</u>	<u>\$ 50,789</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	58,745	55,101	54,107	53,561
Services and Other	10,500	10,500	3,400	3,134	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 3,400</u>	<u>\$ 3,134</u>	<u>\$ 58,745</u>	<u>\$ 55,101</u>	<u>\$ 54,107</u>	<u>\$ 53,561</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (9,700)	\$ (9,079)	\$ (2,350)	\$ 2,560	\$ (8,000)	\$ (4,465)	\$ (3,607)	\$ (2,772)
CASH, JANUARY 1	<u>10,616</u>	<u>10,616</u>	<u>1,920</u>	<u>1,920</u>	<u>8,071</u>	<u>8,071</u>	<u>3,606</u>	<u>3,606</u>
CASH, DECEMBER 31	<u>\$ 916</u>	<u>\$ 1,537</u>	<u>\$ (430)</u>	<u>\$ 4,480</u>	<u>\$ 71</u>	<u>\$ 3,606</u>	<u>\$ (1)</u>	<u>\$ 834</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	LAW OFFICERS TRAINING FUND				CRIMINAL INVESTIGATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,200	5,121	4,000	4,955	5,500	10,072	15,000	17,453
Interest	210	245	200	131	400	395	400	765
Other	2,850	2,547	2,100	2,390	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 9,260</u>	<u>\$ 7,913</u>	<u>\$ 6,300</u>	<u>\$ 7,476</u>	<u>\$ 5,900</u>	<u>\$ 10,467</u>	<u>\$ 15,400</u>	<u>\$ 18,218</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	12,000	9,433	7,500	7,454	11,600	8,066	22,000	15,842
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 12,000</u>	<u>\$ 9,433</u>	<u>\$ 7,500</u>	<u>\$ 7,454</u>	<u>\$ 11,600</u>	<u>\$ 8,066</u>	<u>\$ 22,000</u>	<u>\$ 15,842</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (2,740)	\$ (1,520)	\$ (1,200)	\$ 22	\$ (5,700)	\$ 2,401	\$ (6,600)	\$ 2,376
CASH, JANUARY 1	<u>3,462</u>	<u>3,462</u>	<u>1,942</u>	<u>1,942</u>	<u>5,780</u>	<u>5,780</u>	<u>8,181</u>	<u>8,181</u>
CASH, DECEMBER 31	<u>\$ 722</u>	<u>\$ 1,942</u>	<u>\$ 742</u>	<u>\$ 1,964</u>	<u>\$ 80</u>	<u>\$ 8,181</u>	<u>\$ 1,581</u>	<u>\$ 10,557</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	RECORDER USER FUND				RECORDER TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	24,000	19,287	19,300	17,151	12,000	9,904	9,500	8,870
Interest	1,000	760	700	720	1,100	1,024	1,000	1,157
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,000</u>	<u>\$ 20,047</u>	<u>\$ 20,000</u>	<u>\$ 17,871</u>	<u>\$ 13,100</u>	<u>\$ 10,928</u>	<u>\$ 10,500</u>	<u>\$ 10,027</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	12,000	11,969	7,000	5,920	13,000	12,842	12,000	11,184
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	13,000	13,000	13,000	13,000	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 24,969</u>	<u>\$ 20,000</u>	<u>\$ 18,920</u>	<u>\$ 13,000</u>	<u>\$ 12,842</u>	<u>\$ 12,000</u>	<u>\$ 11,184</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (4,922)	\$ -	\$ (1,049)	\$ 100	\$ (1,914)	\$ (1,500)	\$ (1,157)
CASH, JANUARY 1	<u>16,125</u>	<u>16,125</u>	<u>11,203</u>	<u>11,203</u>	<u>17,527</u>	<u>17,527</u>	<u>15,613</u>	<u>15,613</u>
CASH, DECEMBER 31	<u><u>\$ 16,125</u></u>	<u><u>\$ 11,203</u></u>	<u><u>\$ 11,203</u></u>	<u><u>\$ 10,154</u></u>	<u><u>\$ 17,627</u></u>	<u><u>\$ 15,613</u></u>	<u><u>\$ 14,113</u></u>	<u><u>\$ 14,456</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR MAINTENANCE FUND				LEPC CHEMICAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	24,000	34,358	25,000	36,229	-	-	-	-
Interest	750	969	900	2,123	400	599	500	833
Other	-	-	-	15	2,980	-	448	6,309
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 24,750</u>	<u>\$ 35,327</u>	<u>\$ 25,900</u>	<u>\$ 38,367</u>	<u>\$ 3,380</u>	<u>\$ 599</u>	<u>\$ 948</u>	<u>\$ 7,142</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	23,000	18,244	26,250	16,632	-	-	-	-
Services and Other	6,000	3,828	9,500	1,329	10,000	781	6,400	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	4,000	4,628	6,000	6,000	-	-	-	-
Total Disbursements	<u>\$ 33,000</u>	<u>\$ 26,700</u>	<u>\$ 41,750</u>	<u>\$ 23,961</u>	<u>\$ 10,000</u>	<u>\$ 781</u>	<u>\$ 6,400</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,250)	\$ 8,627	\$ (15,850)	\$ 14,406	\$ (6,620)	\$ (182)	\$ (5,452)	\$ 7,142
CASH, JANUARY 1	<u>8,572</u>	<u>8,572</u>	<u>17,199</u>	<u>17,199</u>	<u>9,560</u>	<u>9,560</u>	<u>9,378</u>	<u>9,378</u>
CASH, DECEMBER 31	<u>\$ 322</u>	<u>\$ 17,199</u>	<u>\$ 1,349</u>	<u>\$ 31,605</u>	<u>\$ 2,940</u>	<u>\$ 9,378</u>	<u>\$ 3,926</u>	<u>\$ 16,520</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,300	12,730	11,000	13,068	6,000	4,941	4,000	4,965
Interest	545	1,047	1,060	1,693	950	799	200	316
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,845</u>	<u>\$ 13,777</u>	<u>\$ 12,060</u>	<u>\$ 14,761</u>	<u>\$ 6,950</u>	<u>\$ 5,740</u>	<u>\$ 4,200</u>	<u>\$ 5,281</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	16,500	4,528	17,000	15,274	22,000	16,945	7,900	7,786
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 16,500</u>	<u>\$ 4,528</u>	<u>\$ 17,000</u>	<u>\$ 15,274</u>	<u>\$ 22,000</u>	<u>\$ 16,945</u>	<u>\$ 7,900</u>	<u>\$ 7,786</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (11,655)	\$ 9,249	\$ (4,940)	\$ (513)	\$ (15,050)	\$ (11,205)	\$ (3,700)	\$ (2,505)
CASH, JANUARY 1	<u>12,097</u>	<u>12,097</u>	<u>21,346</u>	<u>21,346</u>	<u>15,973</u>	<u>15,973</u>	<u>4,768</u>	<u>4,768</u>
CASH, DECEMBER 31	<u>\$ 442</u>	<u>\$ 21,346</u>	<u>\$ 16,406</u>	<u>\$ 20,833</u>	<u>\$ 923</u>	<u>\$ 4,768</u>	<u>\$ 1,068</u>	<u>\$ 2,263</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LEPC - HAZARDOUS MATERIAL FUND				VEST GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	200	262	250	304	-	-	-	-
Other	1,431	1,431	1,431	-	2,276	-	4,553	-
Transfers in	-	-	-	-	2,250	-	-	-
Total Receipts	<u>\$ 1,631</u>	<u>\$ 1,693</u>	<u>\$ 1,681</u>	<u>\$ 304</u>	<u>\$ 4,526</u>	<u>\$ -</u>	<u>\$ 4,553</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,000	809	4,000	1,112	2,250	-	4,553	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,000</u>	<u>\$ 809</u>	<u>\$ 4,000</u>	<u>\$ 1,112</u>	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 4,553</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,369)	\$ 884	\$ (2,319)	\$ (808)	\$ 2,276	\$ -	\$ -	\$ -
CASH, JANUARY 1	<u>3,434</u>	<u>3,434</u>	<u>4,318</u>	<u>4,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 1,065</u>	<u>\$ 4,318</u>	<u>\$ 1,999</u>	<u>\$ 3,510</u>	<u>\$ 2,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CIRCUIT CLERK COURT MAINTENANCE FUND				COUNTY LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	28,000	29,798	30,000	35,378
Interest	7,000	10,058	9,000	15,836	200	581	400	330
Other	-	-	-	-	-	-	-	91
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,000</u>	<u>\$ 10,058</u>	<u>\$ 9,000</u>	<u>\$ 15,836</u>	<u>\$ 28,200</u>	<u>\$ 30,379</u>	<u>\$ 30,400</u>	<u>\$ 35,799</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	7,000	5,761	20,000	18,439	38,000	35,807	35,500	35,499
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,000</u>	<u>\$ 5,761</u>	<u>\$ 20,000</u>	<u>\$ 18,439</u>	<u>\$ 38,000</u>	<u>\$ 35,807</u>	<u>\$ 35,500</u>	<u>\$ 35,499</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 4,297	\$ (11,000)	\$ (2,603)	\$ (9,800)	\$ (5,428)	\$ (5,100)	\$ 300
CASH, JANUARY 1	7,183	7,183	11,480	11,480	10,336	10,336	4,908	4,908
CASH, DECEMBER 31	<u>\$ 7,183</u>	<u>\$ 11,480</u>	<u>\$ 480</u>	<u>\$ 8,877</u>	<u>\$ 536</u>	<u>\$ 4,908</u>	<u>\$ (192)</u>	<u>\$ 5,208</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit B-11

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CIRCUIT CLERK COURT OPERATION FUND				FAMILY REUNION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	100	75	35	45	-	-	-	-
Interest	4	13	5	20	30	31	10	41
Other	-	-	-	-	400	726	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 104	\$ 88	\$ 40	\$ 65	\$ 430	\$ 757	\$ 10	\$ 41
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	246	-	570	400	530	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ 246	\$ -	\$ 570	\$ 400	\$ 530	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 104	\$ 88	\$ (206)	\$ 65	\$ (140)	\$ 357	\$ (520)	\$ 41
CASH, JANUARY 1	158	158	246	246	173	173	530	530
CASH, DECEMBER 31	\$ 262	\$ 246	\$ 40	\$ 311	\$ 33	\$ 530	\$ 10	\$ 571

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	SHERIFF'S SPECIAL EQUIPMENT FUND				LAW LIBRARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	15,000	15,097	15,000	17,810
Interest	30	175	100	104	-	-	-	-
Other	10,429	12,361	3,800	5,949	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,459</u>	<u>\$ 12,536</u>	<u>\$ 3,900</u>	<u>\$ 6,053</u>	<u>\$ 15,000</u>	<u>\$ 15,097</u>	<u>\$ 15,000</u>	<u>\$ 17,810</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	15,000	11,858	15,000	14,783
Services and Other	13,559	13,560	5,500	5,131	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 13,559</u>	<u>\$ 13,560</u>	<u>\$ 5,500</u>	<u>\$ 5,131</u>	<u>\$ 15,000</u>	<u>\$ 11,858</u>	<u>\$ 15,000</u>	<u>\$ 14,783</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,100)	\$ (1,024)	\$ (1,600)	\$ 922	\$ -	\$ 3,239	\$ -	\$ 3,027
CASH, JANUARY 1	<u>3,134</u>	<u>3,134</u>	<u>2,110</u>	<u>2,110</u>	<u>1,208</u>	<u>1,208</u>	<u>4,447</u>	<u>4,447</u>
CASH, DECEMBER 31	<u>\$ 34</u>	<u>\$ 2,110</u>	<u>\$ 510</u>	<u>\$ 3,032</u>	<u>\$ 1,208</u>	<u>\$ 4,447</u>	<u>\$ 4,447</u>	<u>\$ 7,474</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	TOURISM TAX FUND				HIGHWAY H NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	432,459	431,642	433,500	532,675	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	875	800	976	8,500	7,104	7,000	7,932
Other	-	-	-	-	82,500	37,764	34,000	35,309
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 432,459</u>	<u>\$ 432,517</u>	<u>\$ 434,300</u>	<u>\$ 533,651</u>	<u>\$ 91,000</u>	<u>\$ 44,868</u>	<u>\$ 41,000</u>	<u>\$ 43,241</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	431,844	431,642	532,684	532,675	92,175	44,641	93,000	82,477
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 431,844</u>	<u>\$ 431,642</u>	<u>\$ 532,684</u>	<u>\$ 532,675</u>	<u>\$ 92,175</u>	<u>\$ 44,641</u>	<u>\$ 93,000</u>	<u>\$ 82,477</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 615	\$ 875	\$ (98,384)	\$ 976	\$ (1,175)	\$ 227	\$ (52,000)	\$ (39,236)
CASH, JANUARY 1	<u>10,559</u>	<u>10,559</u>	<u>11,434</u>	<u>11,434</u>	<u>146,140</u>	<u>146,140</u>	<u>146,367</u>	<u>146,367</u>
CASH, DECEMBER 31	<u>\$ 11,174</u>	<u>\$ 11,434</u>	<u>\$ (86,950)</u>	<u>\$ 12,410</u>	<u>\$ 144,965</u>	<u>\$ 146,367</u>	<u>\$ 94,367</u>	<u>\$ 107,131</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	HIGHWAY H MAINTENANCE NID FUND				NORTHWOOD NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	500	1,999	1,000	2,984	1,700	1,994	2,000	2,734
Other	50,000	48,635	48,000	48,812	20,000	16,095	16,000	19,469
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 50,500</u>	<u>\$ 50,634</u>	<u>\$ 49,000</u>	<u>\$ 51,796</u>	<u>\$ 21,700</u>	<u>\$ 18,089</u>	<u>\$ 18,000</u>	<u>\$ 22,203</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	50,000	50,000	52,500	52,500	-	-	-	-
Capital Outlay	-	-	-	-	21,000	17,983	50,000	18,355
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 52,500</u>	<u>\$ 52,500</u>	<u>\$ 21,000</u>	<u>\$ 17,983</u>	<u>\$ 50,000</u>	<u>\$ 18,355</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 500	\$ 634	\$ (3,500)	\$ (704)	\$ 700	\$ 106	\$ (32,000)	\$ 3,848
CASH, JANUARY 1	<u>2,407</u>	<u>2,407</u>	<u>3,041</u>	<u>3,041</u>	<u>32,845</u>	<u>32,845</u>	<u>32,951</u>	<u>32,951</u>
CASH, DECEMBER 31	<u>\$ 2,907</u>	<u>\$ 3,041</u>	<u>\$ (459)</u>	<u>\$ 2,337</u>	<u>\$ 33,545</u>	<u>\$ 32,951</u>	<u>\$ 951</u>	<u>\$ 36,799</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	COUNTRY HILL NID FUND				DYE ESTATES NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	700	846	850	1,125	600	656	650	451
Other	6,000	5,583	5,582	6,005	3,000	2,162	2,200	2,397
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 6,700</u>	<u>\$ 6,429</u>	<u>\$ 6,432</u>	<u>\$ 7,130</u>	<u>\$ 3,600</u>	<u>\$ 2,818</u>	<u>\$ 2,850</u>	<u>\$ 2,848</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	6,700	5,636	15,000	6,470	4,200	3,587	4,200	16,342
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 6,700</u>	<u>\$ 5,636</u>	<u>\$ 15,000</u>	<u>\$ 6,470</u>	<u>\$ 4,200</u>	<u>\$ 3,587</u>	<u>\$ 4,200</u>	<u>\$ 16,342</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 793	\$ (8,568)	\$ 660	\$ (600)	\$ (769)	\$ (1,350)	\$ (13,494)
CASH, JANUARY 1	<u>14,396</u>	<u>14,396</u>	<u>15,189</u>	<u>15,189</u>	<u>14,270</u>	<u>14,270</u>	<u>13,501</u>	<u>13,501</u>
CASH, DECEMBER 31	<u>\$ 14,396</u>	<u>\$ 15,189</u>	<u>\$ 6,621</u>	<u>\$ 15,849</u>	<u>\$ 13,670</u>	<u>\$ 13,501</u>	<u>\$ 12,151</u>	<u>\$ 7</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	EAGLE POINT NID FUND				TIMBERS NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	550	612	600	790	1,100	1,376	400	1,602
Other	5,800	4,939	4,900	6,565	13,000	12,534	12,500	13,512
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 6,350</u>	<u>\$ 5,551</u>	<u>\$ 5,500</u>	<u>\$ 7,355</u>	<u>\$ 14,100</u>	<u>\$ 13,910</u>	<u>\$ 12,900</u>	<u>\$ 15,114</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	6,500	6,633	10,000	6,410	16,000	12,721	36,000	24,226
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 6,500</u>	<u>\$ 6,633</u>	<u>\$ 10,000</u>	<u>\$ 6,410</u>	<u>\$ 16,000</u>	<u>\$ 12,721</u>	<u>\$ 36,000</u>	<u>\$ 24,226</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (150)	\$ (1,082)	\$ (4,500)	\$ 945	\$ (1,900)	\$ 1,189	\$ (23,100)	\$ (9,112)
CASH, JANUARY 1	<u>9,886</u>	<u>9,886</u>	<u>8,804</u>	<u>8,804</u>	<u>22,995</u>	<u>22,995</u>	<u>24,184</u>	<u>24,184</u>
CASH, DECEMBER 31	<u>\$ 9,736</u>	<u>\$ 8,804</u>	<u>\$ 4,304</u>	<u>\$ 9,749</u>	<u>\$ 21,095</u>	<u>\$ 24,184</u>	<u>\$ 1,084</u>	<u>\$ 15,072</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	NORTHLAKE NID FUND				WHITE OAKS NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	550	736	650	1,021	500	546	500	634
Other	7,000	7,515	7,400	7,641	7,000	7,314	7,000	6,907
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,550</u>	<u>\$ 8,251</u>	<u>\$ 8,050</u>	<u>\$ 8,662</u>	<u>\$ 7,500</u>	<u>\$ 7,860</u>	<u>\$ 7,500</u>	<u>\$ 7,541</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	10,000	7,843	10,000	7,483	10,000	8,948	9,480	8,643
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 7,843</u>	<u>\$ 10,000</u>	<u>\$ 7,483</u>	<u>\$ 10,000</u>	<u>\$ 8,948</u>	<u>\$ 9,480</u>	<u>\$ 8,643</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,450)	\$ 408	\$ (1,950)	\$ 1,179	\$ (2,500)	\$ (1,088)	\$ (1,980)	\$ (1,102)
CASH, JANUARY 1	<u>6,199</u>	<u>6,199</u>	<u>6,607</u>	<u>6,607</u>	<u>3,069</u>	<u>3,069</u>	<u>1,981</u>	<u>1,981</u>
CASH, DECEMBER 31	<u>\$ 3,749</u>	<u>\$ 6,607</u>	<u>\$ 4,657</u>	<u>\$ 7,786</u>	<u>\$ 569</u>	<u>\$ 1,981</u>	<u>\$ 1</u>	<u>\$ 879</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	TIME PAYMENT FEE FUND				PASSPORT FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	5,400	4,315	4,000	4,237	22,000	36,209	20,000	27,043
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,400</u>	<u>\$ 4,315</u>	<u>\$ 4,000</u>	<u>\$ 4,237</u>	<u>\$ 22,000</u>	<u>\$ 36,209</u>	<u>\$ 20,000</u>	<u>\$ 27,043</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	7,000	-	15,000	1,978	22,000	29,354	32,472	32,336
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	5,400	-	-	-	-
Total Disbursements	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 7,378</u>	<u>\$ 22,000</u>	<u>\$ 29,354</u>	<u>\$ 32,472</u>	<u>\$ 32,336</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,600)	\$ 4,315	\$ (11,000)	\$ (3,141)	\$ -	\$ 6,855	\$ (12,472)	\$ (5,293)
CASH, JANUARY 1	<u>6,705</u>	<u>6,705</u>	<u>11,020</u>	<u>11,020</u>	<u>6,617</u>	<u>6,617</u>	<u>13,472</u>	<u>13,472</u>
CASH, DECEMBER 31	<u>\$ 5,105</u>	<u>\$ 11,020</u>	<u>\$ 20</u>	<u>\$ 7,879</u>	<u>\$ 6,617</u>	<u>\$ 13,472</u>	<u>\$ 1,000</u>	<u>\$ 8,179</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	CRISIS FUND				SENIOR CITIZENS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 121,638	\$ 137,672	\$ 150,420	\$ 158,215
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,881	-	1,261
Charges for services	25,000	23,053	20,000	13,139	-	-	-	-
Interest	465	613	300	889	3,000	3,889	3,800	3,049
Other	-	-	-	9,679	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,465</u>	<u>\$ 23,666</u>	<u>\$ 20,300</u>	<u>\$ 23,707</u>	<u>\$ 124,638</u>	<u>\$ 143,442</u>	<u>\$ 154,220</u>	<u>\$ 162,525</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	100	-	150	-
Services and Other	25,000	20,311	25,000	23,502	151,881	140,628	177,600	165,371
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 20,311</u>	<u>\$ 25,000</u>	<u>\$ 23,502</u>	<u>\$ 151,981</u>	<u>\$ 140,628</u>	<u>\$ 177,750</u>	<u>\$ 165,371</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 465	\$ 3,355	\$ (4,700)	\$ 205	\$ (27,343)	\$ 2,814	\$ (23,530)	\$ (2,846)
CASH, JANUARY 1	<u>10,837</u>	<u>10,837</u>	<u>14,192</u>	<u>14,192</u>	<u>65,697</u>	<u>65,697</u>	<u>68,511</u>	<u>68,511</u>
CASH, DECEMBER 31	<u>\$ 11,302</u>	<u>\$ 14,192</u>	<u>\$ 9,492</u>	<u>\$ 14,397</u>	<u>\$ 38,354</u>	<u>\$ 68,511</u>	<u>\$ 44,981</u>	<u>\$ 65,665</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	SENATE BILL 40 FUND				911 TELEPHONE BOARD FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 201,663	\$ 195,132	\$ 235,992	\$ 293,553	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	918,925	932,975	970,526	945,312
Intergovernmental	6,050	-	6,000	-	-	-	-	-
Charges for services		-	-		1,752	1,752	1,752	1,752
Interest	6,000	12,202	6,000	11,146	-	4,335	-	10,560
Other	-	9,310	-	10,150	-	3,451	-	3,043
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 213,713</u>	<u>\$ 216,644</u>	<u>\$ 247,992</u>	<u>\$ 314,849</u>	<u>\$ 920,677</u>	<u>\$ 942,513</u>	<u>\$ 972,278</u>	<u>\$ 960,667</u>
DISBURSEMENTS								
Salaries	6,000	6,500	6,000	6,500	443,414	445,326	420,027	419,505
Employee fringe benefits	-	-	-	-	111,500	102,718	122,784	119,438
Materials and Supplies	-	-	-	-	111,262	7,111	6,300	7,321
Services and Other	196,160	226,904	263,700	287,803	254,500	349,976	423,167	425,138
Capital Outlay	20,000	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 222,160</u>	<u>\$ 233,404</u>	<u>\$ 269,700</u>	<u>\$ 294,303</u>	<u>\$ 920,676</u>	<u>\$ 905,131</u>	<u>\$ 972,278</u>	<u>\$ 971,402</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (8,447)	\$ (16,760)	\$ (21,708)	\$ 20,546	\$ 1	\$ 37,382	\$ -	\$ (10,735)
CASH, JANUARY 1	<u>231,235</u>	<u>231,235</u>	<u>214,475</u>	<u>214,475</u>	<u>240,852</u>	<u>240,852</u>	<u>278,234</u>	<u>278,234</u>
CASH, DECEMBER 31	<u>\$ 222,788</u>	<u>\$ 214,475</u>	<u>\$ 192,767</u>	<u>\$ 235,021</u>	<u>\$ 240,853</u>	<u>\$ 278,234</u>	<u>\$ 278,234</u>	<u>\$ 267,499</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	COMMUNITY DEVELOPMENT BLOCK GRANT GENESIS PROJECT				HELP AMERICA VOTE ACT			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	8,750	12,308
Interest	-	-	-	-	-	-	100	228
Other	216,591	216,591	-	83,409	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 216,591</u>	<u>\$ 216,591</u>	<u>\$ -</u>	<u>\$ 83,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,850</u>	<u>\$ 12,536</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	8,850	8,845
Capital Outlay	216,591	216,591	-	83,409	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 216,591</u>	<u>\$ 216,591</u>	<u>\$ -</u>	<u>\$ 83,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,850</u>	<u>\$ 8,845</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,691
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,691</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	GEOGRAPHIC INFORMATION SYSTEM FUND				FAMILY COURT / JUSTICE			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	92,935
Charges for services	-	-	-	-	6,700	23,207	-	-
Interest	2,639	2,653	-	-	-	-	-	-
Other	13,796	13,796	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 16,435</u>	<u>\$ 16,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,700</u>	<u>\$ 23,207</u>	<u>\$ -</u>	<u>\$ 92,935</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	81,453	48,775	-	-	10,000	13,338	64,850	31,166
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	32,692	-	-	-	-	-	-
Total Disbursements	<u>\$ 81,453</u>	<u>\$ 81,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 13,338</u>	<u>\$ 64,850</u>	<u>\$ 31,166</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (65,018)	\$ (65,018)	\$ -	\$ -	\$ (3,300)	\$ 9,869	\$ (64,850)	\$ 61,769
CASH, JANUARY 1	<u>65,018</u>	<u>65,018</u>	<u>-</u>	<u>-</u>	<u>34,299</u>	<u>34,299</u>	<u>44,168</u>	<u>44,168</u>
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,999</u>	<u>\$ 44,168</u>	<u>\$ (20,682)</u>	<u>\$ 105,937</u>

Exhibit B-23

The accompanying Notes to the Financial Statements are an integral part of these statements.

PULASKI COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pulaski County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/ Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Pulaski County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices, and Neighborhood Improvement Districts (NIDs) that are considered by the Missouri State Auditor's Office to comprise the County's legal entity. The financial statements also include the E-911 Board, Senate Bill 40 Board, and Senior Citizens Board, which are separate legal entities within the County that are required by the Missouri State Auditor's Office to be included in the County's reporting entity for financial reporting purposes.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
7. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. The county did not adopt a formal budget for the Community Development Block Grant Fund for 2008.

Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2008</u>	<u>2007</u>
Prosecuting Attorney User	N/A	X
Sheriff Special Equipment	N/A	X
Dye Estates NID	X	N/A
Eagle Point NID	N/A	X
Passport Fees	N/A	X
Senate Bill 40 Board	X	X
Geographic Information System	N/A	X
Family Court	N/A	X

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 294,857,060	\$ 293,747,060
Personal Property	60,012,477	59,803,522
Railroad and Utilities	13,769,266	14,000,066

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ -	\$ -
Special Road & Bridge	0.1826	0.1826
Sheltered Workshop	0.0706	0.0706
Senior Citizens	0.0441	0.0441

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing

obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$3,769,260 and \$3,706,080 respectively and the bank balance was \$2,074,527 and \$2,414,763, respectively. Of the bank balance, \$1,020,325 and \$564,091 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$1,054,202 and \$1,850,672, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name. The County did not have sufficient collateral to secure bank deposits in the amount of \$407,995 at December 31, 2007.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo,

circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two, or a reduced benefit annuity at age 55. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$220,898 and \$213,897, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 24 days of sick time -- to accrue at one half day per complete calendar month of employment up to 24 days. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of one day per month with a maximum carryover at the employee's anniversary date of 5 days.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2008:

- D. \$185,000 in 1996 Series Highway H NID General Obligation Bonds, dated August 1, 1996, due in annual installments of \$25,000 through March 1, 2009; \$30,000 through March 1, 2012; and \$35,000 through maturity March 1, 2014. Interest is paid at 5.4% through March 1, 2012; 6.4% through March 1, 2014.

- E. \$106,866 in four Neighborhood Improvement District General Obligation Bonds in varying amounts and maturity dates. The NID bonds were issued to finance road maintenance and repairs within the Districts. The bonds secured by assessments levied on property owners.
- F. \$150,000 loan from Courthouse Sales fund to General Revenue, dated December 31, 2008, due in one year, with interest at the same rate the County receives from the bank on its deposits. Although the loan from the Courthouse Sales Fund is for a term of one year, the availability of funds to repay the loan is uncertain. The County Commission believes that, in the event funds are not available to repay the loan on the due date, the loan can be renegotiated with a differed repayment date.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Pulaski County, Missouri

We have audited the accompanying financial statements of Pulaski County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 1, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Pulaski County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pulaski County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pulaski County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Pulaski County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Pulaski County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 08-1 through 08-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pulaski County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08-5, 08-6 and 08-7.

We also noted a certain matter that we reported to management of Pulaski County, Missouri, in the findings and recommendations section as item 08-8.

Pulaski County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Pulaski County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
May 1, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Pulaski County, Missouri

Compliance

We have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Pulaski County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County, Missouri's management. Our responsibility is to express an opinion on Pulaski County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Pulaski County, Missouri's compliance with those requirements.

In our opinion, Pulaski County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Pulaski County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Pulaski County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pulaski County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
May 1, 2009

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31	
			2007	2008
	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Passed through State Department of Economic Development Community Development Block Grant	2006-PF-09	\$ 216,591	\$ 83,409
	U.S. DEPARTMENT OF JUSTICE			
16.575	Passed through State Department of Public Safety Crime Victims Assistance	SSVF-0069	11,133	17,901
	U.S. DEPARTMENT OF TRANSPORTATION			
20.703	Passed through State Department of Public Safety Interagency Hazardous Materials Public Sector Training and Planning Grants (HMEP)	MERC	1,431	3,951
	ELECTION ASSISTANCE COMMISSION			
90.401	Passed through State Secretary of State: Help America Vote Act	HAVA20002Fed	531	2,347
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.563	Passed through State Department of Health and Senior Services: Child Support Enforcement	N/A	48,422	36,748
	U. S. DEPARTMENT OF HOMELAND SECURITY			
97.036	Passed through State Department of Public Safety: Disaster Grants - Public Assistance Grants	FEMA 1676 DR	321,920	
	Disaster Grants - Public Assistance Grants	FEMA 1749 DR		396,195
97.067	Homeland Security Grant Program	2006-GE-T6-006	24,000	-
	Total Expenditures of Federal Awards		<u>\$ 624,028</u>	<u>\$ 540,551</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

PULASKI COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

PULASKI COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)
14.228	Community Development Block Grants/States Program

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

See Schedule of Findings and Questioned Costs

08-1 Sheriff's Office Payroll Costs Are Not Supported by Time Sheets

08-2 Senate Board 40 Expenditures

08-3 Road Maintenance Authorizations

08-4 Prosecuting Attorney's Controls

08-5 Treasurer's Accounting for Outstanding Checks

08-6 Financial Condition

08-7 Employee Bonds

Summary Schedule of Prior Audit Findings

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

6-02 Schedule of Expenditures of Federal Awards

Condition: The County Clerk did not prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA) annually. The County Clerk's office should consult with the grantor agencies to determine if funds are considered to be federal monies, to ensure that no federal programs are omitted from the schedule. The amounts reported on the SEFA should be reconciled with the County's ledger.

Current Status: Corrected.

6-03 U.S. Department of Homeland Security Bid Documentation and Reporting

Condition: The 911 Emergency Service Board did not maintain adequate bid documentation, including justification for all decisions made, and did not ensure that all required federal reports are submitted to SEMA.

Current Status: Corrected

FINDINGS AND RECOMMENDATIONS

PULASKI COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

08-1. Sheriff's Office Payroll Costs Are Not Supported By Time Sheets

Condition: Time sheets and accumulated leave balances of the Sheriff's office employees are not submitted to the payroll clerk in the County Clerk's office for use in payroll processing. The payroll is prepared from summary reports provided by the Sheriff's office.

Staff assigned responsibility for payroll preparation should be afforded access to all necessary documentation to accurately prepare the payroll. This would include employee time sheets and leave records. Access to these records by persons preparing payroll would also help ensure compliance with County policies and State and Federal laws.

Recommendation: We recommend that the County Commission establish policies and procedures to ensure that the payroll is verified to time sheets and official leave records by personnel assigned the payroll function of the County Clerk's Office.

County's Response: As of the May 14, 2009 payroll, all time sheets have been given to the County Clerk's office and are being processed by the personnel assigned to the payroll function of the County Clerk's office.

08-2. Senate Bill 40 Board Expenditures

Condition: The Senate Bill 40 Board occasionally purchases large items of equipment, such as a van or trailer, but does not take possession of the item purchased. Such items were reportedly given to a Board contractor such as the Sheltered Workshop or Group Home. However, documentation of such purchases does not always indicate that the purchase was made on behalf of another organization or where delivery was ultimately made. Likewise, budget documents and contractual agreements do not properly reflect these transactions. Invoices, delivery documents or other documentation should clearly show to whom items are delivered and that the recipient accepted delivery.

Recommendation: We recommend that the Senate Bill 40 Board ensure compliance with approved policies and state statutes for purchases to the Sheltered Workshop or Group Home in accordance with contractual agreements. For any purchase made by the Board directly from a vendor for redistribution, the Board should obtain a signed delivery receipt that clearly indicates delivery location and acceptance.

County's Response: The Senate Bill 40 Board will obtain a signed delivery receipt that clearly indicates delivery location and acceptance on any future purchase by the Board directly from a vendor for redistribution.

08-3. Road Maintenance Authorizations

The work order process for administering road maintenance projects needs improvement to provide stronger controls over county resources. We noted one instance in which a private driveway was paved with asphalt apparently because management gave a verbal order that changed an existing written work order. The manager stated that the repairs were done to facilitate emergency vehicle access. However, this assertion could not be substantiated.

Recommendation: We recommend the County Commission review procedures for requesting and approving road and bridge maintenance projects. Procedures should be established to assure that all work orders and changes to work orders are requested and approved in writing and clearly state work to be completed.

County's Response: A detailed log is maintained in each road grader and dump truck to record daily work performed. The Road Supervisor will maintain a daily log of materials ordered and purchased and instructed to sign or initial daily.

08-4. Prosecuting Attorney's Controls

Administrative and accounting controls over cash receipts in the Prosecuting Attorney's office are inadequate. Although numerous improvements have been made related to internal control procedures over cash receipts based on prior audit recommendations; certain administrative controls have not been implemented.

Prior to December 31, 2008, there were no reconciliations of the pre-numbered receipts to deposits and receipt numbers were not accounted for or reconciled to accounting records. As a result of these poor internal controls, an employee was able to misappropriate monies from cash receipts and remain undetected for an extended period during 2008. County officials estimate the amount misappropriated to be approximately \$5,000. Thereafter, improvements were made which included accounting for all the pre-numbered receipt slip numbers. However, controls are still deficient in that cash received per the pre-numbered receipts is not reconciled to cash deposits; the tracking of the pre-numbered receipt numbers does not include the amount collected and a receipt is not offered to the payee. A copy is provided only if requested.

Section 56.340 of the Revised Missouri State Statutes require that, "The prosecuting attorney, in counties of the second, third and fourth classes, shall charge upon behalf of the county every fee that accrues in his office and receive the same, and at the end of each month, pay over to the county treasury all moneys collected by him as fees, taking two receipts therefore, one of which he will immediately file with the clerk of the county commission, and shall at the same time make out an itemized and accurate list of all fees in

his office which have been collected by him.” The procedures utilized by the Prosecuting Attorney’s office are not in compliance with this statute.

Recommendation: We recommend the Prosecuting Attorney establish additional controls over receipts that include a reconciliation of receipts per the pre-numbered receipt slips to bank deposits; include amounts on the receipt slip tracking system to facilitate reconciliation to deposits and offer all payees a receipt.

County’s Response: The problems identified were not discovered by the auditor. They were discovered by the Pulaski Prosecutor and immediately referred to Missouri State Highway Patrol for an independent investigation. The auditor was apprised of the situation as this fell within the parameter of the audit. Because there is an ongoing criminal case, it would be inappropriate for me to make any comments concerning the missing receipts. This is because Supreme Court RULE 4-3.6 precludes me from addressing that issue. Please be advised that charges are mere accusations, the Defendant is presumed innocent until and unless proven guilty. Corrective action has been taken on most noted deficiencies. The bad check clerk has implemented an excel spreadsheet documenting in numerical order each and every receipt for payments, when paid and by whom. Without the simple sequential numerical spreadsheet, a missing receipt might go undetected because Bounceback, the computer generated bad check program, processes in alphabetical order and it did not have a special program for that. All receipts are now filed in numerically sequential order. This change was made per PA and not auditor. These receipts are then compared against the deposits as entered in numerical order in Bounceback. When the PA receives the checks and reconciliations, she compares them against the receipt book and also reviews the excel spread sheet to ensure no numbers are missing. The pre-numbered receipts are reconciled to the bank deposits and a copy of each receipt as well as check is attached for PA review. The PA office has not included dollar amounts on the Excel spreadsheet because that amount can be readily obtained through the Bounceback program and the actual receipt book. The employees understand if a receipt disappears, their job is in jeopardy. Since implementation of these changes in January 2009, not one receipt has disappeared. We will continue fine tuning to ensure full accountability to our community. There are checks and balances in our office and they work.

ITEMS OF NONCOMPLIANCE

08-5. Treasurer's Accounting for Outstanding Checks

Procedures have not been established to resolve old outstanding checks and deposit these monies into the State's Unclaimed Fees Fund, as required by State Statutes.

At December 31, 2008, 322 of the outstanding checks included in the bank reconciliation were over one year old. The checks ranged from between \$1.85 to \$447.86 with all except four checks written for amounts of less than \$100. Of the old outstanding checks, 181 were for jury fees in the amount of \$6.00. These old outstanding checks create additional and unnecessary record keeping responsibilities. The reconciliation process becomes cumbersome and less effective as an internal control procedure.

Recommendation: We recommend the County Treasurer establish procedures to investigate checks outstanding over one year. If payees cannot be located, the monies should be distributed in accordance with state law.

County's Response: As of February 25, 2009, these funds were turned over to the State's Unclaimed Fee Fund. Procedure is now in place to make a timely turn-over.

08-6. Financial Condition

Condition: The poor financial condition of the General Revenue Fund, which was reported in the prior two audits, has not been adequately addressed and has further deteriorated. The County borrowed \$150,000 during fiscal year 2008 in order to keep the fund solvent. The County would have experienced a fund deficit of \$102,098 without the loan. In addition, the County has no specific plans to repay the loan and has made no loan payments as of this audit date.

The County has indicated that they have limited options because of an already high sales tax rate in many County jurisdictions and that an additional property tax is likely not a viable option. Nevertheless, the County needs a specific plan to deal with the problem.

The County Budget Law, Section 50.540.4., requires funding of an Emergency Fund to pay for unexpected revenue shortfalls. The law states that "The budget officer shall provide in his recommendations, and the county commission shall provide in its appropriation order, that an amount equal to not less than three percent of the total estimated general fund revenues shall be appropriated each year as an emergency fund. At any time during the year in counties of classes two, three and four the county commission may make these transfers on recommendation of the budget officer; but the transfers in all classes shall be made only for unforeseen emergencies and only on unanimous vote of the county commission." During 2007 and 2008 there were no charges to the Emergency Fund, other than a \$200 amount in 2007.

The County's practice of allowing the over-expenditure of various accounts without drawing on the Emergency Fund, when appropriate, circumvents the requirement of a unanimous vote of the County Commission to authorize unanticipated expenditures.

Recommendation: We recommend the County Commission develop contingency plans that specify actions to be taken in the event the financial condition fails to improve or further deteriorates. We also recommend the County Commission evaluate expenditures that serve to cause budget overruns and ensure that those items which represent unforeseen emergencies be properly charged to the Emergency Fund. Other expenditures would be considered, by definition, to be foreseen in amount, and should thus be within the County's budgeted expenditure limits.

County's Response: The only other option would be an additional sales tax for General Revenue or reduce services. Due to the continued growth of Fort Leonard Wood, we do not anticipate a reduced revenue base, but are optimistic in our revenue growth.

08-7. Employee Bonds

Various county employees who handle monies are not bonded, including employees of the Sheriff's and County Clerk's office. Section 57.020 and 51.070 of the Missouri Revised Statutes require that the County Sheriff and County Clerk, respectively, post a surety bond. Further, all employees handling monies should be adequately bonded to safeguard assets and reduce the County's risk if a misappropriation of funds would occur.

Recommendation: We recommend that the County Commission and other officials review current bonds, secure additional bonds as appropriate, and ensure there is adequate coverage for employees that handle monies.

County's Response: We will review current bonds and secure additional bonds as appropriate with adequate coverage.

OTHER MATTER

In planning and performing our audit of the financial statements of Pulaski County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. Our comment and suggestion regarding this matter is summarized below. We previously reported on the County's internal control in our report dated May 1, 2009, contained herein. This document does not affect that report dated May 1, 2009.

08-8. Vacation Leave Policies

Condition: The County's Personnel Policies Manual does not reflect the vacation leave policy adopted and followed by the Sheriff's office since 2001. In addition, the County's manual has not been updated to reflect changes approved by the County Commission in 2003 for employees of the Sheriff's office regarding accumulation of compensatory time. A clear written policy regarding leave time is essential for effective payroll and personnel administration.

Recommendation: We recommend that the County update their Personnel Policies Manual to include the policies covering employees in the Sheriff's department regarding vacation leave.

County's Response: We will update the Personnel Policy addressing vacation and sick leave in conjunction with the Sheriff and other County Officeholders.

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Pulaski County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. Budgetary Practices - Actual disbursements exceeded budgeted amounts for several funds. Amendments were prepared after actual disbursements exceeded the original budgets for some funds and budget amendments resulted in a deficit budgeted fund balance for some funds.

Status: Disbursements continued to exceed budgeted amounts for some funds, however, no instances of budget amendments creating deficit fund balances were noted.

2. The County did not always document the evaluation of bid proposals and the basis and justification for awarding bids.

Status: No similar conditions were noted during the current audit.

3. Time sheets and records of accumulated leave balances are not submitted to the Clerk's office for payroll processing. In addition, the County's Personnel Policies Manual does not reflect the vacation leave policy adopted and followed by the Sheriff's office in 2001. The County's policy manual has not been updated to reflect changes approved by the County Commission in 2003 for employees of the Sheriff's office regarding accumulation of compensatory time.

Status: Condition Not Corrected – See Findings and Recommendation numbers 08-1 and 08-8.

4. The County Clerk does not prepare or verify the accuracy of the delinquent tax books. In addition, neither the County Commission nor the County Clerk provides an adequate review of the County Collector's annual settlement.

Status: No similar conditions were noted during the current audit.

5. The County Treasurer has not established procedures to resolve old outstanding checks.

Status: Condition Not Corrected – See Findings and Recommendation numbers 08-5.

6. The Financial Condition of the General Revenue Fund has continued to deteriorate and the Special Road and Bridge Fund is in weak financial condition.

Status: The financial condition of the General Revenue Fund has not improved. See Finding No. 08-6. The condition of the Special Road and Bridge Fund has improved.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Nodaway County, Missouri

The Office of the State Auditor, in cooperation with Nodaway County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-117

ANNUAL FINANCIAL REPORT

NODAWAY COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

NODAWAY COUNTY, MISSOURI
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials	i
FINANCIAL SECTION	
Independent Auditors' Report	ii
BASIC FINANCIAL STATEMENTS:	
<i>Governmental Funds:</i>	
Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
Notes of Financial Statements	12
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	19
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	21
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Federal Expenditures of Federal Awards	24
Schedule of Federal Findings and Questioned Costs	25
Findings and Recommendations	27
Schedule of Prior Year Audit Findings	31

INTRODUCTORY SECTION

NODAWAY COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Joe Baumli

South District Commissioner – Bob Stiens

North District Commissioner – Bob Westfall

Other Elected Officials

Assessor – Rex Wallace

Circuit Clerk – Kim Carmichael

Collector/Treasurer – Marilyn Jenkins

Coroner – Vincent Shelby

County Clerk – Beth Walker

Prosecuting Attorney – David Baird

Public Administrator – Diane Thomsen

Recorder – Sandra Smail

Sheriff – Darren White

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the accompanying financial statements of Nodaway County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Nodaway County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Nodaway County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Nodaway County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 29, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nodaway County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
May 29, 2009

FINANCIAL SECTION

NODAWAY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ 3,380,641	\$ 3,480,560	\$ 4,967,227	1,893,974	\$ 3,240,662	\$ 3,044,902	\$ 2,089,734
Special Road and Bridge	893,931	3,924,789	4,600,962	217,758	2,438,094	2,570,274	85,578
Assessment	160,764	336,551	257,286	240,029	297,591	258,605	279,015
Election Services	31,659	8,130	12,331	27,458	3,481	4,045	26,894
Tax Incentive Payment	11,981	-	-	11,981	1,871	5,764	8,088
Police Officer Training	29,073	6,164	16,958	18,279	5,896	5,948	18,227
Prosecuting Attorney Training	848	1,022	605	1,265	971	1,871	365
911	206,501	142,649	97,817	251,333	126,383	255,108	122,608
Adult Abuse	1,876	2,006	-	3,882	1,582	4,452	1,012
Tax Maintenance	35,499	17,334	26,595	26,238	25,645	23,788	28,095
Nuclear Accident Emergency Preparedness	9,885	-	-	9,885	10,000	323	19,562
Local Emergency Preparedness	19,075	14,480	10,011	23,544	6,268	1,416	28,396
Senior Citizens	26,024	129,630	126,000	29,654	134,355	135,036	28,973
Sheriff Criminal Cost	15,062	14,656	2,416	27,302	10,143	19,324	18,121
Recorder User Fee	18,329	13,508	10,969	20,868	11,639	11,341	21,166
Construction	-	2,129,445	742,668	1,386,777	4,926,758	2,985,082	3,328,453
Senate Bill 40	18,818	132,053	142,177	8,694	138,541	122,059	25,176
Circuit Court	23,231	11,709	18,298	16,642	13,553	11,751	18,444
Deputy Supplemental and Revolving	-	-	-	-	8,439	735	7,704
Total	<u>\$ 4,883,197</u>	<u>\$ 10,364,686</u>	<u>\$ 11,032,320</u>	<u>\$ 4,215,563</u>	<u>\$ 11,401,872</u>	<u>\$ 9,461,824</u>	<u>\$ 6,155,611</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2007		2008	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 365,000	\$ 18,441	\$ 20,000	\$ -
Sales taxes	2,071,000	2,025,476	2,005,000	2,023,537
Intergovernmental	539,247	417,190	717,832	361,468
Charges for services	235,150	288,318	444,600	599,418
Interest	150,000	515,757	350,000	58,019
Other	451,670	215,378	185,732	198,220
Transfers in	-	-	-	-
Total Receipts	<u>\$ 3,812,067</u>	<u>\$ 3,480,560</u>	<u>\$ 3,723,164</u>	<u>\$ 3,240,662</u>
DISBURSEMENTS				
County Commission	\$ 119,899	\$ 118,160	\$ 118,783	\$ 118,722
County Clerk	110,196	101,280	111,714	109,458
Elections	73,640	42,857	151,316	129,027
Buildings and grounds	1,193,553	1,017,139	671,246	322,180
Employee fringe benefits	303,000	290,564	296,464	292,367
Treasurer	142,656	136,614	141,154	149,697
Recorder of Deeds	92,156	91,033	89,988	89,997
Circuit Clerk	59,000	39,050	45,900	44,550
Court administration	11,982	6,579	10,624	5,417
Public Administrator	33,360	33,465	34,024	33,769
Sheriff	493,828	471,319	470,897	454,629
Jail	459,663	423,256	437,300	431,242
Prosecuting Attorney	212,929	209,160	233,783	233,863
Juvenile Officer	60,650	46,237	63,200	48,793
Coroner	31,140	25,335	31,763	30,130
Other general revenue	279,007	340,186	316,370	297,061
Health and welfare	7,550	7,550	4,000	4,000
Transfers out	250,000	1,567,443	250,000	250,000
Emergency fund	114,302	-	126,000	-
Total Disbursements	<u>\$ 4,048,511</u>	<u>\$ 4,967,227</u>	<u>\$ 3,604,526</u>	<u>\$ 3,044,902</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (236,444)	\$ (1,486,667)	\$ 118,638	\$ 195,760
CASH, JANUARY 1	<u>3,380,641</u>	<u>3,380,641</u>	<u>1,893,974</u>	<u>1,893,974</u>
CASH, DECEMBER 31	<u><u>\$ 3,144,197</u></u>	<u><u>\$ 1,893,974</u></u>	<u><u>\$ 2,012,612</u></u>	<u><u>\$ 2,089,734</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 125,000	\$ 129,730	\$ 130,000	\$ 167,956	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	3,536,345	3,543,393	3,149,269	1,787,452	280,000	317,229	290,000	270,129
Charges for services	-	-	-	-	-	-	-	-
Interest	50,000	38,983	30,000	12,112	7,500	14,276	13,000	10,216
Other	227,000	212,683	211,000	220,574	2,100	5,046	3,500	17,246
Transfers in	252,000	-	251,000	250,000	700	-	600	-
Total Receipts	<u>\$ 4,190,345</u>	<u>\$ 3,924,789</u>	<u>\$ 3,771,269</u>	<u>\$ 2,438,094</u>	<u>\$ 290,300</u>	<u>\$ 336,551</u>	<u>\$ 307,100</u>	<u>\$ 297,591</u>
DISBURSEMENTS								
Salaries	\$ 212,198	\$ 214,285	\$ 226,013	\$ 220,674	\$ 164,102	\$ 170,734	\$ 175,404	\$ 152,716
Employee fringe benefits	61,300	56,608	56,216	53,728	-	-	-	-
Materials and Supplies	1,256,200	1,399,865	1,126,700	1,313,664	36,000	26,309	35,000	15,588
Services and Other	140,500	152,904	61,500	63,765	86,650	60,243	91,385	90,301
Capital Outlay	120,000	135,435	100,000	95,732	-	-	-	-
Construction	2,761,345	2,641,865	2,126,269	822,711	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,551,543</u>	<u>\$ 4,600,962</u>	<u>\$ 3,696,698</u>	<u>\$ 2,570,274</u>	<u>\$ 286,752</u>	<u>\$ 257,286</u>	<u>\$ 301,789</u>	<u>\$ 258,605</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (361,198)	\$ (676,173)	\$ 74,571	\$ (132,180)	\$ 3,548	\$ 79,265	\$ 5,311	\$ 38,986
CASH, JANUARY 1	<u>893,931</u>	<u>893,931</u>	<u>217,758</u>	<u>217,758</u>	<u>160,764</u>	<u>160,764</u>	<u>240,029</u>	<u>240,029</u>
CASH, DECEMBER 31	<u>\$ 532,733</u>	<u>\$ 217,758</u>	<u>\$ 292,329</u>	<u>\$ 85,578</u>	<u>\$ 164,312</u>	<u>\$ 240,029</u>	<u>\$ 245,340</u>	<u>\$ 279,015</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				TAX INCENTIVE PAYMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,000	-	2,000	1,871
Charges for services	1,000	6,497	5,000	2,798	-	-	-	-
Interest	1,500	1,633	1,600	683	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,500</u>	<u>\$ 8,130</u>	<u>\$ 6,600</u>	<u>\$ 3,481</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 1,871</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,000	-	5,000	558	-	-	-	-
Services and Other	20,500	12,331	6,000	3,487	1,000	-	1,000	5,764
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 25,500</u>	<u>\$ 12,331</u>	<u>\$ 11,000</u>	<u>\$ 4,045</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 5,764</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (23,000)	\$ (4,201)	\$ (4,400)	\$ (564)	\$ 2,000	\$ -	\$ 1,000	\$ (3,893)
CASH, JANUARY 1	<u>31,659</u>	<u>31,659</u>	<u>27,458</u>	<u>27,458</u>	<u>11,981</u>	<u>11,981</u>	<u>11,981</u>	<u>11,981</u>
CASH, DECEMBER 31	<u>\$ 8,659</u>	<u>\$ 27,458</u>	<u>\$ 23,058</u>	<u>\$ 26,894</u>	<u>\$ 13,981</u>	<u>\$ 11,981</u>	<u>\$ 12,981</u>	<u>\$ 8,088</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	POLICE OFFICER TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,200	1,022	1,100	971
Charges for services	8,000	6,164	7,000	5,896	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 8,000</u>	<u>\$ 6,164</u>	<u>\$ 7,000</u>	<u>\$ 5,896</u>	<u>\$ 1,200</u>	<u>\$ 1,022</u>	<u>\$ 1,100</u>	<u>\$ 971</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	21,000	16,958	21,000	5,948	1,000	605	1,000	1,871
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 21,000</u>	<u>\$ 16,958</u>	<u>\$ 21,000</u>	<u>\$ 5,948</u>	<u>\$ 1,000</u>	<u>\$ 605</u>	<u>\$ 1,000</u>	<u>\$ 1,871</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (13,000)	\$ (10,794)	\$ (14,000)	\$ (52)	\$ 200	\$ 417	\$ 100	\$ (900)
CASH, JANUARY 1	<u>29,073</u>	<u>29,073</u>	<u>18,279</u>	<u>18,279</u>	<u>848</u>	<u>848</u>	<u>1,265</u>	<u>1,265</u>
CASH, DECEMBER 31	<u>\$ 16,073</u>	<u>\$ 18,279</u>	<u>\$ 4,279</u>	<u>\$ 18,227</u>	<u>\$ 1,048</u>	<u>\$ 1,265</u>	<u>\$ 1,365</u>	<u>\$ 365</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	911 FUND				ADULT ABUSE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,800	2,006	1,900	1,582
Charges for services	120,000	88,152	85,000	72,473	-	-	-	-
Interest	8,000	11,997	8,000	3,791	-	-	-	-
Other	-	42,500	60,000	50,119	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 128,000</u>	<u>\$ 142,649</u>	<u>\$ 153,000</u>	<u>\$ 126,383</u>	<u>\$ 1,800</u>	<u>\$ 2,006</u>	<u>\$ 1,900</u>	<u>\$ 1,582</u>
DISBURSEMENTS								
Salaries	\$ 50,000	\$ 25,891	\$ 53,128	\$ 48,545	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	4,089	6,200	10,024	-	-	-	-
Materials and Supplies	80,600	61,779	83,200	62,811	-	-	-	-
Services and Other	8,000	6,058	141,900	133,728	2,000	-	2,000	4,452
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 138,600</u>	<u>\$ 97,817</u>	<u>\$ 284,428</u>	<u>\$ 255,108</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 4,452</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (10,600)	\$ 44,832	\$ (131,428)	\$ (128,725)	\$ (200)	\$ 2,006	\$ (100)	\$ (2,870)
CASH, JANUARY 1	<u>206,501</u>	<u>206,501</u>	<u>251,333</u>	<u>251,333</u>	<u>1,876</u>	<u>1,876</u>	<u>3,882</u>	<u>3,882</u>
CASH, DECEMBER 31	<u>\$ 195,901</u>	<u>\$ 251,333</u>	<u>\$ 119,905</u>	<u>\$ 122,608</u>	<u>\$ 1,676</u>	<u>\$ 3,882</u>	<u>\$ 3,782</u>	<u>\$ 1,012</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	TAX MAINTENANCE FUND				NUCLEAR ACCIDENT EMERGENCY PREPAREDNESS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	500	1,640	1,500	641	-	-	-	-
Other	12,025	15,694	15,000	25,004	-	-	5,000	10,000
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 12,525</u>	<u>\$ 17,334</u>	<u>\$ 16,500</u>	<u>\$ 25,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 10,000</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	30,200	25,717	30,200	23,347	-	-	-	-
Services and Other	4,800	878	4,800	441	6,000	-	1,000	323
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 35,000</u>	<u>\$ 26,595</u>	<u>\$ 35,000</u>	<u>\$ 23,788</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 323</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (22,475)	\$ (9,261)	\$ (18,500)	\$ 1,857	\$ (6,000)	\$ -	\$ 4,000	\$ 9,677
CASH, JANUARY 1	<u>35,499</u>	<u>35,499</u>	<u>26,238</u>	<u>26,238</u>	<u>9,885</u>	<u>9,885</u>	<u>9,885</u>	<u>9,885</u>
CASH, DECEMBER 31	<u><u>\$ 13,024</u></u>	<u><u>\$ 26,238</u></u>	<u><u>\$ 7,738</u></u>	<u><u>\$ 28,095</u></u>	<u><u>\$ 3,885</u></u>	<u><u>\$ 9,885</u></u>	<u><u>\$ 13,885</u></u>	<u><u>\$ 19,562</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LOCAL EMERGENCY PREPARENESS FUND				SENIOR CITIZENS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 122,000	\$ 127,309	\$ 126,000	\$ 133,370
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	2,000	1,986	1,900	985
Other	2,500	14,480	7,000	6,268	200	335	350	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,500</u>	<u>\$ 14,480</u>	<u>\$ 7,000</u>	<u>\$ 6,268</u>	<u>\$ 124,200</u>	<u>\$ 129,630</u>	<u>\$ 128,250</u>	<u>\$ 134,355</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	4,232	3,500	416	-	-	-	-
Services and Other	14,478	5,779	2,000	1,000	126,000	126,000	135,000	135,036
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 14,478</u>	<u>\$ 10,011</u>	<u>\$ 5,500</u>	<u>\$ 1,416</u>	<u>\$ 126,000</u>	<u>\$ 126,000</u>	<u>\$ 135,000</u>	<u>\$ 135,036</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (11,978)	\$ 4,469	\$ 1,500	\$ 4,852	\$ (1,800)	\$ 3,630	\$ (6,750)	\$ (681)
CASH, JANUARY 1	<u>19,075</u>	<u>19,075</u>	<u>23,544</u>	<u>23,544</u>	<u>26,024</u>	<u>26,024</u>	<u>29,654</u>	<u>29,654</u>
CASH, DECEMBER 31	<u>\$ 7,097</u>	<u>\$ 23,544</u>	<u>\$ 25,044</u>	<u>\$ 28,396</u>	<u>\$ 24,224</u>	<u>\$ 29,654</u>	<u>\$ 22,904</u>	<u>\$ 28,973</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF CRIMINAL COST FUND				RECORDER USER FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	13,000	14,656	16,000	10,143	12,500	12,643	12,300	11,264
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	500	865	800	375
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 13,000</u>	<u>\$ 14,656</u>	<u>\$ 16,000</u>	<u>\$ 10,143</u>	<u>\$ 13,000</u>	<u>\$ 13,508</u>	<u>\$ 13,100</u>	<u>\$ 11,639</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	-	10,000	2,977	12,000	10,969	10,000	11,341
Services and Other	10,000	2,416	10,000	16,347	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 20,000</u>	<u>\$ 2,416</u>	<u>\$ 20,000</u>	<u>\$ 19,324</u>	<u>\$ 12,000</u>	<u>\$ 10,969</u>	<u>\$ 10,000</u>	<u>\$ 11,341</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,000)	\$ 12,240	\$ (4,000)	\$ (9,181)	\$ 1,000	\$ 2,539	\$ 3,100	\$ 298
CASH, JANUARY 1	<u>15,062</u>	<u>15,062</u>	<u>27,302</u>	<u>27,302</u>	<u>18,329</u>	<u>18,329</u>	<u>20,868</u>	<u>20,868</u>
CASH, DECEMBER 31	<u>\$ 8,062</u>	<u>\$ 27,302</u>	<u>\$ 23,302</u>	<u>\$ 18,121</u>	<u>\$ 19,329</u>	<u>\$ 20,868</u>	<u>\$ 23,968</u>	<u>\$ 21,166</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CONSTRUCTION FUND				SENATE BILL 40 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ 49,456	\$ 350,000	\$ 442,487	\$ -	\$ 131,961	\$ 132,163	\$ 138,433
Sales taxes	-	198,458	180,000	156,774	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	14,088	15,000	46,651	-	92	100	108
Other	-	300,000	3,700,000	4,280,846	-	-	-	-
Transfers in	-	1,567,443	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 2,129,445</u>	<u>\$ 4,245,000</u>	<u>\$ 4,926,758</u>	<u>\$ -</u>	<u>\$ 132,053</u>	<u>\$ 132,263</u>	<u>\$ 138,541</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,730,087	742,668	3,985,000	2,985,082	122,424	142,177	132,905	122,059
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,730,087</u>	<u>\$ 742,668</u>	<u>\$ 3,985,000</u>	<u>\$ 2,985,082</u>	<u>\$ 122,424</u>	<u>\$ 142,177</u>	<u>\$ 132,905</u>	<u>\$ 122,059</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	<u>\$ (1,730,087)</u>	<u>\$ 1,386,777</u>	<u>\$ 260,000</u>	<u>\$ 1,941,676</u>	<u>\$ (122,424)</u>	<u>\$ (10,124)</u>	<u>\$ (642)</u>	<u>\$ 16,482</u>
CASH, JANUARY 1	<u>-</u>	<u>-</u>	<u>1,386,777</u>	<u>1,386,777</u>	<u>18,798</u>	<u>18,818</u>	<u>8,694</u>	<u>8,694</u>
CASH, DECEMBER 31	<u><u>\$ (1,730,087)</u></u>	<u><u>\$ 1,386,777</u></u>	<u><u>\$ 1,646,777</u></u>	<u><u>\$ 3,328,453</u></u>	<u><u>\$ (103,626)</u></u>	<u><u>\$ 8,694</u></u>	<u><u>\$ 8,052</u></u>	<u><u>\$ 25,176</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CIRCUIT COURT FUND				DEPUTY SUPPLEMENTAL & REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	11,709	11,550	13,553	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	78
Other	-	-	-	-	-	-	-	8,361
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 11,709</u>	<u>\$ 11,550</u>	<u>\$ 13,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,439</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	20,913	18,298	12,500	11,751	-	-	-	735
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 20,913</u>	<u>\$ 18,298</u>	<u>\$ 12,500</u>	<u>\$ 11,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (20,913)	\$ (6,589)	\$ (950)	\$ 1,802	\$ -	\$ -	\$ -	\$ 7,704
CASH, JANUARY 1	<u>23,231</u>	<u>23,231</u>	<u>16,642</u>	<u>16,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 2,318</u></u>	<u><u>\$ 16,642</u></u>	<u><u>\$ 15,692</u></u>	<u><u>\$ 18,444</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,704</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

NODAWAY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nodaway County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff and Collector-Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Nodaway County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity, and also the Senate Bill 40 Board and Senior Citizens Board, which are separate legal entities within the County.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The Circuit Court fund includes the following court accounts: circuit court interest, associate interest, probate interest and law library.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. The county did not adopt a formal budget for the Deputy Supplemental & Revolving fund in 2008.

10. Section 50.740 RSMo. Prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.

	<u>2007</u>	<u>2008</u>
a. General	X	NA
b. Road & Bridge	X	NA
c. Tax Incentive Payment	NA	X
d. Prosecuting Attorney Training	NA	X
e. Adult Abuse	NA	X
f. Senior Citizens	NA	X
g. Recorder User	NA	X
h. Senate Bill 40	X	NA
i. Deputy Supplemental and Revolving	NA	X

E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 184,395,050	\$ 175,472,370
Personal Property	73,468,760	86,497,810
Railroad and Utilities	14,596,438	13,931,968

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue (Construction)	\$ 0.1600	\$ 0.1600
Senior Citizens	0.0500	0.0497
Sheltered Workshop	0.0500	0.0497

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time

certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered.

Interfund transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption. The investment pool is comprised of demand and savings deposits and CDARS (Certificate of Deposit Account Registry Service) accounts.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amounts of the County's deposits were \$6,155,610 and \$4,215,562. In addition, at December 31, 2008 and 2007 the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue, Senior Citizens and Sheltered Workshop funds. These carrying amounts, all of which were secured by pledged collateral, amounted to \$15,267,092 and \$14,647,218 at December 31, 2008 and 2007, respectively. The corresponding bank balances were \$17,060,900 and \$15,207,673, respectively. Of the bank balances, \$2,024,919 and \$2,428,354 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$11,782,053 and \$12,779,319, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

The County did not have collateral pledged to secure deposits in the amount of \$3,253,928 at December 31, 2008 as required by state statute.

3. RETIREMENT PLANS

Missouri Local Government Employees Retirement Systems (LAGERS)

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. Plan Description

Nodaway County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement,

disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Funding Status

Nodaway County's full-time employees contribute 4% of gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 0.3% (general), 2.9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008 and 2007, the political subdivision's annual pension costs were \$32,096 and \$29,407 respectively. These amounts were equal to the required and actual contribution. County Employees' Retirement Fund - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

D. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

E. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member terminating with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

F. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$34,670 and \$30,824, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides regular full-time employees with up to 30 days of sick time – to accrue at one day for each calendar month worked. Permanent part-time employees accrue sick leave proportional to hours worked up to 30 days. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for full-time regular employees after a six-month probationary period based on years of employment with the County. During the first two years, employees are eligible for two weeks vacation, three weeks during years three through eight, four weeks during years eight through twelve, and five weeks from thirteen years and on. Vacation is accrued on a monthly basis up to a maximum of five weeks and is awarded retroactively for the six-month probationary period for all employees lasting longer than six months. Upon termination, the employee is compensated for accrued vacation time up to a maximum of four weeks.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

Pursuant to a Missouri Attorney General's ruling, the County has changed its definition of the reporting entity, as of January 1, 2006, to exclude the financial statements of the Health Services Fund from the county's basic financial statements. The effect of this change is a reduction in the balance of cash and equivalents of the governmental funds at January 1, 2007 of \$285,544.

8. LONG TERM DEBT

The County's long-term debt outstanding at December 31, 2008 consisted of a \$4,470,139 loan from U.S. Bank, dated June 1, 2008, for the construction of a new Administrative Building that will house most of the elected officials' offices. The loan is scheduled to be paid in monthly installments over 240 months with an interest rate of 4.85% annually.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Nodaway County, Missouri

We have audited the accompanying financial statements of Nodaway County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 29, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Nodaway County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nodaway County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nodaway County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nodaway County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Nodaway County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Nodaway County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Nodaway County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nodaway County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08-3 through 08-5.

We noted certain matters that we reported to management of Nodaway County, Missouri, in the findings and recommendations section as items 08-6 and 08-7.

Nodaway County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Nodaway County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
May 29, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Nodaway County, Missouri

Compliance

We have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Nodaway County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Nodaway County, Missouri's management. Our responsibility is to express an opinion on Nodaway County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nodaway County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Nodaway County, Missouri's compliance with those requirements.

In our opinion, Nodaway County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Nodaway County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Nodaway County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nodaway County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
May 29, 2009

NODAWAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31	
			2007	2008
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through State:				
14.228	Department of Social Services - Emergency Shelter Grants Program	ERO 1640	\$ 10,590	
14.231	Emergency Shelter Grants Program	ERO 1640935		\$ 5,546
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State:				
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO-074 (27)	2,698	
		BRO-074 (42)	23,301	
		BRO-074 (43)	437,115	37,671
		BRO-074 (44)	64,893	
		BRO-074 (45)	214,388	
		BRO-074 (46)	302,349	
		BRO-074 (47)	342,131	
		BRO-074 (48)	26,757	281,083
		BRO-074 (49)	28,165	
		BRO-074 (50)	23,713	
		BRO-074 (51)	33,144	10,530
20.703	Department of Public Safety - Interagency Hazardous Materials Public Sector Training and Planning Grants	STP-9900(102)	164,830	
GENERAL SERVICES ADMINISTRATION				
Passed through State Office of Administration -				
39.003	Donation of Federal Surplus Personal Property		18,000	
Passed through the Office of Secretary of State -				
39.011	Election Reform Payments	47060101808	4,231	
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State :				
90.401	Help America Vote Act Requirements Payments	SC231S8EL0000152		1,465
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State:				
93.617	HHS Polling Place Accessibility	N/A	7,898	
Department of Social Services -				
93.569	Community Services Block Grant	CSBG 08-02		5,911
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.036	Disaster Grants - Public Assistance Grants (Presidentially declared disasters)	2007-FEMA-1708-DR-MO		420,476
97.067	Homeland Security Grant Program	2005-GE-T5-0022	46,779	
Total Expenditures of Federal Awards			<u>\$ 1,750,982</u>	<u>\$ 762,682</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NODAWAY COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

NODAWAY COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance
For Major Programs:

Unqualified

Any audit findings disclosed that required to be
Reported in accordance with section 510(A) of
Circular A-133?

☐ Yes ☒ No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway and Transportation – Highway Planning
and Construction.

97.036

Department of Homeland Security – Public Assistance
Grants

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs:

\$300,000

Auditee Qualified as low-risk:

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Financial Statement Findings Required to be Reported Under Generally Accepted Governmental Auditing Standards. See Findings and Recommendation Section:

- 08-1. Senate Bill 40 Internal Controls
- 08-2. Internal Controls Over Non-Payroll Expenditures
- 08-3. Bidding Procedures
- 08-4. Budgetary Practices
- 08-5. Insufficient Collateralization of Bank Balances

Summary Schedule of Prior Audit Findings

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

None

Schedule of Prior Federal Award Findings:

There were no prior audit findings pertaining to Federal Awards.

FINDINGS AND RECOMMENDATIONS

NODAWAY COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

08-1. Senate Bill 40 Internal Controls

Condition: The Senate Bill 40 Board appoints a Treasurer who handles all of the financial information for the Board. He has possession of the checkbook, is the only person required to sign the checks, has the bank statements sent to his residence and records all of the financial activity of the fund. Although, the Board is a small entity, better separation of duties is needed to maintain adequate internal controls. Also, the Treasurer has not been formally performing reconciliations of the monthly bank statements.

Recommendation: We recommend that other members of the Board play a role in the financial activities of the Board. This could be done by requiring another Board member to sign the checks, or by delegating the bank reconciliation process to another board member.

County's Response: The Commission will make a recommendation to the Senate Bill 40 board that financial duties be shared by other members of the board.

08-2. Internal Controls Over Non-Payroll Expenditures

Condition: The County requires that all non-recurring expenditures over \$50 have a Requisition Form approved by the County Commission. Once the purchase is approved, the County Clerk produces a Purchase Order allowing the purchase to be completed. A warrant is drawn up by a deputy clerk and all of these documents are submitted with the invoice to the County Commission. The County requires the signature of all three County Commissioners for approval of the payments. All of these documents are to be kept on hand in the County Clerk's office.

During our audit testwork we noted that a number of the expenditures selected for review did not include a Requisition Form and/or a Purchase Order showing the Commission's approval to make the purchase. Also, a number of the warrants contained less than the three required Commissioner's signatures, although all of the warrants were approved by at least one Commissioner.

Recommendation: We recommend the County keep Requisition Forms and Purchase Orders on file with expenditure warrants to show that the Commissioners approved the purchase. The

County should also be aware that their purchasing/disbursement policy is more restrictive than is normally required to create strong internal controls.

Accordingly, the Commission may wish to consider changing their policy requiring three Commissioner's signatures for approval of requisitions and warrants to a less restrictive, yet still effective policy.

County's Response: The Commission changed their policy requiring only two signatures on requisitions and warrants.

ITEMS OF NONCOMPLIANCE

08-3. Bidding Procedures

Condition: The County did not perform bidding for Road & Bridge fuel in 2007 and 2008, and did not bid property insurance for the new Administration Building in 2008. Bid documentation could not be found for a section of work on the new building in 2008, although the County Clerk indicated that bidding was performed. On one occasion, the County solicited bids by telephone and documented the losing bid on the Requisition Form for the expenditure to the winning bidder. However, the Form indicated that the losing bid quoted a lower price than the winning bid, but no indication was given as to why the winning bid was chosen.

Another issue involved expenditures for which the County Clerk indicated there was only one bid received. The County did not keep any documentation required to waive the competitive bidding requirements. Section 50.783, RSMo, requires that the County make note in the Commission minutes that an item or service was only available from one source and that the County must post notice or advertise their intent to make the purchase from the single source vendor at least ten days before completing the transaction.

Recommendation: We recommend that the County perform competitive bidding for all major purchases and maintain the required documentation of bids received and justification for selecting the winning bid. We also recommend that the County follow the requirements for documentation of single source bids.

County's Response: The Commission will improve the county's bid process and require all pertinent documentation.

08-4. Budgetary Practices

Condition: The County spent in excess of the authorized budget for a number of funds in both 2007 and 2008. In 2007, the General and Road & Bridge funds both exceeded their budget and the County exceeded its budget in total. In 2008, various minor funds were overspent. Procedures were in place for monitoring the budget to actual amounts for expenditures during

the year. However, tests of expenditures revealed that the Commission approved a number of warrants payable from funds with a zero or a negative balance available in the budget prior to charging the expenditure.

Recommendation: We recommend that the County Commission not approve expenditures in excess of budgeted amounts or follow the appropriate procedures to amend the budget and ensure funds are available to finance the expenditure.

County's Response: The Commission will endeavor to eliminate expenditures in excess of budgeted amounts.

08-5. Bank Balances Under-Collateralized

Condition: Bank account balances of Nodaway County were under-collateralized on December 31, 2008 by \$3,253,928. According to RSMo 30.270.2, securities deposited shall be in an amount whose market value is at least one hundred percent of the aggregate amount on deposit with the particular financial institution less the amount, if any, which is insured by the Federal Deposit Insurance Corporation which amount was \$250,000 at December 31, 2008.

Recommendation: We recommend the County Treasurer review the monthly Statement of Holdings report of pledged collateral provided by the Federal Reserve Bank and monitor collateral holdings on a monthly basis in order to be aware when additional collateral coverage is needed.

County's Response: The County Treasurer has implemented a process with the financial institution to monitor collateral holdings on a monthly basis.

OTHER MATTERS

In planning and performing our audit of the financial statements of Nodaway County, Missouri (the County) as of and for the years ended December 31, 2008 and 2007, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated May 29, 2009. (A separate report dated May 29, 2009, included herein, contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated May 29, 2009.

08-6. Long Term Debt

Condition: The amount of long-term debt outstanding at December 31, 2008 was misstated on the 2009 budget. The County deducted total debt service payments during 2008 from the original loan amount, rather than subtracting only the principal portion of the payments. This resulted in an understatement of the County's outstanding debt at December 31, 2008 by \$138,009.

Recommendation: We recommend the County separate debt service payments into principal and interest portions on the budget in order to avoid misstatement of the outstanding obligation.

County's Response: Clerk will report principal and interest amounts on the county budget and financial report.

08-7. Personnel Policy Manual

Condition: The County Commissioner's Personnel Policy Manual contains hand written notes on proposed changes to certain policies. In one case, the typed text indicates that six weeks of vacation is the maximum amount that may be accrued, but the six has been crossed out and replaced with a five indicating that the County's policy actually allows for only five weeks of vacation. The Commission minutes indicate that the Commission has considered updating the manual to include some of the proposed changes; however, the Manual has not yet been formally updated.

Recommendation: We recommend that the County formally adopt an updated Personnel Policy Manual to eliminate any confusion that County employees and officials may have as to the actual policies governing County employees.

County's Response: The Commission will adopt an updated Personnel Policy Manual.

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Nodaway County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. Budgets were not prepared for some County funds and rather than publishing annual financial statements, the County published a summary of the current year's budget.

Status – Partially Implemented; See Finding No. 4.

Budgets were not prepared for all County funds (See Finding No. 4), although annual budgets were published in their entirety in both years 2007 and 2008.

2. Bids were not solicited or bid documentation was not retained for some expenditures; acknowledgement of receipt of goods or services is not required prior to paying invoices.

Bids:

Status – Not Implemented; See Finding No. 3.

Receiving:

Status – Implemented

3. Neither the County Commission nor the County Clerk provides an adequate review of the activities of the ex-officio Collector.

Status – Implemented

4. The County Clerk maintains centralized leave records for most county employees, but these records are not updated timely and did not agree with records maintained by some elected officials for their employees.

Status – Implemented

Leave balances are kept by County Clerk and reviewed at the end of the year by the employee and their department head.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Mercer County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Mercer County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-116

ANNUAL FINANCIAL REPORT

MERCER COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

MERCER COUNTY, MISSOURI

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	3
Notes to Financial Statements	17

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	24
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	26
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Federal Expenditures of Federal Awards	29
Schedule of Federal Findings and Questioned Costs	30
Findings and Recommendations	32
Schedule of Prior Year Audit Findings	36

INTRODUCTORY SECTION

MERCER COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Clifford Shipley

Associate Commissioner – Shane Grooms

Associate Commissioner – Ken Wilson

Other Elected Officials

Assessor – Norberta De Moss

Circuit Clerk, Recorder – Patricia Stamper

Collector/Treasurer – Susan Moore

Coroner – Michael Greenlee

County Clerk – Judy Hamilton

Prosecuting Attorney – John Young

Public Administrator – Kelli Judd

Sheriff – Steve Stockman

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Mercer County, Missouri

We have audited the accompanying financial statements of Mercer County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Mercer County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Mercer County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Mercer County, Missouri, as of December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 1, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mercer County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original Signed by Auditor)

McBride, Lock & Associates
May 1, 2009

FINANCIAL SECTION

MERCER COUNTY

Exhibit A

STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS-REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2007 AND 2008

Fund	Cash January 1, 2007	Receipts 2007	Disbursements 2007	Cash December 31, 2007	Receipts 2008	Disbursements 2008	Cash December 31, 2008
General Revenue	\$ 146,411	\$ 678,579	\$ 640,359	\$ 184,631	\$ 803,901	\$ 710,305	\$ 278,227
Special Road and Bridge	8,021	1,293,404	1,152,237	149,188	762,825	815,075	96,938
Assessment	34,937	89,022	89,292	34,667	92,528	112,624	14,571
Prosecuting Attorney Training	348	213	-	561	172	-	733
Law Enforcement Training	500	1,694	926	1,268	1,096	1,056	1,308
Special Recorder	8,327	4,473	5,958	6,842	4,047	2,212	8,677
Recorder Trust	105	167	-	272	170	150	292
Law Library	82	2,689	1,415	1,356	-	799	557
Prosecuting Attorney Bad Check	1,388	9,097	3,000	7,485	8,811	8,505	7,791
Circuit Clerk Interest	827	36	-	863	-	-	863
Sheriff's Special	1,716	7,040	3,872	4,884	7,360	8,939	3,305
Sheriff's Revolving	332	-	-	332	1,026	-	1,358
Division II Interest	177	21	-	198	-	-	198
Law Enforcement Sales Tax	11,324	137,817	127,051	22,090	129,135	145,145	6,080
Recreational District	63,987	137,134	139,648	61,473	132,978	127,175	67,276
Restitution	3,831	3,851	2,273	5,409	4,179	3,524	6,064
Help America Vote Act	7,072	174	1,429	5,817	-	-	5,817
Tax Maintenance	6,294	5,035	2,899	8,430	7,918	4,309	12,039
Juvenile	-	110	-	110	61	-	171
Surplus Tax	-	1,326	-	1,326	2,660	789	3,197
Criminal Costs	-	18,902	-	18,902	22,248	8,878	32,272
Senior Citizen	-	-	-	-	3,562	-	3,562
Lindley Township	-	-	-	-	40,802	47,881	(7,079)
Local Election Authority	-	-	-	-	1,964	235	1,729
Federal Emergency Mgmt. Agency	-	52,411	-	52,411	53,900	98,725	7,586
Local Emerg. Protection Comm.- Siren	-	4,520	-	4,520	13,888	18,026	382
Local Emerg. Protection Comm. #2	-	-	-	-	14,872	5,924	8,948
Deputy Sheriff Salary Supplemental	-	-	-	-	150	108	42
Total	<u>\$ 295,679</u>	<u>\$ 2,447,715</u>	<u>\$ 2,170,359</u>	<u>\$ 573,035</u>	<u>\$ 2,110,253</u>	<u>\$ 2,120,384</u>	<u>\$ 562,904</u>

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND				
Year Ended December 31,				
	2007		2008	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 175,750	\$ 195,860	\$ 325,000	\$ 341,747
Sales taxes	270,000	308,311	300,000	294,124
Charges for services	105,050	79,419	77,700	79,243
Interest	6,200	7,673	6,500	12,071
Other	55,643	35,291	44,792	47,538
Transfers in	30,000	52,025	70,000	29,178
Total Receipts	<u>\$ 642,643</u>	<u>\$ 678,579</u>	<u>\$ 823,992</u>	<u>\$ 803,901</u>
DISBURSEMENTS				
County Commission	\$ 64,595	\$ 66,709	\$ 67,160	\$ 66,766
County Clerk	68,221	78,144	94,500	91,978
Elections	9,650	5,676	32,900	29,608
Buildings and grounds	68,159	63,194	73,114	81,993
Employee fringe benefits	64,600	67,192	73,600	73,637
Treasurer	62,495	54,616	62,445	58,603
Circuit Clerk	5,356	4,648	6,260	5,278
Associate Circuit Court	5,800	4,544	4,550	4,286
Court administration	6,680	2,047	6,601	2,670
Public Administrator	28,450	28,843	31,742	31,298
Sheriff	98,622	109,671	91,467	93,520
Prosecuting Attorney	67,170	60,313	66,550	61,376
Juvenile Officer	14,958	2,635	8,916	2,769
Coroner	7,500	8,000	8,000	8,000
Other general government	89,900	84,127	96,840	98,523
Emergency fund	17,761	-	20,750	-
Total Disbursements	<u>\$ 679,917</u>	<u>\$ 640,359</u>	<u>\$ 745,395</u>	<u>\$ 710,305</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (37,274)	\$ 38,220	\$ 78,597	\$ 93,596
CASH, JANUARY 1	146,411	146,411	184,631	184,631
CASH, DECEMBER 31	<u>\$ 109,137</u>	<u>\$ 184,631</u>	<u>\$ 263,228</u>	<u>\$ 278,227</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 29,100	\$ -	\$ -	\$ 4,063	\$ -	\$ -	\$ -	\$ -
Sales taxes	69,000	77,077	80,000	73,499	-	-	-	-
Intergovernmental	1,108,500	1,189,296	620,000	575,979	82,952	86,614	87,000	89,996
Charges for services	-	-	-	102,531	650	606	600	706
Interest	4,500	6,044	6,000	6,753	1,500	1,802	1,800	1,567
Other	31,286	20,987	15,000	-	-	-	-	259
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,242,386</u>	<u>\$ 1,293,404</u>	<u>\$ 721,000</u>	<u>\$ 762,825</u>	<u>\$ 85,102</u>	<u>\$ 89,022</u>	<u>\$ 89,400</u>	<u>\$ 92,528</u>
DISBURSEMENTS								
Salaries	\$ 103,673	\$ 102,924	\$ 117,000	\$ 114,436	\$ 63,908	\$ 64,930	\$ 68,000	\$ 65,218
Employee fringe benefits	22,100	22,474	27,200	21,789	5,000	4,755	6,000	4,747
Materials and Supplies	368,900	327,146	412,850	440,442	4,950	4,107	3,425	3,286
Services and Other	608,500	609,878	196,000	134,405	17,250	15,500	41,150	39,373
Capital Outlay	16,000	55,529	37,200	62,729	-	-	-	-
Construction	5,000	4,286	5,000	-	-	-	-	-
Transfers out	30,000	30,000	50,000	41,274	-	-	-	-
Total Disbursements	<u>\$ 1,154,173</u>	<u>\$ 1,152,237</u>	<u>\$ 845,250</u>	<u>\$ 815,075</u>	<u>\$ 91,108</u>	<u>\$ 89,292</u>	<u>\$ 118,575</u>	<u>\$ 112,624</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 88,213	\$ 141,167	\$ (124,250)	\$ (52,250)	\$ (6,006)	\$ (270)	\$ (29,175)	\$ (20,096)
CASH, JANUARY 1	8,021	8,021	149,188	149,188	34,937	34,937	34,667	34,667
CASH, DECEMBER 31	<u>\$ 96,234</u>	<u>\$ 149,188</u>	<u>\$ 24,938</u>	<u>\$ 96,938</u>	<u>\$ 28,931</u>	<u>\$ 34,667</u>	<u>\$ 5,492</u>	<u>14,571</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI

COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	196	200	-
Charges for services	162	195	185	148	650	772	750	562
Interest	10	18	-	24	25	30	25	34
Other	-	-	-	-	700	500	500	500
Transfers in	-	-	-	-	-	196	-	-
Total Receipts	<u>\$ 172</u>	<u>\$ 213</u>	<u>\$ 185</u>	<u>\$ 172</u>	<u>\$ 1,375</u>	<u>\$ 1,694</u>	<u>\$ 1,475</u>	<u>\$ 1,096</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	500	-	500	-	1,800	926	1,000	1,056
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 926</u>	<u>\$ 1,000</u>	<u>\$ 1,056</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (328)	\$ 213	\$ (315)	\$ 172	\$ (425)	\$ 768	\$ 475	\$ 40
CASH, JANUARY 1	348	348	561	561	500	500	1,268	1,268
CASH, DECEMBER 31	<u>\$ 20</u>	<u>\$ 561</u>	<u>\$ 246</u>	<u>\$ 733</u>	<u>\$ 75</u>	<u>\$ 1,268</u>	<u>\$ 1,743</u>	<u>\$ 1,308</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL RECORDER FUND				LAW LIBRARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,000	4,185	4,200	3,700	3,300	2,689	1,600	-
Interest	200	288	240	268	-	-	-	-
Other	-	-	-	79	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,200</u>	<u>\$ 4,473</u>	<u>\$ 4,440</u>	<u>\$ 4,047</u>	<u>\$ 3,300</u>	<u>\$ 2,689</u>	<u>\$ 1,600</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,300	72	1,600	164	3,300	1,415	1,600	799
Services and Other	4,875	5,886	5,676	2,048	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,175</u>	<u>\$ 5,958</u>	<u>\$ 7,276</u>	<u>\$ 2,212</u>	<u>\$ 3,300</u>	<u>\$ 1,415</u>	<u>\$ 1,600</u>	<u>\$ 799</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (2,975)	\$ (1,485)	\$ (2,836)	\$ 1,835	\$ -	\$ 1,274	\$ -	\$ (799)
CASH, JANUARY 1	8,327	8,327	12,800	6,842	82	82	1,356	1,356
CASH, DECEMBER 31	<u>\$ 5,352</u>	<u>\$ 6,842</u>	<u>\$ 9,964</u>	<u>\$ 8,677</u>	<u>\$ 82</u>	<u>\$ 1,356</u>	<u>\$ 1,356</u>	<u>\$ 557</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY BAD CHECK FUND				RECORDER TRUST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,500	7,597	7,500	7,461	175	167	150	170
Interest	50	98	100	155	-	-	-	-
Other	1,100	1,402	1,250	1,195	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,650</u>	<u>\$ 9,097</u>	<u>\$ 8,850</u>	<u>\$ 8,811</u>	<u>\$ 175</u>	<u>\$ 167</u>	<u>\$ 150</u>	<u>\$ 170</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	7,000	3,000	7,190	8,505	150	-	-	150
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,000</u>	<u>\$ 3,000</u>	<u>\$ 7,190</u>	<u>\$ 8,505</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 650	\$ 6,097	\$ 1,660	\$ 306	\$ 25	\$ 167	\$ 150	\$ 20
CASH, JANUARY 1	1,388	1,388	7,485	7,485	105	105	272	272
CASH, DECEMBER 31	<u>\$ 2,038</u>	<u>\$ 7,485</u>	<u>\$ 9,145</u>	<u>\$ 7,791</u>	<u>\$ 130</u>	<u>\$ 272</u>	<u>\$ 422</u>	<u>\$ 292</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CIRCUIT CLERK INTEREST FUND				SHERIFF'S SPECIAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	6,050	6,896	6,550	7,195
Interest	220	36	35	-	85	111	100	145
Other	-	-	-	-	800	33	-	20
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 220</u>	<u>\$ 36</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 6,935</u>	<u>\$ 7,040</u>	<u>\$ 6,650</u>	<u>\$ 7,360</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	2,340	1,840	4,340	5,633
Services and Other	-	-	-	-	6,300	2,032	2,913	3,306
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,640</u>	<u>\$ 3,872</u>	<u>\$ 7,253</u>	<u>\$ 8,939</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 220	\$ 36	\$ 35	\$ -	\$ (1,705)	\$ 3,168	\$ (603)	\$ (1,579)
CASH, JANUARY 1	827	827	863	863	1,716	1,716	4,884	4,884
CASH, DECEMBER 31	<u>\$ 1,047</u>	<u>\$ 863</u>	<u>\$ 898</u>	<u>\$ 863</u>	<u>\$ 11</u>	<u>\$ 4,884</u>	<u>\$ 4,281</u>	<u>\$ 3,305</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				DIVISION II INTEREST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	400	-	-	930	-	-	-	-
Interest	18	-	-	96	20	21	18	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ 20</u>	<u>\$ 21</u>	<u>\$ 18</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	600	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (182)	\$ -	\$ -	\$ 1,026	\$ 20	\$ 21	\$ 18	\$ -
CASH, JANUARY 1	332	332	332	332	177	177	198	198
CASH, DECEMBER 31	<u>\$ 150</u>	<u>\$ 332</u>	<u>\$ 332</u>	<u>\$ 1,358</u>	<u>\$ 197</u>	<u>\$ 198</u>	<u>\$ 216</u>	<u>\$ 198</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				RECREATIONAL DISTRICT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	120,000	137,131	125,000	128,462	108,000	137,134	135,000	128,478
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	350	686	600	650	-	-	-	-
Other	110	-	-	23	-	-	-	4,500
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 120,460</u>	<u>\$ 137,817</u>	<u>\$ 125,600</u>	<u>\$ 129,135</u>	<u>\$ 108,000</u>	<u>\$ 137,134</u>	<u>\$ 135,000</u>	<u>\$ 132,978</u>
DISBURSEMENTS								
Salaries	\$ 92,960	\$ 92,960	\$ 94,360	\$ 90,986	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	7,000	6,599	7,000	6,303	-	-	-	-
Materials and Supplies	19,000	17,496	25,000	23,773	-	-	-	-
Services and Other	11,500	9,996	26,000	24,083	97,200	139,648	110,000	127,175
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 130,460</u>	<u>\$ 127,051</u>	<u>\$ 152,360</u>	<u>\$ 145,145</u>	<u>\$ 97,200</u>	<u>\$ 139,648</u>	<u>\$ 110,000</u>	<u>\$ 127,175</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (10,000)	\$ 10,766	\$ (26,760)	\$ (16,010)	\$ 10,800	\$ (2,514)	\$ 25,000	\$ 5,803
CASH, JANUARY 1	11,324	11,324	22,090	22,090	63,987	63,987	61,473	61,473
CASH, DECEMBER 31	<u>\$ 1,324</u>	<u>\$ 22,090</u>	<u>\$ (4,670)</u>	<u>\$ 6,080</u>	<u>\$ 74,787</u>	<u>\$ 61,473</u>	<u>\$ 86,473</u>	<u>\$ 67,276</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RESTITUTION FUND				HELP AMERICA VOTE ACT			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,000	3,450	-	1,975	-	-	-	-
Interest	80	149	-	173	150	174	-	-
Other	-	252	-	2,031	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,080</u>	<u>\$ 3,851</u>	<u>\$ -</u>	<u>\$ 4,179</u>	<u>\$ 150</u>	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	4,500	1,429	-	-
Services and Other	3,000	2,273	-	3,524	300	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,000</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 3,524</u>	<u>\$ 4,800</u>	<u>\$ 1,429</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 1,080	\$ 1,578	\$ -	\$ 655	\$ (4,650)	\$ (1,255)	\$ -	\$ -
CASH, JANUARY 1	3,831	3,831	5,409	5,409	7,072	7,072	5,817	5,817
CASH, DECEMBER 31	<u>\$ 4,911</u>	<u>\$ 5,409</u>	<u>\$ 5,409</u>	<u>\$ 6,064</u>	<u>\$ 2,422</u>	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>\$ 5,817</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	TAX MAINTENANCE				JUVENILE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	4,000	4,762	5,000	7,511	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	140	226	-	407	-	60	-	61
Other	-	47	-	-	-	50	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,140</u>	<u>\$ 5,035</u>	<u>\$ 5,000</u>	<u>\$ 7,918</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 61</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,300	2,296	2,500	1,777	-	-	-	-
Services and Other	1,000	603	1,600	2,532	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,300</u>	<u>\$ 2,899</u>	<u>\$ 4,100</u>	<u>\$ 4,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 840	\$ 2,136	\$ 900	\$ 3,609	\$ -	\$ 110	\$ -	\$ 61
CASH, JANUARY 1	6,294	6,294	8,430	8,430	-	-	110	110
CASH, DECEMBER 31	<u>\$ 7,134</u>	<u>\$ 8,430</u>	<u>\$ 9,330</u>	<u>\$ 12,039</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 110</u>	<u>\$ 171</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SURPLUS TAX FUND				CRIMINAL COSTS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	204	-	241	-	-	-	-
Other	-	1,122	-	2,419	-	18,902	-	22,248
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 1,326</u>	<u>\$ -</u>	<u>\$ 2,660</u>	<u>\$ -</u>	<u>\$ 18,902</u>	<u>\$ -</u>	<u>\$ 22,248</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	789	-	-	-	8,878
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,878</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 1,326	\$ -	\$ 1,871	\$ -	\$ 18,902	\$ -	\$ 13,370
CASH, JANUARY 1	-	-	1,326	1,326	-	-	18,902	18,902
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 1,326</u>	<u>\$ 1,326</u>	<u>\$ 3,197</u>	<u>\$ -</u>	<u>\$ 18,902</u>	<u>\$ 18,902</u>	<u>\$ 32,272</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENIOR CITIZENS FUND				LINDLEY TOWNSHIP FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ 3,562	\$ -	\$ -	\$ -	\$ 6,099
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	34,703
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,802</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	47,881
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,881</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 3,562	\$ -	\$ -	\$ -	\$ (7,079)
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,079)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LOCAL ELECTION AUTHORITY FUND				FEDERAL EMERG. MGMT. AGENCY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	52,411	-	53,900
Charges for services	-	-	-	1,964	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,964</u>	<u>\$ -</u>	<u>\$ 52,411</u>	<u>\$ -</u>	<u>\$ 53,900</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	235	-	-	-	-
Services and Other	-	-	-	-	-	-	-	98,725
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,725</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 1,729	\$ -	\$ 52,411	\$ -	\$ (44,825)
CASH, JANUARY 1	-	-	-	-	-	-	-	52,411
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,729</u>	<u>\$ -</u>	<u>\$ 52,411</u>	<u>\$ -</u>	<u>\$ 7,586</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

LEPC - SIREN FUND				
Year Ended December 31,				
	2007		2008	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	4,520	-	13,888
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 4,520</u>	<u>\$ -</u>	<u>\$ 13,888</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	18,026
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,026</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ -	\$ 4,520	\$ -	\$ (4,138)
CASH, JANUARY 1	-	-	-	4,520
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 4,520</u>	<u>\$ -</u>	<u>\$ 382</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LEPC #2 FUND				DEPUTY SHERIFF SUPPLEMENTAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	14,872	-	-	-	150
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	5,924	-	-	-	108
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 8,948	\$ -	\$ -	\$ -	\$ 42
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MERCER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mercer County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are eight elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer/ Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Mercer County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity. The financial statements also include the Local Emergency Planning Commission, Parks and Recreation Board and Senior Citizens Board, which are separate legal entities within the County that are required by the Missouri State Auditor's Office to be included in the County's reporting entity for financial reporting purposes.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law. The County did not adopt formal budgets for the following funds:

	<u>2008</u>	<u>2007</u>
A. Restitution	X	N/A
B. Juvenile	X	X
C. Surplus Tax	X	X
D. Criminal Costs	X	X
E. Senior Citizens	X	N/A
F. Lindley Township	X	N/A
G. Local Election Authority	X	N/A
H. Federal Emergency Management Agency	X	X
I. Local Emergency Protection Commission – Siren	X	X
J. Local Emergency Protection Commission #2	X	N/A
K. Deputy Sheriff Salary Supplemental	X	N/A

Budgets were not completed for all line items for the Road & Bridge and Law Enforcement Training funds. Additionally, the County budgeted a negative fund balance for the Law Enforcement Sales Tax fund in 2008.

10. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2008</u>	<u>2007</u>
A. Law Enforcement Training	X	N/A
B. Recorder Trust Fund	X	N/A
C. Prosecuting Attorney Bad Check	X	N/A
D. Sheriff's Special	X	N/A
E. Recreational District	X	X
F. Tax Maintenance	X	N/A

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 33,316,160	\$ 32,497,767
Personal Property	25,362,035	23,852,079

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ 0.2400	\$ 0.3000
Senior Services	0.0500	0.3000

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amounts of the County's deposits were \$585,363 and \$592,844, respectively, and the bank balances were \$360,742 and \$268,840, respectively. Of the bank balances, \$250,000 and \$100,000 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$110,749 and \$168,840,

respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2008 and 2007 the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. These amounts, all of which were secured by pledged collateral, amounted to \$2,616,989 and \$2,688,864 at December 31, 2008 and 2007, respectively.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two, or a reduced benefit annuity at age 55. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$4,071 and \$3,801, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

Full time employees earn two weeks of sick leave upon the anniversary of their hire date. After fifteen years of employment the employee will receive three weeks of sick leave. Sick leave may not accrue from year to year. Employees who have worked with the County for one full fiscal year or longer will be reimbursed for unused sick leave at the rate of 50 percent on the last paycheck of the year. Vacation is earned at the rate of two weeks per year after one year and three weeks after fifteen years.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Mercer County, Missouri

We have audited the accompanying financial statements of Mercer County, Missouri as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 1, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Mercer County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mercer County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mercer County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mercer County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Mercer County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Mercer County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mercer County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mercer County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 08-1 through 08-4.

We also noted immaterial instances of noncompliance that we reported to management of Mercer County, Missouri, in the findings and recommendations section as items 08-5 through 08-6.

Mercer County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Mercer County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
May 1, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Mercer County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mercer County, Missouri's management. Our responsibility is to express an opinion on Mercer County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mercer County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Mercer County, Missouri's compliance with those requirements.

In our opinion, Mercer County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 08-4.

Internal Control Over Compliance

The management of Mercer County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Mercer County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mercer County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control. We do not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Mercer County, Missouri's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Mercer County, Missouri's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
May 1, 2009

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2008
	U.S. DEPARTMENT OF JUSTICE			
	Passed through State Missouri Sheriff's Association			
16.xxx	Domestic Cannabis Eradication/Suppression Program	N/A	\$ 1,224	\$ -
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through the State Department of Economic Development			
14.228	Community Development Block Grant/States Program	BRO-065(26)	239,000	
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through State Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-065(24)	22,228	-
		BRO-065(25)	304,702	-
		BRO-065(27)	24,917	109,435
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments		-	558
	U.S DEPARTMENT OF HOMELAND SECURITY			
	Passed through State Department of Public Safety:			
97.036	Disaster Grants - Public Assistance Grants		-	53,900
	(Presidentially declared disasters)			
			<u>\$ 592,071</u>	<u>\$ 163,893</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MERCER COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

MERCER COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☒ Yes ☐ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Financial Statement Findings required to be reported in accordance with generally accepted Government Auditing Standards:

See Findings and Recommendations Section.

- 08-1. Cash Balances
- 08-2. Ledger Reconciliations
- 08-3. Budgetary Practices
- 08-4. Reporting Practices
- 08-5. Absence of Investment Policy
- 08-6. Payroll Personnel Files

Summary of Schedule of Prior Audit Findings:

04-1 County Financial Records and Procedures

The accounting records prepared by the County Clerk and County Treasurer for the years ended December 31, 2004 and 2003 did not reconcile. The County Commission also approved expenditures in excess of budgeted amounts for various funds.

Status: Not Implemented. See findings 08-2 and 08-3 in the Findings and Recommendations section.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Award Findings Required to be reported in Accordance with Generally Accepted Government Auditing Standards.

Summary Schedule of Prior Audit Federal Award Findings

- 04-2 Highway Planning and Construction Program, CFDA#20.205, Tracking and Reporting. The County did not submit a complete and accurate schedule of expenditures of federal awards for 2003 and 2004.

Status: Not Implemented. See finding 08-4 in the Findings and Recommendations section.

FINDINGS AND RECOMMENDATIONS

MERCER COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

08-1. Cash Balances

Condition: It was noted that the County's cash balances per bank reconciliation at December 31, 2008 and December 31, 2007 did not reconcile to the Treasurer's Annual Settlement, with variances of \$4,142 and \$231 being noted, respectively. These variances result in part from the exclusion of bank account balances from the Settlement for both years. Additionally, several bank deposits during 2008 were not been recorded in the County's financial records until the following year.

Recommendation: We recommend that the County Treasurer's Office ensure that cash balances per bank statements are reconciled and incorporated into the Settlement on a monthly basis. Any variance noted should be resolved in a timely manner.

County's Response: The Collector/Treasurer's Office will strive to keep better track of any ACH deposits to ensure they are posted correctly and get posted the same month they are received. We will reconcile all monthly deposits to the cash receipts posting journal and the bank statement. Any variances will be investigated and resolved in a timely manner to ensure better accuracy in the future.

08-2. Ledger Reconciliations

Condition: Pursuant to our review, it was determined that numerous differences existed in 2007 between the County Clerk's and Collector/Treasurer's ledgers. These differences carried through to financial statements prepared by the County Clerk and the Annual Settlement prepared by the Collector/Treasurer. The variances continued into 2008 but at a significantly reduced rate. We noted that the County Clerk's position was vacated in the first quarter of 2008 and that the position was subsequently filled by the Governor of Missouri by executive appointment. By the conclusion of 2008, all County ledgers and financial statements for the entire year had been brought into balance.

Recommendation: We recommend that the County Clerk and Collector/Treasurer communicate effectively to ensure that their ledgers and financial reports reconcile and are in agreement both by line item and in the aggregate on a monthly basis. Any variance noted between the County Clerk's and Collector/Treasurer's records should be resolved in a timely manner.

County's Response: Steps have been taken in 2008 to ensure that ledgers and financial reports reconcile between the offices of the County Clerk and the Collector/Treasurer. We have made sure that fund revenues, expenditures and balances match the Summary of funds provided on a monthly basis. We will continue to ensure this is done on a monthly basis.

08-3. Budgetary Practices

Condition: The County did not adopt budgets for a number of funds and, for certain funds, budgets were not completed for all line items as required by State Statute. One fund was budgeted with a negative ending cash balance. Also, the County disbursements exceeded the authorized budgets for a number of funds in 2007 and in 2008.

A. The County did not adopt formal budgets for the following funds:

- Restitution
- Juvenile
- Surplus Tax
- Criminal Costs
- Senior Citizens
- Lindley Township Local Election Authority funds
- Federal Emergency Management Agency
- Local Emergency Protection Commission – Siren
- Local Emergency Protection Commission - #2
- Deputy Sheriff Salary Supplemental

Funds for which budgets were not completed include Road and Bridge and Law Enforcement. The Law Enforcement Sales Tax Fund budget contained a negative ending cash balance in 2008.

B. The County Commission approved expenditures in excess of the authorized budget for six different funds during 2008 and for one fund in 2007 as identified in Note 1.D.10.

Recommendation: We recommend the County adopt complete formal budgets for all funds as required by law. We also recommend that the County strictly adhere to the authorized budget or follow the appropriate procedures to amend the budget if additional expenditures are necessary.

County's Response: Mercer County has incorporated internal procedural improvements in large part due to the new computer system being set up this year. In the past only 4 funds were actually on the computer system and kept track of by the County Clerk's Office and all other funds were accounted for by the Treasurer in hand written ledger books. By putting all funds in the computer system budget balances can be checked daily. This is a vast improvement for us. It will help us to adhere to the authorized budget in all funds or amend budget if additional expenditures are necessary. So far this year we have been able to check balances and stick to our budget. Our new computer system has been great. We are taking steps to ensure that the County follows all procedures required by state statute in the future.

08-4. Reporting Practices

Condition: The County does not adequately track or report federal assistance on the Schedule of Expenditures of Federal Awards (SEFA) Section .310(b) of Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. The County is required to submit the SEFA to the State Auditors Office as part of the annual budget. For the SEFA to adequately reflect the County's federal expenditures, it is necessary that all federal expenditures be properly recorded. Compilation of the SEFA requires consulting County financial records and requesting information from other departments and or officials.

The County's 2007 SEFA expenditures for their major program, Highway Planning and Construction (CFDA 20.205) were overstated by approximately \$148,813. A Community Development Block Grant (CFDA 14.228) totaling approximately \$239,000 was not reported on the County's 2007 SEFA. As a result, the SEFA schedules prepared by the County Clerk had total expenditures understated by \$90,187 in 2007. In addition, the SEFA did not include the required pass through entities' identifying numbers or contract numbers.

Without an accurate and complete SEFA, federal financial activity cannot be properly audited and reported in accordance with federal audit requirements.

A similar condition was noted in prior reports. Although the County Commission and the County Clerk indicated they would implement these recommendations, the County to-date has not implemented appropriate controls and procedures.

Recommendation: We again recommend the County Commission and the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

County's Response: We will continue to attempt to prepare an accurate and complete SEFA. We will make every attempt to ensure the 2009 SEFA is correct.

08-5. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officers Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: We are in the process of developing a formal investment policy.

08-6. Payroll Personnel Files

Condition: The County does not keep an updated record of each employee's pay rate or employee-approved voluntary deductions in their personnel file. When an employee receives a pay raise, there is no evidence in their personnel file of when and how much the raise was for nor documentation of County Commissioner approval. The County Clerk's office does maintain a listing indicating current approved pay rates for each County employee.

Recommendation: We recommend that the County Clerk's Office maintain documentation of each employee's pay and voluntary deductions in their personnel file in addition to supporting documentation from the County Commission approving any pay raises an employee has received.

County's Response: County Clerk's office was not aware that this needed to be documented. After notification from auditors, we had corrected within forty-eight hours.

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Mercer County, Missouri, on the applicable Management Advisory Report (MAR) findings in the prior audit report issued for the two years ended December 31, 2004 and 2003. MAR items 4, 5, 6, 7, and 10 were beyond the scope of the current audit. Accordingly no follow-up is reported for those items.

MAR-1. Expenditure and Transfer Controls and Procedures

- A. The County did not solicit bids for several major purchases
- B. Several duplicate payments were made as a result of invoices not being marked as paid upon payment.
- C. Adequate supporting documentation for credit card charges is not maintained.
- D. Several payments were made to related parties and may have been indicated conflicts of interest in violation of state law.
- E. The County transferred more than the allowable amount out of Road & Bridge to General Revenue for administrative service fees.

Status: A-E: Implemented

MAR-2. County Commission Minutes

- A. County Commission minutes did not adequately detail the meetings of the Commission, including some meetings having no minutes taken at all.
- B. The County did not maintain documentation of the required tentative agenda for the meetings of the County Commission.
- C. Minutes of closed meetings were not always kept and the open minutes did not document the reasons for going into closed meetings.

Status: A-C: Implemented

MAR-3. Salaries and Personnel Procedures

- A. The County had no documentation to indicate how the Public Administrator's salary was determined.
- B. The County has not adopted an official personnel policies manual.
- C. Road and Bridge employees do not fill out timesheets signed by the employee and department head.

Status: A-C: Implemented

MAR-8. Computer System Controls and Procedures

- A. Employees have access to files which are necessary for the performance of the duties, allowing for the possibility of unauthorized changes to financial and property tax records.
- B. Passwords are not changed periodically and kept confidential.
- C. The County does not have adequate disaster recovery or data backup plans.

Status: A-C: Implemented

MAR-9. Property Tax Controls and Procedures

- A. The Ex-Officio Collector does not always issue receipt slips for tax payments.
- B. The County Clerk does not maintain an account book with the Ex-Officio Collector and the Collector's annual settlements are not reviewed by the County Commission.

Status: A-B Implemented.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Carroll County, Missouri

The Office of the State Auditor, in cooperation with Carroll County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-115

ANNUAL FINANCIAL REPORT

CARROLL COUNTY, MISSOURI

For the Years Ended
December 31, 2008 and 2007

CARROLL COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
LIST OF ELECTED OFFICIALS	i
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	ii-iii
MANAGEMENT DISCUSSION & ANALYSIS	iv-vii
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Comparative Statements of Net Assets – Cash Basis	1
Fund Financial Statements:	
Government-wide Statement of Activities – Cash Basis – 2008	2
Government-wide Statement of Activities – Cash Basis – 2007	3
Comparative Government-wide Statements of Net Assets – Cash Basis	4
Comparative Statements of Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	5
Comparative Statements of Assets and Liabilities Arising from Cash Transactions – Fiduciary (Agency) Funds	6
Notes to Financial Statements	7
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Budget and Actual – General Fund – Unaudited	17
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Special Revenue Major Fund – Budget and Actual Road and Bridge / Courthouse Restoration Funds – Unaudited	18
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Special Revenue Major Fund – Budget and Actual – EDA 98 Grant / Emergency Enhanced 911 Funds – Unaudited	19

THE COUNTY OF CARROLL, MISSOURI TABLE
OF CONTENTS (CONTINUED)

	<u>Page</u>
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	20
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	22
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26
Findings and Recommendations	28
Schedule of Prior Year Audit Findings	33

INTRODUCTORY SECTION

CARROLL COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Nelson Heil

District Two Commissioner – David Martin

District One Commissioner – Jim Stewart

Other Elected Officials

Assessor – Devin Ford-Frazier

Circuit Clerk/Ex-Officio Recorder of Deeds – Cheryl Mansur

Collector-Treasurer – Alta O’Neal

Coroner – Steven Bittiker

County Clerk – Peggy McGaugh

Prosecuting Attorney – Joyce Wendel

Public Administrator – Barclay Staton

Sheriff – Joe Arnold

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and the County Officeholders of Carroll County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County, Missouri, as of and for the years ended December 31, 2008 and 2007 which collectively comprise the primary government of Carroll County, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, the basic financial statements of Carroll County, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the Carroll County Health Center, a legally separate component unit of the County. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of Carroll County, Missouri, as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended.

Further, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position — cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of December 31, 2008 and 2007 and for the years then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information on pages iv through viii and 17 through 19 are not required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 9, 2009 on our consideration for the primary government of Carroll County, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

(Original signed by Auditor)

McBride, Lock & Associates
July 9, 2009

CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2008 AND 2007

This discussion and analysis of Carroll County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2008 and 2007. The information below, prepared by the County's management, should be read in conjunction with the financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as applicable to the cash basis of accounting. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenses are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the County as a whole. These statements present the County's net assets and show how they have changed. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the County's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The County has no business-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are

available for spending. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the County's programs.

The County as Trustee

The County is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the County's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The County's fiduciary assets are reported in a separate Statement of Fiduciary Net Assets. Fiduciary funds are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

FINANCIAL HIGHLIGHTS

The County's net assets remained stable in the years 2008 and 2007. The net assets in total governmental funds on December 31, 2008 increased by a grand total of \$300,947 in the one year from December 31, 2007. Capital assets increased by approximately \$80,000 due to the lease/purchase of a new computer system networking the offices of the Assessor, County Clerk and Collector-Treasurer. The year 2007 brought the implementation of centralized tax collections as required by SB 21 and HB 58, passed in the 2005 General Assembly. The fees for collection of taxes are now retained by the County as charges for services rather than earned as commissions by twenty township Collectors. In addition, administrative fees in the amount of \$30,000, or \$10,000 each from Associated Electric Cooperative Inc. (AECI), Show-Me Ethanol and American Energy Producers (AEPI), the soybean crushing bio-diesel plant, also contributed to the County's favorable financial position.

THE COUNTY AS A WHOLE

		Year Ended December 31,		
		2008	2007	2006
Net Assets	\$	2,675,546	2,374,599	1,964,221
Program Receipts		2,641,023	1,937,921	2,045,035
General Receipts		2,206,883	1,773,710	1,796,039
Disbursements		4,546,959	3,301,253	3,763,732
Change in Net Assets		300,947	410,378	77,342

Note that, pursuant to an opinion by the Missouri Attorney General, the County Health Center has been excluded from the County reporting entity. Accordingly, 2006 amounts reported above exclude the balances pertaining to the County Health Center.

THE COUNTY'S FUNDS

The General fund had a positive net change in cash balance of \$431,631 in 2008 and a carry-over balance of \$645,419, which resulted in a cash ending balance of \$1,077,050 on December 31, 2008. The significant change is due to an impressive large local option use tax receipt for \$324,911 in May 2008. This was due to goods brought into the County used in the Rockies Express Pipeline project.

As mentioned in the Financial Highlights section the retainage of the fees for collection of taxes in the County brought in \$184,343 with some additional expense in personnel and supplies as well.

The Public Administrator closed out some rather sizable accounts, as he was facing retirement, resulting in Public Administrator commission fees earned of \$53,576 which caused a budget overage of \$18,576.

In 2008, being a Presidential election year, the elections expenditures were nearly three times higher than in 2007 (\$55,821 in 2007 and \$146,435 in 2008). This was the first major election in which the Help America Vote Act (HAVA) mandated the use of both optical scan as well as touch screen technology. The software and programming cost alone amounted to \$11,319 with supplies for both systems being \$58,943 for the four major elections held. It is interesting to note that no reimbursement to the County for election expenses is received from the State of Missouri or the Federal government with the exception of the Presidential Primary held every four years. In addition, the Direct Recording Electronic Devices (DRE's), also known as touch screens, were only utilized by 147 voters in those four elections. Carroll County continues to be concerned about future obligations in paying for the creation of new programs such as these mandated by the State and Federal government while the costs to maintain and operate them escalate beyond the resources available to pay for them.

Highlights from 2008

The County legal fees were budgeted for in the Prosecuting Attorney's budget, but not spent, on a pending murder trial in the Prosecuting Attorney's office. A special prosecutor has been appointed and the trial will be held in Clay County in 2009.

Overtime in the Sheriff's department put the salary line item over budget by \$3,518. This was due to one prisoner being guarded for twenty-four hours a day for several weeks in a Kansas City area hospital.

Road and Bridge revenues of \$430,398 for Federal Bridge Projects (BRO's) were reduced from the budgeted amount of \$700,000 due to federal cutbacks; therefore, expenditures were held to \$457,087. The amount budgeted for soft match bridge expense exceeded the budgeted amount by \$97,205. This was due to the many bridges and culverts damaged or destroyed by flooding in 2008. Revenue from FEMA storm related items was budgeted at \$15,000; however, expenditures were only \$8,319 because of weather delays.

The Missouri Heritage grant monies for Court House Restoration were not received as anticipated when the budget was written in January. Minor renovations to the courthouse were done using \$5,282 of the \$50,000 budgeted. Notification of grant money awarded had been received, but the actual money did not come in. These projects will be done in 2009/2010.

The Enhanced 9-1-1 fund, as demonstrated by the E-911 budget, exceeded the Personnel budget by \$18,000 due to overtime.

The EDA 98 monies received from the U.S. Department of Commerce, Economic Development Administration for access road construction at the Show Me Ethanol was underestimated in the budget as \$325,000. The amount received and spent for the asphalt road improvements to the facility was \$385,000. The total project bid for \$797,945 was awarded to APAC of Columbia with the balance of the expenditures being paid by Show Me Ethanol, LLC.

Highlights from 2007

The County's Emergency Shelter Grant of \$15,000 that was budgeted to be received in 2007 was not received. Instead, \$15,259 was received in 2008 for both years.

The amount budgeted in the Recorder's budget for Circuit Court petit jurors was \$26,900 compared to only \$4,057 spent because the pending murder trial was continued.

Public Administrator commission fees were \$21,547 compared to the budgeted amount of \$35,000, a savings of \$13,453.

Even though the cost of fuel was very high, the sheriff's budget did not exceed the budgeted amount; however, extradition of prisoners exceeded the budget by \$3,655. Deputy salaries exceeded the budget by \$1,658 as well due to guarding a prisoner housed at an out-of-county hospital.

Due to the high cost of steel, Road and Bridge expenditures were very high and lots of repairs were needed due to flooding. The cost of culverts totaled \$73,519 compared to the budgeted amount of \$40,000. County rock and bridge expense exceeded the budget by \$39,704 due to repairs from flooding as well as a pre-fabricated bridge that was ordered in 2006, but paid for in 2007. Federal BRO projects and soft-match projects were put on hold due to lack of funding from the federal government.

CAPITAL ASSET AND DEBT ADMINISTRATION

The County continues to pay quarterly payments of \$9,300 on a lease/purchase plan with Baystone Financial services for a Hyundai Excavator. The total cost was \$37,199 in 2007 and payments will be complete in April of 2010.

The County also continues to pay on an energy loan with the Department of Natural Resources. Semi-annual payments of \$2,322 will retire the loan in August 2011.

The Carroll County Clerk, Assessor and Collector-Treasurer upgraded their hardware and software computer systems in 2007. The total cost of the equipment and software was \$80,000. Quarterly payments of \$4,050 will be made until June of 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Currently, the TransCanada pipeline has begun the laying of pipeline and has submitted a locally-assessed valuation that should give the County's financial outlook a much needed lift. Soon to follow will be the added State assessed value in coming years after completion of the project.

The AECl electrical plant project has been put on an indefinite hold. The Show-Me Ethanol plant is up and running, and the AEPI bio-diesel plant is currently seeking additional sources for funding through stimulus and grant funds.

The Carroll County jail was closed and county prisoners are currently being housed in the Ray County Correctional facility. This was the decision of the newly-elected Sheriff and the Carroll County Commission saving the County liability, utilities, and personnel costs in an amount estimated to be over \$100,000.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Peggy McGaugh, Carroll County Clerk, 8 South Main, Suite 6, Carrollton, Missouri 64633 Phone 660-542-0615.

FINANCIAL SECTION

CARROLL COUNTY, MISSOURI
COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2008

	December 31,	
	2007	2008
ASSETS		
Cash and cash equivalents	\$ 2,374,599	\$ 2,675,546
Total Assets	<u>\$ 2,374,599</u>	<u>\$ 2,675,546</u>
NET ASSETS		
Restricted	\$ 593,797	\$ 630,308
Unrestricted	<u>1,780,802</u>	<u>2,045,238</u>
Total Net Assets	<u>\$ 2,374,599</u>	<u>\$ 2,675,546</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2008

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,397,329	\$ 421,679	\$ 360,062	\$ (615,588)
Public safety	1,146,372	129,493	10,227	(1,006,652)
Judicial	24,817	54,151	14,742	44,076
Public works	1,978,441	40,973	1,609,376	(328,092)
Health and welfare	-	320	-	320
Total Governmental Activities	<u>\$ 4,546,959</u>	<u>\$ 646,616</u>	<u>\$ 1,994,407</u>	<u>\$ (1,905,936)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 640,595
Sales taxes				1,430,525
Interest				56,913
Other				78,850
Total General Receipts				<u>2,206,883</u>
Changes in Cash Balances				300,947
NET ASSETS, JANUARY 1				<u>2,374,599</u>
NET ASSETS, DECEMBER 31				<u>\$ 2,675,546</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,139,283	\$ 207,540	\$ 203,933	\$ (727,810)
Public safety	995,888	117,987	8,264	(869,637)
Judicial	26,503	40,140	18,330	31,967
Public works	1,139,566	15,167	1,326,245	201,846
Health and welfare	13	315	-	302
Total Governmental Activities	<u>\$ 3,301,253</u>	<u>\$ 381,149</u>	<u>\$ 1,556,772</u>	<u>\$ (1,363,332)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 593,264
Sales taxes				1,012,348
Interest				102,968
Other				<u>65,130</u>
Total General Receipts				<u>1,773,710</u>
Changes in Cash Balances				410,378
NET ASSETS, JANUARY 1				<u>1,964,221</u>
NET ASSETS, DECEMBER 31				<u>\$ 2,374,599</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		COURTHOUSE RESTORATION		EMERGENCY ENHANCED 9-1-1		EDA 98 BLOCK GRANT		OTHER GOVERNMENTAL		TOTAL	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
ASSETS														
Cash and cash equivalents	\$ 645,419	\$ 1,077,050	\$ 819,002	\$ 603,923	\$ 310,633	\$ 315,807	\$ 283,164	\$ 314,501	\$ -	\$ -	\$ 316,381	\$ 364,265	\$ 2,374,599	\$ 2,675,546
Total Assets	<u>\$ 645,419</u>	<u>\$ 1,077,050</u>	<u>\$ 819,002</u>	<u>\$ 603,923</u>	<u>\$ 310,633</u>	<u>\$ 315,807</u>	<u>\$ 283,164</u>	<u>\$ 314,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,381</u>	<u>\$ 364,265</u>	<u>\$ 2,374,599</u>	<u>\$ 2,675,546</u>
NET ASSETS														
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 310,633	\$ 315,807	\$ 283,164	\$ 314,501	\$ -	\$ -	\$ -	\$ -	\$ 593,797	\$ 630,308
Unrestricted	645,419	1,077,050	819,002	603,923	-	-	-	-	-	-	316,381	364,265	1,780,802	2,045,238
Total Net Assets	<u>\$ 645,419</u>	<u>\$ 1,077,050</u>	<u>\$ 819,002</u>	<u>\$ 603,923</u>	<u>\$ 310,633</u>	<u>\$ 315,807</u>	<u>\$ 283,164</u>	<u>\$ 314,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,381</u>	<u>\$ 364,265</u>	<u>\$ 2,374,599</u>	<u>\$ 2,675,546</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		COURTHOUSE RESTORATION		EDA 98 BLOCK GRANT		EMERGENCY ENHANCED 9-1-1		OTHER GOVERNMENTAL		TOTAL	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
RECEIPTS														
Property taxes	\$ 354,683	\$ 382,065	\$ 66,728	\$ 71,764	\$ -	\$ -	-	-	\$ -	\$ -	\$ 171,853	\$ 186,766	\$ 593,264	\$ 640,595
Sales taxes	495,487	909,673	-	-	-	-	-	-	516,861	520,852	-	-	1,012,348	1,430,525
Intergovernmental	55,589	88,645	1,326,564	1,224,376	-	-	-	385,000	-	-	174,619	296,386	1,556,772	1,994,407
Charges for services	306,040	527,429	15,167	40,973	-	-	-	-	-	-	59,942	78,214	381,149	646,616
Interest	34,072	19,898	33,955	13,512	15,960	10,701	-	-	4,562	5,030	14,419	7,772	102,968	56,913
Other	31,676	38,676	30,550	20,508	-	-	-	-	326	-	2,578	19,666	65,130	78,850
Transfers in	47,385	61,250	-	-	-	-	-	-	-	-	2,376	22,435	49,761	83,685
Total Receipts	<u>\$ 1,324,932</u>	<u>\$ 2,027,636</u>	<u>\$ 1,472,964</u>	<u>\$ 1,371,133</u>	<u>\$ 15,960</u>	<u>\$ 10,701</u>	<u>-</u>	<u>\$ 385,000</u>	<u>\$ 521,749</u>	<u>\$ 525,882</u>	<u>\$ 425,787</u>	<u>\$ 611,239</u>	<u>\$ 3,761,392</u>	<u>\$ 4,931,591</u>
DISBURSEMENTS														
General government	\$ 776,314	\$ 970,736	\$ -	\$ -	\$ 55,277	\$ 5,527	\$ -	\$ -	\$ -	\$ -	\$ 307,692	\$ 421,066	\$ 1,139,283	\$ 1,397,329
Public safety	554,995	606,618	-	-	-	-	-	-	414,600	494,545	26,293	45,209	995,888	1,146,372
Judicial	-	-	-	-	-	-	-	-	-	-	26,503	24,817	26,503	24,817
Public works	-	-	1,106,440	1,531,212	-	-	-	385,000	-	-	33,126	62,229	1,139,566	1,978,441
Health and welfare	-	-	-	-	-	-	-	-	-	-	13	-	13	-
Transfers out	1,176	18,651	45,000	55,000	-	-	-	-	-	-	3,585	10,034	49,761	83,685
Total Disbursements	<u>\$ 1,332,485</u>	<u>\$ 1,596,005</u>	<u>\$ 1,151,440</u>	<u>\$ 1,586,212</u>	<u>\$ 55,277</u>	<u>\$ 5,527</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 414,600</u>	<u>\$ 494,545</u>	<u>\$ 397,212</u>	<u>\$ 563,355</u>	<u>\$ 3,351,014</u>	<u>\$ 4,630,644</u>
RECEIPTS OVER (UNDER)														
DISBURSEMENTS	\$ (7,553)	\$ 431,631	\$ 321,524	\$ (215,079)	\$ (39,317)	\$ 5,174	\$ -	\$ -	\$ 107,149	\$ 31,337	\$ 28,575	\$ 47,884	\$ 410,378	\$ 300,947
CASH, JANUARY 1	<u>652,972</u>	<u>645,419</u>	<u>497,478</u>	<u>819,002</u>	<u>349,950</u>	<u>310,633</u>	<u>-</u>	<u>-</u>	<u>176,015</u>	<u>283,164</u>	<u>287,806</u>	<u>316,381</u>	<u>1,964,221</u>	<u>2,374,599</u>
CASH, DECEMBER 31	<u>\$ 645,419</u>	<u>\$ 1,077,050</u>	<u>\$ 819,002</u>	<u>\$ 603,923</u>	<u>\$ 310,633</u>	<u>\$ 315,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,164</u>	<u>\$ 314,501</u>	<u>\$ 316,381</u>	<u>\$ 364,265</u>	<u>\$ 2,374,599</u>	<u>\$ 2,675,546</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
FIDUCIARY (AGENCY) FUNDS
December 31,

	<u>2007</u>	<u>2008</u>
Assets		
Cash and cash equivalents	<u>\$ 4,694,622</u>	<u>\$ 4,351,801</u>
Total Assets	<u><u>\$ 4,694,622</u></u>	<u><u>\$ 4,351,801</u></u>
Liabilities		
Due to Others	<u>\$ 4,694,622</u>	<u>\$ 4,351,801</u>
Total Liabilities	<u><u>\$ 4,694,622</u></u>	<u><u>\$ 4,351,801</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carroll County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/Recorder, Collector/Treasurer, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, except as described in Note 1.A., Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Carroll County, Missouri which, except as described in the following paragraph, consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity, and also the Senate Bill 40 Board, Enhanced 911 Board, and Johnson Grass Board, which are separate legal entities within the County.

The financial statements do not include financial data for the Carroll County Health Center, a legally separate component unit of the County, as required by accounting principles generally accepted in the United States of America. Net assets as of January 1, 2007 have been restated from \$2,143,845 to \$1,964,207 in order to eliminate Carroll County Health Center net assets of \$179,638 from the government-wide financial statements.

B. Basis of Presentation

Government-wide Financial Statements:

The statements of net assets and the statements of activities present financial information about Carroll County. All County activities are governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net assets presents the financial condition of the governmental activities of Carroll County at year-end. The statement of activities presents a comparison between

direct expenses and program revenues for each function of the County's governmental activities. This comparison identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Direct expenses are those that are specifically associated with a particular function. *Program revenues* are (a) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings and other miscellaneous revenue not properly included among program revenues are presented instead as *general revenues*.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Road and Bridge, Courthouse Restoration, Emergency Enhanced 911, and EDA 98 are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds".

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The measurement focus is upon determination of and changes in financial position. The following are the County's governmental major funds:

General Fund — The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund — This is a Special Revenue Fund used to account for receipts of State distributions and Federal grants and related expenditures for road maintenance and improvement projects.

Courthouse Restoration Fund – This is a Special Revenue Fund used to account for receipts of sales tax monies that are restricted to major restoration and improvement projects of the County Courthouse building and grounds.

Emergency Enhanced 911 – This is a Special Revenue Fund used to account for receipts of sales tax monies that are restricted to the operations of the emergency response system.

EDA 98 – This is a Special Revenue Fund used to account for the receipt of Community Development Block Grant proceeds which are funding the construction of a new access road on the property of Show-Me Ethanol, LLC.

The other governmental funds of the County are considered non-major funds and are primarily special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting.

This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that purchases of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of short-term debt are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while all government-wide financials would be presented on the accrual basis of accounting.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law, and the County adopted a formal budget for all funds.
10. Section 50.740 RSMo. Prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.
 - a. Prosecuting Attorney Training (2007)
 - b. Drainage District III (2008)
 - c. Law Library (2008)
 - d. EDA 98 (2008)

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$121,417,137	\$107,568,203
Personal Property	34,823,104	35,161,431

During 2008 and 2007 the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue	0.2300	0.2400
Johnson Grass	0.0100	0.0100
Senate Bill 40	0.0940	0.0987

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

H. Net Assets

Net assets represent the difference between assets and liabilities. Under the cash basis of accounting, liabilities other than loans from other funds and short-term borrowings are not recorded. Therefore, net assets generally equal the cash and investments balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County reports as restricted net assets the proceeds of sales taxes approved by the electorate for courthouse renovation and Enhanced 911 services. All other net assets are reported as unrestricted.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amounts of the County's deposits were \$2,675,546 and \$2,374,599. Additionally, at December 31, 2008 and 2007 the County Collector held cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue and Sheltered Workshop funds amounting to \$4,317,894 and \$4,644,723 at December 31, 2008 and 2007, respectively.

The related bank balances for the County's and Collector's deposits were \$6,974,012 and \$7,044,085, respectively. Of the bank balances, \$829,828 and \$400,413 for December 31, 2008 and December 31, 2007, respectively, were covered by federal depository insurance and \$6,144,184 and \$6,643,672, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. INTERFUND TRANSFERS

The County made the following interfund transfers during 2007 and 2008:

	Year Ended December 31, 2007	
	Transfers In	
	General	Non-Major
Transfers Out		
General	\$ -	\$ 1,176
Road and Bridge	45,000	-
Non-Major Governmental Funds	2,385	1,200

	Year Ended December 31, 2008	
	Transfers In	
	General	Non-Major
Transfers Out		
General	\$ -	\$ 18,651
Road and Bridge	55,000	-
Non-Major Governmental Funds	6,250	3,784

4. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement maybe elected at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded by the state from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 6% of gross compensation is required for all participants hired on or after February 2002. A contribution 2% of compensation is required of employees hired before February 2002. The County employees fund these contributions. During 2008 and 2007, the County collected and remitted to CERF employee contributions of approximately \$36,361 and \$32,385, respectively, for the years then ended, equal to the required contributions.

5. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

A. Plan Description

Carroll County offers employees the opportunity to participate in the CERF defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

B. Contributions

Pension plan members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions of \$21,908 and \$21,400 were made during the years ended December 31, 2008 and 2007, respectively. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERF Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a member's voluntary contributions to the deferred compensation plan, up to 3 percent of the member's compensation. Matching contributions for years ended December 31, 2008 and 2007 were \$7,106 and \$6,359, respectively.

C. Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides regular full-time employees with up to fifteen days of sick time – to accrue at 1.25 days for each calendar month worked. Upon termination, the employee is not compensated accrued sick time. Vacation time is accrued for full-time employees at the rate of ten days per year for employees with one to five years of service; eleven days per year with six years of service; twelve days per year with seven years of service; thirteen days with eight years of service; fourteen days with nine years of service; and fifteen days with ten or more years of service, up to a maximum of 30 days. Upon termination, the employee is compensated for accrued vacation time up to a maximum of 30 days.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

C. Taxable Industrial Revenue Bonds

In April 2008, the County issued \$88,500,000 in taxable industrial revenue bonds to finance the acquisition, construction, and equipping of a dry-mill ethanol plant to be leased to Show Me Ethanol, LLC. The bonds will be repaid in various installments beginning in April 2009 from lease payments pursuant to the terms of a Lease Agreement dated April 1, 2008, between the County and Show Me Ethanol. Because the bonds are secured and paid solely from lease payments generated by the project, the bonds do not constitute a liability of the County.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and

expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

9. LONG TERM DEBT

The County had the following long-term debt outstanding at December 31, 2008:

- A. \$12,762 in loans from the Department of Natural Resources to fund the design, acquisition, installation, and implementation of energy conservation measures. The loan is paid in equal semi-annual installments of \$2,322 with interest at 3.2% annually, with a final payment date of August 1, 2011.
- B. \$65,570 in loans from Bank 21 to finance a lease agreement for the acquisition of a new computer system. The lease is paid in equal quarterly installments of \$4,050 through June 1, 2013, with interest at 6.35% annually.
- C. \$53,450 in loans from Kansas State Bank for the lease of a Hyundai Excavator. The lease is paid in equal quarterly payments of \$9,300 through April 15, 2010, with interest at 4.95% annually.

10. COOPERATIVE VENTURES

The County has representatives on the governing board of the Carroll County Economic Development Board, which was created to promote the growth and stability of the local economy in Carroll County. The Board also consists of members from the town of Carrollton, Carrollton Municipal Utilities, and the Carrollton Area Chamber of Commerce. The County disbursed \$14,000 to the Board in both 2007 and 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

		GENERAL FUND			
		Year Ended December 31,			
		2007		2008	
		<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS					
Property taxes	\$	349,600	\$ 354,683	\$ 355,000	\$ 382,065
Sales taxes		444,000	495,487	495,000	909,673
Intergovernmental		66,500	55,589	76,000	88,645
Charges for services		297,820	306,040	470,065	527,429
Interest		25,000	34,072	36,000	19,898
Other		24,000	31,676	23,100	38,676
Transfers in		45,000	47,385	62,233	61,250
Total Receipts	\$	<u>1,251,920</u>	<u>\$ 1,324,932</u>	<u>\$ 1,517,398</u>	<u>\$ 2,027,636</u>
DISBURSEMENTS					
County Commission	\$	136,860	\$ 109,936	\$ 131,202	\$ 132,305
County Clerk		126,235	106,011	123,136	113,731
Elections		98,476	55,821	185,398	146,435
Buildings and grounds		94,098	87,258	126,864	100,029
Employee fringe benefits		204,900	182,153	208,300	198,504
Collector		106,287	98,413	122,096	112,678
Recorder of Deeds		51,695	28,040	53,908	27,118
Associate Circuit Court (Probate)		13,880	8,120	11,615	8,864
Court administration		87,700	76,665	94,550	75,754
Public Administrator		37,180	23,719	36,880	55,318
Sheriff		301,081	296,915	356,500	315,745
Jail		133,014	139,601	153,125	154,427
Prosecuting Attorney		192,720	98,025	216,721	114,264
Juvenile Officer		14,157	5,715	14,157	5,805
Coroner		15,302	14,738	16,672	16,377
Other general revenue		-	179	-	-
Transfers out		1,000	1,176	4,500	18,651
Emergency fund		37,000	-	43,500	-
Total Disbursements	\$	<u>1,651,585</u>	<u>\$ 1,332,485</u>	<u>\$ 1,899,124</u>	<u>\$ 1,596,005</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS	\$	(399,665)	\$ (7,553)	\$ (381,726)	\$ 431,631
CASH, JANUARY 1		<u>652,971</u>	<u>652,972</u>	<u>645,419</u>	<u>645,419</u>
CASH, DECEMBER 31	\$	<u><u>253,306</u></u>	<u><u>\$ 645,419</u></u>	<u><u>\$ 263,693</u></u>	<u><u>\$ 1,077,050</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	ROAD AND BRIDGE FUND				COURTHOUSE RESTORATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 64,000	\$ 66,728	\$ 71,000	\$ 71,764	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,381,350	1,326,564	1,607,640	1,224,376	-	-	26,737	-
Charges for services	20,000	15,167	20,000	40,973	-	-	-	-
Interest	20,000	33,955	25,000	13,512	13,000	15,960	15,000	10,701
Other	6,000	30,550	13,000	20,508	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,491,350</u>	<u>\$ 1,472,964</u>	<u>\$ 1,736,640</u>	<u>\$ 1,371,133</u>	<u>\$ 13,000</u>	<u>\$ 15,960</u>	<u>\$ 41,737</u>	<u>\$ 10,701</u>
DISBURSEMENTS								
Salaries	\$ 173,436	\$ 149,672	\$ 171,823	\$ 165,886	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	57,032	46,942	54,560	51,457	-	-	-	-
Materials and Supplies	268,780	304,356	322,150	358,977	-	-	-	-
Services and Other	129,250	114,970	126,230	129,485	200,300	55,277	104,475	5,527
Capital Outlay	-	-	-	-	-	-	-	-
Construction	835,000	490,500	945,000	825,407	-	-	-	-
Transfers out	45,000	45,000	55,020	55,000	-	-	-	-
Total Disbursements	<u>\$ 1,508,498</u>	<u>\$ 1,151,440</u>	<u>\$ 1,674,783</u>	<u>\$ 1,586,212</u>	<u>\$ 200,300</u>	<u>\$ 55,277</u>	<u>\$ 104,475</u>	<u>\$ 5,527</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (17,148)	\$ 321,524	\$ 61,857	\$ (215,079)	\$ (187,300)	\$ (39,317)	\$ (62,738)	\$ 5,174
CASH, JANUARY 1	<u>497,477</u>	<u>497,478</u>	<u>819,001</u>	<u>819,001</u>	<u>349,951</u>	<u>349,950</u>	<u>310,633</u>	<u>310,633</u>
CASH, DECEMBER 31	<u>\$ 480,329</u>	<u>\$ 819,002</u>	<u>\$ 880,858</u>	<u>\$ 603,922</u>	<u>\$ 162,651</u>	<u>\$ 310,633</u>	<u>\$ 247,895</u>	<u>\$ 315,807</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CARROLL COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	EDA 98 GRANT FUND				EMERGENCY ENHANCED 9-1-1			
	Year Ended December 31,				Year Ended December 31,			
	2007		2008		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	475,000	516,861	525,000	520,852
Intergovernmental	-	-	325,000	385,000	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	3,450	4,562	5,500	5,030
Other	-	-	-	-	100	326	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ -	\$ 325,000	\$ 385,000	\$ 478,550	\$ 521,749	\$ 530,500	\$ 525,882
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	340,000	334,755	350,000	368,000
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	18,000	9,909	15,000	10,585
Services and Other	-	-	325,000	385,000	79,150	66,417	96,500	83,553
Capital Outlay	-	-	-	-	34,000	3,519	37,000	32,407
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ 325,000	\$ 385,000	\$ 471,150	\$ 414,600	\$ 498,500	\$ 494,545
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ 7,400	\$ 107,149	\$ 32,000	\$ 31,337
CASH, JANUARY 1	-	-	-	-	176,015	176,015	283,164	283,164
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ 183,415	\$ 283,164	\$ 315,164	\$ 314,501

The accompanying Notes to the Financial Statements are an integral part of these statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Carroll County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise Carroll County, Missouri's basic financial statements and have issued our report thereon dated July 9, 2009. The report on the basic financial statements was qualified because of the omission of the Health Center, a legally separate component unit of the County. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Carroll County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Carroll County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Carroll County, Missouri's financial statements that is

more than inconsequential will not be prevented or detected by the Carroll County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 4 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Carroll County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Additional Matter

As part of obtaining reasonable assurance about whether Carroll County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 5 through 7.

We noted a certain matter that we reported to management of Carroll County, Missouri, in the findings and recommendations section as item 8.

Carroll County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Carroll County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 9, 2009

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Carroll County, Missouri

Compliance

We have audited the compliance of Carroll County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. Carroll County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carroll County, Missouri's management. Our responsibility is to express an opinion on Carroll County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Carroll County, Missouri's compliance with those requirements.

In our opinion, Carroll County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Carroll County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Carroll County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 9, 2009

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2007	2008
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state:			
14.228	Department of Economic Development -	2007-EM-05	\$ -	\$ 82,464
	Community Development Block Grants/State's Program	05-01-04487	-	385,000
	and Non-Entitlement Grants in Hawaii	98-PF-754	-	2,875
14.231	Department of Social Services -	2007-EM-06	-	3,750
	Emergency Shelter Grants Program	ERO1640797	-	7,500
		ERO1640906	-	7,759
U.S. DEPARTMENT OF TRANSPORTATION				
	Passed through state:			
20.205	Highway and Transportation Commission -			
	Highway Planning and Construction	BRO-017(46)	167,085	75,565
		BRO-017(47)	129,885	317
		BRO-017(48)	-	154,131
		BRO-017(49)	-	121,342
		BRO-017(51)	2,472	22,763
		BRO-017(52)	504	29,397
		BRO-017(54)		25,470
20.703	Department of Public Safety -			
	Interagency Hazardous Materials Public Sector Training and Planning Grants		728	-
GENERAL SERVICES ADMINISTRATION				
	Passed through State Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	NA	60,779	15,777
39.011	Passed through the Office of Secretary of State -			
	Election Reform Payments	SC23156EL-332	2,550	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through State:			
93.563	Department of Social Services -			
	Child Support Enforcement	NA	17,682	14,436
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.036	Public Assistance Grants (Presidentially declared disasters)	1773FMD397	38,769	8,319
97.067	Homeland Security Grant Program	2006LBGJ097	-	6,030
Total Expenditures of Federal Awards			\$ 420,454	\$ 962,895

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CARROLL COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2008 and 2007.

CARROLL COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2008 AND 2007

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.
14.228	Department of Economic Development – Community Development Block Grants

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Findings 1 through 7.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

FINDINGS AND RECOMMENDATIONS

CARROLL COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Treasurer and Fee Office Receipts

Condition: The Treasurer's Office and the Assessor's Office use a form of "One Write" system which is intended to provide both a receipt for the customer and a record of receipts written, in journal form, with only one "writing" of the transaction. This system does not provide a carbon copy of receipts that have been issued. However, the One Write system currently used requires that the receipt number to be copied from the receipt onto a receipt ledger.

While examining transmittals from the Assessor's office, it was discovered that two receipt numbers had been duplicated. The Treasurer's receipt ledger had two receipts from the Assessor with the same number but different payer's and amounts. When asked, the Assessor's office could not explain the cause of the problem because there was no carbon copy of the receipts that could be examined.

The integrity of receipt numbers allows an independent party to account for the numerical sequence of receipts and verify that all dollars recorded on receipts are transmitted for deposit in the bank. It is a key internal control over the collection and deposit of revenues.

Recommendation: We recommend that all offices which issue receipts use a system that either includes pre-printed receipt numbers on both the ledger sheet and the receipt, or requires the receipt number to be hand-written and simultaneously recorded on both the receipt and ledger.

County Response: We concur.

2. County Clerk's Controls and Procedures

Condition: The County Clerk's office uses, as documentation of the bank reconciliation, a printout of the transaction detail of the cash account. This document does not identify deposits in transit or outstanding checks. A deposit in transit is money recorded on the ledger in the month, but which has not been recognized by the financial institution within the same month. Outstanding checks are issued in the current month, but have not been deposited by the payee during the same month. Deposits in transit and outstanding check lists help ensure an accurate presentation of available bank funds. The methodology used was not an issue at year-end because all receipts and disbursements recorded by the Clerk were received and deposited before month end.

Recommendation: We recommend the County Clerk utilize a standard bank reconciliation template, which will document consideration of deposits in transit and outstanding checks. This may be most useful in the event that the County Clerk is absent and someone unfamiliar with the bank reconciliation process attempts to locate and review prior reconciliations in order to perform future reconciliations.

County Response: We concur and the minor change has already been implemented.

3. Sheriff's Internal Controls

Condition: Internal controls help to prevent and detect misappropriation of funds. One type of internal control that can detect misappropriation of funds is the separation of various aspects of a transaction. For example, the same person who collects and writes receipts for daily cash collections should not also prepare the bank deposits, reconcile the bank accounts and maintain the accounting records. With proper segregation of duties, cash collections that were receipted by one person who subsequently did not turn them in for deposit would be identified by the separate person who reconciles the receipts to the cash when preparing the deposit. Similarly, a person who has access to blank checks and the ability to write checks should not also reconcile the bank account. This is because, in the event of a check forgery, the person reconciling the bank account may notice the unauthorized purchase and forged signature. However, if this person is in a position to have committed the forgery, this detective internal control will not be effective.

During our audit procedures at the Sheriff's Department, we noted that accounting duties are not segregated as described above. The office manager is primarily responsible for receiving monies, preparing checks and deposit slips, preparing bank reconciliations, and maintaining the accounting records for the Sheriff's fee and inmate account.

When an inadequate segregation of duties exists due to limited staffing, a mitigating internal control would be a very thorough review of the accounting records and source documents. The limited review of the bank statement and bank reconciliation performed by the Sheriff or Chief Deputy is not sufficiently thorough to detect missing receipts or unauthorized checks.

Recommendation: We recommend the Sheriff segregate the accounting duties to the extent possible or ensure thorough periodic supervisory reviews of accounting journals, source documents and bank reconciliations are performed and documented. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are safeguarded. Internal controls would be most improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts, and prohibiting individuals who prepare checks from reconciling the bank account.

County Response: We concur.

4. Sheriff's Bank Reconciliation Procedures

Condition: Bank reconciliations do not provide for an accurate measure of available funds because reconciling items (deposits in transit and outstanding checks) are not properly handled. It appears that some of the deficiencies noted occurred because Sheriff's Office personnel are not fully knowledgeable of the Office's financial software.

For example, the December 2007 and 2008 bank reconciliations for the fee account each contain a deposit in transit of \$132, dated July 2004, and an outstanding check that had been voided, but never removed from reconciliation. The December 2007 and 2008 bank reconciliations for the inmate account each contain a deposit in transit of \$110 from the prior audit period and outstanding checks from the years 2004 through 2007. The outstanding checks from the inmate account had actually been remitted to the State's unclaimed monies fund in July 2008, and cleared the bank in the same month, but remained on the bank reconciliation.

Recommendation: We recommend the Sheriff arrange for the office manager to receive additional training on the Office's financial software. By understanding and utilizing the capabilities of the financial software, reconciling items can be resolved in a timely manner which will facilitate an effective review of the reconciliation and increase the effectiveness of the bank reconciliation process as a detective control.

County Response: We concur.

ITEMS OF NONCOMPLIANCE

5. Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. An investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, selection of investment vehicles and financial institutions, custody of investments, and other areas, and thus such a policy would be beneficial and also required for the County.

Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officers' Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County Response: We are currently using our local banking institution as our Custodian of County Funds and investments are monitored monthly.

6. Budgetary Controls

Condition: The County received an additional \$60,000 in EDA 98 grant revenues in 2008. These monies were expended in accordance with grantor requirements. The expenditures, while appropriate, were in excess of the approved budgetary authority. RSMo 50.740 requires that county expenditures be authorized by approved budget.

Recommendation: We recommend that, in the future, the County Commission incorporate unanticipated revenues and expenditures into the approved County operating budget, in order to be in strict compliance with related statutory requirements.

County Response: We concur.

7. Transfers

Condition: As recorded in the financial statements published with the County's annual budget, transfers from other funds did not equal transfers to other funds during either 2007 or 2008. In one case a transfer from the Emergency Management Grant fund to the Road & Bridge fund was recorded as an expense in the Emergency Management Grant and a transfer in to Road & Bridge. In another case, a transfer out of the Sheriff's Inmate fund was recorded as miscellaneous revenue in the General Revenue fund instead of as a transfer in. Transfers in and out should only be recorded for transactions between County funds and should balance at year end.

Recommendation: We recommend that the County only record transfers for transactions between County funds and ensure that all transfers to a fund are accompanied by a recorded transfer from the sending fund.

County Response: This suggestion has already been implemented.

OTHER MATTERS

8. Custody of E-911 Records

Condition: The Board Treasurer's custody of Enhanced 911 invoices and bank records is not appropriate. The Treasurer stores invoices and bank records at his personal residence and transports same documents to County E-911 facilities as needed. The procedure does not provide for adequate safekeeping of county documents. RSMo 67.1937 states the governing body of the county shall provide for the proper and safekeeping of its permanent records. Furthermore, the procedure prohibits the documents from being readily available for annual audits.

Recommendation: We recommend that the Enhanced 911 Board and staff store all E-911 documents at county facilities, ensuring safe and proper storage.

County Response: We encourage the E-911 board and staff to comply with the auditor's recommendation.

CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Carroll County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006 and 2005.

1. County Funds

A. Fees collected by the Sheriff's and the Recorder's offices were incorrectly deposited into the General Revenue fund.

B. Law Enforcement Training funds were used to pay for membership dues. No documentation was provided to show how and if these dues related to training.

Status:

A&B. Implemented

2. Assessor's Accounting Controls and Procedures

Amounts received by the Assessor and transmitted to the Treasurer did not always agree. Also, receipts did not always indicate the method of payment and transmittal reports did not always include receipt numbers.

Status:

Partially Implemented. Receipts do include the method of payment and transmittal forms do include receipt numbers. However, further problems were identified during the audit. See finding 1.

3. Sheriff's Accounting Controls and Procedures

A. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated, as they are all performed by the office manager.

B. Bank reconciliations performed by the computer software package are not printed and retained. Also, procedures are not in place to ensure that all fees received are disbursed to the Treasurer.

Status:

A&B. Not implemented. See findings 3 and 4.

4. Circuit Clerk's Accounting Controls and Procedures

- A. The accounting for the receipt of money is insufficient. The Circuit Clerk neither enters all receipts directly into JIS system, nor issues pre-numbered receipt.
- B. The Circuit Clerk does not submit reimbursement requests to the state in a timely manner.

Status:

- A. *Partially Implemented. The Circuit Clerk continues to issue manual receipts for walk-in customers, but uses pre-numbered receipts instead. Payments received by mail are entered directly into JIS system and noted on manual receipt with corresponding JIS receipt number.*
- B. *Implemented.*

5. Prosecuting Attorney's Accounting Controls and Procedures

- A. The cash custody and recordkeeping duties are not adequately segregated and there is no periodic supervisory review.
- B. The Prosecuting Attorney does not issue pre-numbered receipts for partial payments. The manual receipt log does not contain corresponding receipt numbers.

Status:

- A. *Partially Implemented. No supervisory review or changes to segregation of duties was noted during 2007; however, the Prosecuting Attorney began reviewing bank reconciliations and month-end reports in 2008 and initialing the respective reports.*
- B. *Implemented.*

6. E-911 Board Policies and Procedures

- A. The board does not require documentation of receipt of goods or services prior to paying invoices.
- B. The board's procedures manual does not contain travel and expense reimbursement policies and sufficient details are not provided on employee mileage/meals expense reimbursement claims submitted by employees.
- C. The board treasurer receives a mileage reimbursement of \$100 per month without being required to submit any supporting documentation.

- D. During 2005 and 2006, the board spent a total of \$856 for Christmas dinners, sponsorship for a team participating in the American Cancer Society's Relay for Life, and appreciation dinners and gifts for the dispatchers.
- E. Numerous transactions related to the Board's Certificates of Deposit were incorrectly recorded on the budget. Also, the Board's expenditures exceeded budgeted amounts during 2005 and 2006.
- F. The board does not publish annual financial statements and file them with the State Auditor's Office as required.

Status:

- A. *Implemented.*
- B. *Implemented. The policies and procedures includes policies for mileage and meal reimbursements, as well as requiring appropriate documentation for reimbursement.*
- C. *Not Implemented. These payments continued in 2007 and 2008 at \$100 per month.*
- D. *Not Implemented. Three promotional expenditures totaling \$1,368 were noted in early 2007, and one \$223 payment was made for promotions in 2008. The prior auditor's recommendation of strictly disbursing money for items that are necessary for the operation of the emergency 911 system still stands.*
- E. *Implemented.*
- F. *Implemented.*

7. Senate Bill 40 Board Policies and Procedures

- A. The Board did not require adequate documentation for all payments and contract terms with not for profit organizations did not clearly establish the responsibilities and duties of each party.
- B. The SB40 Board does not review bank reconciliations, bank statements, and canceled checks.
- C. Funds at the Board's depository bank were under collateralized during February 2005 and February 2007.
- D. Board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy.

Status:

- A, B & D. *Implemented.*
- C. *Partially Implemented. The February 2007 collateral shortfall noted in the prior audit was during our audit period, however, no other periods of collateral shortfall were noted. Therefore, no repeat finding is deemed necessary.*



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Morgan County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Morgan County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey and Company, L.L.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

October 2009
Report No. 2009-114

INDEPENDENT AUDITORS' REPORT
MORGAN COUNTY, MISSOURI
FOR THE TWO YEARS ENDED
DECEMBER 31, 2008

*
* *
* * *
* * * *
* * * * *
* * * * *
* * * * *
* * * * *
* * * * *
* * * * *
* * * *
* * *
* *
*

CASEY AND COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

MORGAN COUNTY, MISSOURI
TABLE OF CONTENTS

	<u>Page</u>
Managements' Discussion and Analysis.....	1 – 4
Independent Auditors' Report.....	5 – 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis	10
Statement of Activities - Cash Basis	
For the year ended December 31, 2008.....	11
For the year ended December 31, 2007.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund	
Balances - Governmental Funds:	
For the year ended December 31, 2008	14
For the year ended December 31, 2007	15
Cash Receipts, Disbursements, and Changes in Cash	
Basis Fund Balances – Governmental Funds:	
For the year ended December 31, 2008	16
For the year ended December 31, 2007	17
Statement of Fiduciary Net Assets - Cash Basis	18
Notes to the Basic Financial Statements	19 – 31
Required Supplementary Information:	
Budgetary Comparison Schedules – Cash Basis – Years	
Ended December 31, 2008 and 2007	
General Revenue Fund	33
Special Road and Bridge Fund	34
Assessment Fund.....	35
911 Fund	36
Law Enforcement Sales Tax Fund	37
Notes to the Required Supplementary Information.....	38 – 39

MORGAN COUNTY, MISSOURI
TABLE OF CONTENTS (CONTINUED)

Page

Supplementary Information:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	41 – 42
Schedule of Findings and Responses	43
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	44 – 45

MANAGEMENTS' DISCUSSION AND ANALYSIS

**MORGAN COUNTY, MISSOURI
MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

This discussion and analysis of Morgan County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2008 and 2007. The information below, prepared by the county's management, should be read in conjunction with the county's financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional non-financial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, roads and bridges, public safety, and health and welfare that are usually financed through taxes and intergovernmental revenues. The county has no business-like activities financed wholly or partially by fees charged to external parties for goods or services. The financial statements of the Morgan County Health Center are not included in the accompanying financial statements for its years ended December 31, 2008 and 2007. Such financial statements have been audited and separately reported on by other independent auditors. The financial statements do include the activities of the Sheltered Workshop Fund and the Senior Services Fund.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other revenue sources. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

**MORGAN COUNTY, MISSOURI
MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE TWO YEARS ENDED DECEMBER 31, 2008 (Continued)**

The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Fiduciary Funds Statement of Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Managements' Discussion and Analysis and the Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds – Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

FINANCIAL HIGHLIGHTS

- The county's total governmental receipts exceeded total expenses by \$132,100 in 2008 and by \$832,443 in 2007.
- The county's governmental funds ended 2008 with a combined cash balance of \$5,077,626 and 2007 with \$4,945,526.
- The County budgeted approximately \$100,000 in 2008 and disbursements increased substantially in 2008 for the additional cells and renovations to the Morgan County Justice Center. The additional cells are for the County's women inmates and will prevent the County from having to transfer them to other counties. This will keep Morgan County from expending funds to house women inmates in other counties.

THE COUNTY AS A WHOLE

The following chart displays assets, receipts, and disbursements for 2008, 2007, and 2006:

	Year Ended December 31,		
	2008	2007	2006
Net Assets	\$ 5,077,626	\$ 4,945,526	\$ 4,113,083
Program Receipts	2,755,012	2,693,885	2,699,498
General Receipts	6,550,816	6,264,306	5,795,719
Disbursements	(9,173,728)	(8,125,748)	(8,029,374)
Change in Net Assets	\$ 132,100	\$ 832,443	\$ 465,843

CAPITAL ASSET AND DEBT ADMINISTRATION

The county does not maintain financial statements related to its capital assets and, therefore, are not presented in this audit report.

**MORGAN COUNTY, MISSOURI
MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE TWO YEARS ENDED DECEMBER 31, 2008 (Continued)**

At December 31, 2008, Morgan County had the following long-term debt:

- 1) General obligation bonds for the Morgan County Justice Center totaling \$2,440,000 due September 2014 with interest rates ranging from 3.4% to 4.65%. These bonds are accounted for in the Law Enforcement Sales Tax Fund.
- 2) Neighborhood Improvement Districts (NIDs) for road improvements:

The county has fourteen NIDs with total bonded indebtedness totaling \$1,946,000 with interest rates ranging from 4.875% to 7.00% and payoff due dates varying from 2008 to 2026. These bonds are accounted for through the various individual NID funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2005, the Sheriff's department entered into contracts with INS and the U.S. Marshal's Office bringing increased revenue for the boarding of prisoners into the county. Along with that revenue came job opportunities as well as increased expenditures. Even with that increase, it has helped the county financially. However, due to declining revenues in sales tax the county spent more than it received in the General Fund for 2008, but is still financially sound due to the fact that we continue to carry reserve revenues from year to year. For the 2009 budget, we did not increase the amount in revenues that we expected to receive.

The Morgan County economy continues to experience slow growth. With the relocation of the Dixon Ticonderoga Pencil Factory to Mexico in 2005, the building that was vacated by them has yet to be filled with any other factory. The other major factory in Morgan County is Gates Rubber Company. Although this factory is still open and operating, they laid off approximately 50-60 employees in 2008.

Revenues for the coming year are still below the projected amount but we feel we will reach our budgeted amount. There has been re-assessment in 2009, which should help revenues. With the increase in assessment, the General Revenue Tax levy was rolled back and the Special Road and Bridge levy should remain close to the same.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Cathy Daniels, Morgan County Clerk, 100 E Newton, Versailles, Missouri, 65084, (573)378-5436.

INDEPENDENT AUDITORS' REPORT

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

One Broadway Building
1 East Broadway
Columbia, MO 65203-4205
573 / 442 – 8427
FAX / 875 – 7876
www.caseycpas.com

September 24, 2009

INDEPENDENT AUDITORS' REPORT

To the County Commission
Morgan County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the county prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Additionally as discussed in Note 1, the County recognizes cash receipts when received by the County Treasurer rather than by other county officeholders and, accordingly, delays reporting cash receipts as cash revenue for up to a month at year end. Cash basis accounting principles, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, require that the County recognize cash receipts when received by any county officeholder which would increase the cash assets and fund balances and change the cash revenues in the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund governmental funds.

The amount by which this departure would affect the assets, fund balances, and revenues of the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund of Morgan County is not reasonably determinable.

MEMBER

•
American
Institute of
Certified
Public
Accountants

•
Missouri
Society of
Certified
Public
Accountants

In our opinion, except for the effects of not recognizing cash receipts until received by the Morgan County Treasurer for the General Revenue Fund, Special Road and Bridge Fund, and Assessment Fund governmental funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the major and non-major governmental funds of Morgan County, Missouri as of December 31, 2008 and 2007, with the respective changes in cash basis financial position for the years then ended in conformity with the cash basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009 on our consideration of Morgan County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements' discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Casey and Company, LLC

Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MORGAN COUNTY, MISSOURI
STATEMENT OF NET ASSETS- CASH BASIS
DECEMBER 31, 2008 AND 2007

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 3,750,055	\$ 3,659,791
Certificates of deposit	<u>1,327,571</u>	<u>1,285,735</u>
Total Assets	\$ <u><u>5,077,626</u></u>	\$ <u><u>4,945,526</u></u>
NET ASSETS		
Restricted for:		
Special Road and Bridge	\$ 974,379	\$ 887,910
Assessment	56,918	20,334
Public safety	-	42
Other nonmajor governmental funds	2,214,579	1,939,677
Unrestricted	<u>1,831,750</u>	<u>2,097,563</u>
Total Net Assets	\$ <u><u>5,077,626</u></u>	\$ <u><u>4,945,526</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

MORGAN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Program Receipts		Net (Disbursements)
	Cash	Charges	Operating Grants	Receipts and
	Disbursements	for Services	and Contributions	Changes in
				Net Assets
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,765,284)	\$ 563,973	\$ 464,924	\$ (736,387)
Roads and bridges	(1,889,760)	-	1,339,824	(549,936)
Public safety	(4,267,049)	84,450	296,529	(3,886,070)
Health and welfare	(348,185)	5,312	-	(342,873)
Other	(903,450)	-	-	(903,450)
NET PROGRAM				
(DISBURSEMENTS) RECEIPTS	\$ (9,173,728)	\$ 653,735	\$ 2,101,277	\$ (6,418,716)

GENERAL RECEIPTS

Taxes:

Property taxes	\$ 1,150,082
Sales taxes	2,165,878
Interest	283,911
Dissolvment of special road district	221,270
Other	2,729,675
Total General Receipts	\$ 6,550,816

Increase in Net Assets 132,100

NET ASSETS, JANUARY 1 \$ 4,945,526

NET ASSETS, DECEMBER 31 \$ 5,077,626

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

MORGAN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Receipts		Net (Disbursements)
	Cash	Charges	Operating Grants	Receipts and
	Disbursements	for Services	and Contributions	Changes in
				Net Assets
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,787,548)	\$ 591,843	\$ 437,965	\$ (757,740)
Roads and bridges	(1,757,949)	-	1,380,507	(377,442)
Public safety	(3,686,851)	77,237	201,165	(3,408,449)
Health and welfare	(343,471)	5,168	-	(338,303)
Other	(549,929)	-	-	(549,929)
NET PROGRAM				
(DISBURSEMENTS) RECEIPTS	\$ (8,125,748)	\$ 674,248	\$ 2,019,637	\$ (5,431,863)
GENERAL RECEIPTS				
Taxes:				
Property taxes				\$ 1,044,024
Sales taxes				2,249,957
Interest				227,959
Other				2,742,366
Total General Receipts				\$ 6,264,306
Increase in Net Assets				832,443
NET ASSETS, JANUARY 1, AS RESTATED				\$ 4,113,083
NET ASSETS, DECEMBER 31				\$ 4,945,526

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.**

FUND FINANCIAL STATEMENTS

MORGAN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 1,087,206	\$ 578,327	\$ 33,783	\$ -	\$ -	\$ 2,050,739	\$ 3,750,055
Certificates of deposit	<u>744,544</u>	<u>396,052</u>	<u>23,135</u>	<u>-</u>	<u>-</u>	<u>163,840</u>	<u>1,327,571</u>
Total Assets	<u>\$ 1,831,750</u>	<u>\$ 974,379</u>	<u>\$ 56,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,214,579</u>	<u>\$ 5,077,626</u>
FUND BALANCES							
Unreserved	\$ 1,831,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,831,750
Unreserved special revenue fund	-	974,379	56,918	-	-	-	1,031,297
Unreserved reported in nonmajor funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,214,579</u>	<u>2,214,579</u>
Total Fund Balances	<u>\$ 1,831,750</u>	<u>\$ 974,379</u>	<u>\$ 56,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,214,579</u>	<u>\$ 5,077,626</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORGAN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2007

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 1,298,276	\$ 549,567	\$ 12,585	\$ 7	\$ 19	\$ 1,799,337	\$ 3,659,791
Certificates of deposit	<u>799,287</u>	<u>338,343</u>	<u>7,749</u>	<u>4</u>	<u>12</u>	<u>140,340</u>	<u>1,285,735</u>
Total Assets	<u>\$ 2,097,563</u>	<u>\$ 887,910</u>	<u>\$ 20,334</u>	<u>\$ 11</u>	<u>\$ 31</u>	<u>\$ 1,939,677</u>	<u>\$ 4,945,526</u>
FUND BALANCES							
Unreserved	\$ 2,097,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,097,563
Unreserved special revenue fund	-	887,910	20,334	11	31	-	908,286
Unreserved reported in nonmajor funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,939,677</u>	<u>1,939,677</u>
Total Fund Balances	<u>\$ 2,097,563</u>	<u>\$ 887,910</u>	<u>\$ 20,334</u>	<u>\$ 11</u>	<u>\$ 31</u>	<u>\$ 1,939,677</u>	<u>\$ 4,945,526</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORGAN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2008

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$ 410,791	\$ 383,263	\$ -	\$ -	\$ -	\$ 356,028	\$ 1,150,082
Sales Taxes	1,039,064	-	-	-	1,126,814	-	2,165,878
Intergovernmental	62	1,339,824	464,862	90,749	-	205,780	2,101,277
Charges for services	539,297	-	-	-	-	114,438	653,735
Interest	115,620	55,284	6,785	119	52	106,051	283,911
Other	1,331,117	251,858	-	239,264	412,548	716,158	2,950,945
Total Receipts	<u>\$ 3,435,951</u>	<u>\$ 2,030,229</u>	<u>\$ 471,647</u>	<u>\$ 330,132</u>	<u>\$ 1,539,414</u>	<u>\$ 1,498,455</u>	<u>\$ 9,305,828</u>
DISBURSEMENTS							
General county government	\$ 862,090	\$ -	\$ 435,063	\$ -	\$ -	\$ 468,131	\$ 1,765,284
Roads and Bridges	-	1,889,760	-	-	-	-	1,889,760
Public safety	367,331	-	-	599,008	2,917,836	382,874	4,267,049
Health and Welfare	-	-	-	-	-	348,185	348,185
Other	844,291	-	-	-	-	59,159	903,450
Total Disbursements	<u>\$ 2,073,712</u>	<u>\$ 1,889,760</u>	<u>\$ 435,063</u>	<u>\$ 599,008</u>	<u>\$ 2,917,836</u>	<u>\$ 1,258,349</u>	<u>\$ 9,173,728</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 1,362,239</u>	<u>\$ 140,469</u>	<u>\$ 36,584</u>	<u>\$ (268,876)</u>	<u>\$ (1,378,422)</u>	<u>\$ 240,106</u>	<u>\$ 132,100</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 54,000	\$ -	\$ -	\$ 268,865	\$ 1,378,391	\$ 34,796	\$ 1,736,052
Transfers Out	(1,682,052)	(54,000)	-	-	-	-	(1,736,052)
Total Other Financing Sources (Uses)	<u>\$ (1,628,052)</u>	<u>\$ (54,000)</u>	<u>\$ -</u>	<u>\$ 268,865</u>	<u>\$ 1,378,391</u>	<u>\$ 34,796</u>	<u>\$ -</u>
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	(265,813)	86,469	36,584	(11)	(31)	274,902	132,100
CASH BASIS FUND BALANCES, JANUARY 1	<u>\$ 2,097,563</u>	<u>\$ 887,910</u>	<u>\$ 20,334</u>	<u>\$ 11</u>	<u>\$ 31</u>	<u>\$ 1,939,677</u>	<u>\$ 4,945,526</u>
CASH BASIS FUND BALANCES, DECEMBER 31	<u><u>\$ 1,831,750</u></u>	<u><u>\$ 974,379</u></u>	<u><u>\$ 56,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,214,579</u></u>	<u><u>\$ 5,077,626</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORGAN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2007

	General Fund	Special Road and Bridge Fund	Assessment Fund	911 Fund	Law Enforcement Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$ 385,476	\$ 327,807	\$ -	\$ -	\$ -	\$ 330,741	\$ 1,044,024
Sales Taxes	1,089,892	-	-	-	1,160,065	-	2,249,957
Intergovernmental	18	1,380,507	437,947	80,230	-	120,935	2,019,637
Charges for services	562,284	-	-	-	-	111,964	674,248
Interest	96,908	49,803	5,780	103	2,284	73,081	227,959
Other	1,385,806	30,481	-	228,312	358,306	739,461	2,742,366
Total Receipts	\$ 3,520,384	\$ 1,788,598	\$ 443,727	\$ 308,645	\$ 1,520,655	\$ 1,376,182	\$ 8,958,191
DISBURSEMENTS							
General county government	\$ 780,616	\$ -	\$ 439,310	\$ -	\$ -	\$ 567,622	\$ 1,787,548
Roads and Bridges	-	1,757,949	-	-	-	-	1,757,949
Public safety	302,769	-	-	531,236	2,659,699	193,147	3,686,851
Health and Welfare	-	-	-	-	-	343,471	343,471
Other	540,148	-	-	-	-	9,781	549,929
Total Disbursements	\$ 1,623,533	\$ 1,757,949	\$ 439,310	\$ 531,236	\$ 2,659,699	\$ 1,114,021	\$ 8,125,748
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,896,851	\$ 30,649	\$ 4,417	\$ (222,591)	\$ (1,139,044)	\$ 262,161	\$ 832,443
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 45,000	\$ -	\$ -	\$ 222,602	\$ 1,139,075	\$ -	\$ 1,406,677
Transfers Out	(1,361,677)	(45,000)	-	-	-	-	(1,406,677)
Total Other Financing Sources (Uses)	\$ (1,316,677)	\$ (45,000)	\$ -	\$ 222,602	\$ 1,139,075	\$ -	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	580,174	(14,351)	4,417	11	31	262,161	832,443
CASH BASIS FUND BALANCES, JANUARY 1, AS RESTATED	\$ 1,517,389	\$ 902,261	\$ 15,917	\$ -	\$ -	\$ 1,677,516	\$ 4,113,083
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 2,097,563	\$ 887,910	\$ 20,334	\$ 11	\$ 31	\$ 1,939,677	\$ 4,945,526

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORGAN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS- CASH BASIS
DECEMBER 31, 2008 AND 2007

		<u>FIDUCIARY FUNDS</u>	
		<u>2008</u>	<u>2007</u>
ASSETS			
Cash	\$	12,051,236	\$ 12,581,601
Certificates of deposit		<u>140,608</u>	<u>113,552</u>
Total Assets	\$	<u><u>12,191,844</u></u>	<u><u>12,695,153</u></u>
LIABILITIES			
Due to others	\$	<u>12,191,844</u>	\$ <u>12,695,153</u>
Total Liabilities	\$	<u><u>12,191,844</u></u>	<u><u>12,695,153</u></u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO THE BASIC FINANCIAL STATEMENTS

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

As discussed further in Note 1.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

1. A. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Morgan County consists of all funds that are not legally separate from the county. The fund independent and legally separate from the County is the Health Center Fund. This fund has been audited independently by other independent auditors and reported upon separately. The Sheltered Workshop Fund and the Senior Services Fund, although having separate governing boards, have been included within the primary government since they have not been considered legally separate from the county. The Health Center has a separate governing board and does not meet the criteria of being a component unit of the County. In determining the financial reporting entity, the county complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county. Based on application of the above criteria, the county has no component units.

1. B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements display information about the County as a whole. These statements include the financial activities of the primary government, except for the activities of the fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. The County has no business-like activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The County has no proprietary funds but does have fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County and meets the following criteria:

- a. Total assets, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category, and
- b. Total assets, revenues or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds and enterprise funds combined.

The County's financial statements are structured into two categories of funds – governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds consist of the following:

GOVERNMENTAL FUNDS:

General Fund:

The General Fund is the primary operating fund of the county and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the county. The following special revenue funds are considered major funds of the county.

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Assessment Fund: This fund accounts for intergovernmental receipts that are legally restricted to disbursements for assessment purposes.

911 Fund: This fund accounts for charges for services and other receipts that are legally restricted to disbursements for emergency 911 purposes.

Law Enforcement Sales Tax Fund: This fund accounts for sales taxes and other receipts that are legally restricted to disbursements for law enforcement purposes.

The special revenue funds of the county not considered to be major funds are aggregated as nonmajor governmental funds.

Separate from major funds and aggregated nonmajor funds are the fiduciary funds. Fiduciary funds account for assets held by the county elected officials as a trustee or an agent for individuals, private organizations, or other governments. Fiduciary fund reporting focuses on net

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and fund balance are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the cash basis of accounting. This basis recognizes amounts when received or disbursed in cash. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred. If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

Property tax receipts are recognized when the County Treasurer receives them from the County Collector instead of when received by the County Collector. Some other lesser receipts from other County officials are also recognized only when received by the Treasurer. This practice is a departure from cash basis accounting and is followed by all third class counties (the counties with the smallest revenue base) in Missouri. Cash basis accounting requires all receipts be recognized in the County's funds when received instead of when turned over to the County Treasurer. This practice of late recognition is consistent between years and is largely completed by the end of January each year.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

1. D. ASSETS AND EQUITY

CASH

For the purpose of financial reporting, "cash" includes all demand and savings accounts.

CERTIFICATES OF DEPOSITS

Non-negotiable certificates of deposit are carried at cost, which approximates fair value.

INVENTORIES AND CAPITAL ASSETS

Inventories include office, housekeeping, and road maintenance supplies. Capital assets consist of land, buildings, furniture and equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

LONG-TERM DEBT

Long-term debt arising from cash transactions are recorded as disbursements when bond principal and interest payments are made.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted".

It is the county's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The county does not capitalize its capital assets and does not present any debt against those capital assets.

Fund Financial Statements

Governmental fund equity is classified as fund balance and also may be displayed in two components; reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

1. E. REVENUES, EXPENDITURES, AND EXPENSES

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the county's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

General county government	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Roads and bridges	Operating grants and distributions from the state of Missouri.
Public safety	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Health and Welfare	Charges for services revenues.

All other governmental receipts are reported as general and all taxes are classified as general revenues.

1. F. INTERNAL ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers occurred primarily because they were statutorily required or allowed, such as transfer of an administrative service fee to the General Fund from the Road and Bridge Fund; contributions of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts; or contributions of General Fund monies to the 911 and Law Enforcement Sales Tax funds to pay for general operating costs.

Government-Wide Financial Statements

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

1. G. USE OF ESTIMATES

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the county and the respective boards are subject to various federal, state, and local laws and contractual obligations. The following instances of noncompliance are not considered material to the basic financial statements.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

2. A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of County funds in financial institutions must be secured with acceptable collateral. Information on these deposits and investments and the collateral is provided below in Note 3.A. For the purposes of analyzing risk to County funds, deposits with financial institutions include all demand, time, and savings accounts, including non-negotiable certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit union. County funds were adequately insured with FDIC coverage and additional collateralized securities as of December 31, 2008 and 2007.

2. B. BUDGETARY NONCOMPLIANCE

For the year ended December 31, 2008, disbursements exceeded budgeted amounts at the legal level of control for the Law Enforcement Sales Tax Fund by \$59,486.

2.C. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2008 and 2007 included all respective funds of the county.

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, revenues, and expenditures.

3. A. CASH AND INVESTMENTS

CASH AND INVESTMENTS

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the entity or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Morgan County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. A. CASH AND INVESTMENTS (CONTINUED)

The county's deposits at December 31, 2008 and 2007 were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial banks in the city's name.

Investments and Custodial Credit Risk

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the years ended December 31, 2008 and 2007, the county's investments consisted solely of non-negotiable certificates of deposit whose original maturity term exceeded three months. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2008 and 2007, the county had no such investments.

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The primary government of the County has adopted such a policy.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county. Collections for other governments and remittances to those governments by the County Treasurer are accounted for in various County Treasurer's agency funds.

3. C. RESTRICTED ASSETS/LONG-TERM DEBT

The County has restricted assets only to the special revenue funds at December 31, 2008 and 2007 with no restricted funds for debt retirement. The County had long-term debt at December 31, 2008 and 2007 of general obligation bonds for the Morgan County Justice Center totaling \$2,440,000 and \$2,795,000, respectively. Interest rates on these outstanding bonds range from 3.400% to 4.650% and the bonds are due September 2014. Bond principal and interest payments are recorded in the Law Enforcement Sales Tax Fund.

The County also has fourteen Neighborhood Improvement Districts (NIDs) with individual bonded indebtedness. The total of these bonds at December 31, 2008 and 2007 are \$1,946,000 and \$2,235,000 with approximate interest rates ranging from 4.875% to 7.0% and payoff due dates varying between the NIDs of 2008-2026. Bond principal and interest payments for the NIDs are recorded in the NID Debt Service Funds reflected in the financial statements as a nonmajor government fund. The changes in debt service for the two years ended December 31, 2008 are as follows:

Year Ended December 31, 2007

	Beginning Balance	Additions	Deletions	Ending Balance
Justice Center	\$ 3,135,000	-	\$ 340,000	\$ 2,795,000
NIDs	2,506,000	-	271,000	2,235,000
Total	\$ 5,641,000	-	\$ 611,000	\$ 5,030,000

Year Ended December 31, 2008

	Beginning Balance	Additions	Deletions	Ending Balance
Justice Center	\$ 2,795,000	-	\$ 355,000	\$ 2,440,000
NIDs	2,235,000	-	289,000	1,946,000
Total	\$ 5,030,000	-	\$ 644,000	\$ 4,386,000

Debt service requirements until maturity for both the Justice Center and all NIDs as of December 31, 2008 are as follows:

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. C. RESTRICTED ASSETS/LONG-TERM DEBT (CONTINUED)

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 646,000	\$ 197,953
2010	689,000	169,810
2011	716,000	138,612
2012	747,000	105,544
2013	774,000	70,341
2014 – 2018	699,000	70,594
2019 – 2023	67,000	21,840
2024 – 2026	48,000	4,778
Total	\$ <u>4,386,000</u>	\$ <u>779,472</u>

3. D. INTERFUND TRANSFERS

Transfers between funds of the primary government for the years ended December 31, 2008 and 2007 were as follows:

	<u>Year Ended December 31, 2008</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
General Fund:		
Special Road and Bridge Fund	\$ 54,000	\$ -
911 Fund	-	268,865
Law Enforcement Sales Tax Fund	-	1,378,391
Other government funds		34,796
Special Road and Bridge Fund:		
General Fund	-	54,000
911 Fund:		
General Fund	268,865	-
Law Enforcement Sales Tax Fund:		
General Fund	1,378,391	-
Drug Task Force Supplementary Grant Fund	34,796	
Grand Totals	\$ <u>1,736,052</u>	\$ <u>1,736,052</u>
	<u>Year Ended December 31, 2007</u>	
	<u>Transfers In</u>	<u>Transfers out</u>
MAJOR FUNDS:		
General Fund:		
Special Road and Bridge Fund	\$ 45,000	\$ -
911 Fund	-	222,602
Law Enforcement Sales Tax Fund	-	1,139,075
Special Road and Bridge Fund:		
General Fund	-	45,000
911 Fund:		
General Fund	222,602	-
Law Enforcement Sales Tax Fund:		
General Fund	1,139,075	-
Grand Totals	\$ <u>1,406,677</u>	\$ <u>1,406,677</u>

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. D. INTERFUND TRANSFERS (CONTINUED)

The transfer from Special Road and Bridge Fund to the General Fund is based upon a statutory authority for administrative purposes. The transfers from General Fund to the 911 Fund, the Law Enforcement Sales Tax Fund, and the Drug Task Force Supplementary Grant Fund are to contribute monies for operation of those funds.

NOTE 4: OTHER NOTES

4. A. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

The county provides vacation leave to its employees. Full-time county employees accrue vacation leave at one-half day per month after 90 days (introductory period) and up to four years of service, one day per month for four years through nine years of service, and one and one-half days per month for ten or more years of service. Employees may carry vacation leave up to a maximum of eighteen days. Any employee with benefits leaving the county service shall be compensated for vacation credit unused to the date of termination.

Full-time county employees accrue personal leave (sick leave) at one day per month. Personal leave can be accumulated to a maximum of thirty-six days. Personal leave is not paid upon termination of employment with the county. Vacation and personal leave amounts are reported as disbursements when they are paid.

Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The County has not restricted any net assets or reserved any fund balance for these commitments.

OTHER POST-EMPLOYMENT BENEFITS

The county does not provide post employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

4. B. RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

Morgan County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the County Employees' Retirement System, 2121 Schotthill Woods Drive, Jefferson City, Mo 65101.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 4: OTHER NOTES (CONTINUED)

4. B. RETIREMENT PLANS (CONTINUED)

Funding Policy

Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate in it. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee. The contribution rate is set by statute.

In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers' licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system. The county contributed \$4,683 and \$5,175 in 2008 and 2007, respectively, to the CERS.

4. C. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description

Morgan County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plan's provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute .7 percent of gross compensation to the defined contribution plan. Participation in the deferred compensation plan is voluntary and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

MORGAN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

NOTE 4: OTHER NOTES (CONTINUED)

4. D. RISK MANAGEMENT

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life.

The County is a participant in the Missouri Public Entity Risk Management Fund (MoPERM), a body corporate and politic created and governed by Sections 537.700-537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund. County management believes such coverage is sufficient to preclude any significant uninsured losses to the county. Settled claims have not exceeded this insurance coverage in any of the past three years.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri Counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

NOTE 5: CONTINGENCIES

Legal Matters

The County is involved in various threatened litigations at which time the probable outcome is not readily obtainable. The County's management and legal counsel anticipate that the potential claims against the County not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the County.

NOTE 6: PRIOR PERIOD ADJUSTMENT

The prior audit of Morgan County, Missouri did not include the financial statements of the Sheltered Workshop (Senate Bill 40 Board) and the Senior Citizens Services. These separate boards were excluded from the county audit as they were considered separate independent governing bodies or political subdivisions. An Attorney General's Opinion subsequently ruled that these boards are a part of the county organization and under the administrative control of the County Commission. The prior cash balance of the Other Governmental Funds at December 31, 2006 has been adjusted to include these boards as follows:

Cash balance as previously reported, December 31, 2006	\$1,542,144
Addition of:	
Sheltered Workshop	89,578
Senior Citizens Services	45,794
Cash balance at December 31, 2006, as restated	\$1,677,516

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Property taxes	\$ 385,500	385,500	410,791	25,291	\$ 360,000	360,000	385,476	25,476
Sales taxes	1,100,000	1,100,000	1,039,064	(60,936)	965,000	965,000	1,089,892	124,892
Intergovernmental	-	-	62	62	-	-	18	18
Charges for services	578,950	578,950	539,297	(39,653)	526,700	526,700	562,284	35,584
Interest	100,000	100,000	115,620	15,620	75,000	75,000	96,908	21,908
Other	1,422,220	1,422,220	1,331,117	(91,103)	1,137,320	1,137,320	1,385,806	248,486
Transfers in	54,000	54,000	54,000	-	45,000	45,000	45,000	-
Total Receipts	\$ 3,640,670	3,640,670	3,489,951	(150,719)	\$ 3,109,020	3,109,020	3,565,384	456,364
DISBURSEMENTS								
County Commission	\$ 120,087	120,087	119,230	857	\$ 118,956	118,956	117,947	1,009
County Clerk	105,004	105,004	104,634	370	105,840	105,840	100,308	5,532
Elections	32,500	32,500	59,929	(27,429)	14,530	14,530	5,191	9,339
Buildings and grounds	92,094	92,094	92,622	(528)	90,200	90,200	88,793	1,407
Employee fringe benefits	140,400	140,400	135,593	4,807	136,235	136,235	125,210	11,025
County Treasurer	37,700	37,700	36,260	1,440	37,000	37,000	36,032	968
County Collector	124,942	124,942	123,281	1,661	126,677	126,677	121,435	5,242
Ex Officio Recorder of Deeds	73,052	73,052	72,594	458	70,380	70,380	68,399	1,981
Circuit Clerk	8,350	8,350	7,419	931	7,600	7,600	7,858	(258)
Associate Circuit Court	30,540	30,540	29,200	1,340	29,138	29,138	27,894	1,244
Court administration	9,000	9,000	7,301	1,699	9,000	9,000	8,055	945
Public Administrator	75,199	75,199	74,027	1,172	73,228	73,228	73,494	(266)
Prosecuting Attorney	286,786	286,786	283,546	3,240	259,336	259,336	249,002	10,334
Juvenile Officer	62,520	62,520	54,323	8,197	62,519	62,519	33,390	29,129
County Coroner	25,500	25,500	29,462	(3,962)	29,340	29,340	20,377	8,963
Circuit Judge Division 1 & 2	13,421	13,421	8,129	5,292	13,211	13,211	8,571	4,640
Insurance	30,000	30,000	12,027	17,973	14,000	14,000	25,794	(11,794)
Publication costs	6,000	6,000	3,939	2,061	6,000	6,000	4,443	1,557
Plat Books	-	-	-	-	20,000	20,000	20,650	(650)
University Extension Services	34,925	34,925	34,738	187	34,100	34,100	32,490	1,610
Emergency Management	27,206	27,206	27,562	(356)	20,750	20,750	22,614	(1,864)
Utilities	14,800	14,800	15,185	(385)	14,800	14,800	13,527	1,273
Telephone	12,000	12,000	11,916	84	10,500	10,500	11,318	(818)
Outside services	50,000	50,000	39,507	10,493	50,000	50,000	38,211	11,789
Dues and subscriptions	10,000	10,000	5,343	4,657	10,000	10,000	-	10,000
Equipment	200,000	200,000	217,189	(17,189)	200,000	200,000	200,965	(965)
Capital improvements - jail	450,000	450,000	444,050	5,950	350,000	350,000	144,397	205,603
Capital improvements - courthouse	25,000	25,000	23,738	1,262	25,000	25,000	2,720	22,280
Other	10,000	10,000	968	9,032	10,000	10,000	14,448	(4,448)
Transfers out	1,575,979	1,575,979	1,682,052	(106,073)	1,550,354	1,550,354	1,361,677	188,677
Emergency fund	109,300	109,300	-	109,300	93,271	93,271	-	93,271
Total Disbursements	\$ 3,792,305	3,792,305	3,755,764	36,541	\$ 3,591,965	3,591,965	2,985,210	606,755
RECEIPTS OVER (UNDER) DISBURSEMENTS	(151,635)	(151,635)	(265,813)	(114,178)	(482,945)	(482,945)	580,174	1,063,119
FUND BALANCE, JANUARY 1	2,097,563	2,097,563	2,097,563	-	1,517,389	1,517,389	1,517,389	-
FUND BALANCE, DECEMBER 31	\$ 1,945,928	1,945,928	1,831,750	(114,178)	\$ 1,034,444	1,034,444	2,097,563	1,063,119

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Property taxes	\$ 338,000	338,000	383,263	45,263	\$ 313,000	313,000	327,807	14,807
Intergovernmental	1,409,590	1,409,590	1,339,824	(69,766)	1,346,670	1,346,670	1,380,507	33,837
Interest	50,000	50,000	55,284	5,284	55,000	55,000	49,803	(5,197)
Other	40,000	40,000	251,858	211,858	15,000	15,000	30,481	15,481
Total Receipts	\$ 1,837,590	1,837,590	2,030,229	192,639	\$ 1,729,670	1,729,670	1,788,598	58,928
DISBURSEMENTS								
Salaries	\$ 540,000	540,000	557,489	(17,489)	510,000	510,000	504,785	5,215
Employee fringe benefits	138,700	138,700	122,735	15,965	130,857	130,857	128,541	2,316
Supplies	210,000	210,000	274,028	(64,028)	177,000	177,000	183,623	(6,623)
Insurance	28,500	28,500	40,861	(12,361)	34,000	34,000	28,060	5,940
Road & bridge materials	175,000	175,000	334,077	(159,077)	162,000	162,000	161,680	320
Equipment repairs	50,000	50,000	64,331	(14,331)	50,000	50,000	43,296	6,704
Equipment purchases	250,000	250,000	144,584	105,416	300,000	300,000	191,276	108,724
Construction, repair, and maintenance projects	450,000	450,000	152,935	297,065	450,000	450,000	243,659	206,341
CART and marine gas tax to special roads	250,426	250,426	174,074	76,352	246,207	246,207	251,099	(4,892)
Other	22,800	22,800	24,646	(1,846)	14,300	14,300	21,930	(7,630)
Transfers out	54,000	54,000	54,000	-	45,000	45,000	45,000	-
Total Disbursements	\$ 2,169,426	2,169,426	1,943,760	225,666	\$ 2,119,364	2,119,364	1,802,949	316,415
RECEIPTS OVER (UNDER) DISBURSEMENTS	(331,836)	(331,836)	86,469	418,305	(389,694)	(389,694)	(14,351)	375,343
FUND BALANCE, JANUARY 1	887,910	887,910	887,910	-	902,261	902,261	902,261	-
FUND BALANCE, DECEMBER 31	\$ 556,074	556,074	974,379	418,305	\$ 512,567	512,567	887,910	375,343

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Intergovernmental	\$ 436,048	436,048	464,862	28,814	\$ 413,938	413,938	437,947	24,009
Interest	5,780	5,780	6,785	1,005	2,000	2,000	5,780	3,780
Transfers in	4,562	4,562	-	(4,562)	41,023	41,023	-	(41,023)
Total Receipts	\$ 446,390	446,390	471,647	25,257	\$ 456,961	456,961	443,727	(13,234)
DISBURSEMENTS								
Salaries	\$ 322,068	322,068	307,822	14,246	\$ 310,153	310,153	294,948	15,205
Fringe benefits	57,356	57,356	52,650	4,706	53,168	53,168	49,372	3,796
Office supplies	13,700	13,700	14,405	(705)	20,000	20,000	14,065	5,935
Equipment	21,000	21,000	17,456	3,544	5,000	5,000	2,678	2,322
Travel and training	15,300	15,300	11,179	4,121	10,500	10,500	12,064	(1,564)
Telephone	1,300	1,300	1,648	(348)	1,100	1,100	1,238	(138)
Postage	12,000	12,000	7,754	4,246	10,000	10,000	11,021	(1,021)
Aerial photography	24,000	24,000	22,149	1,851	47,040	47,040	53,924	(6,884)
Total Disbursements	\$ 466,724	466,724	435,063	31,661	\$ 456,961	456,961	439,310	17,651
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,334)	(20,334)	36,584	56,918	-	-	4,417	4,417
FUND BALANCE, JANUARY 1	20,334	20,334	20,334	-	15,917	15,917	15,917	-
FUND BALANCE, DECEMBER 31	\$ -	-	56,918	56,918	\$ 15,917	15,917	20,334	4,417

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
911 FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Intergovernmental	\$ 88,999	88,999	90,749	1,750	\$ 80,299	80,299	80,230	(69)
Interest	-	-	119	119	200	200	103	(97)
Other	228,000	228,000	239,264	11,264	226,380	226,380	228,312	1,932
Transfers in	284,098	284,098	268,865	(15,233)	240,666	240,666	222,602	(18,064)
Total Receipts	\$ 601,097	601,097	598,997	(2,100)	\$ 547,545	547,545	531,247	(16,298)
DISBURSEMENTS								
Salaries	\$ 470,192	470,192	468,245	1,947	\$ 414,680	414,680	409,853	4,827
Office expenditures	17,000	17,000	17,060	(60)	18,000	18,000	15,510	2,490
Equipment	21,470	21,470	22,422	(952)	22,865	22,865	14,296	8,569
Mileage and training	11,000	11,000	11,288	(288)	10,000	10,000	10,831	(831)
Line charges	80,000	80,000	79,993	7	80,000	80,000	79,721	279
Other	1,435	1,435	-	1,435	2,000	2,000	1,025	975
Total Disbursements	\$ 601,097	601,097	599,008	2,089	\$ 547,545	547,545	531,236	16,309
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(11)	(11)	-	-	11	11
FUND BALANCE, JANUARY 1	11	11	11	-	-	-	-	-
FUND BALANCE, DECEMBER 31	\$ 11	11	-	(11)	\$ -	-	11	11

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Year Ended December 31,							
	2008				2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS								
Sales taxes	\$ 1,200,000	1,200,000	1,126,814	(73,186)	\$ 1,040,000	1,040,000	1,160,065	120,065
Interest	2,500	2,500	52	(2,448)	9,000	9,000	2,284	(6,716)
Other	368,500	368,500	412,548	44,048	317,000	317,000	358,306	41,306
Transfers in	1,287,350	1,287,350	1,378,391	91,041	1,268,665	1,298,665	1,139,075	(159,590)
Total Receipts	\$ 2,858,350	2,858,350	2,917,805	59,455	\$ 2,634,665	2,664,665	2,659,730	(4,935)
DISBURSEMENTS								
Salaries	\$ 1,310,100	1,310,100	1,298,302	11,798	\$ 1,151,868	1,181,868	1,214,517	(32,649)
Employee fringe benefits	276,740	276,740	256,164	20,576	228,187	228,187	233,245	(5,058)
Office expenditures	52,500	52,500	52,629	(129)	57,500	57,500	58,842	(1,342)
Equipment	54,000	54,000	52,864	1,136	56,400	56,400	52,519	3,881
Mileage and Training	183,500	183,500	181,888	1,612	135,000	135,000	159,079	(24,079)
Other	43,010	43,010	117,652	(74,642)	43,010	43,010	41,290	1,720
Jail	294,500	294,500	326,604	(32,104)	322,000	322,000	260,146	61,854
Bond payment	476,000	476,000	477,656	(1,656)	476,000	476,000	475,676	324
Utilities	68,000	68,000	65,372	2,628	64,700	64,700	66,378	(1,678)
Insurance	100,000	100,000	88,705	11,295	100,000	100,000	98,007	1,993
Total Disbursements	\$ 2,858,350	2,858,350	2,917,836	(59,486)	\$ 2,634,665	2,664,665	2,659,699	4,966
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(31)	(31)	-	-	31	31
FUND BALANCE, JANUARY 1	31	31	31	-	-	-	-	-
FUND BALANCE, DECEMBER 31	\$ 31	31	-	(31)	\$ -	-	31	31

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MORGAN COUNTY, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE TWO YEARS ENDED DECEMBER 31, 2008

Budgets and Budgetary Practices

The County Commission, and various county boards, prepare their operating budget for various county funds under the budgetary statutes (Sections 50.525 – 50.745 of the state of Missouri. In accordance with these statutes, the following process is used to adopt the annual budget:

- a. Prior to January, the budget officer (County Clerk) and administrative officers of the various boards submit a proposed operating budget for the ensuing calendar year to the County Commission or to the applicable governing boards.
- b. Public hearings are conducted to obtain citizen comments.
- c. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission or by the applicable boards.
- d. The approved budgets for the county and applicable boards are to be submitted to the county budget officer (County Clerk) and filed with the State Auditor's Office by January 31.

The legal level of control at which total disbursements may not legally exceed appropriations is at the fund level. Budget revisions or amendments may be changed by the County Commission or applicable boards during the year in accordance with provisions of the state law, and must also be filed with the State Auditor's Office.

Budgetary Noncompliance

The total disbursements for the Law Enforcement Sales Tax Fund were \$59,486 greater than the total appropriations for the year ended December 31, 2008.

Basis of Accounting

The budgets are prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions. Additionally, as in the financial statements, the budgets also are based on receipts recognized only when received by the Treasurer.

SUPPLEMENTARY INFORMATION

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

One Broadway Building
1 East Broadway
Columbia, MO 65203-4205
573 / 442 – 8427
FAX / 875 – 7876
www.caseycpas.com

September 24, 2009

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
Morgan County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Morgan County Missouri's basic financial statements and have issued our report thereon dated September 24, 2009. The report on the General Revenue, the Special Road and Bridge, and the Assessment funds was qualified for tax revenues being recognized by the County when received by the Treasurer instead of when received by the Collector. Additionally, the report on the governmental activities and all major and non-major funds was qualified for the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morgan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER

•
American
Institute of
Certified
Public
Accountants

•
Missouri
Society of
Certified
Public
Accountants

However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting (2009-01). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters (2009-01) that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Casey and Company, LLC

Casey and Company L.L.C.
Certified Public Accountants
Columbia, Missouri

**MORGAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE TWO YEARS ENDED DECEMBER 31, 2008**

FINANCIAL STATEMENT FINDING:

Finding 2009-01 Law Enforcement Sales Tax Fund Total Appropriation Overspent

Condition: The total expenditures of the Law Enforcement Sales Tax Fund exceeded the total budgeted appropriation by \$59,486 for the year ended December 31, 2008.

Criteria: State law Section 50.650, states that the accounting officer (County Clerk) is personally liable on his/her bond for the amount of any obligation incurred by the erroneous certification as to the sufficiency of an appropriation or of a cash balance, or for any warrant drawn when there is not a sufficient amount unencumbered in the appropriation.

Cause: The County did not review its total expenditures against the total appropriations toward year end in order to properly prepare an amended budget.

Effect: The County was in violation of state law by exceeding the budgeted appropriations in the Law Enforcement Sales Tax Fund.

Recommendation:

The County review its total expenditures of each fund towards the year end to consider amending the budgeted appropriations as required ensuring that total appropriations are not exceeded in the future.

Response: We concur with the recommendation and will commit to not overspend in our budgets in the upcoming years.

**Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**MORGAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006.

The audit report did not disclose any noncompliance and internal control findings that are material to the financial statements of the county.



Susan Montee, JD, CPA
Missouri State Auditor

CONSERVATION

Department of Conservation



October 2009

Report No. 2009-113

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Department of Conservation

Permit Restructuring and Pricing

In September 2008, the Conservation Commission approved tentative regulatory changes to increase the cost of most permits, eliminate lessee hunting and fishing privileges, and increase the minimum acreage for landowners to obtain no cost deer and turkey hunting permits. The MDC held a series of public hearings, as required by the rulemaking process, and received many negative comments from the public and the media. In December 2008, the MDC suspended most proposed changes but did approve permit price increases for nonresidents and eliminated reduced price deer and turkey permits for nonresident landowners.

We noted various concerns regarding the permit restructuring and pricing review. The Missouri Department of Conservation (MDC) did not comply with existing policy, the "permit price trigger rule" established in 1998, to determine when price adjustments to permits should be considered. The percent of revenue generated by permits did not drop for 2 consecutive years below the 20 percent long-term average, and permit price adjustments should not have been considered. The MDC proceeded with the permit restructuring and pricing project instead of identifying specific plans, programs, or activities that could be curtailed or eliminated. Also, the MDC did not consider both the positive and negative impact on federal aid when performing the permit restructuring and pricing study. In addition, the proposed action to increase permit prices and the minimum acreage to qualify for no cost deer and turkey permits would have conflicted with the MDC's goals of promoting citizen participation in hunting and fishing, reducing the reproductive potential of the deer herd, and increasing hunter and landowner satisfaction.

Voluntary Payroll Reduction Program

The MDC did not consider normal attrition when estimating the potential cost savings for the retirement incentive program. In addition, previous incentives at the MDC did not result in permanent elimination of salaried positions. The MDC based the voluntary payroll reduction program (VPRP) upon the assumption that 102 salaried positions would need to be permanently eliminated in order for the MDC to achieve the desired balance for personal service expenditures. The MDC estimated the VPRP would result in total savings of nearly \$41 million in fiscal years 2011 through 2018. However, those savings will only be attained if the 102 positions are permanently eliminated.

Professional Services Agreements

The MDC did not always require written agreements for outside legal counsel services. Between July 1, 2007, and February 28, 2009, the MDC paid nearly \$528,000 to three legal firms; however, the MDC did not have written agreements specifying the services to be provided, billing rates, allowable miscellaneous charges, or documentation required to support billed charges.

Conservation Area Planning	The MDC has not made significant progress toward ensuring management plans for conservation areas have been developed and updated. In our prior audit report, issued in August 2007, we noted policies and procedures for development and maintenance of area management plans were not followed, no management plans had been developed for some areas, and some areas had undergone extensive expansion or development without the area management plan being updated. As of June 2009, the MDC had determined management plans existed for only about 250 of 461 named conservation areas. Of the 250 areas with plans, 120 had not been updated according to the originally planned schedule or term, or were not updated within 15 years.
----------------------------	--

Closed Session Minutes	The MDC refused to provide auditors complete copies of closed session minutes, but did provide redacted versions of the closed session minutes that indicated approval of real estate transactions, contract negotiations, award or rejection of bids and other actions that were apparently allowable actions for closed meetings. We also requested and were provided additional documentation related to some of the redacted items. However, we were unable to determine if some actions taken in closed session were reported in open session or made publicly available as required by the Sunshine Law.
------------------------	--

All reports are available on our Web site: auditor.mo.gov

Department of Conservation

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Permit Restructuring and Pricing4 2. Voluntary Payroll Reduction Program8 3. Professional Services Agreements10 4. Conservation Area Planning.....11 5. Closed Session Minutes.....12
---	--

Organization and Statistical Information	14
---	----

Appendixes

A	Comparative Statement or Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments, Years Ended June 30, 2008 and 2007.....	15
B	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2008 and 2007.....	16
C	Comparative Statement of Expenditures (From Appropriations) Years Ended June 30, 2008, 2007, 2006, 2005, and 2004.....	17
D	Statement of Changes in General Capital Assets, Years Ended June 30, 2008 and 2007.....	18



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Conservation Commission
and
John D. Hoskins, Director
Department of Conservation
Jefferson City, Missouri

We have audited the Department of Conservation. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008 and 2007. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. Certain information contained in the Commission meeting minutes for closed session was not provided to us based upon the department's interpretation of state law. Department officials have determined and assured us that this withheld information has no material effect on the audit. However, we could not audit certain potential transactions or information related to transactions because of this limitation the department imposed on the scope of our audit.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was

not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

Except as discussed in the second paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Conservation.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Jennifer Weggenmann, MBA
	Kimberly Shepherd
	Matthew Goans

Department of Conservation Management Advisory Report State Auditor's Findings

1. Permit Restructuring and Pricing

We noted various concerns regarding the permit restructuring and pricing review conducted by the Missouri Department of Conservation (MDC). In September 2008, the Conservation Commission approved tentative changes in regulations to increase the cost of most hunting and fishing permits, eliminate lessee hunting and fishing privileges, and increase the minimum acreage for landowners to obtain no cost deer and turkey hunting permits. MDC staff estimated the changes would generate an additional \$7.7 million annually, or a 26% increase in permit revenues. The table below shows examples of the September 2008 existing price, the proposed price, and related percentage increase for some permits.

Permit Type	Existing Price	Proposed Price	% of Increase
Resident Fishing	\$ 12	\$ 14	16.7
Resident Hunting & Fishing	19	22	15.8
Trout Permit	7	10	42.9
Resident Firearms Deer	17	20	17.6
Non-resident Firearms Landowner Deer	75	225	200.0
Non-resident Firearms Deer	175	225	28.6

After the September 2008 Commission decision, the MDC held a series of public hearings, as required by the rulemaking process, regarding the proposed changes and received many negative comments from the public and the media. During the December 2008 Commission meeting, the department director recommended the Commission "suspend" final actions on the change in the landowner provisions, elimination of lessee hunting and fishing privileges, and implementation of price adjustments for resident sport hunting and fishing permits. However, the Commission approved the permit price increases for nonresident permits and eliminated the reduced price deer and turkey permits for nonresident landowners. Those changes, effective July 1, 2009, were estimated to generate an additional \$1.3 million annually.

The permit restructuring and pricing task force composed of ranking MDC officials was established in June 2007 by the MDC regulations committee pursuant to Commission dialogue on the same subject. The task force was directed to review and evaluate sport permit fees and structure in ways that would:

- Enhance agency permit revenues.
- Promote citizen participation in hunting and fishing.
- Assist potential federal aid receipts.



Department of Conservation
Management Advisory Report - State Auditor's Finding

- Assess fee and privilege equity among permit types and permittee categories, including landowners, seniors, and youth.
- Recommend a method and strategy for possible change, if warranted.

1.1 Pricing policy

The MDC did not comply with existing policy, the "permit price trigger rule" established in 1998, to determine when price adjustments to permits should be considered. The first report by the permit restructuring and pricing task force, issued in May 2008, included the following, "Under this rule, permit price increases will automatically be considered whenever the proportion of permit sales to total Department revenue (less federal aid and adjustments for unusual or one-time revenue events) drops for 2 consecutive years below the long-term average (currently 20%)." The MDC did not determine if the preceding conditions were met prior to initiating the permit pricing task force. We analyzed revenue data from the statewide accounting system for state fiscal years 2003 through 2008 and determined the percentage of revenue generated by permit sales in accordance with the "trigger" rule. Based on our analysis, the average percentage of revenue generated by permit sales for the six year period was 20.61 percent. Only in fiscal year 2007 did the percentage fall under 20 percent when it was 19.92 percent. As a result, the percent of revenue generated by permits did not drop for 2 consecutive years below the 20 percent long-term average, and permit price adjustments should not have been considered.

In the report to the Commission, the task force indicated the current trigger rule is "... arbitrary and over the long term, unsustainable when viewed in the context of projected losses of hunters and anglers and economic growth fueling sales tax revenue." The Commission tentatively approved changing the trigger to a method based upon the consumer price index, measures of value (survey of surrounding states' like permits), anticipated permit sales and projected department revenue needs. However, this change was not included in the finally approved permit restructuring regulations. The MDC had not developed specific guidelines on how the new trigger rule would be implemented such as the rank of importance or weight that would be assigned to any one of the included factors. The MDC should review the existing permit pricing policy and determine whether revisions are necessary.

1.2 Other options

The MDC did not identify specific plans, programs, or activities that would have to be severely curtailed or eliminated without additional revenues. Total revenues of the Conservation Commission Fund had increased from just over \$143 million in fiscal year 2003 to nearly \$172 million (20.3 percent) in fiscal year 2008 while expenditures increased from \$141 million to over \$167 million (18.4 percent) for the same period. From July 1, 2006, to June 30, 2008, the available cash in the fund increased from \$21.7 million to \$33.2 million. However, sales tax revenues decreased slightly during



Department of Conservation
Management Advisory Report - State Auditor's Finding

fiscal year 2008. Rather than consider reducing existing services and programs or delaying land purchases, major construction projects or equipment purchases, the MDC proceeded with the permit restructuring and pricing project. To help ensure continued financial stability, the MDC should also consider reducing existing services and programs and delaying land purchases, large construction projects, and major equipment purchases as means to address declines in revenues in the future.

1.3 Impact on federal aid

The MDC did not consider both the positive and negative impact on federal aid when performing the permit restructuring and pricing study. The MDC cited the increase in federal aid as a primary justification for proposing the increase in the minimum acreage for landowners to qualify for no cost deer and turkey permits and estimated an increase of \$629,000 in additional federal aid was expected to be generated by the change in the minimum acreage. However, the MDC's analysis did not identify any related reduction in federal aid funding for residents and non-residents who would no longer purchase permits due to increased permit prices.

The MDC estimated it receives federal aid of \$17 for each individual who purchases one or multiple hunting permits, \$11 for each individual who purchases one or multiple fishing permits, and \$28 for combined hunting and fishing permits. However, based upon the MDC analysis, we estimated approximately 13,200 fewer hunting permits and 14,200 fewer combined hunting and fishing permits for which federal aid is received would be purchased due to the proposed price increases. The MDC predicted no decrease in the number of resident fishing permits sold. If the number of permits sold resulted in the same reduction in the number of individuals purchasing permits, the loss of federal aid would total about \$622,000¹. Therefore, the potential increase in federal aid could have been as low as \$7,000, although the actual impact would likely be more because many sportsmen would still purchase at least one type of permit. The MDC indicated no reasonable quantification of reduced federal aid could be made as many other factors affect the federal aid revenues. In the future, the MDC should include both the positive and negative impacts upon federal aid that would likely result from changes in permit restructuring and pricing.

1.4 Impact on citizen participation

The action to increase permit prices and the minimum acreage to qualify for no cost deer and turkey permits would result in reduced participation and conflicted with the goal of promoting citizen participation in hunting and fishing. The permit restructuring and price increase analysis predicted over 63,000 fewer permits for residents would be issued as a result of the price

¹ We excluded from our calculation the number of permits sold for antlerless deer and trout permits as those sportsmen would likely purchase another hunting or fishing permit. We also excluded the number of no cost landowner permits issued as those do not qualify for federal aid purposes. Our calculation is: $(13,200 \times \$17) + (14,200 \times \$28) = \$622,000$.



Department of Conservation Management Advisory Report - State Auditor's Finding

increase and change in the minimum acreage to qualify for no cost permits. In addition, about 17,000 fewer non-resident permits would be issued.

The MDC indicated that because of the current practice under which most permit vendors issue all of the available no cost permits to resident landowners, most landowners often had no intention of using all of the issued permits and therefore the impact of the predicted decline in the number of resident permits would not be that significant. The MDC also indicated that in the past the number of permits purchased following a price increase generally declined for the first year or two and then returned to near normal levels. The MDC should give more consideration to the impact of permit restructuring and pricing adjustments on citizen participation.

1.5 Impact on deer management

The expected reduction in the number of deer permits issued appears to conflict with the department's goal for reducing the reproductive potential of the deer herd and increasing hunter and landowner satisfaction. The analysis on permit pricing estimated about 35,000 fewer antlerless deer permits and 5,000 fewer any deer permits would be issued as a result of the changes. The analysis on increasing the acreage to qualify for no cost landowner permits estimated about 9,000 fewer any deer permits would be issued as a result of that change. In his comments to the Commission on September 26, 2008, following the tentative approval of the permit price increase and change in the acreage for no cost landowner permit, Director Hoskins provided the following statement, "The Department continues to ensure deer herd management to achieve specific goals, and the current 2008 deer regulations include goals for reducing the reproductive potential of the deer herd, increasing hunter and landowner satisfaction, clarifying and simplifying regulations, supporting the economic values associated with deer resource, and maintaining hunting as a viable management tool."

The MDC should ensure permit restructuring and pricing changes are consistent with MDC's game management policies.

Recommendations

The MDC:

- 1.1 Review the existing permit pricing policy and determine whether revisions are necessary.
- 1.2 Consider reducing existing services and programs and delaying land purchases, large construction projects, and major equipment purchases as means to address declines in revenues.
- 1.3 Include both the positive and negative impacts upon federal aid that would likely result from changes in permit restructuring and pricing.



Department of Conservation
Management Advisory Report - State Auditor's Finding

- 1.4 Give more consideration to the impact of permit restructuring and pricing adjustments on citizen participation.
- 1.5 Ensure future permit restructuring and pricing changes are consistent with game management policies.

Auditee's Response

The director of MDC provided the following response:

These are extraordinary times, and I am proud to say the Department of Conservation has taken timely action in response to the severe economic downturn and unprecedented decline in sales tax revenue. A great deal of deliberation went into developing actions considered to be proactive and responsible.

Permit restructuring and pricing were among the issues assigned for review to a task force comprised of tenured department staff. As with most professional decisions, choices were made with consideration to many factors, not just one element. Reports from the task force were comprehensive, purposeful, and given full consideration by the Commission in the decision-making process.

Departmental personnel discussed the issues addressed in great detail with state auditors and, unfortunately, the basis and justifications for decisions made were not adequately reflected in this report. The Department is candid about its deliberation processes and is prepared to discuss them with all interested parties.

2. Voluntary Payroll Reduction Program

The MDC did not consider normal attrition when estimating the potential cost savings for the retirement incentive program and previous incentive programs did not result in the permanent elimination of salaried positions.

The MDC established a voluntary payroll reduction program (VPRP) in December 2008 which called for the permanent elimination of 102 full time salaried employee positions. The goals of the program, as stated in the recommendation to the Commission, were to generate important cost-savings, assist the department in addressing an imbalance between revenue growth and budgetary expenditures, and to help control personal service expenditures. MDC personal service costs as a percentage of total revenues had averaged 54 percent over fiscal years 2003 through 2008, but were expected to reach 55 percent or more for fiscal years 2009 and 2010 unless cost control measures were implemented. The MDC estimated VPRP cost savings of nearly \$41 million would be realized through fiscal year 2018 after absorbing additional retiree health care costs estimated at \$6.6 million and \$1.2 million for a temporary employment provision. The VPRP incentive included increasing the department's share of retiree health insurance costs from 35 percent to 80 percent for 7 years following



Department of Conservation
Management Advisory Report - State Auditor's Finding

retirement at an estimated annual cost of \$4,717 per employee position. Retirees could also choose to work up to 450 hours as an hourly employee in the year following their retirement with a 12 percent or higher reduction in their hourly rate.

Employees had to submit their decision to participate no later than April 30, 2009, and set a retirement date on or before June 30, 2010. The MDC reported 145 of 280 eligible employees accepted the terms of the VPRP. The MDC had previously offered VPRP programs in fiscal years 1998, 2002, and 2003. The state offered a similar retirement incentive program in 2003.

2.1 Normal attrition

The MDC did not do a formal analysis of decreases in personnel that would have occurred through normal attrition and retirement in conjunction with a hiring freeze. MDC officials, following discussions with Missouri State Employees' Retirement System personnel, determined allowing normal attrition and retirement to reduce personnel would take too long.

The MDC's health insurance plan uses actuarial tables as part of that entity's rate determination processes. Those tables indicate that normal attrition was expected to exceed 10 percent for employees with less than 5 years of service, lower attrition rates for various employee age groups, early retirement for 5 percent of the employees eligible under that program, and normal retirement rates for employees from 48 to 74 years of age ranged from 10 to 30 percent for various age groups. The MDC did not attempt to estimate the impact of normal attrition and retirement but it did have the necessary information such as years of service, eligibility for early retirement and age of the employees available from various sources.

To ensure accurate estimates, the MDC should consider normal attrition and retirement when calculating the cost savings associated with future retirement incentive programs.

2.2 Program goals

Previous retirement incentives at the MDC did not result in permanent elimination of salaried positions. The MDC based the VPRP upon the assumption that 102 salaried positions would need to be permanently eliminated in order for the MDC to achieve the desired balance for personal service expenditures. The VPRP in 1998 was implemented to reallocate 80 existing positions to the newly established Private Land Services Division and the new positions were filled in an average of 8 months. The MDC estimated that program resulted in \$1.1 million in savings through the first 3 years. The VPRP in 2002 was implemented to reallocate employees from existing positions into positions with high program needs. Of the 98 positions opened as a result of this VPRP, 86 were filled within 2 years. The MDC estimated this program saved \$573,000 in the first year. In 2003 the VPRP was offered in conjunction with a statewide employee reduction



Department of Conservation
Management Advisory Report - State Auditor's Finding

program. Twenty-eight positions were opened and subsequently filled in an average of 8 months.

The decision to offer the VPRP was made at the December 2008 Commission meeting. Between that meeting and April 30, 2009, the cutoff date for the VPRP program, the MDC had already hired 25 salaried and 69 part time employees. The MDC indicated the positions filled had either been approved for hiring prior to the decision to offer the VPRP or were deemed critical.

The MDC estimated the VPRP would result in total savings of nearly \$41 million in fiscal years 2011 through 2018. However; those savings will only be attained if the 102 positions are permanently eliminated. If the opened positions are all refilled in an average of 8 months, the VPRP would likely result in savings of \$1.7 million in fiscal year 2011 but over the life of the program the VPRP would increase costs by \$4.1 million. To help control personal service expenditures and achieve the goals of the VPRP, the MDC should ensure the desired number of positions is permanently eliminated.

Recommendations

The MDC:

- 2.1 Consider normal attrition and retirement when calculating cost savings in any future consideration of retirement incentive programs.
- 2.2 Monitor the number of vacant employee positions to ensure cost savings are realized.

Auditee's Response

The Voluntary Payroll Reduction Program was a means to manage staffing reductions in a responsible and deliberate manner. Department management deliberated for the past nine months to develop a viable plan for Commission consideration to accomplish established goals and continue to provide needed services to the public with a reduced number of full-time staff.

Departmental personnel discussed the issues addressed in great detail with state auditors and, unfortunately, the basis and justifications for decisions made were not adequately reflected in this report. The Department is candid about its deliberation processes and is prepared to discuss them with all interested parties.

3. Professional Services Agreements

The MDC did not always require written agreements for outside legal counsel services. Between July 1, 2007, and February 28, 2009, the MDC paid nearly \$528,000 to three legal firms; however, the MDC did not have written agreements specifying the services to be provided, billing rates,



Department of Conservation
Management Advisory Report - State Auditor's Finding

allowable miscellaneous charges, or documentation required to support billed charges.

The Commission approved retention of one firm in June 2000 and the firm continues to provide services. The billing rate was negotiated at \$185 per hour for a lead attorney and has not changed since that time. However, rates for other attorneys, allowable travel costs and other types of charges were not discussed or agreed upon. The MDC paid this firm over \$378,000 during the period July 1, 2007, through February 28, 2009. During the same time period, the MDC maintained no documentation regarding the retention of services of another firm paid about \$124,500, and in November 2005 informally retained another firm, paid about \$25,000, by e-mail. Each of these firms had been retained before the current MDC general counsel was hired. However, the MDC more recently has entered into written agreements with other firms retained within the last 3 years. The current MDC general counsel also developed a list of outside counsel requirements specifying allowable professional fees, expenses and documentation required to support the charges.

Without written agreements, it is difficult to determine the propriety of charges billed. In addition, written agreements are necessary to ensure all parties are aware of their duties and to clarify all compensation allowed. The MDC should develop procedures to ensure engagement letters for outside legal counsel services are prepared and signed by both parties. The agreements should cover all pertinent arrangements and be prepared prior to the services being provided.

Recommendation

The MDC enter into written agreements for all legal services prior to the services being provided.

Auditee's Response

The Department implemented procedures in 2006 to ensure engagement letters were obtained for all legal services.

4. Conservation Area Planning

The MDC has not made significant progress toward ensuring management plans for conservation areas have been developed and updated. In our prior audit report, issued in August 2007, we noted policies and procedures for development and maintenance of area management plans were not followed, no management plans had been developed for some areas, and some areas had under gone extensive expansion or development without the area management plan being updated. In addition, the MDC did not have a centralized tracking system for area management plans that would help identify conservation areas with no management plan. Since the issuance of that report, the MDC indicated they have made some progress toward developing a tracking system for area management plans; however, the MDC has not made development and updating of the plans a priority for regional and area managers. The MDC also indicated it had started but not



Department of Conservation
Management Advisory Report - State Auditor's Finding

completed revision of current area planning policies and procedures which were last updated in 1999. As of June 17, 2009, the MDC had determined management plans existed for only about 250 of 461 named conservation areas. Of the 250 areas with plans, 120 had not been updated according the originally planned schedule or term, or were not updated within 15 years. Many plans were to be updated within 15 years following development of the original plan, some had an expected renewal term ranging from 5 to 20 years, and other plans had no expected renewal term stated. For the purposes of our analysis, we considered a plan to be outdated if no term was indicated and the plan was more than 15 years old.

Area management plans are the primary means to identify existing natural resources and potential resource management activities and public utilization of MDC lands. MDC staff indicated the area plans are an important component in the development of divisional and regional budgets and workload planning.

Recommendation

The MDC ensure area management plans are developed and updated, and complete its revision of area planning policies and procedures.

Auditee's Response

The numbers cited were taken from a preliminary document provided to the state auditors as evidence of our efforts to develop an inventory of area plans. The document was not intended to be used to quantify an audit finding. The Department will continue to dedicate time necessary to complete the area planning process in a prudent and practical manner.

5. Closed Session Minutes

The MDC refused to provide complete copies of closed session minutes for our review based upon its interpretation of the Sunshine Law.

The MDC did provide auditors redacted versions of the closed session minutes that indicated approval of real estate transactions, contract negotiations, award or rejection of bids and other actions that were apparently allowable actions for closed meetings. We also requested and were provided additional documentation related to some of the redacted items. However, we were unable to determine if some actions taken in closed session were reported in open session or made publicly available as required by the Sunshine Law. While the MDC has determined and assured us that the withheld information would have no material effect upon our audit of the department, we could not audit certain transactions or information due to the limitation the department imposed on the scope of our audit.

Section 29.130, RSMo, provides the state auditor with free access to all offices of this state for the inspection of such books, accounts, and papers as concern any of his duties. As a result, the MDC has failed to fully comply



Department of Conservation
Management Advisory Report - State Auditor's Finding

with the provisions of Section 29.130, RSMo. A similar condition was noted in our prior audit report.

Recommendations

The MDC comply with state law regarding state auditor access.

Auditee's Response

The Department's position on access to closed session minutes was based upon a knowledgeable recommendation by the general counsel and informed consent of the Commission.

Department of Conservation

Organization and Statistical Information

The Department of Conservation is constitutionally created pursuant to Article IV, Sections 40(a) and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. At June 30, 2008, the department owned 785,314 acres of land in the state.

The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms.

Commission Members at June 30, 2008

Commissioner	Term Expires
Lowell F. Mohler	July 1, 2009
William F. McGeehan	July 1, 2011
Don Johnson	July 1, 2013
Becky Plattner	July 1, 2013

The commission appoints a director who serves as the administrative officer of the Department of Conservation. The director appoints other employees and is assisted by three assistant directors with programs carried out by the divisions of fisheries, forestry, wildlife, protection, private land services, resource sciences, outreach and education, design and development, administrative services, and human resources.

John Hoskins was appointed Director effective July 1, 2002. At June 30, 2008, the department had approximately 1,512 salaried and 671 hourly employees.

Appendix A

Department of Conservation
Conservation Commission Fund
Comparative Statement of Receipts, Disbursements, Other Financing Uses,
and Changes in Cash and Investments

	Year Ended June 30,	
	2008	2007
RECEIPTS		
Sales and use tax	\$ 103,037,870	103,479,326
Permit sales	30,793,193	30,953,155
Sales, rentals and leases	9,079,285	9,788,096
Federal reimbursements	18,563,048	23,210,663
Interest	1,756,551	1,267,398
Donations, refunds and miscellaneous	8,693,069	2,977,908
Total Receipts	<u>171,923,016</u>	<u>171,676,546</u>
DISBURSEMENTS		
Personal service	69,892,374	70,056,403
Employee fringe benefits	22,266,837	22,012,776
Operations	64,630,018	55,105,295
Capital improvements and acquisitions	9,068,865	16,035,656
Total Disbursements	<u>165,858,094</u>	<u>163,210,130</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	<u>6,064,922</u>	<u>8,466,416</u>
OTHER FINANCING USES		
Appropriations exercised by other state agencies		
OA - Insurance and legal expense	696,809	818,325
OA - Worker's compensation	29,024	29,837
OA - Unemployment insurance	107,099	124,852
Office of the State Auditor	44,349	43,175
Department of Revenue	526,907	516,636
Total	<u>1,404,188</u>	<u>1,532,825</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	<u>4,660,734</u>	<u>6,933,591</u>
CASH AND INVESTMENTS, JULY 1	<u>28,587,343</u>	<u>21,653,752</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 33,248,077</u>	<u>28,587,343</u>

Appendix B

Department of Conservation Comparative Statement of Appropriations and Expenditures

	2008			2007		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
CONSERVATION COMMISSION FUND						
Conservation Programs	\$ 143,254,143	139,052,771	4,201,372	141,048,873	129,029,138	12,019,735
MDC Statewide	6,237,031	5,395,815	841,216 *	18,078,704	17,055,194	1,023,510
MDC Construction	6,891,746	6,891,746	0	0	0	0
Statewide Construction	0	0	0	2,910,463	2,893,927	16,536
Total Conservation Commission Fund	\$ 156,382,920	151,340,332	5,042,588	162,038,040	148,978,259	13,059,781

* Biennial appropriations set up in fiscal year 2008 are re-appropriations to fiscal year 2009. After the fiscal year-end processing has been completed, the unexpended fiscal year 2008 appropriation balance for a biennial appropriation is established in fiscal year 2009. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2008.

Appendix C

Department of Conservation Comparative Statement of Expenditures (From Appropriations)

		Year Ended June 30,				
		2008	2007	2006	2005	2004
Salaries and wages	\$	69,334,485	69,508,506	66,774,975	65,499,807	61,862,996
Benefits		7,751,371	7,813,617	7,831,369	8,091,387	7,921,277
Travel, in-state		1,344,758	1,569,437	1,814,733	1,502,117	1,710,335
Travel, out-of-state		228,750	213,436	206,297	200,892	191,149
Fuel and utilities		1,841,985	1,768,188	1,745,407	1,542,782	1,464,886
Supplies		19,817,090	18,153,916	19,255,380	17,685,334	14,811,623
Professional development		574,010	547,070	542,938	541,493	552,836
Communication service and supplies		1,352,666	1,357,984	1,339,282	1,421,008	1,439,916
Services:						
Professional		10,578,052	8,875,295	9,321,312	9,630,919	11,180,458
Housekeeping and janitorial		1,009,635	1,039,370	939,576	954,628	818,860
Maintenance and repair		1,829,131	2,178,199	2,032,047	1,866,241	1,812,036
Equipment:						
Computer		3,299,013	1,276,563	1,498,067	1,457,058	1,740,536
Motorized		5,235,419	3,107,497	5,508,680	3,905,645	7,707,842
Office		217,124	149,288	438,387	486,839	269,489
Other		2,591,388	1,468,635	2,758,236	2,508,575	2,970,379
Property and improvements		9,068,865	16,035,656	23,581,386	13,088,695	10,852,560
Building lease payments		517,578	519,295	553,811	599,324	664,141
Equipment rental and leases		1,979,073	1,845,351	2,449,988	2,008,214	1,663,201
Miscellaneous expenses		1,627,237	1,708,073	1,734,926	1,703,759	1,644,366
Refunds		194,357	212,812	190,865	197,437	136,818
Program distributions		10,948,345	9,630,071	9,000,546	6,260,484	5,425,221
Total Expenditures	\$	<u>151,340,332</u>	<u>148,978,259</u>	<u>159,518,208</u>	<u>141,152,638</u>	<u>136,840,922</u>

Appendix D

Department of Conservation Statement of Changes in General Capital Assets

		<u>Equipment</u>		<u>Buildings</u>		<u>Land</u>		<u>Construction in Progress</u>		<u>Total General Capital Assets</u>
BALANCE, July 1, 2006	\$	79,151,861		86,077,006		311,090,300		11,647,643		487,966,810
Adjustments		247,046	(1)	400	(2)	(157,924)	(2)	(139,610)	(3)	(50,088)
Additions		4,860,378		9,189,284		4,842,211		5,483,698		24,375,571
Dispositions		<u>(5,785,925)</u>		<u>(463,254)</u>		<u>(507,111)</u>		<u>(7,812,190)</u>		<u>(14,568,480)</u>
BALANCE, June 30, 2007		78,473,360		94,803,436		315,267,476		9,179,541		497,723,813
Adjustments		94,002	(1)	0		0		(423,549)	(3)	(329,547)
Additions		7,560,553		809,810		2,601,604		3,611,376		14,583,343
Dispositions		<u>(4,203,304)</u>		<u>(211,792)</u>		<u>(314,325)</u>		<u>(670,628)</u>		<u>(5,400,049)</u>
BALANCE, June 30, 2008	\$	<u>81,924,611</u>		<u>95,401,454</u>		<u>317,554,755</u>		<u>11,696,740</u>		<u>506,577,560</u>

(1) Adjustments to correct vehicle preparation costs and additional equipment

(2) Adjustments to correct prior year balances

(3) Adjustments to correct infrastructure costs



Susan Montee, JD, CPA
Missouri State Auditor

ADMINISTRATION

Information Technology Consolidation



October 2009

Report No. 2009-112

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Information Technology Consolidation

Survey Responses and Other Comments	<p>Information Technology Services Division (ITSD) employees and agency users provided mixed survey responses regarding the benefit of statewide information technology (IT) consolidation. Slightly more than half of the agency users responding to our survey did not agree the statewide IT consolidation was positive for the users' state agency. However, more ITSD employees responding to our survey agreed, the consolidation was beneficial to the agency the employee supports (37 percent) than disagreed (33 percent) with 30 percent remaining neutral.</p> <p>Many respondents included comments on areas the consolidation benefited as well as areas the consolidation hindered, indicating that while progress had been made, additional steps need to be taken. Two common themes in survey comments were concerns with employee morale and communication. Employees also indicated various concerns with how the consolidation was handled. Our review of several of these concerns indicated various misperceptions about the statewide IT consolidation, which may have existed due to a lack of communication from ITSD management.</p>
Consolidation Goals	<p>The ITSD had accomplished or made progress on all seven consolidation goals established for the statewide IT consolidation in 2005. However, management had not offered security training to state employees and had not fully established a strategic planning process to align technology with business to increase overall customer satisfaction and to present a vision for future goals. Security training is expected to be in place by January 2010, and the strategic plan for 2009 was being refined to focus on the ITSD's customers, according to the state Chief Information Officer.</p>
ACTS Program	<p>ITSD management had not solicited a legal opinion to verify the ACTS (<u>A</u>ppause, <u>C</u>heck It Out, <u>T</u>humbs Up, Gold <u>S</u>tar) program was constitutional, ensured the program was used equitably across the division, or ensured adequate controls over the ACTS system were established. ITSD management established the ACTS program as a way to reward employees for exceptional work. ITSD staff estimated 368 hours of leave had been awarded under this program from July 2, 2007, through March 27, 2009.</p>
Service Level Agreements	<p>Service Level Agreements (SLAs) between the ITSD and user agencies were established by prior management to document the services provided by ITSD and the responsibilities of the user agencies. The current ITSD management identified concerns with the measurements of customer satisfaction after taking office in January 2009. According to ITSD management, reviews of SLA measurements have been suspended pending the resolution of these concerns, and the development of new agreements and measurements.</p>

Project Management

ITSD management had not developed a project management framework to ensure IT systems development and maintenance occur in an effective, efficient manner. Having a complete plan reduces the risk of unexpected costs and project cancellation, improves communications to and involvement of business and end users, ensures the value and quality of the finished project, and maximizes the contribution of the project to the organization. Management allowed each business unit to establish individual project management policies because of the differences between the structure and resources of the business units. As a result, ITSD management lacks assurance that projects are actively managed in a consistent manner, which is necessary to ensure the state receives the maximum benefit of each project at the minimum cost. In addition, the risk that ITSD management cannot effectively manage projects is increased without a time accounting system to track staff availability or manage personal service expenditures.

All reports are available on our Web site: auditor.mo.gov

Contents

State Auditor's Letter		2
<hr/>		
Chapter 1		3
Introduction	Background	3
	Consolidation in Other States	4
	Scope and Methodology	5
<hr/>		
Chapter 2		7
Surveys Produce Mixed Results	Survey Responses	7
	Other Survey Comments	9
	Conclusions	10
	Recommendations	10
	Agency Comments	11
<hr/>		
Chapter 3		12
Governance Techniques and Management Processes Need to be Fully Developed	Consolidation Goals	12
	ACTS Program	13
	Service Level Agreements	17
	Project Management	18
	Conclusions	19
	Recommendations	20
	Agency Comments	20
<hr/>		
Appendixes		23
	Appendix I: ITSD Employee Survey Results	23
	Appendix II: Agency User Survey Results	24
<hr/>		
Tables	Table 1.1: ITSD Expenditures	4
	Table 1.2: ITSD Employee Survey Respondents by Job Type Reported	5
	Table I.1: ITSD Employee Survey Results (Number of Responses)	23
	Table II.1: Agency User Survey Results (Number of Responses)	24
<hr/>		
Abbreviations		
ACTS Applause, Check It Out, Thumbs Up and Gold Star		
CIO Chief Information Officer		
GAO Government Accountability Office		
GASB Governmental Accounting Standards Board		
IT Information Technology		
ITSD Information Technology Services Division		
NASCIO National Association of State Chief Information Officers		
SLA Service Level Agreement		



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Kelvin L. Simmons, Commissioner
and
Steven R. Siegler, Interim Chief Information Officer
Office of Administration
Jefferson City, Missouri

This audit was conducted to review the statewide information technology consolidation effort and the related impact on employees and agency users. The Office of Administration Information Technology Services Division (ITSD) was formed in January 2005 to consolidate information technology (IT) staff and funding for most executive branch agencies. The ITSD's responsibilities include, but are not limited to providing IT services and expertise to customer agencies, providing centralized data center services to state agencies, developing IT policies, and coordinating IT initiatives for the state.

Our audit objectives included determining (1) the impact of statewide IT consolidation efforts on ITSD employees and agency users, (2) whether the goals established by ITSD management for the consolidation of IT resources have been successfully met, and (3) whether ITSD management properly identified and classified IT appropriations to be transferred from agencies to the ITSD as part of the consolidation process.

Surveys conducted of ITSD employees and agency users revealed mixed responses regarding the impact and benefit of statewide IT consolidation. Two of the key areas leading to negative responses were concerns with employee morale and the lack of communication. Prior ITSD management established consolidation goals, IT governance techniques and management processes to guide the IT consolidation and transformation. We found the original consolidation goals have generally been met. However, governance techniques and management processes had not been fully developed.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer, CPA. Key contributors to this report included Jeff Thelen, CPA; Lori Melton, M.Acct., CPA; and Patrick Pullins, M.Acct.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

Introduction

Effective information technology (IT) governance becomes a top priority as the public demands more transparency and accountability in state government. Increasing demands and fiscal stress are requiring state government to search out technology enabled transformation. IT is now firmly entrenched in the fabric of state government as greater reliance is placed on all aspects of IT to conduct the business of the state. To facilitate this transformation, state officials consolidated most IT resources.

Background

Prior to statewide IT consolidation, each state department had one or more IT units. In recent years, governors have taken steps to consolidate these IT units into one statewide division. The following is a timeline of the steps taken towards consolidation:

- December 2003 – The Office of Information Technology, located within the Office of Administration for administration purposes, was created. The office was responsible for coordinating IT initiatives for the state and was headed by the Chief Information Officer (CIO).
- January 2005 – The Office of Information Technology was consolidated with the Office of Administration's Division of Information Services, creating the Information Technology Services Division (ITSD). A new CIO was named at that time.
- July 2005 – The consolidation of the IT units in 13 of the executive agencies began. The IT appropriations were included in the agency budgets. However, the ITSD had final approval of all IT expenditures as funding for each of these units was placed under the authority of the ITSD.
- July 2006 – The Department of Revenue's IT unit was included in the consolidation. The transfer of funding and personnel to the ITSD was completed.
- January 2009 – A new Governor took office and appointed a new CIO.

IT units from the following 14 state departments (agencies) were consolidated in the ITSD: Agriculture; Corrections; Economic Development; Elementary and Secondary Education; Health and Senior Services; Higher Education; Insurance, Financial Institutions & Professional Registration; Labor and Industrial Relations; Mental Health; Natural Resources; Office of Administration; Revenue; Social Services; and select divisions of Public Safety.

When planning for the statewide IT consolidation in the spring of 2005, ITSD management reviewed the IT expenditures of consolidating agencies to determine the amount of funds to transfer to the ITSD. In fiscal year 2006, the ITSD was authorized to spend the IT funds at each consolidated agency, but the funds remained with each agency. In fiscal year 2007, the

funds were fully transferred to the ITSD's budget. Table 1.1 lists the ITSD's expenditures since the funds were transferred:

Table 1.1: ITSD Expenditures

Fiscal Year	Expenditure Amount
2007	\$174,341,931
2008	174,415,230
2009	198,304,205
Total	\$547,061,366

Source: SAO analysis of expenditure records

As of October 1, 2009, the ITSD is implementing a pilot project at an agency to organize IT along functional instead of territorial (agency) lines. This pilot will assign certain staff who typically work on programs specific to an individual agency's mission, including application development staff, directly to the agency. The staff whose typical work is not required to be agency-specific will be centrally managed by the ITSD. According to the CIO, this pilot and related appropriations will be reviewed in December 2009 to determine whether the project is worth pursuing further or discontinuing.

Consolidation in Other States

At least 42 states have undertaken some form of IT consolidation, according to the National Governor's Association. Because each state is unique, it is difficult to draw comparisons between states regarding their consolidation efforts. Some states had just started the process of consolidating infrastructure, such as data centers, which was done in Missouri many years ago. We found few states have consolidated to the extent Missouri has.

While many states have consolidated IT infrastructure across state government, few had also consolidated personnel. States that had consolidated IT personnel include Kentucky, Michigan, and Missouri.

The state of Michigan is widely considered to be one of the best examples of IT consolidation in the country and has been widely studied. In 2001, the Michigan governor signed an executive order centralizing IT resources and functions from 19 state agencies, encompassing all IT personnel, equipment, and activities. In an interview with Government Technology staff, Michigan's CIO provided the following actions that contributed to the state's successful IT consolidation:¹

- Control IT spending, so that agencies work with the IT department

¹ "Teri Takai: Survival Guide to IT Consolidation," *Government Technology*, <<http://www.govtech.com/em/96746>>, accessed April 22, 2009.

- Control projects to gain credibility
- Make service delivery a priority
- Focus on employee morale, including employee communication
- Focus on financials to be able to justify the consolidation financially
- Cultivate relationships with agency customers
- Establish a strong relationship with the governor
- Develop an IT strategic plan
- Follow through with plans

Scope and Methodology

To determine the impact of statewide information technology consolidation efforts on ITSD employees and agency users, we prepared surveys to send to these two groups of individuals. We sent surveys on February 9, 2009, to 400 ITSD employees and 83 agency users. We randomly selected the 400 ITSD employees from a list of 1,088 ITSD employees active at January 20, 2009, who had been employed at the ITSD at least a month. The 83 agency users were identified by agency audit liaisons as users of ITSD services and included individuals at every agency served by the ITSD. We received responses through March 23, 2009, from 270 employees and 142 agency users,² including at least one response from each agency surveyed. The results of the surveys are included at Appendixes I and II. Respondents were also asked to provide comments such as specific areas the consolidation helped or hindered.

The majority of ITSD employees responding to the survey indicated they were technical staff, such as computer programmers or database administrators. The survey did not request which division the employee supported. Table 1.2 lists the ITSD employee survey respondents by job type reported:

Table 1.2: ITSD Employee Survey Respondents by Job Type Reported

Job Type	Count	Percent
Technical	220	82
Management	29	11
Financial	8	3
Clerical	4	1
Other	3	1
Not Reported	6	2
Total	270	

Source: SAO analysis of returned ITSD employee surveys.

² See Appendix II for an explanation of the number of agency user responses.

We obtained the employment records for ITSD employees for January 2009 and July 2006 from the statewide accounting system for human resources. We did not perform specific procedures to ensure reliability because we considered the risk of unreliable results to be insignificant. We matched these two data sets to determine changes made in employment status from the beginning of consolidation to the time of our review.

To determine whether the goals established by ITSD management for the consolidation of IT resources for the executive branch agencies had been successfully met, we conducted interviews with appropriate management and staff and requested and reviewed available documentation.

To determine whether ITSD management properly identified and classified IT appropriations to be transferred from agencies to the ITSD as part of the consolidation process, we conducted interviews with appropriate management and staff, reviewed the structure of coding for state and federal expenditures, and surveyed agency users regarding accounting for federal award expenditures. Based on our analyses, we found no issues with the identification and classification of IT funds appropriated as part of the consolidation.

To evaluate Missouri's IT consolidation in comparison to other states, we reviewed documentation available on the National Association of State Chief Information Officers (NASCIO), National Governors Association, Government Technology and other national organization and state websites.

We based our work on accepted state, federal, national and international standards and best practices related to IT security controls from the following sources:

- Missouri Adaptive Enterprise Architecture³
- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)
- IT Governance Institute Control Objectives for Information and related Technology (COBIT)

³ The Enterprise Architecture includes standards, policies and guidelines established by the ITSD. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains are not fully developed, but define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets.

Surveys Produce Mixed Results

ITSD employees and agency users provided mixed survey responses regarding the benefit of statewide IT consolidation. Two of the key areas leading to negative responses related to employee morale and communication. Employees also indicated various concerns and perceived problems with how the consolidation was handled. Better communication, could have minimized ITSD employees' and agency users' concerns.

Survey Responses

Slightly more than half of the agency users responding to our survey did not agree the statewide IT consolidation was positive for the users' state agency. However, more ITSD employees responding to our survey agreed, the consolidation was beneficial to the agency the employee supports (37 percent) than disagreed (33 percent) with 30 percent remaining neutral. In survey comments, ITSD employee respondents were almost twice⁴ as likely to say the IT consolidation did not benefit any areas as to say the consolidation did not hinder any areas. Agency user respondents were three times⁵ as likely to say the same thing. Many respondents included comments on areas the consolidation benefited as well as areas the consolidation hindered, indicating that while progress had been made, additional steps need to be taken. Two common themes in survey comments were concerns with employee morale and communication.

Morale

Thirteen percent of ITSD employee respondents commented that employee morale had been low since the statewide IT consolidation. The reason given most often (by 28 respondents) was that flextime and casual dress policies were eliminated by management. Respondents cited several reasons these policies should be reconsidered:

- A different dress code than the one followed by the agency where the employee is located makes the IT employees stand out and separates them from the agency personnel being supported.
- ITSD employees no longer work the hours of the agency they support and may not be available during the agency's normal work hours.
- Casual dress and flextime policies were seen as perks to make up for the state's lower pay scale.
- Personal reasons, such as scheduling problems with day care.

⁴ 35 employee respondents said there were no areas the consolidation helped, while 18 respondents said there were no areas the consolidation hindered.

⁵ 34 user respondents said there were no areas the consolidation helped, while 10 respondents said there were no areas the consolidation hindered.

According to a NASCIO survey of state CIO's performed in 2007,⁶ nearly half of all respondents indicated workplace flexibility is an attraction for new IT employees. People are important assets, and governance and the internal control environment are heavily dependent on the motivation of personnel, according to accepted standards.

ITSD management indicated these policies were under review. In June 2009, the CIO said a flextime policy was being tested at one business unit. The CIO also told us this program has been effective at helping morale and it will probably be rolled out to the remainder of the ITSD during 2009. The CIO said the dress code policy had been reviewed, but a decision had not been made on the issue.

Communication

Both ITSD employees and agency user respondents commented on the state of communication since consolidation. While there were eight positive comments from employees, there were negative comments regarding communication from 18 employees and 15 agency user respondents. In addition, 29 percent of users responding to our survey did not agree ITSD management effectively communicates with the users' agency.⁷ According to the comments, the problems centered on communication from ITSD central office to staff or users. Users respondents generally said the staff they deal with regularly (ITSD employees at the agencies) communicate well; however, low ratings were given for communication with the ITSD central office, including upper management. Additionally, ITSD employees commented they were not always informed of changes (e.g. network or computer environment changes) made by central office staff. These changes caused system issues at the agencies that could have been prevented had ITSD employees at the agencies been made aware of the changes in advance.

According to accepted standards, communication is necessary to articulate the mission, service objectives, policies and procedures, etc., approved and supported by management. The communication supports achievement of IT objectives and ensures awareness and understanding of business and IT risks, objectives and direction. According to a NASCIO Issue Brief,⁸ communication is crucial to a successful IT consolidation initiative. Periodic

⁶ "State IT Workforce: Here Today, Gone Tomorrow? A National Survey of the States," *NASCIO*, September 2007, <<http://www.nascio.org/publications/documents/NASCIO-HereTodayGone%20Tomorrow.pdf>>, accessed March 20, 2009.

⁷ See Appendix II for the full question and responses.

⁸ "IT Consolidation and Shared Services: States Seeking Economies of Scale," *NASCIO Issue Brief*, March 2006, <http://www.nascio.org/publications/documents/NASCIO-Con_and_SS_Issue_Brief_0306.pdf>, accessed June 25, 2009.

meetings and written communications with agency management and employees, can help the CIO instill a sense of common goals and trust within and between the organizations involved in the effort.

Current ITSD management had taken steps to increase communication. An internal blog was created for the CIO to disseminate information to employees. Employees may then respond to the blog or ask additional questions. The CIO had also met with management at each agency supported to discuss the services provided.

Other Survey Comments

ITSD employee and agency user respondents commented on various concerns and perceived problems about the statewide IT consolidation in survey comments. Our review of several of these concerns indicated various misperceptions about the statewide IT consolidation, which may have existed due to a lack of communication from ITSD management. We specifically reviewed, and found reasonable explanations existed for the following concerns:

- Additional management
- Salary increases for certain job titles or units
- Procurement delays
- Technical staff required to become fiscal staff

Additional management

Employees responding to the survey commented there were additional management positions employees must report to. Our review of the employment records confirmed there were more employees with a managerial title in 2009 than 2006. However, ITSD management said there were more employees with a managerial title because employees' job titles were reclassified as part of the consolidation process to reflect the employees' actual job duties more accurately. This process included changing the job titles for some employees.

Salary increases given to certain job titles or units

Concerns were raised in employee survey comments that raises were given to certain groups of employees arbitrarily. Our review of the employment records confirmed there were increases in the average salary, other than cost of living adjustments, for employees in certain business units. ITSD management said salary adjustments were made to equalize pay across the consolidated business units. Raises or promotions, when warranted, were given to individuals to set the salaries within established salary ranges.

Procurement delays

A total of 29 employee and 14 agency user respondents documented concerns with procurement, often stating the process had become slower after the consolidation. According to ITSD management, each step in the procurement process is expected to be completed within one business day.

ITSD management provided the following reasons procurement may appear to be slow:

- An agency delay in approving the request before submitting it to the ITSD. Some agencies require an extra level of agency approval before submitting the request to the ITSD for processing.
- ITSD business unit directors and designees were unavailable to approve the request in a timely manner.
- A problem with the coding of the transaction in the statewide accounting system.
- The vendor backordered the request or was otherwise unable to fulfill it in a timely manner.
- The request was held to combine in a bulk purchase of IT equipment.

ITSD management said these delays may not have always been communicated to the requesters.

Technical staff required to become fiscal staff

Employees commented in surveys that staff in technical positions prior to the consolidation were required to move to fiscal or accounting positions after the consolidation. However, our analysis of employment records showed only three employees with a fiscal job title in 2009 had a technical job title in 2006. In addition, according to ITSD management, some staff may have additional financial-related duties since the consolidation, but their job titles and core job responsibilities had not changed. For example, some business units now have budgetary responsibilities, whereas the agency fulfilled this responsibility before the consolidation.

Conclusions

ITSD management is working to resolve many issues that have existed since inception of the statewide IT consolidation process. With more attention paid to increasing morale and communication, resistance should decrease and employees and users should be able to see the benefits of statewide IT consolidation.

Recommendations

We recommend the Chief Information Officer of the Information Technology Services Division:

- 2.1 Reevaluate current employee policies and procedures that are negatively impacting employee morale.
- 2.2 Continue to take steps to improve communication between the various entities involved in the statewide IT consolidation.

Agency Comments

2.1 *ITSD will reevaluate employee policies and procedures. ITSD has initiated a pilot project related to the use of flextime. In addition, casual dress days have been allowed on a limited basis. Action will be taken depending on the results of these trials. It should be noted that some policies that may impact employee morale are department or statewide policies and not solely under the control of the Chief Information Officer.*

2.2 *As noted in the audit, the Chief Information Officer created an internal blog to allow anonymous, anytime two-way communications between ITSD staff and the CIO. The first blog was posted on March 2, 2009. In addition, the Chief Information Office has held informational meetings with all ITSD units to improve communication. ITSD in the past year modified the process followed when informing users of changes to the central network and computer environment. The scope of who is notified and when they are notified was expanded. ITSD will continue to seek ways to improve communication with employees and the departments we serve.*

Governance Techniques and Management Processes Need to be Fully Developed

The state CIO is responsible for ensuring state IT services are delivered in the most efficient and cost effective manner possible. Although consolidation provided the opportunity to improve state IT services, the process resulted in a fundamental change in the way IT is governed, managed, and operated in the state. Prior ITSD management established consolidation goals, IT governance techniques, and management processes to guide the transformation. The original consolidation goals have generally been met. However, governance techniques and management processes had not been fully developed. Management cannot ensure the ITSD's mission of effectively providing technology services and solutions for the State of Missouri agencies is fulfilled until the governance techniques and management processes are more fully developed.

Consolidation Goals

The ITSD had accomplished or made progress on all seven consolidation goals established for the statewide IT consolidation in 2005. The goals were established to reduce state expenditures for IT services and implement more effective IT solutions. The goals included:

- Consolidate email and Active Directory⁹ services within consolidated agencies
- Consolidate physical networks
- Reduce telecommunication costs
- Continue bulk purchase of IT equipment
- Reduce variable costs of the State Data Center
- Plan for information sharing during systems development
- Increase and standardize security strategies

Security training

While ITSD had taken steps to enhance security for state computer networks, management had not offered security training to state employees. Of the 126 users who responded to the security training question on our survey, 53 users (42 percent) did not agree the ITSD had initiated efforts to increase security training for agencies.

Training is an essential component of a security program. Computer intrusions and security breakdowns often occur because computer users fail to take appropriate security measures. For this reason, it is vital employees using computer resources be aware of the importance and sensitivity of information they handle, as well as business and legal reasons for maintaining its confidentiality, integrity, and availability, according to GAO.

⁹ Microsoft's Active Directory is a centralized and standardized system that automates network and resource management.

Accepted standards require that all employees of an organization receive security training adequate to their responsibilities with the organization. ITSD management indicated they are aware of the need for computer security training for state employees. According to ITSD management, ITSD staff are modifying a federal security training system to provide to all state employees. This training is expected to be in place by January 2010. Until security training is in place, management's ability to rely on employees to help protect and ensure the confidentiality, integrity, and availability of information in today's highly networked systems environment is reduced.

Strategic plan

Although the ITSD had accomplished most of the original goals set for the statewide IT consolidation, management had not fully established a strategic planning process to align technology with business to increase overall customer satisfaction and to present a vision for future goals. ITSD employees commented in surveys that there were still unrealized benefits of consolidation and consolidation was not complete. One respondent said "If you want to make a true impact for the future, you need to standardize more than just operating systems, domains and e-mail."

According to the GAO, strategic planning is vital to create an agency's IT vision or roadmap and help align its information resources with its business strategies and investment decisions. It is important the agency identify goals, resources, and dependencies in the context of its strategic vision. The ITSD is required to present an annual report to the legislature, in which a strategic plan is presented. The most recent plan, submitted in December 2008, did not discuss the resources or operating environment of the ITSD. The plan only included basic goals and simple measurements. The plan did not include investment/operational budgets, funding sources, sourcing strategies, acquisition strategies, or legal and regulatory requirements, as required by accepted standards. The plan for 2009 was being refined to focus on the ITSD's customers, according to the CIO.

ACTS Program

ITSD management had not solicited a legal opinion to verify the ACTS (Appraise, Check It Out, Thumbs Up, Gold Star) program was constitutional, ensured the program was used equitably across the division, or ensured adequate controls over the ACTS system were established. ITSD management established the ACTS program as a way to reward employees for exceptional work. State employees who receive exceptional service from an ITSD staff member are encouraged to visit an intranet site to provide information about the experience. The staff member who provided the service then receives an ACTS card email from the online system. The system automatically tracks the number of cards awarded to each staff member. Once the employee accumulates 10 cards (and for every 5 cards

thereafter), the employee is awarded 2 hours of paid leave. ITSD staff estimated 368 hours had been awarded from July 2, 2007, through March 27, 2009.

Program may not be constitutional

ITSD management allows employees to issue ACTS cards as a reward for extraordinary service provided by an ITSD employee. Because these cards are then redeemed for time off with pay, the benefit could be construed to represent additional compensation for work performed.

Article III, Section 39, of the Missouri Constitution, prohibits granting any extra compensation, fee, or allowance to employees for services already rendered, and Attorney General's Opinion No. 72, 1955 to Pray, states, "... a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

It is unclear whether the leave permitted under the ACTS program grants additional compensation for services already rendered, which violates the Missouri Constitution. ITSD management said a legal analysis of the program had not been performed to determine constitutionality.

Program usage was not equitable across ITSD

The ACTS program was established as a way to reward ITSD employees, according to program documentation; however, ITSD employees indicated the program was not being used equitably across ITSD business units. Thirty-one survey respondents indicated they had never heard of the program.

ITSD staff provided a report showing the number of ACTS cards issued each year since the program was started. As of March 27, 2009, 404 ACTS cards had been issued during calendar year 2009. ITSD employees in 5 of 14 business units had not received any of these cards, while employees in 2 other units had received over half (204) of the cards. ITSD management stated the major reason for this discrepancy is that business units with more cards issued had similar programs prior to the IT consolidation, meaning the employees are more knowledgeable about the program and more likely to use it. However, different reasons were cited by multiple survey respondents, including:

- Our ITSD business unit management does not support the program.
- Only a select few contribute or benefit.
- The program gives supervisors a chance to play favorites.
- Some ITSD units were told not to use the system very much, while other units abuse it.

-
- The program is not being used in our unit.

Without ensuring uniform support for the program across the division, the ACTS card program is not benefiting all eligible employees and may lead to employee morale problems. More employees responding to our survey disagreed the ACTS program helped boost employee morale, (40 percent) than agreed (23 percent) with 37 percent remaining neutral.

Numerous issues were noted with the ACTS computer system

ITSD management relies on an internally developed computer system to administer the ACTS program. This system is responsible for awarding cards to employees, crediting employees with leave once earned, and tracking leave balances to allow supervisors to ensure employees do not use more leave than they have accrued. However, the system is missing the following functions:

- A record of total leave awarded or leave used.
- A method to detect calculation and recording errors.
- Appropriate reports to manage the program.

Leave awarded and used was not recorded

Total leave awarded or used by employees in the program was not recorded in the ACTS system. When an employee accumulates enough cards for leave to be awarded, the employee's supervisor receives a notification email, instructing the supervisor to log in to the system and approve the leave. After the supervisor does so, the system automatically adds 2 hours to the employee's leave balance. When using leave, administrative staff are responsible for recording leave usage in the system. The administrative staff does not enter a negative entry to record the leave time used, but rather must manually calculate the new balance and then change the balance in the system. As a result, the system did not contain an audit trail of leave time used. In addition, the balance could have been inaccurately recorded in the system if errors were made calculating or entering the new leave balance. Finally, because only the current balance is tracked, there was no record of total leave awarded.

According to the GAO, audit trails of transactions are necessary to track the pertinent information related to application transactions, ensure the data was processed completely and accurately, and to ensure the data retains its validity.

System edits are needed to prevent or detect errors

According to accepted standards, data entered for processing by users should be subject to a variety of controls to check for accuracy,

Reporting functions need to be improved

completeness, and validity. System edits¹⁰ needed to prevent or detect certain errors had not been established in the ACTS system. For instance, the ACTS system did not have system edits to verify if the leave balance for an employee was reasonable. When auditors requested ITSD staff to verify if an edit was in place for the leave balance data, the staff were able to increase an employee's leave balance to 100 hours, even though the employee did not have a sufficient number of cards to allow that balance. System edits could prevent an employee from having more hours of leave accrued than allowed based on the number of cards issued.

The ACTS system did not have adequate reporting functions available to manage the program. As discussed above, the system did not retain records of leave awarded or used, only leave balances. According to the GAO, one of the key elements of output controls is having an overall reporting strategy. The strategy helps to reasonably assure that content and availability of reports is consistent with end users' needs. The strategy should specifically consider compliance with laws and regulations and the business needs and functionality of reports. In addition, formal procedures should be established to help assure output control totals are accurate and are being verified.

Auditors requested a report showing the number of cards awarded to each employee, along with the leave awarded, used, and current balance. ITSD staff said because only recorded balances were maintained in the system, information for leave amounts awarded and used could not be provided. In addition, ITSD staff were unable to provide a system-generated report of the current leave balances. The balance of leave outstanding could be determined by reviewing all employees one at a time using the system, but the system did not have the functionality to generate a report of the total outstanding leave balance for all employees. ITSD staff provided a report showing the total number of cards received summarized by ITSD unit and the estimated leave hours those cards generated. Staff indicated that they manually calculated the leave hours earned from a listing of all cards issued since the program was established, and this report was not system-generated. However, since these hours were estimated and there was not an audit trail, we were not able to verify the validity of the 368 hours reported.

¹⁰ An edit, also known as a data validity check, is program code that tests the input for correct and reasonable conditions, such as account numbers falling within a range, numeric data being all digits, dates having a valid month, day and year, etc.

Service Level Agreements

Service Level Agreements¹¹ (SLAs) between the ITSD and user agencies were established by prior management to document the services provided by ITSD and the responsibilities of the user agencies. Accepted standards require that management define IT services and levels, monitor these levels, and report on the service levels to business customers. As part of the agreements, ITSD and agency user management were to meet quarterly to review measurements of customer satisfaction. However, the agreements did not specify the measurements to be used, and the measurements used did not adequately measure customer satisfaction. For example, one chart reported the length of time to solve help desk calls; however, this chart failed to include all help desk calls, which artificially deflated the time reported.

The current ITSD management identified concerns with the measurements of customer satisfaction after taking office in January 2009. According to ITSD management, reviews of SLA measurements have been suspended pending the resolution of these concerns, and the development of new agreements and measurements. ITSD management was reviewing alternate measurements as of June 2009 and did not have an expected date of completion.

According to ISACA's Information Systems Control Journal,¹² a "SLA is a necessity between a service provider and service beneficiary because a service can be called "bad" or "good" only if this service is clearly described. Moreover, it formalizes the needs and expectations of the organization and serves as a kind of guarantee for both parties. In this way, potential misunderstandings are reduced and a clear view is given on the priorities of the service and its delivery. . . A balanced SLA is a compromise between the needs, expectations and requirements of the organization (user group) and the service provision capabilities and promises of the service provider. At the same time, it must protect the service provider by limiting liability, identifying responsibilities and rationally managing user expectations."

¹¹ A SLA is "a written agreement between information technology and the organization's business units spelling out the IT products and services to be delivered, and stating the performance criteria to be met. "IT Service Delivery and Support, Guideline 5," *International Federation of Accountants*, <http://www.ifac.org/Members/DownLoads/ITC-Guideline_5.pdf>, accessed April 15, 2009.

¹² Grembergen, Wim Van, Ph.D., Steven De Haes and Isabelle Amelinckx. "Using COBIT and the Balanced Scorecard as Instruments for Service Level Management." *Information Systems Control Journal*, Volume 4 (2003): 56-62.

Project Management

ITSD management had not developed a project management framework to ensure IT systems development and maintenance occur in an effective, efficient manner. Accepted standards require that a project management framework be developed for each project undertaken by an organization. This framework includes the project's master plan, assignment of resources (financial, personnel, and materials), definition of project deliverables, delivery phases, testing plans, and post-implementation review to ensure risk management and value delivery. Having a complete plan reduces the risk of unexpected costs and project cancellation, improves communications to and involvement of business and end users, ensures the value and quality of the finished project, and maximizes the contribution of the project to the organization.

According to ITSD management, a centralized project management process had not been established. Management allowed each business unit to establish individual project management policies because of the differences between the structure and resources of the business units. As a result, ITSD management lacks assurance that projects are actively managed in a consistent manner, which is necessary to ensure the state receives the maximum benefit of each project at the minimum cost.

Accepted standards state an overall project management framework is also necessary at the organization level. At this level, the framework is necessary to facilitate the assignment of resources among the projects managed by the individual business units. Without a process in place for project management at the organization level, non-critical projects may be assigned resources ahead of critical ones. Additionally, the lack of a project management framework reduces the ability of ITSD business units to share solutions to problems because each unit works independently to solve similar challenges.

A time accounting system is needed

The risk that ITSD management cannot effectively manage projects is increased without a time accounting system to track staff availability or manage personal service expenditures. A time accounting system would allow management to determine which employees (with their associated skill sets) are available for assignment to a given project. To simplify the statewide IT consolidation effort, ITSD management instructed personnel to continue using the payroll systems in place prior to consolidation, with the intent of later developing a system for use by all ITSD employees. As of June 2009, ITSD had not implemented a comprehensive time accounting system.

ITSD projects are funded from a multitude of funding sources. Requirements attached to some funding sources, such as federal grants,

require that expenditure of those funds be used for specific purposes. Any reporting requirements related to funding sources remain the responsibility of the agency receiving the funding, not the ITSD. For expense and equipment expenditures, ITSD management collaborated with agencies facing reporting requirements to ensure expenditures were reported in a manner that supports the agencies' current reporting systems. This method allowed agencies to continue using existing reporting systems. However, there is no such capability for personal service expenditures. With the current fragmented payroll and timekeeping systems, adjustments had to be made to payroll records to allow an employee to be assigned to a project for another business unit needing the employee's skill sets.

Additionally, Governmental Accounting Standards Board (GASB) Statement 51, effective June 2009, requires certain personal service expenditures related to software development to be capitalized as an asset. ITSD management did not have the capability to provide a single point of reference to determine costs to be capitalized.

Conclusions

ITSD management had not fully developed the IT governance techniques and management processes needed to ensure the ITSD's mission of effectively providing technology services and solutions for the State of Missouri agencies was fulfilled. Management accomplished or made progress towards all goals established for the statewide IT consolidation. However, security training for state employees, which is an essential component of a security program, had not been established. A strategic plan, detailing the alignment of technology with business to increase overall customer satisfaction and to establish a vision for future goals, had not been documented. A program established to reward employees for exceptional work had not been reviewed to ensure it is constitutional, was not being used equitably across the division, and was lacking necessary controls and reporting functions. ITSD management did not have assurance customer needs were being met because management had suspended reviewing service level agreement measurements of customer satisfaction. ITSD management had not established a project management framework to minimize the risk of unexpected costs, project cancellation, and other problems affecting project quality. In addition, projects cannot be managed as effectively without a time accounting system to track staff availability, skills, and costs. To ensure IT services are delivered in the most efficient and cost effective manner, the governance techniques and management processes started during the consolidation need to be enhanced and fully developed.

Recommendations

We recommend the Chief Information Officer of the Information Technology Services Division:

3.1 Implement a security training program for state employees. The program should ensure trainees:

- Understand the roles and responsibilities related to the organizational mission.
- Understand the organization's IT security policy, procedures, and practices.
- Have at least adequate knowledge of the various management, operational, and technical controls required and available to protect the IT resources for which they are responsible.

3.2 Review and revise the strategic plan to align IT goals with business goals and to present a vision for future goals.

3.3 Review the ACTS program to determine if it is constitutional and beneficial to ITSD operations. If the ITSD determines the program is legal, beneficial, and will be continued, the division should ensure all business units are aware of the program and take action to update procedures and records by implementing the following controls:

- Maintaining a record of total leave awarded and used, and automate the leave balance calculation process.
- Establish edits to verify the reasonableness of leave and balance data.
- Establish management reporting capabilities including reporting leave time awarded, used, and balances of leave time outstanding.

3.4 Finalize the development of new service level agreements that specify and adequately measure levels of agency user satisfaction.

3.5 Implement a formal project management framework and system to ensure projects are appropriately managed and fulfill stated objectives.

3.6 Develop a comprehensive time accounting system to improve personnel/skill assignment and to facilitate and ensure compliance with federal reporting requirements.

Agency Comments

3.1 *ITSD will provide online security training for state employees. Training is expected to begin in October 2009, which Governor Nixon has designated as Cyber Security Awareness Month. In addition, a Cyber Security Awareness site has been established at www.cybersecurity.mo.gov.*

3.2 *ITSD has initiated the development of a new strategic plan to better align business goals and IT, and to provide a road map for the future, pending the findings and recommendations of this audit. ITSD will provide a strategic plan that aligns IT goals with business goals and delivers a vision for Missouri's technology future. ITSD is reviewing options that may help advance the business goals of the departments supported by ITSD.*

3.3 *This program does not violate Article III, Section 39(3) of the Missouri Constitution, which states that, "The general assembly shall not have power . . . [t]o grant or to authorize any county or municipal authority to grant any extra compensation, fee or allowance to a public officer, agent, servant or contractor after service has been rendered or a contract has been entered into and performed in whole or in part" Missouri courts have interpreted this constitutional provision to prohibit extra payment after services are rendered. However, it has not been found to be applicable to compensation earned during the services performed but taken after the period of service. See Missouri Attorney General Opinion Letter, No. 114-87 (finding that the State Treasurer did not violate the Missouri Constitution when it gave a salary repositioning adjustments to employees), citing *State ex rel. Cleveland v. Bond*, 518 S.W.2d 649 (Mo. 1975); *Jackson v. Wilson*, 581 S.W.2d 39 (Mo.App. 1979); and *Vangilder v. City of Jackson*, 492 S.W.2d 15 (Mo. App. E.D. 1973) (the payment of accumulated sick leave benefits to a city employee did not violate constitutional provision prohibiting payment of extra compensation after services has been rendered.)*

Further, pursuant to 1 CSR 20-5.020 (8)(B)(5), an appointing authority may grant an employee time off from duty, with compensation, for "extraordinary reasons sufficient in the opinion of the appointing authority to warrant such time off with compensation."

Accordingly, the ACTS Program provides leave with pay that was earned during the extraordinary services performed; albeit, the leave can be taken after the period of service. Further, the ACTS Program conforms to the applicable state regulation.

Nevertheless, the Office of Administration has reviewed the findings and concerns raised by the State Auditor as it relates to the ACTS Program. In particular, it has reviewed the issues regarding the manner in which the program has been implemented over time and the software created to document use. ITSD believes that the current automated system supplemented with additional manual tracking provides adequate controls. Modifying the current system to include additional controls

would take limited resources away from high priority projects for our agency customers. According to the survey conducted by the State Auditor, 77 percent of the respondents disagreed or were neutral when asked if the ACTS program helped boost employee morale. Upon review, the Office of Administration has decided to discontinue the availability of this program based on administrative concerns regarding past practice of the program. ITSD will review other methods of allowing staff to recognize outstanding service.

3.4 ITSD had suspended making changes to service level agreements pending the findings and recommendations of this audit. ITSD plans to include agency user satisfaction and ITSD employee satisfaction performance measures.

3.5 ITSD agrees to formalize a standard project management framework and system.

3.6 ITSD agrees that a comprehensive time accounting system would be beneficial; however, the cost to develop an independent single system has been cost prohibitive. The development of a timekeeping system as part of an Enterprise Resource Planning (ERP) system would likely provide the most benefit when compared to cost. ITSD is supportive of replacing or upgrading the current ERP system (commonly called SAM II); however, with the current budget situation of the state it will be difficult to obtain the needed appropriation. Meanwhile, ITSD continues to develop an in-house timekeeping solution for deployment when complete.

ITSD Employee Survey Results

A survey questionnaire was sent to 400 ITSD active employees as of January 20, 2009, who had been employed at the ITSD at least a month. A total of 270 responded to the survey giving a response rate of 67 percent. The results of this survey follow in Table I.1.

Table I.1: ITSD Employee Survey Results (Number of Responses)

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The consolidation has been beneficial to the agency you support.	21	67	78	79	18
The consolidation has been beneficial to the state.	13	39	81	89	42
Implementation of the consolidation effort has been effective.	10	58	75	97	18
The backgrounds, skill sets, experience and staffing are adequate to support the agency you support.	20	45	42	120	40
You have the support you need to perform your job.	7	36	46	136	44
The consolidation has resulted in improved infrastructure support (i.e. for network operations, e-mail, etc.).	15	63	70	77	30
IT resources are used mainly to support basic functions, such as maintaining desktop computers.	53	91	65	39	6
The consolidation has resulted in improved support for agency-specific IT needs.	24	84	80	56	11
The consolidation has allowed agencies to devote more time on solutions needed to fulfill the agencies' missions.	35	67	97	42	11
The ACTS (Applause, Check It Out, Thumbs Up and Gold Star) Card program helped boost employee morale.	52	50	96	44	14

Note: Certain respondents did not provide a response to one or more questions on the survey.
Source: SAO analysis of returned ITSD employee surveys.

Agency User Survey Results

A survey questionnaire was sent to 83 users of ITSD services, including individuals at each consolidated agency serviced by ITSD. We received 142 responses, a 171 percent response rate. Many of the agency contacts made additional copies of the questionnaire so more employees that utilize ITSD services could respond to the survey, thus causing a very high response rate. The results of this survey follow in Table II.1.

Table II.1: Agency User Survey Results (Number of Responses)

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The consolidation has been beneficial to your agency.	27	44	54	10	6
Implementation of the consolidation effort has been effective.	22	34	56	20	4
ITSD management effectively communicates with you.	15	25	36	45	16
The timeliness of ITSD staff's responses to requests for assistance has improved or remained at a high level through the consolidation.	15	39	34	37	14
ITSD employees' backgrounds, skill sets, experience and staffing are adequate to support your agency.	6	30	32	55	17
The consolidation has resulted in improved IT infrastructure support (i.e. network operations, e-mail, desktop/laptop computers, etc.).	21	34	52	28	4
The consolidation has resulted in improved support of the development and maintenance of your agency's core business applications.	24	42	51	14	4
ITSD has initiated efforts to increase security training for agencies.	10	43	51	19	3
Federal award expenditures are appropriately accounted for by ITSD.	4	3	57	13	3

Note: Certain respondents did not provide a response to one or more questions on the survey.
Source: SAO analysis of returned ITSD user surveys.



Susan Montee, JD, CPA
Missouri State Auditor

City of Crystal City



October 2009

Report No. 2009-111

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report on the City of Crystal City.

The city does not solicit or retain bid documentation for the purchase of some goods and services. The city utilized an outside law firm, not the City Attorney, for legal matters surrounding several lawsuits brought against the city pertaining to real estate transactions and Sunshine Law violations without approval of the Council or soliciting proposals. The city paid approximately \$139,000 and \$94,000 to this law firm for the years ended March 31, 2009 and 2008, respectively. Payments totaling \$470 on credit cards and \$33,795 for asphalt material were paid from summary statements and individual charge tickets or receipts were not retained. Also, several invoices for legal services from January through June 2008, did not contain sufficient detail indicating the number of hours worked and amount charged per hour. Some disbursements do not appear to be prudent and necessary uses of city funds, such as: gift cards (\$9,300), Christmas party (\$1,950), and retirement parties (\$6,900), as well as various food, drinks and other supplies. The city hired a full-time mechanic in June 2008, to maintain and service all city vehicles and equipment without conducting a formal cost study. The City Council does not approve transfers between funds, such as the General Fund to the Road Tax Fund.

Written contracts were not obtained or retained for some services received. The city did not obtain a written agreement to document the payment plan for the demolition of a building and did not update the written agreement with the tenant of city property regarding providing grass and weed cutting services.

Improvements are needed to City Council meeting minutes and agendas to ensure compliance with state law. Meeting minutes are not signed to attest to their completeness and accuracy. Minutes are not prepared for most work sessions of City Council, committee meetings, and some closed meetings. In addition, Council meeting minutes do not adequately document all matters discussed or actions taken, and contained some errors. The city has not adopted ordinances to establish the compensation of its elected officials, including the Mayor, City Council members, and City Treasurer, as outlined by state statute. Several ordinances have not been updated or contain errors in wording.

The city has not established written policies for travel reimbursements, cellular telephones, uniforms, investments, Internet, email, or investments. The city appears to be in violation of its mandatory retirement age policy. The City Clerk utilized the city's phone system to accept personal collect calls from 2006 through 2008; however, there was no documentation of Council approval or pay back terms. The city has not established a policy documenting procedures for the purchase or sale of real estate and does not maintain a list detailing property owned. In addition, the City Council purchased an industrial site for \$260,000 above the appraised value.

YELLOW SHEET

The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. The city's water/sewer operating account has a negative cash balance and incurred an operating loss for the year ended March 31, 2008. The city has not prepared final bills and issued refunds or applied deposits totaling approximately \$9,278 for 66 inactive customer accounts. The city has not developed procedures to ensure all water meters are read, which can result in large amounts due from customers and possible loss of revenue. One customer's meter had not been read and a bill generated for approximately 2 years, resulting in an amount due of approximately \$1,500. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The city does not collect some past due amounts from landlords when renters leave without paying the final water and sewer bill.

Salaried employees are not required to prepare timesheets, and timesheets prepared by street employees are not approved and signed by the street superintendent.. In addition, the city does not have a formal policy for compensatory time. The city pays approximately 22 street and water and sewer employees a yearly boot allowance of \$135 per the labor contract; however, these payments are not properly reported as compensation for tax purposes.

Better controls are needed over bulk fuel purchases made by the city. Mileage/usage logs are not maintained for city-owned vehicles and equipment, and the city does not report taxable benefits associated with city vehicles used for commuting purposes that do not meet requirements to qualify as exempt vehicles per IRS guidelines.

Some business transactions within the city may give the appearance of a conflict of interest. The city paid the Park Board President \$5,182 for swimming pool maintenance work during the year ended March 31, 2009. In addition, the city did not report the payments as employee compensation or withhold payroll taxes on the amounts paid to the Park Board President. The Park Board did not bid out or enter into a contract for the maintenance work to be performed.

Also included in the report were recommendations related to purchases, budgets and financial reports, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF CRYSTAL CITY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-28
<u>Number</u>	<u>Description</u>
1.	Disbursement Controls and Procedures5
2.	Written Contracts9
3.	Meetings, Minutes, and Ordinances11
4.	City Policies and Procedures14
5.	Water and Sewer Procedures17
6.	Payroll and Personnel Policies and Procedures20
7.	Budgets and Financial Reports22
8.	Vehicle and Equipment Records.....24
9.	Capital Assets26
10.	Conflict of Interest27
Auditee's Overall Response.....	28
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	29-31

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Crystal City, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Crystal City. The city engaged Thurman, Shinn and Company, Certified Public Accountants (CPA), to audit the city's financial statements for the years ended March 31, 2009 and 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended March 31, 2008, audit since the 2009 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the 2 years ended March 31, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Crystal City.

An additional report, No. 2009-36, *Twenty-Third Judicial Circuit, City of Crystal City Municipal Division*, was issued in April 2009.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Monique M. Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF CRYSTAL CITY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1.	Disbursement Controls and Procedures
-----------	---

Controls and procedures for disbursements are in need of improvement. The city does not consistently follow its bidding policy. Supporting documentation was not obtained or retained for some disbursements, and a list of approved disbursements is not maintained with the minutes. In addition, the city has not established procedures to ensure Internal Revenue Service (IRS) Forms 1099 are filed as required, and did not perform a cost study prior to hiring a full-time mechanic. Also, transfers between funds are not formally approved by the City Council.

A. The city does not solicit or retain bid documentation for the purchase of some goods and services. The city established a formal bid policy on March 1, 2008, which requires city personnel to obtain at least three written or oral bids for purchases of goods or services costing from \$501 to \$4,999 and obtain competitive sealed bids for purchases of \$5,000 or more.

- 1) Bids were either not solicited, bid documentation was not retained, or sole source was not properly documented for the following items purchased from April 1, 2008, through March 31, 2009:

	Amount Paid
General liability insurance	\$ 140,847
Health insurance services	119,366
Fuel	108,491
Sewer lining	44,571
Water meters	43,504
Accounting services	35,447
Asphalt	33,795
Construction	18,516
Fire equipment	13,260
Electrical repairs	12,328
Concrete	11,659
Water supplies	7,864
Pool maintenance	5,182

The city's bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. The city should ensure it follows established purchasing policies, retains bid documentation, and clearly documents when sole source suppliers are used. Competitive

bidding helps ensure all parties are given equal opportunity to participate in the city's business.

- 2) The city utilized an outside law firm, not the City Attorney, for legal matters surrounding several lawsuits brought against the city pertaining to real estate transactions and Sunshine Law violations without approval of the Council. The Mayor indicated a contract and ordinance passed in March 1977, approved the use of this firm for real estate transactions; however, a review of the ordinance and subsequent contract indicated the firm was authorized to represent the city for legal matters regarding an annexation action for areas south of the city. This contract does not appear to cover all real estate transactions of the city. Also, the approved rates in 1977 were \$40 for law firm partners and \$35 for firm employees; however, rates charged were \$150 for partners and \$125 for associates. The city paid approximately \$139,000 and \$94,000 to this law firm for the years ended March 31, 2009 and 2008, respectively. The city has been reimbursed approximately \$127,000 from the developer to assist the city in defending lawsuits brought against the city pertaining to the proposed development.

Professional services, such as attorneys, may not be subject to the standard bidding procedures; however, the city should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the services required. Such practices help provide a range of possible choices and allow the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. Also, to ensure monies are spent in accordance with city and state law, the City Council should authorize all professional services before they are obtained.

B. The following concerns were noted regarding disbursements:

- 1) Payments totaling \$470 on credit cards and \$33,795 for asphalt material were paid from summary statements and individual charge tickets or receipts were not retained. Also, several invoices for legal services from January through June 2008, did not contain sufficient detail indicating the number of hours worked and amount charged per hour. In addition, billing statements and invoices are not checked for accuracy and canceled upon payment to prevent duplicate payments.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. In addition, supporting documentation should be checked for accuracy and canceled upon payment to avoid duplicate payments.

- 2) Meeting minutes indicate the Council approves a list of bills to be paid; however, a copy of this list and amounts approved for payment are not included with the meeting minutes. In addition, the Council generally does not review and approve individual invoices for payment.

To adequately document the Council's review and approval of all disbursements, a complete and detailed list of checks written should be prepared, signed or initialed by the council members to denote their approval and review of the disbursements, and retained with the official minutes. In addition, the numerical sequence of checks written and supporting documentation should be reviewed by the Council or someone independent of the disbursement process before payment is made to ensure all disbursements can be accounted for properly and represent valid operating costs of the city.

- C. The city has not established procedures to ensure IRS Forms 1099 are filed when required. The City Clerk indicated the city does not issue Forms 1099 for vendors or independent contractors. The following amounts were paid in 2008 and 2007, respectively:

	2008	2007
Electrical services	\$ 10,602	0
Construction	8,900	0
Pool maintenance	5,182	0
Catering services	0	3,150

Sections 6041 through 6051 of the Internal Revenue Code require payment of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) to be reported to the federal government on Forms 1099. The city should establish procedures to ensure Forms 1099 are filed as required.

- D. Some disbursements do not appear to be prudent and necessary uses of city funds:
- The city spent \$9,300 each year for gift cards for employees in December 2007 and 2006. The city discontinued the purchase of gift cards for employees in 2008.

- The city paid \$1,950 for a Christmas party for city employees and their families in December 2007. The city discontinued paying for Christmas parties in 2008.
- Our review of one month's (May 2008) charges to Walmart noted \$235 for food, drinks, and other supplies for various departments. Similar purchases were made throughout the year.
- The city paid a total of approximately \$6,900 for four retirement parties occurring from 2003 through 2007.

The city does not have any written policies indicating when food will be provided for meetings or imposing any limits on such purchases. Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

- E. The city hired a full-time mechanic in June 2008, to maintain and service all city vehicles and equipment without conducting a formal cost study. The city paid approximately \$94,530 for parts and salary for the mechanic during the year ended March 31, 2009, and approximately \$61,600 for maintenance, repairs, and parts during the year ended March 31, 2008. Performing cost studies would provide documented information to assist the Council in determining the most cost effective method of providing such services.
- F. Authorization is not obtained from the Council for transfers between funds. For example, \$205,452 was transferred from the General Fund to the Road Tax Fund in 2007 to cover expenses incurred for a bridge project, without documentation of approval by the City Council. To ensure monies are spent in accordance with city and state law, transfers between funds should be adopted by resolution and approved by the Council.

WE RECOMMEND the City Council:

- A.1. Ensure the city's bid policy is followed and complete documentation of the bidding process is maintained, including bid specifications and bid forms, copies of all bids received, and documentation of the justification for selecting and rejecting bids. Also, the City Council should ensure reasons for making purchases without following the bid policy, such as sole source or emergency, are clearly documented.
- 2. Approve the use of all professionals prior to incurrence of any liabilities. In addition, the Council should periodically solicit proposals for professional services and maintain all related documentation, including reasons for decisions.

- B.1. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices and require all invoices be checked for accuracy and canceled upon payment.
- 2. Adequately document its approval by including a list of approved disbursements with the meeting minutes.
- C. Establish procedures to ensure Forms 1099 are issued in accordance with IRS regulations.
- D. Ensure all disbursements are necessary and prudent uses of public funds. In addition, the City Council should establish a policy regarding the purchase of food and beverages for meetings or functions.
- E. Ensure formal cost studies are performed and documented for all major cost-related changes to city policy or procedures. The City Council should also consider performing a cost study to ensure hiring a full-time mechanic to service city vehicles and equipment is an economical use of city funds.
- F. Ensure its authorization and approval of transfers between funds is obtained and clearly documented.

2.

Written Contracts

Written contracts were not obtained or retained for some services received. In addition, a written agreement was not obtained for a payment plan and a lease purchase agreement was not updated to reflect current procedures.

- A. Written contracts were not obtained or retained for the following purchases of services for 2 years ended March 31, 2009:

Service		Amount Paid Year Ended March 31,	
		2009	2008
Processing health insurance claims	\$	119,366	104,402
Sludge hauling		0	89,991
Sewer lining		44,571	88,823
Accounting services		35,447	23,440
Electrical repairs		12,328	19,352
Construction		0	8,550
Catering		0	3,150

The city obtained a written quote for electrical repairs; however, it was not signed by both parties and included only an hourly rate.

- B. The city did not enter into a written contract defining services to be rendered and amounts to be received in payment or update a lease purchase agreement:
- The city did not obtain a written agreement to document the payment plan for the demolition of a building. The city demolished a building that had become unsafe located on property adjacent to a church. The church later acquired the property and agreed to reimburse the city for any costs associated with the property. The city provided a copy of the invoice paid to the demolition company dated May 2, 2002, for \$3,200 for charges to demolish the building. The church made monthly payments of \$200 beginning in March 2007 until the amount was paid in full in July 2008.
 - The city did not update the written agreement with the tenant of city property regarding providing grass and weed cutting services. The street department cut the grass and weeds a total of five times from May through September 2008, charging \$200 per cutting for a total of \$1,000. The city did not adequately document the work performed and/or hours or dates worked to ensure the amount charged was sufficient to cover costs. The city could not provide an explanation of why the tenant did not maintain the property as required by the lease. The tenant paid the city in full in November 2008. The Council should have ensured the tenant complied with the lease agreement or updated the lease for any new arrangements agreed upon. In addition, the city should perform a cost analysis to ensure the charge for grass cutting is sufficient to cover all costs of the service.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained and update the agreements when changes are agreed upon. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Contracts should be sufficiently detailed to allow the Council a basis for adequately monitoring services received and determining whether the amount paid was reasonable compared to services rendered.

WE RECOMMEND the City Council enter into, update, and retain written agreements for all services obtained or rendered. In addition, the City Council should ensure the rate charged to mow grass adequately covers costs.

3.**Meetings, Minutes, and Ordinances**

Improvements are needed to City Council meeting minutes and agendas to ensure compliance with state law. Additionally, city ordinances are not current and contain some errors, and compensation for elected officials is not set by ordinance.

- A. Meeting minutes are not signed to attest to their completeness and accuracy. City Council meeting minutes (including minutes from closed meetings and work sessions) should be signed by the Mayor and City Clerk upon approval to provide an independent attestation the minutes are a correct record of matters discussed and action taken during the meetings. In addition, minutes from committee meetings should be signed by the chairman and preparer of the minutes.
- B. Minutes are not prepared for most work sessions of City Council, committee meetings, and some closed meetings. In addition, Council meeting minutes do not adequately document all matters discussed or actions taken, and contained some errors. Also, reasons for entering closed session, records of roll call votes to enter closed session, and the location and time of the meeting are not documented in some minutes. Meeting minutes for the April 7, 2007, Council meeting did not indicate the names of new officials sworn in and minutes for the August 27, 2007, meeting reflected the first and second motions made to pass bill 1553 were initiated by the same Council member. Minutes for closed sessions held on December 10, 2007, and April 28, 2008, could not be located.

Meeting minutes serve as the only official permanent record of decisions made by the City Council and other affiliated boards and committees. Section 610.010, RSMo, provides any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to provisions of the open meetings law, which includes the requirement to prepare minutes documenting any actions taken or decisions made. Section 610.020, RSMo, requires minutes be taken of closed and open meetings and include the date, time, place, members present, and members absent, and a record of votes taken. Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding a closed meeting and the reasons for the closed meeting shall be voted on at an open session. Discussions held in meetings should be included in minutes to document important facts considered in reaching significant decisions regarding city business.

- C. Although a tentative agenda is prepared and posted for each Council meeting, a standard format is used that does not disclose specific information pertaining to the upcoming meeting. The agenda for the September 10, 2007, meeting did not list specific ordinances planned for discussion and passage for the purchase and subsequent lease of an industrial property. Additionally, agendas are not prepared for committee meetings and are only occasionally prepared for work sessions held

by the City Council. Also, the date, time, and place the agenda was posted is not documented by the City Clerk and attached to the minutes.

To adequately inform residents of the business to be discussed during Council meetings and to ensure compliance with the Sunshine Law, Chapter 610, RSMo, the tentative agenda should summarize specific topics to be discussed during the meeting. In addition, the City Clerk should document the date, time, and location the notice was posted on the agenda and retain this information with the meeting minutes.

D The following concerns were noted regarding city ordinances:

- 1) The city has not adopted ordinances to establish the compensation of its elected officials, including the Mayor, City Council members, and City Treasurer. Section 77.440, RSMo, provides the compensation of officials and employees are to be set by ordinance, and the salary of an official shall not be changed during the term of election or appointment.

Compensation rates set by ordinance, in addition to meeting statutory requirements, document approved amounts to be paid and eliminate potential misunderstandings of the amount each city official and employee is to receive, and are necessary to ensure the compensation of an official is not changed during the term of office. Ordinance hearings provide for public input and information concerning the compensation paid.

- 2) Several ordinances have not been updated or contain errors in wording. The following concerns regarding ordinances were noted:
 - Ordinance 640, Section 28-68, establishes water rates at \$0.71 per 100 gallons; however, the current rate charged is \$0.768 per 100 gallons.
 - Ordinance 734, Section 28-165, establishes the sewer tap on fee at \$50 and sewer rates at \$0.20 per 100 gallons; however, customers are currently charged \$1,500 for tap on fees and \$0.292 per 100 gallons.
 - Ordinance 1470, establishes the fee charged for filing an appeal to the planning and zoning commission at \$50; however, the amount currently charged is \$100.
 - Ordinance 949, Section 15 ½-26 (6), establishes the Judicial Educational Fund incorrectly at \$100 per case; however, the court withholds \$1 per case from court costs, which complies with state law.

- Ordinance 355, requires the city attorney be elected every 2 years; however, the city attorney is appointed.

Ordinances represent laws established by the city and should be reviewed and updated to ensure accuracy and prevent conflicts.

- 3) The method used to determine various rates charged for copying city records is not documented to show compliance with state law. The city charges 10 cents per page and rates charged for researching and duplicating documents ranged from \$11.96 to \$15.57 per hour. The average hourly rate of clerical staff is \$11.72.

Section 610.023, RSMo, lists requirements for making city records available to the public. Section 610.026, RSMo, allows the city to charge a maximum of 10 cents per page plus an hourly fee for copying public records, not to exceed the average hourly rate of pay of clerical staff. In addition, research time for processing the request may be charged at the actual cost incurred. To document compliance with state law, the calculation of rates charged for Sunshine Law requests should be clearly documented.

WE RECOMMEND the City Council:

- A. Ensure Council meeting and work session minutes are signed by the Mayor and City Clerk to attest to the completeness and accuracy. In addition, the City Council should ensure committee minutes are signed by the committee chairman and the person preparing the minutes.
- B. Ensure minutes are prepared and maintained with the City Clerk for all regular and closed Council, committee, and work session meetings. In addition, the City Council should ensure minutes clearly document all business conducted and the vote and reason for going into closed session.
- C. Ensure tentative agendas are prepared for all meetings and the location, date, and time the agenda is posted is noted and filed with the minutes. Also, the City Council should ensure the tentative agenda summarizes specific information to be discussed for the upcoming meeting.
- D.1. Establish by ordinance the duties and compensation of all city officials and employees.
2. Review ordinances to ensure accuracy.
3. Establish procedures to document the calculation of fees charged for processing Sunshine Law requests.

4.**City Policies and Procedures**

The city has not established written policies for travel reimbursements, cellular telephones, uniforms, investments, Internet, or email. The city does not appear to be following its mandatory retirement policy. The City Clerk used city resources for personal use. In addition, the city does not have a policy establishing procedures for the purchase or sale of real estate.

A. The city has not established written policies for the following areas:

- 1) The city has not developed a formal policy on the reimbursement of travel expenses. City personnel indicated cash advances are not allowed and vendor receipts are required to be filed to document expenses before reimbursement is made. We reviewed several expense vouchers for September 2008, and noted although the total number of miles driven was documented, the destinations and dates were not. In addition, there was no signed vendor invoice to support hotel costs of \$677 charged to the city's credit card for one trip.

Formal written travel and meal policies are necessary to ensure only necessary and reasonable travel and meal expenses are incurred and paid by the city. Such policies should address the types of expenses that may be incurred, the extent of those expenses that will be paid by the city, and the types of documentation that must be submitted by the employee prior to receiving reimbursement.

- 2) The city does not have a formal policy regarding cellular telephone use or guidelines to determine whether cellular telephones are needed or of benefit to the city. During the years ended March 31, 2009 and 2008, cellular telephone expenses were approximately \$9,600 and \$9,840, respectively, for the city's 15 cellular telephones.

While cellular telephones can help increase employee productivity, they are also costly. A policy is needed to ensure cellular telephones are used only for business purposes. Such a policy should address which employees need a cellular telephone and proper use of the telephone. Effective procedures should be implemented to monitor cellular telephone use and review invoices for propriety.

- 3) The city has not established a formal uniform policy for clothing purchases provided to employees, except for union employees in the street, water, and sewer divisions. Prior to April 2008, employees were not required to submit invoices or itemized expense reports to support the \$500 clothing allowance paid to some employees, nor were the allowances reported on the employees' IRS W-2 forms. Beginning in April 2008, the

city discontinued the policy of paying the clothing allowance directly to employees and began paying vendors or reimbursing employees after detailed receipts documenting the purchase were provided. City personnel indicated the city currently purchases monogrammed shirts, sweaters, jackets, and hats for the clerical staff, water and street superintendents, building department employees, code enforcement officer, dispatching employees, and canine officer. In addition, the city purchases dress clothes for the police chief, police captain and the two detectives in the police department. The city paid approximately \$2,600 from April 2008 through January 2009, for clothing reimbursements or payments to vendors for dress clothes and monogrammed clothing and approximately \$6,500 for clothing allowances directly to employees from April 2007 through March 2008.

The city should review the practice of providing clothing allowances or purchasing clothes for employees not required to wear a uniform. Public funds should be spent only on items that are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner. In addition, IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure IRS regulations are followed. As a result, the city may be subject to penalties and/or fines for failure to report all taxable benefits. The city should issue corrected W-2 forms to employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided.

- 4) The city has not adopted a written investment policy. Excess funds are currently invested in Certificates of Deposits (CDs). The balance of the city's CDs totaled \$1,737,701 as of March 31, 2009.

Monies should be maintained in the highest yielding investment legally possible, while still considering the liquidity needs of the city and security of the funds. The city should establish policies and procedures for the appropriate type of investments that meet its needs.

- 5) The city does not have a formal email or Internet policy. As a result, there are no restrictions regarding the personal use of city computers or oversight regarding the websites visited or email retention. In addition, the city is currently paying approximately \$2,300 per year to two providers for Internet and email service. The city should review the reasonableness and necessity of using two Internet and email providers and consider discontinuing one of the services. The city should also

consult with legal counsel regarding retaining official email documents and establishment of Internet and email policies.

- B. The city appears to be in violation of its mandatory retirement age policy. City policy establishes the mandatory retirement age for all city employees at 70 and does not note any exceptions. The City Clerk indicated the Assistant Fire Chief is 87 years old, receives a monthly salary, and is provided a city vehicle. The Mayor and City Clerk indicated the Assistant Fire Chief is regarded as a volunteer although he is paid a salary, and the city's retirement policy does not apply to volunteer fire fighters. Policies establish rules and set constraints to be enforced by city officials and should be followed to protect the city and avoid confusion and misunderstanding. The city should consult with legal counsel to determine whether salaried firefighters should be classified as volunteer and if volunteer fire fighters should be considered city employees and thus required to comply with city policy.
- C. The City Clerk utilized the city's phone system to accept personal collect calls totaling \$2,562 from 2006 through 2008; however, there was no documentation of Council approval or pay back terms. A review of repayments shows the City Clerk has paid back \$2,303 through February 2009. The Mayor stated he had given his approval to the City Clerk to use the city's phone system.

To ensure disbursements represent an appropriate use of city funds, the city should discontinue allowing collect personal phone calls.

- D. The city has not established a policy documenting procedures for the purchase or sale of real estate. The city does not document reasons for the purchase or sale of real estate and does not obtain Council approval for some real estate transactions. In addition, the city does not maintain a list detailing property owned. A list of property obtained from the Jefferson County Assessor's Office indicated the city owns 38 lots totaling approximately 268 acres. The following concerns were noted regarding real estate purchases:
- 1) The City Council purchased an industrial site for \$260,000 above the appraised value. The city purchased the property in September 2007, for \$2,200,000; however, an appraisal obtained by the city, dated September 26, 2006, valued the property at \$1,940,000. City personnel could not provide an explanation of why the amount paid was greater than the appraised value.
 - 2) The city purchased a lot from the county for the amount of delinquent real estate taxes, approximately \$130, without Council knowledge or approval. The City Clerk indicated she reviews the property list provided by the County Assessor and discusses properties that can be purchased for back taxes, which would be beneficial to the city, with the Mayor. The property purchased had been included in the county's inventory for several years

prior to its purchase by the city. The Mayor stated he approved the purchase of the property; however, his approval was not documented. In addition, there was no documentation in the minutes indicating the purchase was discussed or Council approval was obtained. Also, there was no documentation stating the reasons for purchasing the property and how it would be beneficial to the city. The city subsequently sold the property for \$400 to the adjacent property owner who had maintained it for several years.

To ensure the best value is received or paid for property sold or purchased and all interested parties are given equal opportunities to participate, the city should develop a written policy for all real estate property transactions. This policy should address how the city will handle real estate purchases or sales including obtaining Council approval, soliciting bids, requiring a professional appraisal, and retaining documentation of the sale. In addition, the city should maintain a list of all real estate property owned.

WE RECOMMEND the City Council:

- A. Develop written policies for travel expense reimbursements, cellular telephones, uniform and clothing allowances, investments, Internet and email use, and email retention. In addition, the Council should require corrected W-2 forms be issued for those employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided, and review and select the most economical Internet provider.
- B. Consult with legal counsel regarding the classification of salaried employees as volunteers and the allowance of an exception to the city's mandatory retirement policy.
- C. Cease allowing personal use of city resources.
- D. Implement a written policy or procedure for handling real estate property transactions that includes obtaining Council approval, soliciting bids, requiring a professional appraisal, documenting benefits to the city and reasons for the purchase or sale price if different than the appraised value, retaining documentation of the transaction, and maintaining a complete list of property owned by the city.

5. Water and Sewer Procedures

The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. Improvements to records and procedures are needed for water deposits, billings, reconciliations, and collections.

- A. The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. The city's audited financial statement for the year ended March 31, 2008, indicates the Water and Sewer Operating Fund had a negative cash balance of \$272,689 (reclassified at year end as due from the General Fund), and the fund incurred a net operating loss of \$245,236. In March 2009, the city transferred \$600,000 from the General Fund to the Water and Sewer Operating Fund to reduce the negative cash balance accumulated to \$61,853 at March 31, 2009. The city explained the negative cash balance at March 31, 2008, resulted from the city's portion of the cost and installation of an Ultra Violet purification (UV) system (\$489,000). The city increases water and sewer rates approximately 3 percent each year per city ordinance, but the negative cash balance in the Water and Sewer Operating Fund may indicate water and sewer rates are not sufficient to cover operating and maintenance costs. The city has not had a cost study prepared since 1998. Water and sewer fees are user charges that should cover the cost of providing related services. To ensure utility rates are adequate to cover the total cost of operations, the city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs.
- B. The city has not prepared final bills and issued refunds or applied deposits totaling approximately \$9,278 for 66 inactive customer accounts. In addition, water deposit monies are not accounted for separately, thus no reconciliation can be performed between the water deposit report and the general ledger balance. City residents are required to pay a refundable deposit for water and sewer service prior to establishing service. The city maintains a computerized detailed list of water deposits for each customer that are to be refunded or applied to final bills. The billing clerk stated several inactive accounts have not been processed for an extended time period. City personnel could not provide an explanation of why final bills have not been generated and water deposits refunded or applied to the accounts.

Deposits represent liabilities to the city for monies collected in advance. Upon termination of service, the city should generate a final bill, apply the deposit to any outstanding balance due and refund the balance to the customer. To ensure records are in balance and all water deposits are accounted for and refunded timely, the city should establish procedures to reconcile the monthly report of water deposits to the deposit and refund activity during the period and a general ledger account should be established and maintained for this liability.

- C. The city has not developed procedures to ensure all water meters are read, which can result in large amounts due from customers and possible loss of revenue. One customer's meter had not been read and a bill generated for approximately 2 years. Service was established in August 2005; however, the meter was not read until May 2007, which resulted in an amount due of approximately \$1,500. City personnel indicated the meter was mistakenly left off of the meter reader's list. A review of several other accounts indicated another meter had not been read from July 2008 through October 2008, resulting in a balance due of \$400.

The city should develop procedures to ensure all meters are read during each billing cycle. The timely reading of customer water meters is necessary to prevent loss of revenue, prevent confusion, and detect unauthorized use.

- D. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The city water clerk prints a monthly report showing the total gallons of water billed to city customers. The water department records the daily meter readings from the city's wells, and totals the number of gallons pumped for the month; however, the Water Supervisor does not compare the two reports nor does he investigate significant differences. The Water Supervisor indicated staff could not reconcile the two reports based on the varying cycles on which water meters are read. The city pumped 201,191,600 and 211,415,500 gallons and billed for 145,613,701 and 165,877,311 gallons for the years ended March 31, 2009 and 2008, respectively, which was more than a 20 percent difference between gallons billed and pumped each year.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.

- E. The city does not collect some past due amounts from landlords when renters leave without paying the final water and sewer bill. A tenant left the residence he was renting without paying his outstanding water and sewer bill of approximately \$400. The city has an informal agreement with the landlord not to pursue collection of the past due amount while he pursues legal action against the renter. The billing clerk stated landlords are responsible for delinquent bills; however, the city ordinance does not specifically state this policy.

City Ordinance 604, Section 28-64, permits the city to pursue civil action to recover all claims for delinquent water and sewer bills and fees. The city should amend the ordinance to indicate landlords are responsible for delinquent water bills on their property to prevent loss of revenue and prevent confusion.

- F. The city allows some customers, delinquent on water and sewer bills, to make payment arrangements; however, no written agreements are required to be signed. In addition, no formal policy has been developed documenting the process to determine the payment amount and approval process. This practice has resulted in customers paying different amounts each month with no approval by the Council. One customer agreed to make payments of \$200 per month; but reduced the amount to \$100 and then \$50 payments per month. A business has been allowed to make payments on its delinquent balances without establishing a monthly amount as long as the company paid the current monthly billing.

To ensure all customers are treated in a fair and equitable manner, a formal policy should be established documenting the process to determine when payment plans are allowed, how the payment amount is to be established, and the approval process for these plans. A written and signed payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in accounting for and collecting the amounts due to the city.

WE RECOMMEND the City Council:

- A. Conduct a cost study to determine the rate structure required to provide sufficient revenues to operate and maintain the water and sewer system.
- B. Ensure deposits are refunded to customers on a timely basis. In addition, a general ledger account should be established and reconciled to the list of water deposits monthly.
- C. Establish procedures to ensure all water meters are read monthly.
- D. Reconcile gallons of water pumped and purchased to the gallons billed on a monthly basis and investigate significant differences. In addition, the reconciliations should be documented.
- E. Update city ordinances to indicate landlords are responsible for all past due water and sewer billings.
- F. Establish a formal policy that documents procedures and requirements for customers to be allowed to pay outstanding water and sewer balances over a period of time and obtain signed written payment agreements.

6. Payroll and Personnel Policies and Procedures

Timesheets are not required for some employees and supervisor approval is not documented on street employee timesheets. The city does not have a formal compensatory time policy, and some compensation payments are not subject to payroll tax withholdings or W-2 reporting.

- A. Salaried employees (office clerical, court clerk, police, and supervisory personnel) are not required to prepare timesheets. In addition, timesheets prepared by street employees are not approved and signed by the street superintendent.

Submission of timesheets, which document starting and ending work times, signed by the employee and approved by supervisors would provide full support for payroll processed by the city. The city cannot adequately ensure compliance with the Fair Labor Standards Act (FLSA) or the legitimacy of payroll payments or compensatory time earned without adequate supporting documentation.

Employee timesheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

- B. The city does not have a formal policy for compensatory time. The City Clerk indicated employees earn compensatory time at a rate of time and a half for time worked in excess of 40 hours in a work week. Employees are required to complete a compensatory time report for time earned and used, which is reviewed and approved by their supervisor. However, the compensatory request for time earned is completed when an employee works more than the standard work day. It is unclear if compensatory time should be earned for work in excess of 40 hours a work week or for time worked in excess of a standard work day, or if compensatory time is approved before it is earned.

The FLSA requires the city to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week. To prevent misunderstandings from occurring, the city should have a written policy to ensure compliance with the FLSA, including provisions defining exempt and nonexempt employees, requiring formal approval of a supervisor before compensatory time is earned, clearly referencing whether compensatory time is earned for time worked in excess of a standard work day or week, and stating if other leave taken should be included as part of the hours used to determine compensatory time.

- C. Some payments to employees are not subject to payroll tax withholdings or W-2 reporting as required:

- 1) The city does not properly report wages, withhold taxes, or pay the employer's share of Social Security and Medicare or issue a IRS W-2 or 1099 form for compensation paid to the Municipal Judge or the Park Board President. The city paid the Municipal Judge \$7,310 and the Park Board President \$5,182 for the year ended December 31, 2008.

Payments made to the Municipal Judge and Park Board President represent compensation subject to IRS Form W-2 reporting and payroll taxes. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of Social Security on compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security tax purposes.

- 2) The city pays approximately 22 street and water and sewer employees a yearly boot allowance of \$135 per the labor contract; however, these payments are not properly reported as compensation for tax purposes.

Employees are not required to submit invoices or itemized expense reports to support the allowance, nor are the allowances reported on the W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure IRS regulations are followed. As a result, the city may be subject to penalties and/or fines for failure to report all taxable benefits. The city should issue corrected W-2 forms to employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided.

WE RECOMMEND the City Council:

- A. Require city employees to prepare timesheets reflecting actual time worked, signed by the employee, and approved by a supervisor.
- B. Establish a compensatory time policy in compliance with the FLSA.
- C.1. Ensure payroll taxes are properly withheld and remitted for wages or salaries paid.
- 2. Establish procedures to ensure IRS regulations are followed. These procedures should require the street, water, and sewer employees to submit itemized reports of boot purchases or the boot allowance payments to be reported as other income on the employees' W-2 forms. In addition, the prior years' W-2 forms should be amended for any payments for which an adequate accounting cannot be provided.

7. Budgets and Financial Reports

Budgets are not complete, and monthly reports do not include cash balances. The city's financial statements are not published timely and do not include cash balances and several city funds.

- A. Several concerns were noted regarding the city's budgets:
 - 1) The city's budgets are not complete. The budgets prepared for the years ended March 31, 2010, 2009, and 2008, did not contain beginning and ending fund balances for any of the funds budgeted. In addition, the ordinance approving the budget for the year ended March 31, 2008, documented disbursements, but did not include an estimate of receipts or contain a budget message.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations by fund, and include beginning available resources and a reasonable estimate of ending available resources.

- 2) The City Council receives and reviews a detailed monthly financial report; however, beginning and ending cash balances are not included on this report. As a result, the Council is unaware and unable to monitor available cash for each fund or the financial condition of the funds. For example, the Water and Sewer Operating Fund had negative cash balances of \$61,853 and \$272,689 on March 31, 2009 and 2008, respectively (see MAR finding number 4).

The preparation of complete and detailed monthly financial reports for the Council's review helps ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, without accurate financial information, the City Council cannot make informed decisions about city operations.

B. Several concerns were noted regarding the city's published financial statements:

- The city does not publish financial statements for each 6 month time period on a timely basis. The city published financial statements for the 10 months ended January 31, 2009, instead of the 6 months ended September 30, 2008, as required, and financial statements for the year ended March 31, 2008, were not published until January 2009, after the city's audit was completed.
- The city's published financial statements for the year ended March 31, 2008, did not include the Water and Sewer Fund and Swimming Pool Fund. In addition, the Library Fund and Parks Fund were shown as one consolidated fund.
- Beginning and ending cash balances are not presented for each fund and city indebtedness is not included on published financial statements. Additionally, a detailed report of receipts and disbursements for each fund was not presented.

Section 77.110, RSMo, requires the City Council to publish financial statements at the end of each fiscal year and 6 months after the end of each fiscal year in a newspaper of general circulation in the city. These financial statements are to

include a detailed statement of the receipts, disbursements, and indebtedness of the city and shall be for the 6-month period preceding the date of the statement.

WE RECOMMEND the City Council:

- A.1. Ensure budgets comply with state law.
- 2. Ensure monthly financial reports include actual beginning and ending cash balances.
- B. Ensure the city's semi-annual financial statements include detailed statements of receipts and disbursements for all city funds for the 6 month time period and are published timely. In addition, the financial statements should include beginning and ending cash balances of each fund and indebtedness of the city.

8.

Vehicle and Equipment Records

Procedures and controls over bulk fuel purchases and mileage logs are in need of improvement. Commuting mileage is not included as additional compensation for employees taking city vehicles home and city vehicles are used to transport non-city employees for non-work related business. The city currently owns approximately 63 vehicles and pieces of equipment and spent approximately \$108,000 and \$114,000 for fuel during the years ended March 31, 2009 and 2008, respectively.

- A. Better controls are needed over bulk fuel purchases made by the city. The city maintains three diesel and two regular gasoline fuel tanks at three different locations for use in vehicles and equipment by the police, fire, street, water and sewer, and park departments. Fuel logs are maintained for the fuel tanks; however, fuel use is not reconciled to fuel purchases, and fuel logs and records are incomplete. In May 2008, 29.8 gallons of fuel pumped at the First Street Landing tank location was not accounted for on the log. Also, a review of fuel tank logs for December 2008 and January 2009, noted fuel tank readings were missing or not accurate and odometer mileage or hours used were not recorded.

To ensure reasonableness of fuel disbursements and to ensure fuel is recorded on logs and accounted for properly, the city should reconcile gasoline pumped to gasoline purchased and remaining on hand. Any differences should be investigated. Failure to maintain complete fuel logs and account for fuel purchases could result in loss, theft, or misuse.

- B. Mileage/usage logs are not maintained for city-owned vehicles and equipment. The water department recently began recording the beginning and ending odometer readings on each vehicle daily and the mileage at the time of refueling; however, the number of gallons pumped is not documented, miles per gallon is

not calculated, and logs are not reviewed and compared to fuel tank logs to provide assurance fuel usage is for city business.

Without adequate mileage/usage logs, the city cannot effectively monitor vehicles and equipment to ensure it is used only for official business and fuel costs are reasonable. Vehicle mileage/usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and fuel usage. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business and to evaluate fuel usage and costs.

- C. The city does not report taxable benefits associated with city vehicles used for commuting purposes that do not meet requirements to qualify as exempt vehicles per IRS guidelines. During the years ended March 31, 2009 and 2008, the Street Superintendent and Water and Sewer Treatment Plant Superintendent were assigned city vehicles used for commuting purposes. The vehicles (pick-up trucks) assigned to the superintendents do not meet IRS specifications to qualify as exempt vehicles. City officials indicated these employees are allowed to commute with city vehicles because they are on 24-hour call for emergency situations. The employees are not required to submit any documentation of business versus personal mileage for the vehicles.

IRS Code reporting guidelines (publication 15-B, 2009) indicate personal commuting mileage is a fringe benefit that should be reported on the individuals' W-2 forms. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. Pick-up trucks with a gross weight of less than 14,000 pounds must be equipped with either a hydraulic lift gate, permanent tanks or drums, permanent side boards that materially raise the level of the sides of the truck bed, or heavy equipment to be exempt. The city's pick-up trucks are not equipped with this type of equipment. IRS guidelines require the full value of the provided nonexempt vehicle to be reported on the employees' W-2 forms if the employer does not require submission of detailed logs, which distinguish between business and personal usage.

The city should review the necessity of providing vehicles for commuting purposes. For those employees where commuting in city-owned vehicles is considered necessary, vehicle logs should be maintained which clearly distinguish between business and commuting use, and taxable compensation for commuting should be reported on applicable employees' W-2 forms.

- D. The city does not have a written policy regarding personal use of city vehicles and related equipment. City personnel indicated the Assistant Fire Chief was seen transporting non-city employees in his city vehicle at various times, and a police officer uses his city patrol vehicle to take his children to and from school on a daily basis.

Given the high cost of fuel and additional liability that could be incurred with non-city employees riding in a city vehicle, the city should discontinue allowing the use of city-owned vehicles for other than city business and transportation of non-city employees in city vehicles. The city is self-insured thus the additional liability of non-city employees could affect the financial status of the city.

WE RECOMMEND the City Council:

- A. Review and reconcile records of fuel use to fuel purchases and fuel on hand, and investigate any differences. The City Council should require complete fuel logs be maintained.
- B. Ensure mileage/usage logs are maintained for all city vehicles and motorized equipment. These records should be reviewed by appropriate supervisory employees to help ensure vehicles are used only for city business.
- C. Review the necessity of allowing employees to commute with city vehicles and if deemed necessary, comply with IRS guidelines for reporting compensation related to commuting with city-owned vehicles.
- D. Adopt formal policies regarding city vehicles, which restricts the use of city vehicles for non-city business and prohibits transportation of non-city employees in city vehicles.

9.

Capital Assets

City property records and procedures are in need of improvement. The city's accountant maintains overall city property records which list assets by fund including the acquisition date, cost, useful life, depreciation method, and current and accumulated depreciation. The city has proposed a capital asset policy, but has not finalized and formally adopted procedures for recording, maintaining, and disposing of capital assets. The following problems regarding city property records were noted:

- The city does not have procedures in place to record property purchased or disposed throughout the year to ensure capital asset records are accurate and updated on a timely basis. The City Clerk maintains and updates a list of all city-owned vehicles, which is provided to the insurance company; however, several vehicles on the list did not have a cost associated with them and several were marked as sold but had not been removed. At year end, the city accountant reviews capital purchases made during the year with the City Clerk, determines items to be capitalized, and updates the capital asset list. A review of disbursements noted a 2006 garbage truck purchased in November 2005 for \$91,212 on the City Clerk's vehicle list; however, it could not be traced to the capital asset list prepared by the accountant. Additionally, several descriptions recorded on the city accountant's capital asset list are generic, (i.e., 2 police cars,

furniture) and do not include a detailed description of the asset or a serial number, if applicable.

- City property is not tagged and properly identified.
- Annual physical inventories of property are not performed.
- Capital asset records prepared by the accountant are not reviewed by the city to ensure assets listed are still in possession of the city.
- Written authorization is not obtained from the Mayor or City Council for the disposition of city property. The City Clerk obtains a list of items for disposal from supervisors that are then advertised in a local paper for bid. The City Clerk reviews bids received and the highest bid is accepted. The City Clerk indicated the Council does not review and approve bid selections, and there is no documentation of bids received in the minutes for most purchases.
- The city has not established a minimum amount or equipment classification to be included on property records. The city includes many small dollar items such as tires, a storage case, signs, and a portable welder on the property list.

Adequate city property records and procedures are necessary to secure better internal control over city property, and provide a basis for determining proper insurance coverage. The city should properly record all capital asset transactions timely, reconcile purchases to additions, and periodically perform a physical inventory and compare it to detailed records. Inventories of property are necessary to ensure capital asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. In addition, property records should include information such as acquisition/disposition dates, description of property, purchase value, and serial number of the asset.

WE RECOMMEND the City Council ensure property records for capital assets are maintained and include all pertinent information for each asset, such as cost, acquisition date, and subsequent disposition, if applicable. Actual physical inventory of the various property items should be performed periodically. The City Council should also ensure dispositions of city property are properly authorized. Finally, the City Council should establish a minimum amount for items to be included on the list.

10.

Conflict of Interest

The President of the city Park Board is paid for maintaining the city's swimming pool. The city paid the Park Board President \$5,182 for swimming pool maintenance work during the year ended March 31, 2009. The city did not report the payments as employee compensation or withhold payroll taxes on the amounts paid to the Park Board President (see MAR finding number 6.C.1). The Park Board did not bid out or enter into a contract

for the maintenance work to be performed (see MAR finding numbers 1 and 2). Compensating the Park Board President to perform pool maintenance while serving as the Park Board President appears to be incompatible and constitutes a potential conflict of interest.

Section 105.458, RSMo, states, "no member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency or the political subdivision for any consideration other than the compensation provided for the performance of his or her official duties"

WE RECOMMEND the City Council comply with state statutes relating to the compensation of city officials.

AUDITEE'S OVERALL RESPONSE

The Mayor and City Administrator provided the following written response:

As the City of Crystal City, we plan to address and implement what needs to be done from the Missouri State Audit within one calendar year of receiving the final audit. We will make due diligence to make sure that all processes are documented and comply with the audit, city and state statutes.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF CRYSTAL CITY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Crystal City is located in Jefferson County. The city was incorporated in 1911 and is currently a third-class city. The population of the city in 2000 was 4,508.

The city government consists of a mayor and eight member council. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the council, and votes only in the case of a tie. The Mayor and Board of Aldermen, and other officials during the 2 years ended March 31, 2009, are identified below. The Mayor is paid \$4,200 annually and City Council members are paid \$1,200 annually. The compensation of these officials is not established by ordinance.

Mayor and City Council	Dates of Service During the 2 Years Ended March 31, 2009
Tom Schilly, Mayor	April 2007 – March 2009
Della Selmon, Council member	April 2007 – March 2009
Pam Portell, Council member (1)	April 2007 – March 2009
Dan Portell, Council member	April 2008 – March 2009
Peggy Brown-Lemme, Council member	April 2007 – March 2008
Ben DeClue, Council member (2)	April 2007 – March 2009
Jason Eisenbeis, Council member	June 2008 – March 2009
Bill Usher, Council member	April 2007 – June 2008
Debbie McKenna, Council member	April 2008 – May 2008
Jason Eisenbeis, Council member	February 2008 - March 2008
W. Richard Perry, Council member	April 2007 – February 2008
David Picarella, Council member (3)	April 2007 – March 2009
Terry Laburay, Council member	April 2008 – March 2009
Rick Mead, Council member	April 2007 – March 2008

Other Officials	Dates of Service During the 2 Years Ended March 31, 2009	Compensation Paid for the Year Ended March 31,	
		2009	2008
Debbie Johns, City Clerk	April 2007 – March 2009	\$ 59,751	59,751
Thomas Tucker, Treasurer * (3)	April 2007 – March 2009	1,200	1,200
Douglas Ruess, Police Chief	April 2007 – March 2009	57,122	57,122
Tony Bova, Fire Chief	April 2007 – March 2009	2,622	2,622
Tony Picarella, Assistant Fire Chief	April 2007 – March 2009	3,000	3,000
Karry Friedmeyer, Street Supervisor	April 2007 – March 2009	52,700	52,700
Timothy Whaley, Water Supervisor	April 2007 – March 2009	47,645	47,645
David Senkel, City Attorney	December 2007 – March 2009	139,000	94,749
Breeze, Roberts, Ponder-Bates & Zimmer, City Attorney	April 2007 – December 2007	N/A	9,607

* Elected position

- (1) Kim Friedmeyer was elected to this position in April 2009. Eric Downs was elected in June 2009 following a special election ordered by the Jefferson County Court, Judge Robert Wilkins, Division I. The special election resulted from "irregularities" discovered by the Jefferson County Clerk during the April 2009 election.
- (2) Charlie Deboor was elected to this position in April 2009.
- (3) Reelected to this position in April 2009.

Andy Hixson was hired as the city administrator in April 2009.

In addition to the officials identified above, the city employed 52 full-time employees and 7 part-time employees on March 31, 2009.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 58,049,633	57,076,824
Personal property	16,952,579	17,408,462
Commercial	75,002,212	74,485,286
Total	<u>\$ 150,004,424</u>	<u>148,970,572</u>

TAX RATE PER \$100 ASSESSED VALUATION

	Rate	
	2008	2007
General	\$.4916	.4891
Library	.1298	.1291
Parks and recreation	.1298	.1291

TAX RATES PER \$1 OF RETAIL SALES

	Rate	
	2008	2007
General	\$ 1.0000	1.0000
Storm water	.0225	.0225
Capital improvement **	.0225	.0225

** The city increased the capital improvement sales tax to 1/2-cent in April 2009.



Susan Montee, JD, CPA
Missouri State Auditor

Dade County



October 2009

Report No. 2009-110

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report of Dade County.

The County Commission entered into a 10 year loan agreement for \$32,500 with an interest rate of 4 percent with the former Prosecuting Attorney in January 2009, for the purchase of her office building. It is unclear why the County Commission entered into this loan agreement given the cash balance and projected cash balance of the General Revenue Fund. In addition, the County Commission purchased this building without obtaining an independent appraisal of the property. The county has not entered into a formal written contract with the Local Emergency Planning Commission Director who serves as a contract employee, timesheets or other records documenting work performed were not prepared by the Director, the mileage rate paid to the Director did not agree with the county's mileage rate, and some fees for administering Public Assistance Grants were not paid to the Director during the same year services were incurred and grant funds were received. The county did not solicit bids or document sole source providers for some purchases, and adequate supporting documentation was not obtained or retained for some disbursements. Mileage and fuel use logs were not retained for the Sheriff and his chief deputy during 2008, and fuel use is not reconciled to fuel purchases. In addition, some county patrol cars were used to transport passengers for unofficial business.

Improvement is needed over payroll policies and procedures. Centralized records of leave balances and leave used and earned are not maintained, and compensatory time (overtime) is not always earned and paid in accordance with the county's personnel policy. Timesheets are not prepared by the chief deputy in the Sheriff's office, and timesheets submitted by employees of the Sheriff's office were not signed by the employee or the Sheriff. Payroll tax forms were not filed timely with the IRS.

The County Commission and County Clerk do not adequately review the activities of the County Collector-Treasurer, and controls and procedures over property tax additions and abatements need improvement.

The County Collector-Treasurer's annual settlements did not include the balances of certificates of deposits (CDs) in the General Revenue Fund and Special Road and Bridge Fund totaling \$165,697 and \$206,443, respectively. In addition, the county's budgets prepared by the County Clerk for the General Revenue Fund and Special Road and Bridge Fund did not include the accumulated interest earned on the CDs of \$6,443 and \$65,697, respectively.

The Sheriff maintained a bank account for the deposit of conceal and carry permit fees outside the county treasury, and there is no statutory authority allowing the Sheriff to hold this account outside the county treasury. A deputy was paid for overtime from this bank

YELLOW SHEET

account, and as a result, this payment was not processed through the county's payroll system, subjected to payroll tax withholdings, or reported on the employee's W-2 form. In addition, monthly bank reconciliations are not prepared and most bank statements were unopened for this account. Accounting duties of the Sheriff's office are not adequately segregated. Controls over monies collected in the Sheriff's office need improvement, and significant weaknesses were identified with the Sheriff's reconciliation procedures. Bank reconciliations are not prepared for the Sheriff's civil fee and bond bank accounts and most bank statements were unopened. Monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. The Sheriff's office has not entered into written agreements with surrounding counties and cities for the board of prisoners.

Accounting duties in the Prosecuting Attorney's office are not adequately segregated. Bank reconciliations are not prepared for the Prosecuting Attorney's bad check fee and restitution bank account. In addition, monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. Also, the Prosecuting Attorney has not established procedures to routinely follow up on old outstanding checks.

Monthly bank reconciliations are not prepared by the Recorder of Deeds, and she does not maintain a running balance in her checkbook register. Monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. Copy fees received are held and used for petty cash disbursements, and as a result, the petty cash fund is not maintained on an imprest basis. A petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund is not maintained. Also, petty cash fund disbursements were not supported by vendor invoices.

Other findings in the audit report relate to capital asset records and procedures, election services bank account controls and procedures, and the Emergency 911 Board.

All reports are available on our Web site: www.auditor.mo.gov

DADE COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-23
<u>Number</u>	<u>Description</u>
1.	County Disbursements5
2.	Payroll Controls and Procedures9
3.	Property Tax System Controls and Procedures10
4.	County Financial Records12
5.	Capital Asset Records and Procedures13
6.	Sheriff Controls and Procedures13
7.	Prosecuting Attorney Controls and Procedures17
8.	Recorder of Deeds Controls and Procedures19
9.	Election Services Bank Account Controls and Procedures20
10.	Emergency 911 Board.....21
ORGANIZATION AND STATISTICAL INFORMATION	24-25

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Dade County

We have audited certain operations of Dade County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Davis, Lynn & Moots PC, CPA, Certified Public Accountants, has been engaged to audit the financial statements of Dade County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Dade County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Troy Royer
Audit Staff:	Toni Wade
	Connie James

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DADE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County Disbursements
-----------	-----------------------------

Concerns were noted with the county's purchase of a building and the related loan agreement. In addition, controls and procedures over county disbursements need improvement.

A. The County Commission entered into a 10 year loan agreement for \$32,500 with an interest rate of 4 percent with the former Prosecuting Attorney in January 2009 for the purchase of her office building. We noted the following concerns:

- It is unclear why the County Commission entered into this loan agreement when the General Revenue Fund had an ending cash balance of approximately \$337,000 as of December 31, 2008, and a projected ending cash balance of approximately \$208,000 as of December 31, 2009. If the loan is not paid off early, the county will incur approximately \$7,000 in unnecessary interest costs.

To ensure unnecessary interest costs are not incurred, the County Commission should adequately document its evaluation of funds available, financing arrangements, and interest costs associated with future loans.

- The County Commission purchased this building for \$37,500 without obtaining an independent appraisal of the property. The County Commission believes the amount paid was reasonable; however, to ensure and document a reasonable amount was paid for the property, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide a basis for negotiations.

B. The county has not entered into a formal written contract with the Local Emergency Planning Commission (LEPC) Director who serves as a contract employee and was paid \$23,632 and \$37,396 during the years ended December 31, 2008 and 2007, respectively. These payments included a salary amount and overtime; fees for administering public assistance grants; and expenses including mileage, cellular telephone bills, office supplies, postage, conference dues, and meals. The following concerns were noted regarding these payments:

- Timesheets or other records documenting work performed were not prepared by the LEPC Director. The county paid the LEPC Director \$17,500 and \$16,299 during the years ended December 31, 2008 and 2007, respectively, plus overtime totaling \$3,899 in 2007. In addition, he was paid an additional

\$1,149 and \$11,995 in 2008 and 2007, respectively, to administer public assistance grants.

- The LEPC Director is reimbursed for mileage traveled; however, the mileage reimbursement rate paid to the LEPC Director of 45.5 cents per mile did not agree with the county's mileage rate of 37.5 cents per mile. The county reimbursed the LEPC Director \$2,080 and \$2,270 for mileage during the years ended December 31, 2008 and 2007, respectively.
- While the LEPC Director requested reimbursement of his monthly cellular phone bill, the county did not require him to submit his detailed phone bill for review. The county reimbursed the LEPC Director \$743 and \$1,144 for his cellular phone bill during the years ended December 31, 2008 and 2007, respectively.
- Some fees for administering Public Assistance Grants were not paid to the LEPC Director during the same year services were incurred and grant funds were received. The LEPC Director indicated he asked the County Commission to delay payment of these fees until the next year so it would not affect his ability to collect Social Security.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation required for payments of salary and overtime, administrative fees, and expenses. A mileage rate should be established in the contract. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. In addition, to ensure federal monies are properly handled and accounted for, administrative fees should be paid in the year the service was incurred and funds are received.

- C. While a review of County Commission meeting minutes and bid files indicated the county bid numerous items, the county did not solicit bids or document sole source providers for the following purchases:

Item or Service	Cost
Prisoner board (2008 and 2007)	\$ 26,620
Prisoner food (2008 and 2007)	15,380
Assessor's computer software	11,240
Patrol vehicle	10,800
Plumbing services	7,100
Storm debris clean-up	5,680

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases

ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement and emergency purchases) should be retained to demonstrate compliance with the law and support decisions made.

- D. Adequate supporting documentation was not obtained or retained for some disbursements. Examples included payments for construction of a handicap ramp at a polling site (\$1,799); Drug Awareness and Resistance Education (DARE) mileage (\$446); and Prosecuting Attorney's lodging (\$247), cellular phone purchase (\$107), mileage (\$95) and training registration fee (\$65). In addition, mileage was not reimbursed in compliance with the county's established mileage rate of 37.5 cents per mile. DARE mileage was reimbursed at 47.5 cents per mile and the Prosecuting Attorney's mileage was reimbursed at 41.5 cents per mile. All disbursements should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds. In addition, mileage should be reimbursed in accordance with the county's established policy.
- E. Mileage and fuel use logs were not retained for the Sheriff and his chief deputy during 2008, and fuel use is not reconciled to fuel purchases. In addition, both the Sheriff and a deputy used county patrol vehicles to pick children up from school. The school district for the deputy's children is not located within Dade County and is 41 miles away (one way) from the Dade County Courthouse. The amount of personal mileage was not maintained or included on W-2 forms.

The county's budget indicated fuel costs of approximately \$32,400 and \$23,900 during the years ended December 31, 2008 and 2007, respectively. Fuel is purchased from a local service station.

Mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles (especially those used for personal purposes) and to support fuel charges. Mileage and fuel use logs should be maintained for all Sheriff's office vehicles and reconciled to fuel purchases. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected. In addition, given the high cost of fuel and additional liability incurred with passengers being transported for unofficial business in a county owned vehicle, the Sheriff and the County Commission should review the practice of allowing the use of county owned vehicles for other than county business and discontinue allowing passengers to be transported for unofficial business in county owned vehicles. In addition, the Internal Revenue Service (IRS) reporting guidelines indicate personal mileage is a reportable fringe benefit. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

Conditions similar to B, C, D, and E were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Adequately document its evaluation of funds available, financing arrangements, and interest costs associated with future loans. In addition, the County Commission should consider paying off the loan. Also, the County Commission should ensure independent appraisals are obtained for all future real estate purchases.
- B. Enter into a written agreement for LEPC services, which details the duties to be performed, compensation to be paid, and the documentation required for payments of salary and overtime, administrative fees, and expenses. Also, administrative grant fees should be paid in a timely manner.
- C. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- D. Ensure adequate supporting documentation is obtained and retained for all disbursements and mileage is reimbursed in accordance with the county's established mileage rate.
- E. Require mileage and fuel use logs be retained for all Sheriff's office vehicles and logs be reconciled to fuel purchases. Any significant discrepancies should be investigated. In addition, the County Commission should comply with IRS guidelines for reporting personal commuting mileage, and discontinue the practice of allowing passengers to be transported for unofficial business in county owned vehicles.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *In the future, we will get appraisals on all purchases of county property. The loan payments are planned to be paid primarily from the Prosecuting Attorney's Bad Check Fund, because the building purchased houses the Prosecuting Attorney's office, and the remaining portion of the loan payments will be paid from the General Revenue Fund.*
- B. *We will enter into a written agreement with the LEPC Director, and review amounts paid and documentation received from him. We will also ensure administrative fees are submitted timely.*
- C. *We will try to improve our procurement process.*
- D. *We will work with other officials to ensure proper documentation of expenses are turned in for payment.*

E. *We will establish a countywide policy to address these issues for fuel.*

The Sheriff provided the following response:

E. *Mileage logs are currently maintained by the Sheriff and Chief Deputy. I will try to ensure the logs are reconciled to fuel purchases as current staffing will allow. The deputy, who picked up her children at a school outside the county, is no longer employed by the Sheriff's office, and I will ensure vehicles are not used for personal use.*

2. Payroll Controls and Procedures

Improvement is needed over payroll policies and procedures.

- A. Centralized records of leave balances and leave used and earned are not maintained. Employees are responsible for recording and accumulating their leave balances. Without centralized leave records, the County Commission cannot ensure employees' vacation, sick, and compensatory balances are accurate and in compliance with county policy, and all employees are treated equitably. Centralized leave records also aid in determining unused vacation leave upon termination of employment.
- B. Compensatory time (overtime) is not always earned and paid in accordance with the county's personnel policy. For example, the County Collector-Treasurer used nonworking time (vacation, sick leave, compensatory time taken, and holidays) in his calculation to determine the amount of overtime paid to his deputy clerk, resulting in an overpayment. The county may be paying more compensatory time to employees than required as a result of using nonworking time in its calculations of overtime earned. The county's personnel policy indicates overtime will be determined based upon only "hours actually worked on the county's behalf".
- C. Timesheets are not prepared by the chief deputy in the Sheriff's office. In addition, timesheets submitted by employees of the Sheriff's office were not signed by the employee or the Sheriff. Timesheets are necessary to document hours worked, substantiate payroll disbursements, and provide the county with a method to monitor hours worked and leave taken and are beneficial in demonstrating compliance with Fair Labor Standards Act (FLSA) requirements. In addition, timesheets should be signed by all employees and include documentation of supervisory approval.
- D. Payroll tax forms were not filed timely with the IRS. For example, in 2008, the third quarter payroll tax form was not filed until January 12, 2009. The Internal Revenue Code requires 941 forms be filed with the IRS on a quarterly basis.

A condition similar to C was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Maintain centralized leave records for all county employees.
- B. Ensure employees accrue overtime in accordance with the county's personnel policy and nonworking time is not used in the calculation of overtime.
- C. Ensure timesheets are prepared by all employees and are signed by both the employee and the employee's supervisor.
- D. Ensure payroll tax forms are filed in a timely manner.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will request all officeholders to submit these records to the County Clerk and the County Clerk to maintain centralized leave records.*
- B. *We will remind the officeholders to follow county policy for compensatory time.*
- C. *We will try to ensure the employees of the Sheriff's office and the Sheriff sign timesheets.*
- D. *We will recommend the County Clerk ensure all payroll tax forms are filed in a timely manner.*

The County Collector-Treasurer provided the following response:

- B. *I will comply with county policy when calculating overtime hours and pay of my deputy clerk.*

The Sheriff provided the following response:

- C. *This has been implemented.*

3. Property Tax System Controls and Procedures

The County Clerk and County Commission do not adequately review the activities of the County Collector-Treasurer, and controls and procedures over property tax additions and abatements need improvement.

- A. Neither the County Commission nor the County Clerk adequately reviews the collector related activities of the County Collector-Treasurer. While the County Clerk and County Collector-Treasurer indicated they balance various tax records monthly and annually, the County Clerk does not maintain an account book or

other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector-Treasurer each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements.

- B. Controls and procedures over property tax additions and abatements need improvement. Additions and abatements are prepared by the Assessor, signed by the County Clerk, and changed in the property tax system by the County Collector-Treasurer. The County Commission does not document its review and approval of the additions and abatements, and the County Clerk and County Commission do not compare the additions and abatements to the changes made by the County Collector-Treasurer on the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector-Treasurer is charged with collecting, are not properly monitored and errors and irregularities could go undetected. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector-Treasurer. The County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.
- B. The County Commission and County Clerk should develop procedures to ensure any changes to the property tax system are properly approved and monitored.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the County Clerk and County Collector-Treasurer to review and approve monthly and annual settlements.*

- B. *We will improve existing procedures for additions and abatements to the property tax system.*

The County Clerk provided the following responses:

- A. *I will implement this for the new tax year and work with the County Collector-Treasurer to ensure this is done.*

4. County Financial Records

While the County Clerk and County Collector-Treasurer indicated they reconcile their accounting records monthly, the County Collector-Treasurer's annual settlements did not include the balances of certificates of deposits (CDs) in the General Revenue Fund and Special Road and Bridge Fund totaling \$165,697 and \$206,443, respectively. In addition, the county's budgets prepared by the County Clerk for the General Revenue Fund and Special Road and Bridge Fund did not include the accumulated interest earned on the CDs of \$6,443 and \$65,697, respectively.

Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Collector-Treasurer. To provide the type of check and balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and County Collector-Treasurer should reconcile their records and include all CD activity on the annual settlement and budgets. In addition, for the budget documents to be of maximum assistance to the county and to adequately inform county residents of the county's operations and current financial position, the budgets should include all CD activity.

WE RECOMMEND the County Commission ensure the County Collector-Treasurer and County Clerk reconcile their accounting records and include all CD activity on the annual settlement and budgets.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will work with the County Clerk and County Collector-Treasurer to ensure all CD activity is included on the annual settlements and budgets.

The County Clerk indicated all CD activity will be reported on the 2010 budget.

The County Collector-Treasurer indicated all CD activity will be reported on the annual settlements.

5.**Capital Asset Records and Procedures**

The county does not maintain complete and current records of its capital assets including land, buildings, equipment, and other property. The county's only list of capital assets is the county insurance carrier's list of county property, and as a result, the property records do not always include the necessary information for assets. In addition, no procedures are in place to identify property purchases and disposals throughout the year. Also, property is not tagged for specific identification and an annual physical inventory is not performed.

Adequate capital asset records and monitoring procedures are necessary to ensure compliance with Section 49.093, RSMo, and to provide adequate internal controls over county property. The records should include a detailed description of the assets including name, make, and model numbers; asset identification numbers; physical location of the assets; and date and method of disposition of the assets. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

A similar condition was noted in the prior audit.

WE AGAIN RECOMMEND the County Clerk require physical inventory reports be prepared by each of the county departments, review the reports for accuracy, and utilize them to monitor property additions and dispositions. In addition, property control tags should be affixed to all capital assets, and annual inventories should be conducted.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I will request an inventory from all office holders each year and ensure an inventory is performed annually. I will take tagging assets under consideration and have discussed this with the County Commission in the past.

6.**Sheriff Controls and Procedures**

The Sheriff holds a conceal and carry permit fee bank account outside the county treasury. In addition, accounting controls and procedures related to monies collected and bank accounts maintained by the Sheriff's office need improvement. The Sheriff's office collected civil and criminal process fees and cash bonds during the 2 years ended December 31, 2008 and 2007, totaling approximately \$48,000 and \$26,000, respectively.

- A. The Sheriff maintains a bank account for the deposit of conceal and carry permit fees and the disbursement of overtime payments and equipment purchases outside the county treasury. Approximately, \$5,000 and \$3,700 in receipts and disbursements, respectively, were processed through this account during the 2 years ended December 31, 2008. The following concerns were identified related to this account:
- There is no statutory authority allowing the Sheriff to hold this account outside the county treasury. Attorney General's Opinion No. 45-92 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.
 - A deputy was paid \$120 in March 2008, from this bank account, for overtime worked. As a result, this payment was not processed through the county's payroll system, subjected to payroll tax withholdings, or reported on the employee's W-2 form. The overtime worked for this additional compensation was documented on the employee's timesheet. To ensure compliance with the FLSA and IRS regulations, all overtime payments should be paid through the regular county payroll process, subjected to payroll tax withholdings, and reported on employee W-2 forms.
 - Monthly bank reconciliations are not prepared and most bank statements were unopened. A bank reconciliation was prepared at our request as of May 31, 2009, and the reconciled balance of the account was \$3,982. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with accounting records and to detect and correct errors.
- B. Accounting duties are not adequately segregated. The Sheriff's bookkeeper collects monies, records transactions, makes deposits, and prepares checks. Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed and documented by the Sheriff.
- C. Controls over monies collected in the Sheriff's office need improvement.
- 1) Receipts are not always deposited in a timely manner. Civil and criminal process fees received are deposited twice a month, and bond monies received are deposited once a month.
 - 2) The method of payment is not always indicated on receipt slips, and the composition of receipt slips issued is not reconciled to the composition of deposits.

- 3) Receipt slips are not always issued in numerical order or accounted for properly. For example, three different receipt slips were issued for a single bond receipt. In addition, several bond receipt slips were torn out of the receipt book and discarded.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner. Also, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits. In addition, without accounting for the numerical sequence of all receipt slips, the Sheriff's office cannot ensure all monies collected are ultimately deposited and recording errors are detected.

D. Significant weaknesses were identified with the Sheriff's reconciliation procedures. Bank reconciliations are not prepared for the Sheriff's civil fee and bond bank accounts and most bank statements were unopened. In addition, monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. During our review of bank reconciliations and open items prepared upon our request, we noted the following concerns:

- The Sheriff's bookkeeper utilizes an electronic accounting system to record the activity and balance of the bond account; however, it was inaccurate. The accounting system reported a negative balance of \$59,020 as of December 31, 2008, while the reconciled bank balance was \$754.
- Incentive payments received from the Social Security Administration (SSA) for prisoners were direct deposited into the Sheriff's civil fee account; however, the bookkeeper was not aware they had been received. Incentives are paid to Sheriff's offices for reporting prisoner information to the SSA so prisoner benefits can be halted during incarceration. Had monthly bank reconciliations been performed, the Sheriff's office would have been aware these payments were direct deposited into the Sheriff's bank account. These incentive payments represent accountable fees and should be turned over to the county treasury.
- A list of monthly liabilities was prepared for the civil fee bank account at May 31, 2009, and unidentified funds of \$4,306 existed in this account. In addition, a list of monthly liabilities was prepared for the bond bank account at December 31, 2008, and unidentified funds of \$207 existed in this account.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. In addition, without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. To ensure records are in balance, errors are detected and corrected on

a timely basis, and sufficient cash is available for the payment of all liabilities, monthly lists of liabilities should be prepared and reconciled to cash balances. Further, the Sheriff should dispose of unidentified monies as provided by various statutory provisions.

- E. The Sheriff's office has not entered into written agreements with surrounding counties and cities for the board of prisoners detailing the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non routine situations. The Sheriff's office has sent several board bills totaling \$2,680 to the City of Greenfield, with some dating back to January 2008; however, the City of Greenfield has not paid the bills as of August 2009. Upon bringing this to his attention, the Sheriff contacted the City of Greenfield, and indicated the city refused to pay the bills. In addition, the Sheriff indicated he has a reciprocal verbal agreement with the neighboring counties to house Dade County prisoners at no charge.

Section 432.070, RSMo, requires agreements of political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Conditions similar to C and D were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Turn over custody of the conceal and carry permit fee bank account to the County Collector-Treasurer. In addition, the Sheriff should ensure all overtime payments are processed through the county's payroll system and the deputy's W-2 form is amended.
- B. Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- C. Ensure all receipts are deposited in a timely manner, ensure the method of payment is indicated on all receipt slips, reconcile the composition of receipts to the composition of amounts deposited, and properly account for the numerical sequence of receipt slips issued.
- D. Ensure bank reconciliations are performed and any differences between the accounting records and reconciliations are investigated and resolved. In addition, the Sheriff should identify month-end liabilities and reconcile to the bank balances. Further, the Sheriff should dispose of all unidentified monies as provided by various statutory provisions and turn over all fees, including SSA incentive payments, to the county treasury.

- E. And the County Commission enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *This account has been turned over to the County Treasurer. All overtime payments will be made through the county's payroll process.*
- B. *I will review and document my review of the accounting records.*
- C. *I will ensure deposits are made more timely (at least once a week), receipt slips indicate the method of payment, and the composition of receipt slips are reconciled to deposits. I will ensure receipt slips are issued in numerical sequence and accounted for properly.*
- D. *My office is working on correcting the accounting system. I will ensure bank reconciliations are performed monthly, and all monies are turned over to the County Treasurer on a monthly basis.*
- E. *I plan to enter into written agreements for the board of prisoners. I have turned the amounts owed from the City of Greenfield over to the County Commission for collection.*

7. Prosecuting Attorney Controls and Procedures
--

Accounting duties are not adequately segregated, and accounting controls and procedures relating to the Prosecuting Attorney's bank account and liabilities need improvement. The Prosecuting Attorney's office received monies for bad check fees and restitution totaling approximately \$61,000 and \$47,000 during the years ended December 31, 2008 and 2007, respectively.

- A. Accounting duties are not adequately segregated. The Prosecuting Attorney's bookkeeper collects monies, records transactions, makes deposits, and prepares checks. While the Prosecuting Attorney reviews month end reports prepared by the bookkeeper, monthly bank reconciliations and liabilities are not reviewed. Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of bank reconciliations and liabilities should be performed and documented by the Prosecuting Attorney.
- B. Bank reconciliations are not prepared for the Prosecuting Attorney's bad check fee and restitution bank account. In addition, monthly lists of liabilities are not

prepared, and consequently, liabilities are not reconciled with cash balances. Also, the Prosecuting Attorney has not established procedures to routinely follow up on old outstanding checks.

Upon our request, a bank reconciliation and list of monthly liabilities were prepared as of April 30, 2009. The reconciled bank balance was \$536 and liabilities totaled \$730, resulting in a difference of \$194. Thirteen checks totaling \$319 had been outstanding for over one year, with two dating back to 2000.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. In addition, without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time.

A condition similar to B was noted in the prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- B. Ensure bank reconciliations are performed and any differences between the accounting records and reconciliations are investigated and resolved. In addition, the Prosecuting Attorney should identify month-end liabilities and reconcile to the bank balances, and establish routine procedures to investigate checks outstanding for a considerable time.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *With two full time employees and myself, it is difficult to segregate the accounting duties. I will ensure that supervisory reviews of accounting records continue and that documentation is improved to show that it is being done.*
- B. *I will ensure that bank reconciliations are performed and documented. All old checks have been stopped and reissued where applicable. Outstanding checks are now followed up on with the payee after two months and turned over to unclaimed property twice a year.*

Accounting controls and procedures relating to the Recorder of Deed's bank account, liabilities, copy fees, and petty cash funds need improvement. The Recorder of Deed's office received monies for copies and recording marriage licenses, Uniform Commercial Code (UCC) filings, deeds, and tax liens totaling approximately \$52,000 and \$62,000 during the years ended December 31, 2008 and 2007, respectively.

- A. Monthly bank reconciliations are not prepared by the Recorder of Deeds, and she does not maintain a running balance in her checkbook register. In addition, monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances.

Upon our request, a bank reconciliation and list of monthly liabilities were prepared as of December 31, 2008, and \$548 of unidentified funds existed in the bank account. The Recorder of Deeds indicated these unidentified monies represent the accumulation of small overpayments (under \$20) which have not been refunded to the payee or remitted to the County Collector-Treasurer.

Timely preparation of monthly bank reconciliations and maintaining records of cash balances is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. In addition, without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities, monthly lists of liabilities should be prepared and reconciled to cash balances. Further, the Recorder of Deeds should dispose of unidentified monies or overpayments as provided by various statutory provisions.

- B. Copy fees received are held and used for petty cash disbursements, and as a result, the petty cash fund is not maintained on an imprest basis. In addition, a petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund is not maintained. Also, petty cash fund disbursements were not supported by vendor invoices. A cash count performed in April 2009, showed a balance of \$226 in the petty cash fund.

To ensure all receipts are accounted for properly, copy monies should be deposited intact. If a petty cash fund is needed, it should be established and maintained on an imprest basis, where petty cash on hand plus the total of all paid invoices should always equal the predetermined balance of the petty cash fund. The petty cash fund should only be reimbursed by county check equal to the amount of the paid invoices. The Recorder of Deeds should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

A condition similar to A was noted in our prior report.

WE RECOMMEND the Recorder of Deeds:

- A. Ensure bank reconciliations are performed, account balances are maintained in the check book register, and any differences between the accounting records and reconciliations are investigated and resolved. In addition, the Recorder of Deeds should identify month-end liabilities and reconcile to the bank balance. Further, the Recorder of Deeds should dispose of all unidentified monies as provided by various statutory provisions.
- B. Deposit all copy fees intact, and if a petty cash fund is needed, maintain it on an imprest basis. In addition, the Recorder of Deeds should maintain a petty cash ledger and retain adequate documentation for all petty cash disbursements.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following written responses:

- A. *I have reconciled all bank statements to date, and I have implemented an accounting system on my computer so that I can keep more accurate records. Any overage monies will be disbursed to the County Treasurer and not kept in the Recorder of Deed's account.*
- B. *I will in the future, keep \$50 or less for petty cash and deposit the rest. If any purchases are made from petty cash, it will be properly documented.*

9. Election Services Bank Account Controls and Procedures
--

Accounting controls and procedures related to the election services bank account maintained by the County Clerk need improvement.

- A. Monthly bank reconciliations are not prepared by the County Clerk, and he does not maintain a running balance in the checkbook register. The County Clerk has custody of the election services bank account which is used to pay for election related disbursements. The bank balance as of December 31, 2008, was \$603. Receipts and disbursements totaled approximately \$1,500 and \$10,600, respectively, during the 2 years ended December 31, 2008. Timely preparation of monthly bank reconciliations and maintaining records of cash balances is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- B. Two deputy clerks in the County Clerk's office were overpaid a total of \$187 in August 2008, from this account. The County Clerk indicated he paid these clerks from this bank account to provide training to election workers; however, the

additional time worked was not documented on the employees' monthly timesheets, and the clerks indicated the training was provided during their normal working hours. In addition, these payments were not processed through the county's payroll system, subjected to payroll tax withholdings, or reported on the employees' W-2 forms. All additional compensation should be paid through the regular county payroll process, subjected to payroll tax withholdings, and reported on the employee's W-2 form. In addition, if any overtime is worked, it should be recorded on the monthly timesheets.

WE RECOMMEND the County Clerk:

- A. Ensure bank reconciliations are performed, account balances are maintained in the check book register, and any differences between the accounting records and reconciliations are investigated and resolved.
- B. Ensure all additional compensation is processed through the county's payroll system and the deputies' W-2 forms are amended. In addition, if any overtime is worked, it should be recorded on the monthly timesheets.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

These recommendations will be implemented.

10. Emergency 911 Board

Improvement is needed over payroll policies and procedures. In addition, the Emergency 911 Board did not always ensure compliance with the Sunshine Law, has not entered into a written agreement with its depository bank, or properly bonded its employees.

- A. Payroll controls and procedures need improvement.
 - The Emergency 911 Board overtime accrual policy may be in violation of the FLSA. The personnel policy provides for employees (who can not take accumulated overtime hours off) to accrue overtime as paid time off (PTO); however, overtime is not tracked separately from PTO and the maximum PTO allowed to be accrued is 160 hours. Any PTO over 160 hours is lost by the employee. FLSA requires all overtime earned to be paid or taken off at a rate of time and a half and tracked separately from other accrued leave.
 - Payroll tax forms were not filed timely with the IRS. In 2008, the first and second quarter payroll tax forms were filed 5 and 2 months late, respectively. The Internal Revenue Code requires 941 forms be filed with the IRS on a quarterly basis.

- B. The Board's meeting minutes did not provide sufficient details to show how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the March 14, 2007, closed session meeting, the Board discussed employee compensation. In addition, the open meeting minutes did not always document the reasons for closing the meeting.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session. In addition, the Sunshine Law states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting.

- C. The Emergency 911 Board does not have a written agreement with its current depository bank. A depository agreement is necessary to ensure both the bank and the Board understand and comply with the agreement. The agreement may include the cost of bank services and safe deposit boxes, interest charges for borrowed funds, interest to be paid on investments, and collateral securities required to be pledged by the bank.
- D. Emergency 911 employees who handle monies were not covered by an employee bond. Proper bonding of all persons with access to monies would better protect the Emergency 911 Board from risk of loss.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND the Emergency 911 Board:

- A. Ensure overtime is accrued in accordance with the FLSA. In addition, the Board should ensure payroll tax forms are filed on a timely basis.
- B. Ensure full compliance with statutory provisions regarding closed meetings.
- C. Enter into a depository agreement with its bank.
- D. Obtain adequate bond coverage for all employees with access to monies.

AUDITEE'S RESPONSE

The Emergency 911 Board and Director provided the following written responses:

- A. *The policy in question, SOP 43, was revised on August 19, 2009 and deleted the "Pay-Option Form" reference. Employees are no longer able to add overtime hours to their PTO bank. All overtime will be paid out as it is earned. Every effort will be made to ensure that forms are filed on a timely basis and checked for irregularities.*

- B. *Current Sunshine Law booklets will be made available to board members. Greater care will be exercised to ensure that proper details are included in future minutes. We will comply with all provisions of the Sunshine Law.*
- C. *We have obtained sample depository agreements and have advertised that we will be accepting bids from financial institutions until September 30, 2009. We anticipate voting on these bids during our October 2009, board meeting.*
- D. *We have requested that a \$20,000 public employee blanket bond and faithful performance endorsement be added to our current insurance policy.*

ORGANIZATION AND
STATISTICAL INFORMATION

DADE COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Dade County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Greenfield.

Dade County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships and special road districts maintain county roads.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Carl E. Beerly, Presiding Commissioner	\$	25,760
William G. Marshall, Associate Commissioner		23,760
Calvin E. Stump, Associate Commissioner		23,760
Carolyn Kile, Recorder of Deeds		36,000
Larry W. McGuire, County Clerk		36,000
Randee Stemmons, Prosecuting Attorney (1)		43,000
Steven Stapp, Sheriff		40,000
Rod O'Conner, County Collector-Treasurer, year ended March 31,	36,000	
Mark A. White, County Coroner		10,000
Judy McGuire, Public Administrator		20,000
Patty Maxwell, County Assessor (2), year ended August 31,		36,688
Michael Hunt, County Surveyor (3),		N/A

(1) Randee Stemmons resigned on December 31, 2008. Gary Troxell was appointed on December 30, 2008, and no compensation was received.

(2) Includes \$688 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Brenda Adams, Circuit Clerk	52,668
David Munton, Associate Circuit Judge	107,641



Susan Montee, JD, CPA
Missouri State Auditor

Seventeenth Judicial Circuit

City of Garden City Municipal Division



October 2009

Report No. 2009-109

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Seventeenth Judicial Circuit, City of Garden City Municipal Division

Controls, Records, and Procedures

The municipal division's controls, records, and procedures need to be improved. Bond forms issued by the police department are not prenumbered. Receipt ledgers are not adequate for the court costs and fines account and bond account. Although a court docket is prepared, the docket does not include the violation date or the amount of assessed costs and the date paid. Also, the final disposition of each case is not consistently documented on court dockets or case files. The municipal division does not adequately account for the disbursement of municipal division monies. Check numbers are not identified in the check registry for the court costs and fines account. The numerical sequence of check numbers is not accounted for in either the court costs and fines account or the bond account. The outstanding docket, listing cases which appeared before the municipal division but still have unpaid court costs and fines, is not adequate. Also, monitoring and collection procedures related to accrued costs need to be established. Monthly lists of liabilities are not prepared and reconciled to the cash balances for the court costs and fines account and bond account. The municipal division's monthly report to the city council is not sufficient.

Traffic Tickets

Neither the police department nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued. Not all traffic tickets are recorded in the police department's computer system, and some tickets are recorded incorrectly.

All reports are available on our Web site: auditor.mo.gov

Seventeenth Judicial Circuit

City of Garden City Municipal Division

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	1. Controls, Records, and Procedures.....4
Findings	2. Traffic Tickets7

Organization and Statistical	9
Information	



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Presiding Judge
Seventeenth Judicial Circuit
and
Municipal Judge
Garden City, Missouri

We have audited certain operations of the City of Garden City Municipal Division of the Seventeenth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2009. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Garden City Municipal Division of the Seventeenth Judicial Circuit.

A petition audit of the City of Garden City, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Janielle Arens

Seventeenth Judicial Circuit

City of Garden City Municipal Division

Management Advisory Report - State Auditor's Findings

1. Controls, Records, and Procedures

The municipal division's controls, records, and procedures need to be improved. Bond forms are not prenumbered, receipt ledgers are not adequate, court dockets do not reflect all relevant information, and the disbursement of court monies is not accounted for adequately. Also, accrued costs are not accounted for adequately, and monthly lists of liabilities are not prepared. In addition, monthly reports to the city are deficient.

The municipal division has two bank accounts: one for court costs and fines and one for bond monies. Separate accounting records are maintained for each account, such as receipt and disbursement ledgers and bank reconciliations.

1.1 Bond forms

Bond forms issued by the police department are not prenumbered. To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance all bond monies are accounted for properly and turned over to the municipal division, prenumbered bond forms should be issued and procedures to account for the numerical sequence of bond forms should be established.

1.2 Receipt ledgers

Receipt ledgers are not adequate for the court costs and fines account and bond account.

Although a prenumbered receipt slip is issued for court costs and fines received, the receipt slip number is not recorded on the receipt ledger. Also, the receipt date is not always recorded on the ledger, and the receipt slip number is not always posted to the case file. Bond monies are recorded on a bond ledger when received; however, the case number, method of payment, and defendant's full name is not recorded on the ledger. In addition, the receipt date was missing for some bond receipts.

The Missouri Municipal Court Clerk Manual requires prenumbered receipt slips for all payments received which include the date, case number, name of person making the payment, amount received, type of payment (cash, check, etc.), and initials of person receiving the payment. The manual also requires the receipt information including the receipt slip number be recorded on the ledger and the individual case file, to provide adequate supporting documentation and a proper audit trail.

1.3 Court dockets

A court docket, listing the cases scheduled to appear before the municipal division, is prepared; however, the docket is not complete. The docket does not include the violation date or the amount of assessed costs and the date paid. Also, the final disposition of each case is not consistently documented on court dockets or case files.

To ensure the proper disposition of all cases has been entered in the municipal division records, all relevant information including the ultimate disposition of each case should be recorded on the docket.



Seventeenth Judicial Circuit
City of Garden City Municipal Division
Management Advisory Report - State Auditor's Findings

1.4 Checks

The municipal division does not adequately account for the disbursement of municipal division monies. The check numbers are not identified in the check registry for disbursements from the court costs and fines account. Also, the numerical sequence of the check numbers is not accounted for in either the court costs and fines account or bond account. We noted breaks in the numerical sequence of the check numbers for both accounts.

Recording the check number and accounting for the numerical sequence of check numbers is necessary to ensure disbursements are accounted for properly.

1.5 Accrued costs

The outstanding docket, listing cases which appeared before the municipal division but still have unpaid court costs and fines, is not adequate. Also, monitoring procedures related to accrued costs need to be established. At June 11, 2009, the outstanding docket included 118 cases.

Although the municipal division periodically prepares an outstanding docket listing cases with accrued costs, the docket does not include the amount of unpaid court costs and fines. Thus, the municipal division is not able to readily determine the total monies due the division. Also, 61 other cases are not included on the docket. According to the Court Clerk, these cases were transferred to the municipal division from the county Associate Circuit Court when the division was established in 2004. The municipal division has not determined the accrued costs related to these cases.

Additionally, once the municipal division issues a warrant, the division takes limited action to collect the unpaid court costs and fines or recall the warrant when the court costs and fines are paid. For example, cases dating from 1999 are on the June 2009 warrant list, and no action has been taken to collect the unpaid costs and fines. In addition, several cases on the outstanding docket which should have been included on the June 2009 warrant list were not on the list. Although a warrant list is provided to the municipal division by the police department at the end of each month, the Court Clerk does not reconcile the outstanding docket to the warrant list.

A comprehensive list of cases with accrued costs, including the unpaid amounts, would allow the municipal division to more easily review the amounts due to the division and to take appropriate steps to ensure amounts owed are collected. Inadequate procedures for the monitoring and collection of accrued costs may result in lost revenue.

1.6 Liabilities

Monthly lists of liabilities are not prepared and reconciled to the cash balances for the court costs and fines account and bond account. At June 30, 2009, the bank balances were \$1,512 and \$910, for the courts costs and fines account and bond account, respectively.



Seventeenth Judicial Circuit
City of Garden City Municipal Division
Management Advisory Report - State Auditor's Findings

Monthly lists of liabilities should be prepared and reconciled to the cash balances to ensure accounting records are in balance and sufficient funds are available.

1.7 City report

The municipal division's monthly report to the city council is not sufficient. The Court Clerk files a monthly report with the city that includes the total monies collected, broken down by type such as monies for fines and forfeitures, law enforcement training fees, etc. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard before the municipal division, including the names of the defendant, fine imposed, and the amount of court costs to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

Recommendations

The City of Garden City Municipal Division:

- 1.1 Along with the police department issue prenumbered bond forms for all bonds received and establish procedures to account for the numerical sequence of bond forms.
- 1.2 Ensure receipt ledgers and individual case files include all relevant receipt information including the receipt slip number, receipt date, case number, method of payment, and defendant's name.
- 1.3 Ensure all relevant information is entered on the court docket, including the ultimate disposition of every case heard before the municipal division
- 1.4 Ensure check numbers are properly recorded in disbursement records, and account for the numerical sequence of check numbers.
- 1.5 Maintain a comprehensive list of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- 1.6 Prepare monthly lists of liabilities for the court costs and fines account and bond account and reconcile to the applicable cash balances.
- 1.7 Prepare and file monthly reports of cases heard before the municipal division in accordance with state law.

Auditee's Response

The Municipal Judge, Court Clerk, and Garden City Chief of Police provided the following written responses:

- 1.1 *Bond forms are a 17th Judicial Circuit Court form and assigned a unique number when completed. The bond form is issued the same number as the citation or case, which is unique to that case only.*



Seventeenth Judicial Circuit
City of Garden City Municipal Division
Management Advisory Report - State Auditor's Findings

Using the case number as the reference ensures proper assignment of the bond to the case and reduces the possibility of clerical errors.

- 1.2 *When the State Auditor's Office was here in June, we corrected the receipt number issue, added the case number to the deposit slips and ensured that method of payment was marked on the citation file.*
- 1.3 *When the State Auditor's Office was here in June, we started adding information to the docket as was recommended.*
- 1.4 *When the State Auditor's Office was here in June, it was pointed out that one check number per month written from the Municipal Court Account was not written in the register. Even though a copy of the said check is kept on file, the number is again written in the register.*
- 1.5 *When the State Auditor's Office was here in June, the Deputy Court Clerk began working on a comprehensive list of accrued costs as an additional item to our dockets. This docket is reviewed monthly by the Municipal Court Judge.*
- 1.6 *When the State Auditor's Office was here in June, it was pointed out that even though the liabilities were paid the day after court each month, a listing of liabilities from citations paid in between court dates should be kept. This report will begin at the end of September 2009.*
- 1.7 *A monthly report of cases will be added to the existing monthly report of municipal court revenues.*

2. Traffic Tickets

The numerical sequence and ultimate disposition of traffic tickets needs to be accounted for properly. Additionally, not all tickets issued by the police department are recorded in a computer system.

2.1 Accountability

Neither the police department nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued.

Although the police department records the ticket information in a computer system, the department does not periodically review the system to account for the numerical sequence and ultimate disposition of all tickets. Without a proper accounting of the numerical sequence and ultimate disposition of tickets issued, the municipal division and police department cannot be assured all tickets issued were properly submitted for processing.



Seventeenth Judicial Circuit
City of Garden City Municipal Division
Management Advisory Report - State Auditor's Findings

2.2 Incomplete records

Not all traffic tickets are recorded in the police department's computer system, and some tickets are recorded incorrectly. We noted seven tickets were not recorded and eight tickets were recorded incorrectly. The police department should periodically review its system to ensure all tickets are recorded correctly in its system.

Recommendations

The City of Garden City Municipal Division along with the police department:

- 2.1 Ensure the numerical sequence and ultimate disposition of all traffic tickets issued is accounted for properly.
- 2.2 Ensure all traffic tickets are reported correctly in the department's computer system.

Auditee's Response

The Municipal Judge, Court Clerk, and Garden City Chief of Police provided the following written responses:

- 2.1 *Each individual ticket is entered in the local records management system when the ticket is issued. Three records are kept (two hard copy and one electronic) to ensure cross-reference with electronic files.*
- 2.2 *A review process has been implemented to review data entered in the records management system to ensure accurate and complete entry. Each entry is cross-referenced with hard copy files and ALL entries were recovered and accounted for.*

Seventeenth Judicial Circuit

City of Garden City Municipal Division

Organization and Statistical Information

The City of Garden City Municipal Division is in the Seventeenth Judicial Circuit, which consists of Cass and Johnson Counties. The Honorable Jacqueline A. Cook serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At June 30, 2009, the municipal division employees were as follows:

Title	Name
Municipal Judge	Christopher Benjamin (1)
Court Clerk	Randall Jones (2)
Deputy Court Clerk	Bonnie Hyatt (3)

- (1) R. Michael Wagner served as Municipal Judge until his resignation in December 2008.
- (2) Randall Jones also serves as the City Clerk.
- (3) Bonnie Hyatt also serves as the Assistant City Clerk.

Financial and Caseload Information

	Year Ended June 30, 2009
Receipts	\$36,683
Number of cases filed	294



Susan Montee, JD, CPA
Missouri State Auditor

McDonald County



October 2009

Report No. 2009-108

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report of McDonald County.

The Emergency 911 Board did not follow the advice of legal counsel and entered into loans totaling \$1.5 million with a local bank to finance construction of the Emergency 911 facility and to purchase equipment. In addition, the Board did not document its evaluation of the financing arrangements, funds available, and interest costs associated with the loans. A number of transactions and decisions involving board members appear to be conflicts of interest and the board does not have a formal code of conduct policy. Improvement is needed over disbursement and payroll policies and procedures. The Board did not always ensure compliance with the Sunshine Law.

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. As a result of the significant control weaknesses identified, there is no assurance all receipts were deposited and accounted for properly. Accounting duties are not adequately segregated, there was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. Receipt slips were not issued for some monies received, and some receipts were not recorded in the electronic accounting system when received. In addition, monies received are not always deposited intact or in a timely manner. The Prosecuting Attorney's office did not always document the individual receipts that comprised deposits. Bank reconciliations were not prepared by the former office manager for three bank accounts maintained during the period January 2007 to September 2008, liabilities related to the Prosecuting Attorney's four bank accounts are not identified at month end, and consequently liabilities are not reconciled with cash balances. Procedures have not been established to ensure charges are filed with the court for unresolved bad check complaints on a timely basis, and bad check fees were not always disbursed to the County Treasurer in a timely manner. Further, various accounting records could not be located.

The former Sheriff used accountable fees of \$12,831 to pay himself for mileage, and documentation of actual miles driven to serve papers was not maintained. Several concerns were identified related to a Drug Abuse Resistance Education (DARE) bank account maintained by a Sheriff's deputy. There is no statutory authority allowing the Sheriff or his deputies to hold this account outside the county treasury, receipt slips or other records of donations received are not maintained, monthly bank reconciliations are not prepared, the check book register balance is not accurate, and adequate supporting documentation for some disbursements was not retained. Accounting duties in the Sheriff's office are not adequately segregated, and controls and procedures over seized property need improvement.

YELLOW SHEET

The county did not utilize a competitive procurement process when making purchases or obtaining professional services. The county purchased real estate without obtaining an independent appraisal of the property, estimating the costs to demolish and dispose of the house on the property, or requiring an inspection of the property to be performed as part of the real estate contract. Controls and procedures over fuel usage need improvement, and written agreements were not always entered into or signed by all parties.

The County Clerk and County Treasurer do not adequately reconcile their accounting records and discrepancies were noted in actual amounts presented in the county's budget documents. In addition, improvement is needed in the procedures over transfers of monies between county funds.

Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year, and the Sheriff's office personnel could not demonstrate how compensatory time and leave earned and taken was calculated or how the activity reported on timesheets related to the balances reported. An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or by the employees' supervisory official, and several discrepancies were noted between the amount of leave taken as recorded on timesheets and the related leave records. In addition, timesheets are not always signed by the employee and supervisor, and the county allows employees to accrue overtime and leave in violation of its own policy.

Improvement is needed in the county's procedures and documentation related to both closed and regular meeting minutes. In addition, county business was sometimes conducted without a quorum of the Commissioners.

Access to assessment data in the property tax system is not adequately restricted, and the County Clerk and County Commission are not performing sufficient reviews of property tax system information and County Collector's monthly and annual reports.

The County Collector's annual settlements were not accurate or complete, and accounting duties are not adequately segregated.

Other findings in the audit report relate to Capital Asset Records and Procedures, Circuit Clerk Controls, Public Administrator Controls and Procedures, and Recorder of Deeds Controls and Procedures.

All reports are available on our Web site: www.auditor.mo.gov

MCDONALD COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-33
<u>Number</u>	<u>Description</u>
1.	Emergency 911 Board.....5
2.	Prosecuting Attorney Controls and Procedures9
3.	Sheriff Controls and Procedures13
4.	County Disbursements17
5.	County Financial Records, Procedures, and Budgetary Practices21
6.	Payroll Records and Procedures22
7.	Commission Minutes24
8.	Property Tax System Controls and Procedures26
9.	Capital Asset Records and Procedures28
10.	County Collector Controls and Procedures.....29
11.	Circuit Clerk Controls.....30
12.	Public Administrator Controls and Procedures31
13.	Recorder of Deeds Controls and Procedures33
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	34-36

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of McDonald County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such

an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of McDonald County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Michelle Crawford, M.Acct. Connie James

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MCDONALD COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Emergency 911 Board
-----------	----------------------------

Concerns were noted with loans entered into by the Emergency 911 Board and the lack of planning regarding the significant debt incurred. In addition, a number of transactions and decisions involving board members appear to be conflicts of interest. Improvement is needed over disbursement and payroll policies and procedures, and the Board did not always ensure compliance with the Sunshine Law.

- A. The Board did not follow the advice of legal counsel and entered into loans with a local bank. In June 2008, the Board's legal counsel advised the Board to enter into a lease purchase agreement (to finance the construction of the Emergency 911 facility and to purchase equipment) due to concerns raised over the constitutionality of a bank loan. However, in July and September 2008, the Board entered into two loan agreements with a local bank for \$500,000 and \$1 million with maturity dates of July 2013 and March 2023 to purchase equipment and construct the Emergency 911 facility, respectively. In addition, the Board did not document its evaluation of the financing arrangements, funds available, and interest costs associated with the loans.

The loans do not contain provisions allowing the Board to cancel the agreements due to lack of appropriations or other reasons. Without this type of option, the Board appears to have entered into long term debt arrangements. The Emergency 911 facility cost over \$2 million to construct. The 2008 revenues totaled \$1,190,473 and the balance of the Emergency 911 Fund was \$341,214 as of December 31, 2008.

The opinion obtained from the Board's legal counsel indicated these agreements "would violate the Missouri Constitution, Article VI, Section 26(a). . . ." Further, when undertaking such a significant capital improvement project, it is imperative the Board carefully assess its needs as compared to the available funds and proposed funding sources. Such an assessment should be adequately documented and conveyed to the public.

- B. A number of transactions and decisions involving board members appear to be conflicts of interest, and the Board does not have a formal code of conduct policy.
- In February 2008, Board Member Ted Huston voted to accept bids for construction of the new Emergency 911 facility which included a bid from his personal business for backhoe services. Board Member Richard Huston, brother of Ted Huston, also voted to accept the bid and sometimes voted to approve payments to his brother's business related to this bid. Ted Huston's

business was paid \$21,580 for the year ended December 31, 2008, for backhoe services.

- The Board paid a business owned by Board Member Miller \$4,206 and \$3,040 for the years ended December 31, 2008 and 2007, respectively, for sign installation without solicitation of bids.
- In January 2007, Board Member Amos voted to approve a 3 percent salary increase to all employees including his mother.
- Board Member Evenson regularly voted to approve payments to his father's law firm as part of approving bills at monthly meetings. The Emergency 911 Board paid a total of \$990 to this firm for the year ended December 31, 2007.

Personal interests in business matters of the Board could create the appearance of conflicts of interests, particularly when officials do not abstain from involvement in decisions which relate to themselves or relatives. In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the Board and elected or appointed officials or employees which involve more than \$5,000 per year or \$500 per transaction unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received. The establishment of a policy which addresses these types of situations and provides a code of conduct for officials and employees would provide greater assurance to the public regarding propriety of transactions and compliance with state law.

- C. The Board did not solicit bids or document reasons for its selection process for some items, and did not solicit proposals for professional services.

The Board did not solicit bids for radios costing \$164,675 and a radio tower costing \$51,614. The Board approved a written proposal for the radio tower (without soliciting bids) in September 2006, but later documented it as an emergency purchase after receiving a citizen complaint in January 2007. In addition, the radio tower was not completed until May 2007.

In addition, the Board did not always document its reasons for accepting bids other than the lowest. Examples include asphalt paving costing \$16,449 which was \$1,096 more than the low bid, and flooring costing \$15,000 which was \$480 more than the low bid.

Also, the Board has not adequately solicited proposals for various professional services. The Board has contracted for audit services with the same independent auditor for several years without conducting a competitive selection process. The Board paid approximately \$3,900 annually for audit services during 2007 and 2006. In addition, the Board only solicited proposals for engineering services

from two firms for construction of the Emergency 911 facility. Payments to the selected engineering firm totaled \$15,054 during 2007.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Board business. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating engineering services; and requires at least three proposals be considered. Soliciting competitive proposals for professional services is a good business practice and allows the Board a better informed decision to ensure services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration. Documentation of the various bids or proposals received, and the Board's selection process and criteria (including sole source procurement or emergency purchases) should be retained to demonstrate compliance with state law and support decisions made.

- D. Duties are not adequately segregated to provide the necessary internal controls over payroll functions. The Emergency 911 bookkeeper handles payroll duties including preparation, record keeping, issuing checks and authorizing direct deposits, and distributing employee W-2 forms. While the Emergency 911 Director and the former Board President indicated they reviewed various payroll records, their review was not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If segregation of duties is not possible, comparisons of the payroll disbursements to the payroll register and employee timesheets by an independent individual or supervisor would help minimize the risk of loss, theft, or misuse of funds.

- E. Timesheets and leave records are not prepared by the Director, bookkeeper, and operations manager. In addition, employee timesheets are not always signed by the employee and their supervisor. Records of actual time worked and related leave records should be prepared for all employees to document work performed and support payroll disbursements. In addition, timesheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- F. The capital asset records of the Emergency 911 Board did not include the new Emergency 911 facility and equipment constructed and purchased in 2008, which are insured at over \$2.4 million and \$570,000, respectively. Adequate capital asset records are necessary to safeguard assets.
- G. The Board's closed meeting minutes did not provide sufficient details to show how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. These topics included purchasing paper, radio tower

and frequency problems, and general 911 operational guidelines. In addition, the August 16, 2006, open meeting minutes indicate a motion was made and approved during the closed portion of the meeting regarding operational guidelines and persons in charge; however, the corresponding closed meeting minutes do not document a motion was made or votes were cast.

Section 610.021, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Section 610.015, RSMo, requires all votes to be recorded and any votes taken during a closed meeting to be taken by a roll call.

WE RECOMMEND the Board:

- A. Ensure its indebtedness is in compliance with the Missouri Constitution and state law, and in the future, adequately document its evaluation of financing arrangements, funds available, and interest costs.
- B. Closely examine transactions to identify and avoid apparent and actual conflicts of interests. Board members who have a conflict should fully disclose their interests and abstain from involvement on matters which involve them personally, and such matters and transactions should be completely documented. In addition, the Board should ensure strict compliance with state law when conducting official business and establish a code of conduct.
- C. Perform a competitive procurement process for all major purchases and professional services, and ensure the process is properly documented. In addition, reasons for sole source or emergency procurements should be thoroughly documented.
- D. Adequately segregate payroll duties or ensure documented independent or supervisory reviews of payroll records are performed.
- E. Require all employees to prepare timesheets and leave records, and ensure all timesheets are signed by the employee and the employee's supervisor.
- F. Ensure all property is included in the capital asset records.
- G. Ensure full compliance with statutory provisions regarding closed meetings.

AUDITEE'S RESPONSE

The Emergency 911 Board provided the following written responses:

- A. *No intention to violate law occurred. Agreements made with the first lender for a lease purchase option, as allowed and suggested by counsel, were obtained with a commitment for funds. Based on that commitment contracts were let out and work was in progress. Then, the first lender reneged on the agreement forcing us to salvage the situation and*

fund the project. While the Board budgeted and planned costs for the upcoming year, it did not project future costs of financing.

- B. We will adopt a code of ethics and have implemented public notices to solicit proposals and competitive bids. We believed Board Members, Ted Huston, Richard Huston, and Evensons' votes were acceptable because they voted on the entire monthly disbursement request and not specifically on one invoice. We believed Board member Amos's vote was acceptable because he voted on a pay increase for all employees and not just his mother. We believed Board member Miller's contract was acceptable because he was the only written bid in 2004 and subsequent year's totals were less than \$5,000.*
- C. We will implement better documentation of our criteria and selection process in the minutes of our meetings. The emergency referred to in the finding was declared in August 2006, but not recorded in the minutes.*
- D. This has been implemented.*
- E. This will be implemented.*
- F. We have updated and implemented a perpetual capital asset spreadsheet.*
- G. We will continue to strive to comply with all aspects of the Sunshine Law.*

2. Prosecuting Attorney Controls and Procedures
--

Improvement is needed over various accounting controls and procedures. In addition, procedures for the timely processing and subsequent disposition of bad check complaints have not been established and bad check fees were not always disbursed to the County Treasurer in a timely manner. Further, various accounting records were not retained.

The Prosecuting Attorney's office collected court-ordered restitution, delinquent taxes, and bad check related restitution and fees totaling approximately \$250,000 and \$155,000 during the years ended December 31, 2007 and 2006, respectively.

As a result of the significant control weaknesses identified below, there is no assurance all receipts were deposited and accounted for properly.

- A. Accounting duties are not adequately segregated. The Prosecuting Attorney's former office manager was responsible for receiving, recording, depositing, and disbursing monies and reconciling the bank accounts. Currently, the receptionist receives and records monies and the bad check clerk disburses monies and reconciles the bank accounts.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be

improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Prosecuting Attorney.

- B. There was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. The bad check clerk and office coordinator have the ability and authority to post adjustments to the computer system without obtaining independent approval. Eight adjustments totaling \$563 were made to the accounting system during the period December 4 through December 17, 2007.

To ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.

- C. Receipting and depositing procedures need improvement.

- Receipt slips were not issued for some monies received.
- Receipts were not always recorded in the electronic accounting system when received. For example, two receipts totaling \$115 deposited on April 7, 2009, were not recorded in the accounting system until April 14, 2009, after other receipts were subsequently received and recorded. In another example, a \$50 receipt deposited on February 24, 2009, was not recorded in the accounting system until April 13, 2009.
- Monies received are not always deposited intact or in a timely manner. For example, \$444 in cash was received in March 2007, but was apparently not deposited until January 2008.
- The Prosecuting Attorney's office did not always document the individual receipts that comprised deposits. In addition, the Prosecuting Attorney's office accepted payments made payable to the victims, which were not deposited and were forwarded directly to the victims. The receipt slips issued for these types of payments did not always indicate the monies were received on behalf of the victim. Insufficient details in the records make identifying receipts which comprise deposits difficult.

The lack of proper receipting, depositing, and recordkeeping procedures results in less assurance of proper handling of monies collected. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received, monies should be deposited intact and timely, and receipts should be promptly recorded with sufficient details in the accounting records.

- D. Bank reconciliations were not prepared by the former office manager for three bank accounts maintained during the period January 2007 to September 2008. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- E. Liabilities related to the Prosecuting Attorney's four bank accounts are not identified at month end, and consequently liabilities are not reconciled with cash balances. At our request, lists of liabilities were prepared for all four accounts and two of the bank accounts reconciled to the lists prepared. The other two bank accounts, which are no longer used to process bad check fees and restitution, had unidentified balances as follows:
- One of the bank accounts has had minimal activity since December 2007 and had a balance of \$18,109 as of April 30, 2009. None of these monies have been identified.
 - The other bank account was opened in July 2007 and has had minimal activity since December 2008 and had a balance of \$10,747 as of April 30, 2009. Of this amount, \$9,232 was unidentified.

Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. In addition, the Prosecuting Attorney should attempt to identify the monies held in the two accounts no longer used, dispose of all unidentified monies as provided by various statutory provisions, and close the accounts.

- F. Procedures have not been established to ensure charges are filed with the court for unresolved bad check complaints on a timely basis. For example, the Prosecuting Attorney received a bad check complaint from a local merchant for a bad check written on May 15, 2007, and sent out a ten-day letter on March 5, 2008. The Prosecuting Attorney had no record of when the bad check complaint was received from the merchant. Charges were not filed with the Circuit Court until May 21, 2008, which was 6 days after the Prosecuting Attorney lost the authority to prosecute the bad check because the statute of limitations for prosecution had expired.

By filing charges with the court in an untimely manner, the Prosecuting Attorney may limit her ability to collect bad checks for merchants. In addition, the date bad check complaints are received should be recorded to ensure timely action by the Prosecuting Attorney's office.

- G. Bad check fees were not always disbursed to the County Treasurer in a timely manner. For example, bad check fees totaling \$1,811 collected in August 2007 were not disbursed until October 22, 2007. In another example, bad check fees totaling \$8,155 collected in June and July 2006, were not disbursed until September 21, 2006. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the County Treasurer monthly. It also indicates officials are liable for monies collected but not accounted for and paid into the county treasury as required.
- H. Various records pertaining to the 2 years ended December 31, 2007, could not be located. Missing records included receipt records, bank statements, deposit slips, check stubs, check registers, and bad check complaint forms. Further, copies of bad checks received from victims were not always retained. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

Conditions similar to A, C, D, and E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure documented independent or supervisory reviews of the accounting records are performed.
- B. Require someone independent of the accounting system to review and approve all adjustments and ensure adequate documentation is retained to support such adjustments.
- C. Ensure receipt slips are issued for all monies received, monies are recorded promptly, and proper details are provided in the records. In addition, the Prosecuting Attorney should ensure monies are deposited timely and intact, and comparisons of receipt records to deposits are performed.
- D. Ensure monthly bank reconciliations are performed, and any differences between the accounting records and reconciliations are investigated and resolved.
- E. Identify month-end liabilities and reconcile to the reconciled bank balances. In addition, the Prosecuting Attorney should identify the monies held in the two bank accounts no longer used, dispose of all unidentified monies as provided by various statutory provisions, and close the accounts.
- F. Establish procedures to ensure proper follow-up on ten-day letters and timely filing of charges with the court when appropriate. In addition, the Prosecuting Attorney should ensure the date bad check complaints are received is recorded.
- G. Disburse all fees monthly to the County Treasurer.

- H. Ensure all accounting records are retained.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *The Prosecuting Attorney's office budget has been cut \$152,000 since January 1, 2007, and the budget cuts have negatively affected the number of staff in the office. However, we have implemented procedures to segregate duties to the extent possible. The supervisor now reviews all records on a monthly basis.*
- B *This will be implemented.*
- C,D,
G&H. *These have already been implemented.*
- E. *Monthly reconciliations are being performed as recommended. The office has been unable to identify the monies in the account from the previous administration, and those monies will need to be disposed of as provided by law. Identification of the monies in the other account is also under investigation, and the recommendation will be followed.*
- F. *The policy of the office has always been to file stamp the complaints when received, and the office has strengthened its policies. We have already implemented the recommendation. Further, the individual responsible for the problem cited in the finding is no longer working in this office.*

3. Sheriff Controls and Procedures

The former Sheriff paid himself mileage reimbursements from accountable fees, and documentation was not adequate nor were the reimbursements properly approved. In addition, accounting controls and procedures pertaining to monies and seized property, handled by the Sheriff's office, need improvement.

The Sheriff's office collected civil and criminal process fees and cash bonds during the years ended December 31, 2007 and 2006, totaling approximately \$130,000 and \$190,000, respectively.

- A. The former Sheriff used accountable fees of \$12,831 to pay himself for mileage to serve papers during the 2 years ended December 31, 2007, and as a result, these disbursements were not approved by the County Commission. In addition, documentation of actual miles driven to serve papers was not maintained by the former Sheriff.

The former Sheriff used a mileage rate schedule by location to determine the amount to claim for reimbursement. However, we noted during a review of

papers served during August 2007, the former Sheriff claimed mileage for "rural Pineville" (or \$13.50 in mileage) in two instances when the address of the paper service was within one mile of the Sheriff's office.

Section, 50.370, RSMo, requires county officials to turn over all fees to the county treasurer monthly. There is no statutory authority for the Sheriff to retain such monies outside the county treasury.

In addition, Section 57.430, RSMo, requires the Sheriff to file accurate and itemized mileage statements showing in detail the miles traveled, the date of the trip, the nature of the business engaged in during each trip, and the places to and from which the Sheriff has traveled, when he is driving a personal vehicle. To ensure mileage reimbursements are reasonable and represent valid disbursements, payments should be made only for actual mileage incurred and documented. Further, Internal Revenue Service (IRS) regulations require expenses not properly accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. As a result of the former Sheriff not accounting for actual miles driven, the reimbursements may need to be considered as gross income.

- B. Several concerns were identified related to a Drug Abuse Resistance Education (DARE) bank account maintained by a Sheriff's deputy. Receipts and disbursements totaling approximately \$11,000 during 2006 and 2007 were processed through this bank account.

There is no statutory authority allowing the Sheriff or his deputies to hold this account outside the county treasury. In addition, receipt slips or other records of donations received are not maintained, monthly bank reconciliations are not prepared, and the check book register balance is not accurate. Adequate supporting documentation for some disbursements was not retained. For example, documentation was not retained for five payments totaling \$640, which the DARE officer indicated were for pizza for DARE graduations, a disc jockey for a DARE dance, and flowers for officers in the hospital.

Attorney General's Opinion No. 45-92 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. In addition, a record of all donations should be maintained to establish an adequate audit trail and reduce the possibility of loss, theft, or misuse of funds going undetected. Also, timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. Further, all disbursements should be supported by a vendor invoice to ensure the obligation was valid and an appropriate use of public funds.

- C. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank accounts are not adequately segregated. The Sheriff's office

has two administrative assistants who each perform these duties; however, the duties are not adequately segregated to prohibit either of them from performing incompatible duties. While the former Sheriff indicated he reviewed monthly bank reconciliations, his review was not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented supervisory review of records by the Sheriff.

D. Controls and procedures over seized property need improvement. The Sheriff routinely seizes property to be used as evidence for cases. The following concerns were identified related to seized property:

- A complete and accurate list of seized property is not maintained and periodic inventories of property on hand are not conducted. While manual and computerized lists of seized property are maintained, the lists are not complete or accurate. For example, the manual list of seized property indicated a sword should be on hand; however, it was not located in the seized property room. In another example, a leather coat selected for review from the seized property room was not included on the computerized system. Also, the manual list typically only included the date and description of the item seized, and the computerized records did not always document where seized property was stored, the tag number assigned, or disposition.
- Seized property items are not always tagged to identify the property to a specific case. For example, an electric guitar selected for review from the seized property room was not tagged to identify it to a specific case.
- Several items in the evidence room have been held for an unnecessarily long period of time. For example, a gun, which was ordered to be disposed of two years ago was still on hand.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.

Further, Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper use or access.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Turn over all fees to the County Treasurer on a monthly basis as required by state law. In addition, the County Commission should require the submission of detailed and accurate mileage claims by the Sheriff and review the claims for reasonableness prior to making reimbursement. Any undocumented claims should be reported as gross income.
- B. Turn over custody of the DARE Bank Account to the County Treasurer. In addition, the Sheriff should ensure receipt slips or other records of donations received are maintained and adequate supporting documentation of disbursements is retained.
- C. Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.
- D. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, the Sheriff should perform a periodic inventory, compare it to the inventory list, and investigate any differences. All seized property should be properly tagged to identify the property to a specific case. Further, the Sheriff should make timely and appropriate dispositions of seized property.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

- A. *We will again request compliance to this recommendation from the Sheriff's office. We have limited control over other offices and elected officials.*

The current Sheriff who took office in January 2009, provided the following written responses:

- A. *A deputy now serves papers in a county car and the Sheriff's mileage will be based on actual miles driven. All fees will be turned over to the County Treasurer on a monthly basis.*
- B. *In the near future, we plan to form a not for profit (NFP) to separately account for the DARE program.*
- C. *Currently, the Sheriff documents his review of the bank reconciliations.*

- D. *All seized property will be tagged with pertinent information, an inventory list will be maintained, and inventory will be disposed of in a timely manner.*

AUDITOR'S COMMENT

- B. Many counties administer DARE monies through the county treasury, and forming an NFP seems unnecessary. However; if an NFP is formed, the Sheriff should ensure it is properly established and administered in accordance with state law including reporting requirements.

4. County Disbursements

The county did not utilize a competitive procurement process when making purchases or obtaining professional services, and all pertinent factors were not considered when making a real estate purchase. In addition, controls and procedures over fuel usage need improvement. Also, written agreements were not always entered into or signed by all parties as appropriate.

- A. The county did not always solicit bids, advertise for bids as required, document sole source procurement situations, or retain sufficient bid documentation. Examples include the following:

Item or Service	Cost
2 road department trucks	\$ 229,205
Track hoe	142,836
7 Patrol vehicles	124,922
Election equipment	100,700
2 mowers	58,900
Tractor	40,868
Utility truck	37,957
Wood chipper	29,580
Truck	25,836
Property tax system computer software and service	40,507

Commission minutes indicated most of the road and bridge equipment and patrol vehicles were purchased utilizing state bids. However, the commissioners indicated they simply asked vendors to give them state bid prices and had no documentation to show if such prices were in fact received or if these items were available on state contract. This was noted during 2006, 2007, and 2008.

The cost of the utility truck for \$37,957 noted above included \$957 in travel expenses to Denver, Colorado to purchase the truck. The county did not advertise for bids and the only documentation retained of price comparisons for this purchase was advertisements from a trade publication which included trucks for \$20,000 and \$22,000.

In addition, in October 2007 County Commission minutes indicated the tire supplier could not provide tires at the original bid price; therefore, an emergency purchase of tires would be made without soliciting for bids. However, it was not until March 2008 that the Commission approved an emergency purchase of tires from one select vendor. As a result of the 5 month time period involved, it appears questionable whether the purchase of tires was an emergency purchase. This vendor was paid \$53,253 during the year ended December 31, 2008. Other emergency purchases were also noted which appeared questionable.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement and emergency purchases) should be retained to demonstrate compliance with state law and support decisions made.

- B. In February 2007, the county purchased real estate for \$24,839 without obtaining an independent appraisal of the property, estimating the costs to demolish and dispose of the house on the property, or requiring an inspection of the property to be performed as part of the real estate contract. The county subsequently paid an additional \$12,204 for the contents, asbestos inspection and removal, and demolition and disposal of the house. According to County Assessor's office records, the value of the property was \$23,610. The property is being used to expand the county health department.

While the County Commission believes the amount paid was reasonable, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide the basis for negotiations. In addition, estimated costs to demolish and dispose of the house should have been considered by the County Commission in its decision making process and an inspection of the property should have been required as part of the real estate contract. This would have helped to better ensure the amount paid was reasonable and additional costs incurred to dispose of the property were minimized.

- C. Several concerns were identified related to fuel usage. The county's accounting records indicate fuel costing approximately \$220,000 and \$135,000 was purchased for the road and bridge department and Sheriff's office, respectively, during the 2 years ended December 31, 2007. Fuel costs for the road and bridge department increased approximately \$193,000 during the year ended December 31, 2008. Fuel purchases represent significant costs and the need for proper monitoring is essential. The following concerns were identified related to fuel usage and vehicle needs:

- Fuel and usage logs are not maintained for the road and bridge department's equipment and vehicles. As a result, fuel use is not reconciled to fuel purchases. The county has two bulk diesel fuel tanks located at the road and bridge department building and seven bulk diesel fuel tanks located at employee residences. These fuel tanks are not metered and, as a result, the amount of fuel pumped by each employee is not tracked. Unleaded fuel is purchased at local gas stations.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to also support fuel charges. The logs should include the date, driver, purpose, and destination of each trip; daily beginning and ending odometer or hour readings for vehicles and equipment; and the amount of fuel pumped. The logs should then be reconciled to fuel purchases. Additionally, in order to prepare fuel logs, fuel tanks should be metered to track fuel usage. Failure to document and monitor fuel usage could result in loss, theft, and misuse going undetected.

- Sheriff's office fuel is purchased at local gas stations. Fuel billings for two Sheriff's office vehicles were reviewed and it was determined that a vehicle log is not maintained for one of the vehicles and the vehicle log information for the other vehicle was not reviewed or compared to fuel purchases. Sheriff's department personnel indicated they did not know for which vehicles logs are maintained and there is no procedure in place for periodic review of the logs. Without adequate vehicle logs, the county cannot effectively monitor vehicles are used for official business only, fuel costs for vehicles are reasonable, and billings to the county represent legitimate and appropriate charges. Effective monitoring procedures, which include reviews of vehicle logs and comparison of log information to fuel purchases and maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel going undetected.
- The Sheriff's office has three older vehicles which are not assigned to an officer and are used as spare vehicles to transport prisoners by reserve deputies. Two of the three vehicles were only driven 6,432 and 10,180 miles during 2008. To ensure the county does not maintain unnecessary vehicles, the County Commission should review vehicle needs.

D. The county did not always enter into formal written agreements signed by all parties defining services to be provided and benefits to be received.

- The county does not have a contract with the computer software vendor which provides ongoing maintenance and assistance for the property tax system. The county paid the vendor \$40,507 during the 2 years ended December 31, 2007 for these services.

- While the Prosecuting Attorney drafted and signed a written agreement for attorney services with a local law firm in December 2007, the agreement was not signed by the local law firm. Further, the agreement provides for the county to pay the law firm \$2,500 per month for 20 hours per week of attorney services; however, documentation of time worked or services provided is not obtained from the law firm.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Adequate supporting documentation of time worked or services provided should be obtained to support the disbursement of county funds.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process when making major purchases or obtaining professional services and maintain documentation of decisions made.
- B. Ensure independent appraisals are obtained and associated costs considered for all future real estate purchases.
- C. Require fuel logs be maintained for all county owned vehicles, equipment, and road and bridge department bulk fuel tanks; fuel logs be reconciled to fuel purchases; and fuel tanks be metered. Periodic reviews should be performed to ensure the reasonableness of fuel purchases and usage, and all reviews and reconciliations should be documented. In addition, the County Commission should periodically consider if there is a need for each vehicle.
- D. Enter into written agreements, signed by all parties, that clearly detail the services to be performed and compensation to be paid or benefits received. In addition, the County Commission should require documentation of time spent for services provided by the local law firm.

AUDITEE'S RESPONSE

The County Commission provided the following written responses:

- A. *We will continue to use competitive procurement, but will better document the results as recommended.*
- B. *We have implemented this recommendation.*

C&D. These recommendations will be implemented.

5. County Financial Records, Procedures, and Budgetary Practices

The County Clerk and County Treasurer do not adequately reconcile their accounting records and discrepancies were noted in actual amounts presented in the county's budget documents. Improvement is needed in the procedures over transfers of monies between funds.

- A. The County Clerk and County Treasurer do not adequately reconcile their accounting records. As a result, as of December 31, 2007, an unidentified balance of \$13,635 was reported on the County Treasurer's semi-annual settlement. Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check and balance system required by state law, ensure errors and omissions are detected on a timely basis, and provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile accounting records.
- B. Actual receipts and disbursements for the year ended December 31, 2006, were reported differently on the 2007 and 2008 budgets as follows:

Fund	2008 Budget	2007 Budget	Difference
General Revenue Fund-Receipts	\$ 1,638,928	1,643,716	(4,788)
Road and Bridge Fund-Receipts	2,163,891	2,301,701	(137,810)
Election Service Fund-Disbursements	105,949	96,651	(9,298)
General Revenue Fund-Disbursements	1,646,178	1,656,237	(10,059)
Prosecuting Attorney Bad Check Fund-Disbursements	18,675	27,077	(8,402)

For the budget documents to be of maximum assistance to the county, to adequately inform county residents of the county's operations and current financial position, and to increase the effectiveness of the budget as a management tool, the amounts reported on the budgets should be accurate and consistent.

- C. As noted in the county's management letter from its independent auditor dated July 25, 2008, the amount of transfers in did not always balance with the amount of transfers out on budgets prepared for the 2 years ended December 31, 2007. Additionally, court orders clearly documenting the purpose of transfers made between funds were not always prepared. To ensure the budget document is accurate, actual transfers-in and out should balance, and court orders clearly documenting the purpose of transfers made between funds should be prepared.

A condition similar to A was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure the accounting records of the County Clerk and County Treasurer are periodically reconciled and all reconciling items are documented and fully investigated.
- B. Ensure the budget document contains accurate and consistent information. The County Commission and County Clerk should also thoroughly review the budget document before it is finalized and filed with the State Auditor's office.
- C. Ensure court orders are prepared to authorize and document the purpose of all fund transfers, and actual transfers in and out are in balance.

AUDITEE'S RESPONSE

The County Commission provided the following written responses:

- A. *We will request the County Clerk and County Treasurer review the reconciliation process with us, so we will all be more familiar with the reconciliation of accounting records.*
- B. *We will implement this recommendation.*
- C. *The County Clerk will review the procedure with us, and we will implement this recommendation.*

6. Payroll Records and Procedures
--

Controls and procedures related to timesheets, leave, and compensatory time are not satisfactory and do not provide sufficient monitoring of payroll disbursements.

- A. Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year. The County Clerk prepares payroll checks from a list prepared by the Sheriff's chief deputy each month. Further, the Sheriff's office records of compensatory time and leave show month-end balances only and the office personnel could not demonstrate how compensatory time and leave earned and taken was calculated or how the activity reported on timesheets related to the balances reported at month-end.

As a result, the County Commission does not have documentation of work performed to support payroll disbursements when paid. Records of actual time worked and the related leave and compensatory time records should be filed with the County Clerk monthly and reviewed for accuracy. Records of compensatory time and leave should be improved to show amounts earned, and used to verify month-end balances.

- B. An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or by the employees' supervisory official. Several discrepancies were noted between the amount of leave taken as recorded on timesheets and the related leave records. In addition, timesheets are not always signed by the employee and supervisor.

Without an adequate review process, the county cannot ensure payroll records are in agreement, compliance with the county's personnel policy, and errors are detected and corrected timely. In addition, to document hours actually worked and substantiate payroll disbursements, timesheets should be signed by all employees and include supervisory approval.

- C. The county allows employees to accrue overtime and leave in violation of its own policy.

- Sheriff's office employees are using nonworking time (vacation, sick leave, and compensatory time taken) to calculate overtime. As a result, the county may be paying more compensatory time to the employee than required. The county's personnel policy and Fair Labor Standards Act (FLSA) indicates nonworking time (holidays, vacation, sick leave, and compensatory time taken) should not be used in the calculation of compensatory time earned.
- The county's personnel policy requires employees to exhaust accrued compensatory leave before taking any vacation leave; however, a Sheriff's office employee used 32 hours of vacation the first week of June 2007 when he had an accrued compensatory leave balance of 31¼ hours at May 31, 2007. As a result, the county may pay more compensatory time to the employee than required. In addition, the employee only had a vacation balance of 14 hours at May 31, 2007, and incurred a negative vacation leave balance.

To ensure the equitable treatment of employees, overtime and leave should be accrued in accordance with the county's personnel policy and the FLSA.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND the County Commission and other officials:

- A. Require Sheriff's employees to file timesheets and compensatory time and leave records with the County Clerk's office monthly. In addition, compensatory time and leave records should be improved to show activity and used to verify month-end balances.
- B. Adequately review timesheets and leave records prepared for accuracy. In addition, timesheets should be signed by both the employee and the employee's supervisor.

- C. Ensure employees accrue and use compensatory time and vacation leave in accordance with the county's personnel policy and FLSA and nonworking time is not used in the calculation of overtime.

AUDITEE'S RESPONSE

The County Commission provided the following written responses:

- A. *We will again request compliance to this recommendation from the Sheriff's office. We have limited control over other offices and elected officials.*
- B. *We will implement this recommendation. We feel the majority of the timesheets are signed currently, but will again request the Sheriff's office to follow this recommendation.*
- C. *We will attempt to implement this recommendation.*

The current Sheriff, who took office in January 2009, provided the following written responses:

- A. *This recommendation has been implemented since January 2009.*
- C. *Nonworking time will no longer be used in the calculation of overtime and we will work with the County Clerk and County Commission to change the county policy requiring employees to exhaust accrued compensatory leave before taking any vacation leave.*

7. Commission Minutes

Concerns were noted with the county's procedures and documentation related to both closed and regular meeting minutes. In addition, county business was sometimes conducted without a quorum of the Commissioners.

- A. The County Clerk does not always prepare minutes for the closed session meetings of the County Commission. Meeting minutes were not prepared for four of nine closed sessions held during the year ended December 31, 2007. In addition, open meeting minutes did not always disclose the reason for entering into closed session, and it is not evident the final dispositions of matters discussed in closed sessions are made public. Further, the county's closed meeting minutes did not provide sufficient details to show how some items discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the March 14, 2007, closed session meeting the County Commission discussed amendments to the employee handbook.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any

business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The meeting minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support decisions made.

- B. Meeting minutes did not always include sufficient detail of matters discussed. In addition, meeting minutes often indicated information related to the Commission's discussion was attached; however, the attachments were not retained. Further, meeting minutes sometimes indicated an upcoming informational meeting was to be held and the County Commission confirmed the meeting was held; however, minutes for the informational meeting were not always prepared or retained. Inadequate or unclear meeting minutes can lead to subsequent confusion as to the Commission's intentions, possible incorrect interpretation of the Commission's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions.

Complete and detailed meeting minutes provide an official record of County Commission actions and are needed to clearly document discussions and reasons supporting Commission decisions. In addition, the Sunshine Law requires minutes be kept for all meetings.

- C. County business was sometimes conducted without a quorum of the County Commission. For example, on October 11, 2007, an invoice for radio equipment costing \$24,383 was approved when only the Presiding Commissioner was present at the meeting. Further, on April 9, 2008, the County Clerk and County Treasurer met and approved the payment of bills totaling \$119,622 when all members of the County Commission were absent. The County Commission meets twice a week and spends a third day inspecting roads, and it is unclear why these decisions could not be made at the next meeting.

Section 49.070, RSMo, states, "A majority of the commissioners of the County Commission shall constitute a quorum to do business;...." In addition, Section 50,166, RSMo, requires county disbursements to be approved by the County Commission. To comply with state law and ensure disbursements are valid and proper, invoices should only be approved during a session of the County Commission attended by two or more commissioners.

A condition similar to A was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure meeting minutes are prepared and retained for all closed meetings, only allowable topics are discussed in closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken, and minutes are maintained for all meetings.
- C. Ensure county business is conducted in compliance with the Sunshine Law and disbursements are approved by a quorum of the County Commission.

AUDITEE'S RESPONSE

The County Commission provided the following written responses:

- A. *We will review procedure and implement recommendation.*
- B. *We will continue to strive to issue complete minutes as required by statute in recording motions, votes, and pertinent information and therefore follow this recommendation.*
- C. *We will implement this recommendation whenever possible.*

8. Property Tax System Controls and Procedures

Access to assessment data in the property tax system is not adequately restricted. In addition, the County Clerk and County Commission are not performing sufficient reviews of property tax system information and County Collector's monthly and annual reports.

- A. Access to assessment data in the property tax system is not adequately restricted, and a subsequent review of changes is not performed. The County Assessor annually prepares an electronic data base of property tax files and enters or updates assessed valuations. After this is completed other county officials perform various statutorily-required duties related to the county's property taxes and a report is provided to the Board of Equalization (BOE). Any changes to assessed valuation information after this point should only be made upon approval of the BOE. However, the Assessor does not have a separate working data base and can continue to make changes to the tax book master file after approval by the BOE. No subsequent review of these changes is performed. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the assessment data and disputes or questions regarding the propriety of property valuations might arise.
- B. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the Assessor. Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, she should verify the accuracy and document approval of the tax book amounts to be charged to the

County Collector. Failure to do so could result in errors or irregularities going undetected.

- C. Neither the County Commission nor the County Clerk reviews the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected reporting errors in the County Collector's settlements (See Management Advisory Report finding number 10).

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND:

- A. The County Commission restrict access to the assessment data as appropriate and ensure any changes are fully monitored and documented.
- B. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- C. The County Clerk maintain an account book with the County Collector. The County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following written responses:

- A. *We will continue to supply strict security for all courthouse offices and will encourage the Assessor to continue safeguarding her office and its data. We will review changes to data.*

B&C. We will implement these recommendations.

The Assessor provided the following written response:

A. This will be implemented.

9. Capital Asset Records and Procedures
--

The County Commission has designated the County Treasurer to maintain the county capital asset records. The County Treasurer's procedures to account for county property are not sufficient and capital asset records are not complete.

County capital asset records do not include the value of some county property and buildings. The county's insurance policy valued buildings not included in county capital asset records at over \$3.5 million. Additionally, the County Treasurer has no procedures in place to identify property purchases and disposals throughout the year. For example, the County Commission purchased two mowers for \$58,900 and a utility truck for \$37,000 during the year ended December 31, 2007, which had not been added to the capital asset records or included on the annual physical inventory report. While most of the county departments submitted annual physical inventory reports, these reports were not reviewed for accuracy or used to monitor property additions. The Assessor and Prosecuting Attorney offices have not prepared a physical inventory report since 2004 and 2006, respectively. Also, tags identifying property items as county property are not always assigned and affixed to the items.

Adequate capital asset records and monitoring procedures are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

A similar condition was noted in our prior report.

WE RECOMMEND the County Treasurer review physical inventory reports received from each of the county departments for accuracy and utilize them to monitor property additions and dispositions. The County Commission should require the Assessor and Prosecuting Attorney to prepare annual inventory reports and submit them to the County Treasurer. In addition, property control tags should be affixed to capital assets.

AUDITEE'S RESPONSE

The County Treasurer provided the following written response:

I will implement this recommendation.

The County Commission provided the following response:

We will attempt to implement this recommendation. We have limited control over other offices and elected officials.

10. County Collector Controls and Procedures

The County Collector's annual settlements were not accurate or complete, and accounting duties are not adequately segregated.

The County Collector's office collected property taxes totaling approximately \$15 million and \$8 million during the years ended February 28 (29), 2008 and 2007, respectively.

- A. The County Collector's annual settlements for the 2 years ended February 28 (29), 2008, were incorrect. The County Collector failed to include distributions of private car taxes collected by her office totaling \$20,552 and double counted commissions, including current and delinquent commissions remitted to the General Revenue Fund and County Employee Retirement Fund (CERF), totaling \$24,409 and \$5,820, respectively, during the year ended February 29, 2008. Charges and credits of protested taxes and interest totaling \$142,282 were incorrectly included in delinquent amounts on the annual settlement for the year ended February 29, 2008. Collections were overstated by \$143,403 on the annual settlement for the year ended February 28, 2007. Other errors in amounts reported on the annual settlements were also noted. In addition, the annual settlement for the year ended February 29, 2008, was not prepared and filed by the County Collector until August 2008.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and the County Commission to properly verify these amounts, it is imperative the County Collector file accurate and complete annual settlements on a timely basis. Section 139.160, RSMo, requires the collector to settle accounts with the County Commission by the first Monday of March.

- B. The Deputy Collector receives, records, and deposits monies, and reconciles the bank accounts. A documented supervisory review of the accounting records is not performed by the County Collector. Failure to adequately segregate accounting duties increases the risk of the loss, theft, misuse, and errors occurring and going undetected. Internal controls would be improved by segregating accounting duties or by implementing a documented supervisory review of records by the County Collector.

A condition similar to A was noted in our prior report.

WE RECOMMEND the County Collector:

- A. File complete and accurate annual settlements in a timely manner.
- B. Adequately segregate accounting duties or perform documented reviews of the accounting records.

AUDITEE'S RESPONSE

The County Collector provided the following written responses:

- A. *The annual settlement for the year ending February 28, 2007, was prepared before I took office; therefore, I did not make any corrections to this report. The annual settlement for the year ending February 29, 2008, has been amended and submitted to the County Clerk and State. The private car tax was added and the General Revenue Fund and Retirement Fund (CERF) commissions that were double counted in the distributions were corrected. The protested taxes will be applied in the correct place on future reports. I will be filing annual settlement reports in a complete, accurate, and timely manner in the future.*
- B. *I will reconcile bank accounts and review all accounting records. Accounting duties will be adequately segregated.*

11. Circuit Clerk Controls

A deputy clerk receives, records, deposits, and disburses monies, and reconciles the bank accounts. A documented supervisory review of the accounting records is not performed by the Circuit Clerk. The courts processed civil and criminal fees, fines, and bonds totaling \$1,445,403 and \$889,033 during the years ended December 31, 2007 and 2006, respectively. Failure to adequately segregate accounting duties increases the risk of loss, theft, misuse, and errors occurring and going undetected. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented supervisory review of records by the Circuit Clerk.

WE RECOMMEND the Circuit Clerk adequately segregate accounting duties or ensure documented independent or supervisory reviews of the accounting records are performed.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following written response:

Currently the accounting duties are reasonably segregated. The bank account is now reconciled by a different deputy clerk. I will ensure monthly supervisory reviews of the accounting records are performed.

For estates reviewed, fees assessed to estates were not always turned over to the county in a timely manner, client funds for an estate were not adequately monitored to maximize interest earnings, and an annual settlement of an estate was not complete and accurate nor was there proper reporting of the sale of assets. Further, accounting duties are not adequately segregated.

The Public Administrator acts as the court appointed personal representative for clients of the Probate Court. During the years ended December 31, 2007 and 2006, the Public Administrator handled approximately 80 cases. Our review of two of the larger estates identified concerns as follows.

- A. Fees assessed for one of the estates reviewed were not turned over to the county in a timely manner. Fees totaling \$2,000 (\$1,000 each year) were ordered by the Associate Circuit Judge to be paid to the county for 2004 and 2005, but were not paid by the Public Administrator until December 2006. The reason for the untimely turnover was not documented and did not appear related to a lack of funds. To ensure court orders are followed and to maximize county revenues, the Public Administrator should disburse fees timely.
- B. The Public Administrator did not adequately monitor the account balances of a client, and as a result, a significant balance was maintained in a non-interest bearing account. Interest was not earned on a client's checking account from December 2006 until September 2007. The average balance of the account for this time period was approximately \$8,000. Proper monitoring of client account balances is important to ensure interest earnings are maximized.
- C. For one of the estates reviewed, the annual settlement prepared by the Public Administrator was not complete or accurate. Personal property valued at \$76,100 reported on the February 7, 2007, annual settlement was overstated by approximately \$47,500, due in part to inclusion of over \$20,000 in property that had been sold on October 8, 2006. To ensure the financial activity of the estate is accurately reported to the court, all assets should be accurately reflected on the annual settlement. Failure to adequately review and monitor the activity of cases assigned to the Public Administrator by the Associate Circuit Court and Judge increases the risk that errors of misuse of funds could go undetected.

In addition, the Public Administrator did not file a settlement of sale with the court for the October 8, 2006, sale of property assets as required by the court. Section 473.487 RSMo, states no report or confirmation of the sale of personal property by the Public Administrator is necessary unless required by the court. However, the Associate Circuit Judge indicated the court does require a settlement of sale.

- D. The Public Administrator's assistant receives, records, deposits, and disburses monies, and reconciles the bank accounts. While the Public Administrator indicated she periodically reviews client files, accounting records, and bank reconciliations, she does not document her review. The failure to segregate accounting duties or perform documented supervisory reviews increases the risk of loss, theft, misuse, and errors going undetected. Internal controls would be improved by segregating accounting duties or by implementing a documented supervisory review of records by the Public Administrator.

WE RECOMMEND the Public Administrator and Associate Circuit Judge:

- A. Ensure fees are paid to the county in a timely manner.
- B. Monitor client bank balances to maximize interest earnings.
- C. Ensure annual settlements are prepared which accurately report all estate assets. In addition, the Public Administrator should file a settlement of all sales with the court as required.
- D. Adequately segregate accounting duties or perform documented supervisory reviews of the accounting records.

AUDITEE'S RESPONSE

The Public Administrator provided the following written responses:

- A. *Accounts are reviewed on a monthly basis to ensure there will be adequate funds at the end of the year when fees are paid to the county.*
- B. *All accounts have been reviewed and changed to accounts that earn interest, if the bank the account is held at offers such an account. All accounts opened from this date forward, will be interest bearing accounts.*
- C. *I have been working with the estate management computer software company to ensure the settlements are done properly, utilizing all benefits of the program and ensuring all assets are recorded, the assets are balanced out in the program and reflected on the printed settlement. All sales from this date forward will have a settlement filed with the court within 30 days of sale.*
- D. *All deposit slips are now copied before being sent to the bank and kept in a log book in the office, I will continue to review each check before it is mailed out, and I am currently doing all bank account reconciliations monthly, to provide oversight to my assistant.*

13.

Recorder of Deeds Controls and Procedures

The Recorder of Deeds allows two abstract companies to charge for copies and has not established procedures to bill the abstract companies each month and follow up on balances due. In addition, a company is allowed to charge when previous amounts due have not been paid. For example, in December 2008 the Recorder of Deeds billed an abstract company for amounts charged from March 2007 to December 2008 totaling \$445. As of May 5, 2009, the abstract company had still not paid the balance due. The Recorder's office sent a second bill to the abstract company in May 2009. As of May 19, 2009, the Recorder of Deeds had not billed the two abstract companies for amounts charged during the time period January through May 2009.

Routine billings and timely follow up on amounts unpaid are necessary to improve the likelihood of collections. Should companies fail to pay timely the Recorder of Deeds may want to consider other options, such as eliminating the practice of allowing companies to charge for copies.

WE RECOMMEND the Recorder of Deeds establish procedures to bill amounts due monthly and follow up on amounts remaining unpaid, and consider other options should companies fail to pay timely.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following written response:

We now have a signed agreement with both title companies. I will ensure timely payment of amounts billed each month.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MCDONALD COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

McDonald County is a county-organized, third-class county and is part of the Fortieth Judicial Circuit. The county seat is Pineville.

McDonald County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 21,681 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	129,444,540
Personal property		238,273,451
Railroad and utility		17,562,310
Total	\$	<u>385,280,301</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

McDonald County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and bridge operations	.0050	None	100	
911 services	.0050	None	N/A	
Law enforcement	.0050	None	N/A	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Larry D. Jones, Presiding Commissioner		29,390
Sam Gaskill, Associate Commissioner		27,390
Gayle Brock, Associate Commissioner		27,390
Kenny Underwood, Recorder of Deeds		41,500
Barbara Williams, County Clerk		41,500
Janice Lynne Durbin, Prosecuting Attorney		51,000
Don Schlessman, Sheriff		46,000
Joye Helm, County Treasurer		41,500
William (B.J.) Goodwin, County Coroner		14,000
Donna Underwood, Public Administrator		41,500
Brenda Gordon, County Collector, year ended February 29,	41,500	
Laura Pope, County Assessor (1), year ended August 31,		42,188
James Loncarich, County Surveyor (2)		

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Gene Hall, Circuit Clerk	51,197
John LePage, Associate Circuit Judge	101,090

The Emergency 911 Board has entered into two loan agreements for the construction of the Emergency 911 facility and equipment purchases. At December 31, 2008, the principal balance of the loans totaled \$1.5 million.



Susan Montee, JD, CPA
Missouri State Auditor

Bates County



October 2009

Report No. 2009-107

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report of Bates County.

The county's financial condition has deteriorated in several of its larger funds. The poor financial condition of the Law Enforcement Sales Tax Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balances of the General Revenue Fund and Special Road and Bridge Fund have declined significantly since 2005. While the cash balances of these three funds did improve in 2008, projected ending balances for the Law Enforcement Sales Tax Fund and Special Road and Bridge Fund were still quite low. Additionally, the county faces a significant potential liability as a result of accumulated vacation and compensatory leave for personnel of the Sheriff's office. Some deputies have accumulated over 300 hours of leave. A significant cause of the decline in the Special Road and Bridge Fund was the use of road monies to subsidize emergency management functions in the county from 2004 to 2007. The county began handling emergency management funds in the Special Road and Bridge Fund in 2004, rather than through the General Revenue Fund. The county spent \$204,500 more than it received during that period on emergency management functions.

Several county fund's budgets were overspent during 2007 and 2006 and monitoring of budget to actual reports is not consistently performed for all county funds. County officials did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases. In addition, the county did not adequately plan for construction of the courthouse tower or the funding of the project, have a professional engineer determine the scope of the project before bidding, or maintain adequate records to track the on-going cost of the project. The accounting records reflect the county paid almost \$1.5 million for the project through June 30, 2008, with another \$110,000 due to the contractor. Controls over fuel purchases also need to be improved.

Accounting duties in the Sheriff's office are not adequately segregated, receipts are not deposited intact on a timely basis, and some receipts from court paper service fees are not recorded until they are deposited. The method of payment received is not always noted on receipt slips, which does not allow the composition of receipt slips issued to be compared to the composition of deposits. The Sheriff does not maintain either a balance in the manual check register, or a cash control ledger to account for the monies in his fee account. As a result, monthly bank reconciliations could not be performed. The Sheriff does not have procedures to ensure all monies received are properly disbursed. Commissary profits and telephone commissions were transferred from the inmate account to the fee account, rather than disbursing these monies to the county treasury, and several purchases made from the fee account do not appear to be prudent or necessary uses of public or inmate funds. Various problems were also noted regarding the handling of

YELLOW SHEET

inmate monies and commissary activity. The inmate account balance is not reconciled to the total of the individual inmate balances and any remaining commissary proceeds and commissary and phone card commission profits are maintained outside the county treasury. In addition, problems were noted with Sheriff's office and law enforcement related disbursements, including lack of contracts for housing prisoners for other entities.

Controls over property tax additions and abatements are not adequate and the County Clerk does not maintain an account book or other records summarizing property tax transactions and changes. No evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

The county needs to improve its policies and procedures related to County Commission meeting minutes. The official County Commission meeting minutes are not printed and approved by the County Commission timely. Open minutes did not always document the vote for closing the meeting and the minutes did not always cite the specific statute and subsection allowing the closure.

The Prosecuting Attorney continues to violate state law by maintaining custody of the Prosecuting Attorney Bad Check Fund and some disbursements from this fund appear questionable. During 2007 and 2006, the Prosecuting Attorney authorized payments from the fund totaling \$350 and \$300, respectively, to his employees as bonuses. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture Fund, which is used for law enforcement purposes. Missouri Attorney General's Opinion No. 45, 1992, to Henderson states the Prosecuting Attorney of a third-class county is not authorized to maintain a bank account for law enforcement purposes separate from the County Treasurer. We also had concerns over the handling of some void restitution checks, which were added back to the account and are retained as an "overage" amount, rather than being disposed of in accordance with state law.

The report also includes recommendations related to payroll and county property records, as well as recommendations to the Public Administrator and Senate Bill 40 Board.

All reports are available on our Web site: www.auditor.mo.gov

BATES COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-29
<u>Number</u>	<u>Description</u>
1.	Financial Condition and Disbursements5
2.	Sheriff's Accounting Controls and Procedures11
3.	Property Tax System and Collector Commissions18
4.	Payroll and Personnel Records and Procedures.....19
5.	County Commission Meeting Minutes22
6.	Prosecuting Attorney's Accounting Controls and Procedures22
7.	Public Administrator's Accounting Controls and Procedures.....25
8.	Senate Bill 40 Board27
9.	County Property Records and Procedures28
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	30-32

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bates County

We have audited certain operations of Bates County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Bates County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Bates County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Julie Moulden, MBA, CPA
	Eartha Taylor, MBA, CPA
	Karla D. Swift, MBA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BATES COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition and Disbursements
-----------	--

The county's financial condition has deteriorated in several of its larger funds. Numerous county fund budgets were overspent during 2007 and 2006 and monitoring of budget to actual reports is not consistently performed for all county funds. The county did not always solicit bids for major purchases. Additionally, the county did not adequately plan for construction of the courthouse tower or the funding of the project, did not have a professional engineer determine the scope of the project before bidding, and did not maintain adequate records to track the on-going cost of the project. Also, control over fuel usage should be improved.

- A. The poor financial condition of the Law Enforcement Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balances of the General Revenue Fund and Special Road and Bridge Fund have declined significantly since 2005. The following table reflects the ending cash balances of these funds during the 5 years ended December 31, 2007:

	Ending Cash Balance, Year Ended December 31,				
	2007	2006	2005	2004	2003
General Revenue Fund	\$ 127,630	52,637	138,999	507,889	753,377
Law Enforcement Sales Tax Fund	(28,423)	106,266	87,194	78,966	(133,264)
Special Road and Bridge Fund	100,336	195,544	609,052	773,438	702,342

In addition, at December 31, 2007, \$120,000 is due from the General Revenue Fund to other county funds for repayment of loans. These loans were necessary, at least in part, due to the overruns on the courthouse tower restoration project (see part D).

While the cash balances of these three funds did improve during 2008, the projected ending balances for the Law Enforcement Sales Tax Fund and Special Road and Bridge Fund at the end of 2009 are still quite low.

Additionally, a potentially significant liability exists for the county as a result of accumulated vacation leave and compensatory time balances for personnel of the Sheriff's office. Some deputies have accumulated vacation leave and/or compensatory time balances in excess of 300 hours. These excessive balances

represent a large liability for the county, which could require significant cash resources upon payment (see MAR finding number 4).

The county's budgetary practices are also in need of improvement (see part B). Actual disbursements exceeded budgeted disbursements in the General Revenue Fund and the Law Enforcement Sales Tax Fund in 2007 and 2006.

A significant cause of the decline in the Special Road and Bridge Fund's cash balance was the change in how emergency management monies were handled in the county. In 2004, the county started handling emergency management monies through the Special Road and Bridge Fund, which is a restricted fund, rather than the General Revenue Fund. This condition was noted as a problem in the county's financial statements for the 2 years ended December 31, 2005, which was delivered to the county during 2007, and the county went back to handling these monies in the General Revenue Fund starting in 2008. From 2004 to 2007, the County Commission authorized \$204,500 more in emergency management disbursements than amounts received for that purpose, resulting in the Special Road and Bridge Fund subsidizing emergency management functions of the county.

Also, the Sheriff does not have procedures in place to ensure all accountable fees have been turned over to the county treasury and is maintaining commissary and phone card commission profits outside the county treasury (See MAR finding number 2).

The county is facing serious financial problems and, as a result, it is essential to address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending where possible; evaluate controls and management practices to ensure efficient use of resources available to the county; and attempt to maximize receipts from all sources. The Special Road and Bridge Fund is restricted for road and bridge related purposes and should not be used for other purposes. In addition, the County Commission and other county officials should take steps to address the various issues noted in the remainder of our report.

- B. The County Commission and other county officials approved disbursements in excess of budgeted amounts for various funds for the years ended December 31, 2007 and 2006. Several major funds, such as the General Revenue Fund and Law Enforcement Sales Tax Fund were overspent significantly in both 2007 and 2006, while several other smaller county funds were also overspent.

While the County Clerk prepares budget to actual disbursement comparison reports, the county's procedures for monitoring these reports has apparently not been effective. Several times during 2007, the County Commission met with the

Sheriff to discuss the need to reduce spending, as actual disbursements for the Sheriff and the jail made from the Law Enforcement Sales Tax Fund were rapidly reaching the budget limits; however, this seemed to have little effect since these two departments overspent their budgets by more than \$150,000. The County Clerk has not developed formal policies for monitoring spending, and budget to actual reports are only provided to other elected officials upon request. In addition, the overspending in the Assessment Fund and the Recorder's Technology Fund was the result of loans made to the General Revenue Fund.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

- C. County officials did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as discussed below.

<u>Item or Service</u>		<u>Cost</u>
Voting equipment (one-time purchase)	\$	186,422
Aerial photography		43,555
Mower		31,296
Concrete		22,248
Tractor		21,288
Rock		9,781
Computer equipment & repairs		7,130
Garage door and installation		6,434
Laminating books		5,000

The County Commission indicated each officeholder is individually responsible for bidding office purchases and is not required to submit bid documentation to the County Clerk.

The county was awarded a Help America Vote Requirement Payments Grant to purchase the voting equipment, train polling judges, and other election purposes. The County Clerk indicated she was given a list of vendors by the Secretary of State's office and she selected the only vendor that sold the brand of voting equipment the county already had and she thought the price was comparable to other vendors; however, this information was not documented. In addition, the County Commission said the mower and tractor were purchased off state contract; however, supporting documentation of the contract price was not maintained for these purchases.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500, or more from any one person, firm or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- D. The county did not adequately plan for construction of the courthouse tower or the funding of the project, have a professional engineer determine the scope of the project before bidding, or maintain adequate records to track the on-going cost of the project.

This project was originally planned to begin in 2000, but was stalled for lack of funding until 2004, when a bid was awarded for the project. Prior to bidding the project, the county did not hire an engineer or architect to determine the scope of work for this restoration project or necessary funding to complete the work. It appears the scope of work was determined by the company awarded the bid. A proposal was received in writing from an engineering firm to determine the scope of work for the project, but was not accepted by the county. An original budget for the project was not prepared by the County Commission, who instead relied on the contractor to determine what needed to be done on the project. While the county had accumulated over \$750,000 in the General Revenue Fund by December 31, 2003, for this project, the labor only bid from the contractor in 2004 totaled over \$950,000. The minutes contain no documentation of discussion regarding this obvious shortfall in funding.

Inadequate planning and the deteriorating financial condition of the General Revenue Fund caused the county to stop the project in 2006. The county put a ½-cent sales tax on the April 2006, August 2006, and November 2006 ballots where it failed each time. The one year ½-cent sales tax finally passed in the April 2007 election. The original contract with the contractor was amended after the passage of the sales tax to allow for the completion of the project.

The county did not establish a record keeping procedure to account for the courthouse tower restoration project disbursements. The accounting records reflect the county paid almost \$1.5 million for the project through June 30, 2008, with another \$110,000 due to the contractor.

When undertaking such a significant capital improvement project, it is imperative that the County Commission carefully assess the county's needs as compared to the available funds and proposed funding sources. Additionally, the County Commission must carefully evaluate its funding decisions and closely monitor actual disbursements as compared to project budget estimates.

E. Controls over fuel purchases need improvement. There are no logs for the bulk fuel tank. In addition, procedures for comparing fuel purchases to bills are lacking.

- 1) The Road and Bridge Department has a bulk diesel fuel tank to fuel vehicles and equipment, but no logs of fuel pumped are maintained. Additionally, mileage logs are not maintained for vehicles and compared to fuel usage for reasonableness. During the years ended December 31, 2007 and 2006, the county spent approximately \$33,000 and \$31,000, respectively, for fuel and oil for the Road and Bridge Department. Records are maintained of fuel used in the off-road equipment only.

To ensure the reasonableness of fuel disbursements, the county should maintain complete records of fuel use and reconcile to fuel purchases and fuel on hand, and investigate any differences. Additionally, mileage logs should be maintained on all county vehicles and compared to fuel usage. Failure to account for fuel purchases could result in loss, theft, or misuse going undetected.

- 2) The Sheriff's office has not adopted procedures to evaluate the reasonableness of fuel disbursements and verify vendor bills. During the years ended December 31, 2007 and 2006, the county spent approximately \$65,000 and \$55,000, respectively, on fuel for sheriff and jail vehicles. Employees purchase fuel for county-owned vehicles using fuel cards assigned to them; however, they are not required to submit the fuel tickets, and as a result, tickets are not reconciled with the monthly fuel bills. Additionally, while mileage for each vehicle is required to be input when fueling and reports of usage and fuel purchases for each vehicle are prepared, these reports are not reviewed for reasonableness.

The failure to compare fuel use records and fuel tickets to vendor bills and compare vehicle mileage to fuel usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could go undetected.

WE RECOMMEND the County Commission:

- A. Closely monitor the county's financial condition and take necessary steps to improve the financial condition of the General Revenue, Law Enforcement Sales

Tax, and Special Road and Bridge Funds. The County Commission should perform long-term planning and take advantage of opportunities to maximize receipts and offset costs as allowed by state law. In addition, the County Commission should reimburse the Special Road and Bridge Fund \$204,500 from the General Revenue Fund and ensure all future disbursements from the Special Road and Bridge Fund comply with state law.

- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements that exceed budgeted amounts. If valid reasons exist for overspending, the County Commission should formally amend the budgets of the applicable funds.
- C. Establish formal policies for bid requirements placed on other county officials and ensure other county officials perform a competitive procurement process for all major purposes and maintain documentation of decisions made.
- D. Ensure capital improvement projects are adequately planned in the future, including obtaining bid specifications prepared by a qualified independent engineer with cost projections. The County Commission also needs to establish a method to effectively monitor budget to actual project disbursements to help identify funding shortfalls.
- E.1. Maintain complete records of fuel use and reconcile to fuel purchases and fuel on hand, and investigate any differences.
 - 2. Ensure fuel use and purchase records are reviewed for completeness and reasonableness, and are used to verify vendor bills.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We did more closely monitor all the county fund balances during 2008 and saw improvement in the specific funds mentioned by the auditor. We continue to monitor our financial position closely. While the decision to transfer these funds from Special Road and Bridge to the General Fund was made by a previous Commission, the fact is that most emergencies in Bates County deal predominantly with local transportation access and ability of farmers to reach their fields. We believe Emergency Management is compatible with Road and Bridge because recovery efforts due to flooding during this period were directly applied to repair roads and bridges. After review of expenditures, the Commission believes the audit reimbursement in question was appropriately expensed from the Road and Bridge Fund.*
- B. *We will continue to work with other county officials and try to ensure budgets are not overspent in the future.*

- C. *We make every effort to comply with statutory bidding requirements, purchase off state contracts when available, and get the best price for all county goods and services. In the future, we will ensure we maintain documentation.*
- D. *In the future, if such a project should occur, we will do a better job of tracking and monitoring the project disbursements. At least a portion of the cost overruns are attributable to inflated project material costs due to Hurricane Katrina.*
- E. *We will meet with the Road and Bridge Supervisor and Sheriff to develop procedures to adequately account for fuel usage.*

2. Sheriff's Accounting Controls and Procedures
--

Controls and procedures of the Sheriff's office need improvement.

- A. Accounting duties are not adequately segregated. The Sheriff's administrative assistant is responsible for receipting, recording, and depositing monies received and preparing and signing checks. The Sheriff does not review the accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews would help ensure financial records are properly maintained and help detect errors on a timely basis.

- B. The Sheriff's office maintains a fee bank account which is used to process various receipts generated from serving court papers, conceal and carry permits, copies of reports, sex offender registration fees, and bonds. The following concerns regarding the fee account were noted:

- 1) Receipts are not deposited intact on a timely basis and some receipts from court paper service fees are not recorded until they are deposited. Monies are normally collected each business day for serving court papers. However, the monies are held by the Sheriff's office and a receipt slip is not issued or the monies deposited until the related papers are served. These monies are not kept in a secure location and access to the monies is not limited. A cash count performed on April 15, 2008, identified undeposited checks for court paper service fees totaling approximately \$2,200, some of which had been on hand since 2006 based on the dates on the checks. The cash count also revealed receipt slips had not been issued for two of the six bonds on hand and for 10 of the paper service fees.

Procedures call for a receipt slip to be issued in conjunction with the issuance of the unnumbered bond forms. In addition, bonds collected by the jailers are not maintained in a secure location. Bonds are put in a cash box, which is locked, but all the jailers have access to both the box and the key. Other monies deposited into this account also are not always deposited timely. Deposits are generally made once a week.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be maintained in a secure location until deposited and the number of individuals with access to the funds should be limited, receipt slips should be issued immediately upon collection of monies, and deposits should be made intact on a timely basis.

- 2) The method of payment received (cash, check, money order, etc.) is not always noted on receipt slips, which does not allow the composition of receipt slips issued to be compared to the composition of deposits. In addition, checks are not restrictively endorsed immediately upon receipt. The cash count revealed that only 2 out of 68 checks on hand were endorsed.

To ensure receipts are accounted for properly and deposited intact, the method of payment should be recorded on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

- 3) The Sheriff does not maintain either a balance in the manual check register, or a cash control ledger. As a result, monthly bank reconciliations could not be performed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. The Sheriff's office should maintain an accurate cash control ledger or other record of receipts, disbursements, and periodic cash balances for the fee account. A cash control ledger is necessary to provide summary financial information, more readily account for the numerical sequence of receipt slips and checks issued, and facilitate reconciliation with bank account balances. Because the Sheriff did not maintain cash control ledgers during the audit period, the Sheriff could not determine the amount of fee monies received by the Sheriff's office and was not able to determine if the monies received were properly handled.

- 4) The Sheriff does not have procedures to ensure all monies received are properly disbursed. Monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed periodically during the

month and the Sheriff's fee bank account balance should be zero after the end of the month checks are issued. At December 31, 2007, the fee bank account balance was \$10,054, all of which was unidentified. It appears likely at least a portion of this unidentified difference is commissary profit and/or phone commissions transferred to the fee account (see part B.5).

Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

- 5) Commissary profits and telephone commissions were transferred from the inmate account to the fee account, rather than disbursing these monies to the county treasury, and several purchases made from the fee account do not appear to be prudent or necessary uses of public or inmate funds.

Checks totaling \$18,477 were written from the fee account during the 2 years ended December 31, 2007, to pay operating expenses of the Sheriff's office. Several of these disbursements do not appear to be prudent or necessary uses of public funds including food (\$961), flowers (\$221), and a donation to the Girl Scouts (\$11). In addition, supporting documentation was not retained for these disbursements.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Monies collected by the Sheriff's office should be distributed to the appropriate parties monthly and operating disbursements should be authorized by the Sheriff and made through the County Commission's normal disbursement process. Also, all disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. Further, the county's residents place a fiduciary trust in their public officials to expend funds in a necessary and prudent manner.

- C. Adequate procedures are not in place to account for inmate monies and commissary activity. The Sheriff maintains a separate inmate checking account which is used to handle personal inmate monies and operate a commissary for inmates. The Sheriff's office uses a specialized computer program to maintain the

records for this account. Inmates order various personal items from the commissary and the payment is deducted from their respective account. Any remaining personal monies are paid to the inmate upon release. The amounts of monies received, commissary purchases made, and the available cash balance for each inmate are recorded on a computer system. Sheriff's office employees did not generate or utilize computer system reports to perform needed reconciliations.

- 1) Bank reconciliations are not performed monthly and a manual book balance is not maintained. In addition, no report of the cash balance is generated from the computer system that could be reconciled to the bank account balance. As of December 31, 2007, the bank account balance was approximately \$46,500.

Without maintaining a cumulative book balance and preparing monthly bank reconciliations, there is little assurance cash receipts and disbursements have been properly handled and recorded or bank or book errors will be detected and corrected in a timely manner.

- 2) The inmate account balance is not reconciled to the total of the individual inmate balances and any remaining commissary proceeds. Inmate balances are maintained on computer files, but the balances have not been reconciled to the total in the bank account. To reconcile accounting records to the bank account balance, the Sheriff's office needs to maintain records that account for the commissary activity (sales, purchases, and residual profit). A comparison of individual inmate account balances to the bank balance as of April 15, 2008, noted the bank balance was \$28,100 more than the individual inmate account balances.

Reconciliations between receipts, disbursements, and individual inmate balances are necessary to ensure all monies received are accounted for properly and errors in recording amounts in inmate and commissary accounts are detected.

- 3) The Sheriff maintains commissary and phone card commission profits outside the county treasury. A review of Sheriff's office files of vendor invoices revealed commissary commissions totaled \$5,391 and \$3,003, and monies received from the sale of phone cards were \$10,993 and \$14,070 for the years ended December 31, 2007 and 2006, respectively. Additionally, telephone commissions for January through May 2006 and October 2006 totaling approximately \$11,600 were not transmitted to the county treasury. These checks are normally transmitted directly to the county treasury. These commissions were deposited in the inmate account and used to purchase food and rent movies for the inmates or transmitted to the fee account.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "... sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining profits and commissions should be transferred to the county treasury and future receipts should be transmitted to the county treasury.

D. Our review of Sheriff's office and jail disbursements from the Law Enforcement Sales Tax Fund, the Law Enforcement Training Fund, and the Sheriff's Fund revealed the following concerns.

- 1) Bids were not solicited by the Sheriff for various purchases made during the audit period. The Sheriff's office purchased seven used vehicles and two new trucks during the audit period. The used vehicles were purchased from the Kansas Highway Patrol and the new trucks were purchased from a local car dealer. The Sheriff indicated these purchases were the best deals available; however, this information was not documented. Uniform purchases, which exceed \$6,000, were made without bids. In addition, the Sheriff's office switched cellular telephone providers in late 2007 and incurred \$1,325 in early termination fees and the average monthly costs per phone increased from \$34 to \$143. The Sheriff stated once he realized how much more expensive the new provider was, he canceled the service.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500, or more from any one person, firm or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- 2) Adequate supporting documentation was not available for some credit card disbursements, and some of these disbursements did not appear to be prudent uses of public funds. While the County Commission reviewed a summary statement of monthly credit card disbursements, detailed

invoices of each purchase were not always submitted by the Sheriff's office and compared to the statement. For example in one month, invoices were not retained to support 17 separate purchases, totaling \$493, for lodging, meals, and miscellaneous expenses. Similar omissions were noted with other credit card monthly statements. In addition, we noted charges for over credit limit fees, late fees, and finance charges. Some of these charges resulted from the county's refusal to pay for some items without a vendor invoice or items the County Commission felt were inappropriate, such as \$779 for engraved pens for Sheriff's employees. In addition, we noted other disbursements made by the Sheriff's office do not appear to be necessary uses of public funds such \$215 for an ad in a school publication, a pie for the county's Thanksgiving meal for employees, Christmas candy for employees, and cards for Boss's day.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- E. The county houses prisoners for various political subdivisions but only has a written contract with the United States Department of Justice. During 2007 and 2006, the county received approximately \$52,800 and \$77,000, respectively, in prisoner board payments from other political subdivisions without having written contracts with those entities.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

Conditions similar to A, B.1, B.3, and C - E were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties or, at a minimum, ensure periodic independent reviews of the accounting records are performed and documented.
- B.1. Issue receipt slips immediately upon collection of monies, maintain monies in a secure location until deposited, and deposit all monies intact on a timely basis.
 - 2. Reconcile the composition of receipts to the composition of deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.
 - 3. Record all receipts, disbursements, and cash balances on a cash control ledger and account for the numerical sequence of receipt slips and checks. The Sheriff

should ensure monthly bank balances are reconciled to the cash balance on the cash control ledger.

4. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts that cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.
 5. Remit all fees collected to the county treasury monthly and make all purchases through the county's normal disbursement process. Also, supporting documentation should be maintained for all disbursements, and the Sheriff should ensure disbursements are necessary and prudent uses of public funds.
- C.1. Prepare monthly bank reconciliation and maintain a book balance.
2. Maintain records for the commissary account and reconcile the individual prisoner and commissary balances to the total of the monies in the bank account on a monthly basis.
 3. Transfer the balance of the inmate account in excess of inmate monies and turn over all future phone card commissions and profits from the commissary to the county treasury.
- D.1. Work with the County Commission to perform a competitive procurement process for all major purposes and maintain documentation of decisions made. Such documentation should be filed with the County Clerk's office.
2. And County Clerk ensure adequate supporting documentation is retained for all credit card purchases. In addition, the Sheriff should ensure disbursements are proper uses of public funds.
- E. Ensure all agreements entered into by the county are in writing.

AUDITEE'S RESPONSE

The current Sheriff who took office in January 2009, provided the following response:

A. *I am now at a minimum reviewing bank statements and deposit reports.*

B.1

&2. As of January 1, 2009, when I took office as Sheriff, I implemented these recommendations.

3. *Effective July 1, 2009, we will maintain a cash control ledger and reconcile it to the bank balance.*
4. *Disbursements have been made monthly since I took office in January. We will make a decision regarding the disbursement of any remaining unidentified monies.*
5. *This recommendation was implemented January 1, 2009.*

C.1

&2,E. These recommendations have been implemented.

C.3. I will determine the amount necessary to operate the commissary, and any amounts over this in excess of inmate monies will be turned over to the County Treasurer for deposit in the Law Enforcement Sales Tax Fund.

D.1. We agree and will implement this recommendation for future purchases.

2. *This recommendation was implemented January 1, and future purchases on credit cards will be for proper use of public funds.*

3. Property Tax System and Collector Commissions

Property tax system procedures and controls need improvement. The County Collector's office processes approximately \$10 million annually.

- A. Controls over property tax additions and abatements are not adequate. The County Assessor makes changes to the property tax system for all tax additions and abatements. The County Commission reviews additions and abatements given to the County Clerk's office; however, it only signs the abatements. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. This condition was noted in our prior report.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur.

- B. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

WE RECOMMEND the County Clerk:

- A. Periodically reconcile all approved additions and abatements to actual changes made to the property tax system.
- B. Establish and maintain an account book with the County Collector. The County Commission should use this account book to verify the County Collector's annual settlements.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

These recommendations were implemented as soon as discussed with the auditors, during audit fieldwork.

4. Payroll and Personnel Records and Procedures
--

Procedures for monitoring payroll and ensuring compliance with county personnel policies need improvement.

- A. The Sheriff's office has not monitored hours worked by employees and has not adequately controlled compensatory time earned and taken by employees. While courthouse employees are required to either work 35 hours a week or use accumulated leave to receive their regular wages, the Sheriff had not set the number of hours employees in his office were expected to work until July 2008. While compensatory time was earned on weeks when Sheriff's office employees worked over 40 hours, these employees were not required to use accumulated

compensatory time for weeks when they were scheduled to work less than 40 hours in a week. In one instance, an employee worked 30 hours in a week and was not required to use any leave to make up for the shortage in hours. As a result, Sheriff's office employees have accumulated significant compensatory and holiday time balances. The Fair Labor Standards Act (FLSA) provides that employees regularly engaged in public safety activities are allowed to accumulate a maximum of 480 hours of compensatory time. Hours in excess of this maximum are to be paid or be taken off by the employee in the next pay period. At December 31, 2007, there were 13 employees with compensatory time balances totaling 4,810 hours and holiday time balances totaling 1,778. Four of these employees had reached the maximum and were being paid for the hours earned over the 480 compensatory maximum each month.

Because the accumulated compensatory and holiday time balances represent a significant liability to the county, the County Commission and Sheriff should better control the compensatory and holiday time earned by the Sheriff's office employees and work on a plan for reducing the prior accruals.

In July 2008, the Sheriff set the number of hours full-time employees are required to work at 36 hours a week. The FLSA allows law enforcement personnel to work 171 hours in a 28 day period before overtime rules take effect.

- B. Timesheets prepared by county employees do not always indicate actual hours worked. Timesheets must be submitted 2 to 3 days prior to the last County Commission meeting of the month for employees to be paid on that date. When submitting the timesheets, employees show actual hours worked through the date they are submitting their timesheet and estimate the hours they will work during the remainder of the month. With the exception of the Road and Bridge Department employees, no documentation was available to indicate the hours actually worked were ever compared to the hours previously estimated.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked.

Proper control over payroll requires documentation, such as timesheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

- C. Some county employees used annual leave in excess of their balances, resulting in negative annual leave balances. For example, a Sheriff's office employee had a negative annual leave balance for 2 months until his anniversary date. This

employee had accrued compensatory and holiday leave he was not required to take.

The county's personnel policy requires that leave be earned before taken. All available compensatory and holiday leave should be used, rather than allowing employees to maintain negative annual leave balances. Should employees require leave in excess of their balances, the County Commission should consider placing the employee on leave-without-pay status.

- D. Timesheets for Sheriff's office employees are not always submitted to the County Clerk's office in a timely manner. A February 2008 timesheet and 11 March 2008 timesheets were not turned in until April 14, 2008. At that time, the County Clerk's office was still waiting on one January timesheet, four February timesheets, and eight March timesheets.

Timesheets should be submitted to the County Commission by all employees in a timely manner to provide supporting documentation and additional assurance that payroll disbursements are valid and proper. Prompt timesheet submission also ensures errors are identified on a timely basis and any necessary adjustments are made as soon as possible.

WE RECOMMEND the County Commission:

- A. And Sheriff develop and implement a plan to reduce the county liability for compensatory and holiday time by allowing time off or paying for accumulated compensatory time and work to better control additional compensatory time earned.
- B. Develop payroll procedures to ensure county employees are paid based on actual hours worked.
- C. Discontinue the practice of allowing negative leave balances.
- D. Require timesheets be submitted to the County Clerk's office in a timely manner.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The liability related to unused leave was paid out in 2008 and the Commission and Sheriff have adopted new procedures for how compensatory time is earned and how much can be accumulated.*

B, C,
&D. *The recommendations have been implemented*

5.**County Commission Meeting Minutes**

The county needs to improve its policies and procedures related to County Commission meeting minutes.

- A. The official County Commission meeting minutes are not up-to-date. A deputy clerk in the County Clerk's office types the minutes in the computer but the minutes may not be printed out for several months, at which time they are reviewed and signed by the Presiding Commissioner.

Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure the minutes include all important information regarding the meetings held. In addition, Section 51.120, RSMo, requires the County Clerk maintain an accurate record of orders, rulings, and proceedings of the County Commission.

- B. Open minutes did not always document the vote for closing the meeting. In addition, the minutes did not cite the specific statute and subsection allowing the closure.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

WE RECOMMEND the County Commission ensure the official record of meetings is prepared on a timely basis and minutes document the reason and vote to go into closed session.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The recommendation has been implemented.

6.**Prosecuting Attorney's Accounting Controls and Procedures**

The Prosecuting Attorney continues to retain custody of the Prosecuting Attorney Bad Check Fund and the Prosecuting Attorney Federal Forfeiture Fund. Some disbursements from the Prosecuting Attorney Bad Check Fund appear questionable and bonuses continue

to be paid from this fund. In addition, the Prosecuting Attorney's office does not properly dispose of unclaimed monies.

A. Our review the Prosecuting Attorney Bad Check Fund procedures revealed the following concerns:

- 1) Contrary to state law, the Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check (PABC) Fund and some disbursements from this fund appear questionable. In previous reports, the Prosecuting Attorney indicated he maintains custody of this fund because he believes his office budget, funded by the Law Enforcement Sales Tax Fund, would be reduced if the County Commission was aware of the balance of this fund. The Prosecuting Attorney uses the PABC Fund to pay his employees additional salary, but this additional salary is not processed through the county's payroll system.

Section 570.120, RSMo, allows the Prosecuting Attorney to charge an administrative handling fee for the collection of bad check restitutions. This section also requires the fees to be deposited by the County Treasurer into a separate interest bearing fund to be expended based on warrants issued by the Prosecuting Attorney.

- 2) During 2007 and 2006, the Prosecuting Attorney authorized payments from the fund totaling \$350 and \$300, respectively, to his employees as bonuses. These payments were not included in the county's payroll records, subjected to payroll tax withholdings, or reported to the Internal Revenue Service (IRS) on employee W-2 forms.

Although Section 570.120, RSMo, states PABC monies may be used for additional employees or employee salaries on the staff of the Prosecuting Attorney's office, these bonuses appear to represent additional compensation for services previously rendered and may be in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- 3) Reimbursement claims paid to the Prosecuting Attorney from the PABC Fund included more than \$180 for office conferences which were meals for the Prosecuting Attorney and his employees within the City of Butler. There was no documentation that such disbursements were necessary for the operation of the office, and the purpose of these disbursements is not documented.

Without detailed supporting documentation, including the purpose of items purchased, the Prosecuting Attorney cannot provide evidence of whether the disbursements were reasonable and necessary uses of public funds. County residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The Prosecuting Attorney should adopt policies to require the purpose of all food and meal purchases to be sufficiently documented and ensure public funds are spent only on items that are necessary for the operation of his office.

- B. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture Fund, which is used for law enforcement purposes. The December 31, 2007, balance of \$3,351 was composed primarily of receipts from seizures by the U.S. Department of Justice.

Missouri Attorney General's Opinion No. 45, 1992, to Henderson states the Prosecuting Attorney of a third-class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasurer. This account balance should be transferred to the county treasury for deposit into a separately established fund, and future receipts should be transmitted to the county treasury.

This comment has been included repeatedly by our office during the last several audits of Bates County and no action related to this account has been taken.

- C. The Prosecuting Attorney is holding \$2,781 in an "overage" amount, which is maintained within the restitution bank account. The Prosecuting Attorney's policy is to void restitution checks that are not cashed or are returned as undeliverable to the Prosecuting Attorney's office and add the monies to the overage amount, rather than dispose of them in accordance with state law. Our office has made recommendations related to the handling of these funds since 1997, but no action has been taken.

When the intended payee cannot be located, these monies should be disbursed to the State Treasurer's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A.1. Turn over custody of the Prosecuting Attorney Bad Check Fund to the county treasury.
2. Discontinue the practice of paying employee bonuses.
3. Maintain adequate documentation for disbursements.

- B. Turn over custody of the Federal Forfeiture account to the county treasury to be placed in a separate fund.
- C. Attempt to contact the payees of old outstanding checks. If payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

- A.1. *The Prosecuting Attorney maintains the PABC account because past County Commissioners have compelled the Prosecuting Attorney to spend the monies when he preferred to save them.*
- 2. *The Auditor's office has told the Prosecutor in the past that bonuses were appropriate as long as taxes were withheld.*
- 3. *The Prosecutor will document the purposes for the staff lunches in the future.*
- B. *No response provided.*
- C. *The "overage" account has been reduced to \$150.00.*

AUDITOR'S COMMENT

- A.2. State law allows additional salary payments, but bonuses are prohibited by the Missouri Constitution.

7. Public Administrator's Accounting Controls and Procedures

The Public Administrator does not file supporting documentation with settlements as required by state law. In addition, documentation is not maintained to support fees charged, and no written policy exists to document how fees will be assessed on cases handled. The Public Administrator administered approximately 55 wards' estates as of February 2008.

- A. The Public Administrator does not file supporting documentation for disbursements, bank statements, or canceled checks with the Associate Circuit Division Court when filing annual settlements. In addition, there is no evidence the Associate Circuit Judge performs any follow up with the Public Administrator to determine why these supporting documents are not submitted.

Section 473.543, RSMo, requires the Public Administrator to submit supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting documentation be filed with the court.

- B. Documentation is not maintained to support fees charged and no written policy exists detailing how they are to be calculated. During our review of fees paid by various estates, we noted fees are charged depending on the availability of funds in the ward's estate. The Public Administrator receives a salary from the county and all fees assessed to the estates are turned over to the county. The Public Administrator indicated the attorney who prepares the annual settlements sets the attorney fees and the Public Administrator fees after he evaluates the monies in each estate, and does not assess fees on cases that are considered to have no monies. No documentation was maintained or provided to the court to support how the fees were determined. In addition, there is no written policy detailing how fees are to be calculated. The amount of Public Administrator fees turned over to the county's General Revenue Fund was \$4,546 in 2007 and \$7,339 in 2006.

Without a written policy, there is little assurance estates are handled equitably or fees are properly calculated.

WE RECOMMEND:

- A. The Associate Circuit Judge require adequate documentation be filed or made available to support all settlement transactions.
- B. The Public Administrator work with the Associate Circuit Judge to develop written guidelines that identify the process for charging fees on the estates. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Probate Court for approval.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

- A. *I am new to this office and will review the laws regarding the necessary filings by the Public Administrator and determine what documentation will be required to be filed with the court in the future.*

The Public Administrator provided the following response:

- A. *I will talk with the Judge about what documentation needs to be submitted with the annual settlements in the future.*
- B. *I will discuss fees to be charged on cases with the Judge.*

8. Senate Bill 40 Board

The Senate Bill 40 (SB40) Board approved disbursements in excess of budgeted amounts by approximately \$6,950, and a contract with a not-for-profit organization (NFP) does not contain sufficient details regarding documentation requirements.

- A. The SB40 Board approved disbursements in excess of budgeted amounts by \$6,950 during the year ended December 31, 2006. There was no budget amendment filed to authorize the additional disbursements and the Board does not review budget to actual statements on a monthly basis.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

- B. While the SB40 Board has entered into a contract with a NFP as recommended in the prior audit report, the contract terms are general and do not provide information regarding documentation required to be submitted for Board review prior to providing funding or reimbursement. The Board paid more than \$100,000 to this NFP during each of the 2 years ended December 31, 2007.

To prevent future misunderstandings, contracts should clearly establish the responsibilities and duties of each party and outline procedures and/or penalties for failure by either party to meet contractual terms. Also, to ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the SB40 Board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Senate Bill 40 Board:

- A. Require budget to actual reports be prepared and reviewed monthly and refrain from approving disbursements that exceed budgeted amounts.
- B. Improve contract terms regarding required documentation and reporting.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following written response:

The Bates County Senate Bill 40 Board continues to make necessary changes as its knowledge and experience grows. Each year the Board strives to bring its actions more into compliance with the laws and regulations that govern it. The Board will review the audit recommendations and implement changes as it deems beneficial.

9. County Property Records and Procedures
--

Procedures and records to account for county property are not adequate. The County Clerk and other county officials have not implemented adequate procedures to ensure property records for all county departments are complete, accurate, and sufficient to meet statutory requirements, and to provide a basis for determining proper insurance coverage.

The County Clerk does not maintain overall county property records and does not ensure all county departments perform and submit annual inventory lists. Annually, the County Clerk sends each department a memo requesting inventory lists. Although most county departments submitted inventory lists, the Sheriff's office did not submit the required lists during 2006 and 2007, and the County Clerk did not perform follow up to obtain the lists.

The departments' inventory lists serve as the county's overall property control records; however, many lists do not include sufficient details to identify additions; acquisition dates or source; property values; deletions; and method, authorization, and amount received for dispositions.

The County Clerk does not have a procedure to track property purchases throughout the year and compare to inventory lists submitted by the various departments. The County Clerk's office issues property tags at the request of the county departments to be affixed to newly acquired property. However, the property addition is not recorded on the County Clerk's copy of the departments' inventory lists at the time the tag is issued.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and monitoring procedures are necessary to ensure effective internal controls, meet statutory

requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

A similar condition was noted in our prior report.

WE RECOMMEND the County Clerk develop and maintain complete and accurate county property records and develop procedures to ensure accurate and complete physical inventories are conducted and inventory lists are submitted by all county departments. Finally, the County Clerk should implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

The County Commission has established a policy requiring each elected official to account for capital assets. I will work with the other elected officials to ensure annual inventories are performed and lists of assets are submitted to my office in the future. I will also work with officials to ensure all assets are tagged as county property in a timely manner.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

BATES COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Bates County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Butler.

Bates County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 16,653 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 117,255,730
Personal property	48,430,444
Railroad and utilities	16,659,930
Total	<u>\$ 182,346,104</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Bates County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
Law enforcement	\$.0050	None	None	
Capital improvement	.0050	2017	None	
Use tax	.0150	None	None	
Capital improvement	.0050	2008	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:		
Donna L. Gregory, Presiding Commissioner	\$	30,260
Randy W. Pike, Associate Commissioner		28,260
Bob Wingate, Associate Commissioner		28,260
Lucille Munday, Recorder of Deeds		42,200
Marlene Wainscott, County Clerk		42,200
Hugh Jenkins, Prosecuting Attorney		96,000
Doug Mullenix, Sheriff		46,200
Gary Schowengerdt, County Coroner		14,200
Sharon Cumpton, Public Administrator		26,200
James Platt, County Collector-Treasurer (1), year ended March 31,	48,261	
Roger Pruden, County Assessor (2), year ended August 31,		42,488

(1) Includes \$5,911 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Diane Rich, Circuit Clerk	51,197
John O'Bannon, Associate Circuit Judge	101,090

The county entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the county to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease purchase the law enforcement and detention center back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the county and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease is scheduled to be paid off in 2017. The remaining principal and interest due on the lease at December 31, 2007, was \$4,735,000 and \$1,326,167, respectively. The Certificates of Participation are anticipated to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Henry County, Missouri

The Office of the State Auditor, in cooperation with Henry County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-106

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Governmental Funds.....	7
Reconciliation of the Governmental Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis.....	8-9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances With The Government-Wide Statement of Activities – Modified Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-23
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Non-GAAP Budget Basis and Actual – Modified Cash Basis – General Fund – Unaudited.....	24
Departmental Schedule of Expenditures – Non-GAAP Budget Basis and Actual – Modified Cash Basis – General Fund – Unaudited.....	25-26
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual – Modified Cash Basis – Special Revenue Major Fund – Road and Bridge Fund – Unaudited.....	27

**THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual – Modified Cash Basis – Special Revenue Major Fund – Enhanced 911 Fund – Unaudited.....	28
Notes to Required Supplementary Information.....	29
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	30-31
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	32-33
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	34-35
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	36-37
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008.....	38
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007.....	39
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	40
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	41-42
Schedule of Findings and Responses.....	43-45

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Henry, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Henry, Missouri (the Primary Government) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, the Henry County Health Center, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, requires to be reported with the financial data of the Primary Government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Primary Government, as of December 31, 2008 and 2007, and the respective changes in financial position for the years then ended in conformity with the basis of accounting described in Note I.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2009 on our consideration of the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Budget and Actual and related notes on pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 30 through 37 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 40 through 45 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 27, 2009

FINANCIAL STATEMENTS

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008 AND 2007

	December 31, 2008 Total Governmental Activities	December 31, 2007 Total Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$ 1,010,676.50	\$ 1,143,491.34
Investments	<u>1,150,000.00</u>	<u>1,150,000.00</u>
TOTAL ASSETS	<u><u>2,160,676.50</u></u>	<u><u>2,293,491.34</u></u>
NET ASSETS		
Unrestricted	363,290.50	277,419.32
Restricted for Specific Purpose	<u>1,797,386.00</u>	<u>2,016,072.02</u>
TOTAL NET ASSETS	<u><u>2,160,676.50</u></u>	<u><u>2,293,491.34</u></u>
TOTAL FUND BALANCE	<u><u>\$ 2,160,676.50</u></u>	<u><u>\$ 2,293,491.34</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 2,478,835.49	\$ 1,201,266.79	\$ 277,462.63	\$ 330,597.73	\$ (669,508.34)
Road and Bridge	454,262.57	744,640.89	-	-	290,378.32
Financial Administration	118,427.12	-	-	-	(118,427.12)
Other Offices and Grants	-	-	310,771.82	-	310,771.82
Administration of Justice and Law Enforcement	1,345,685.69	-	-	-	(1,345,685.69)
Consulting	104,544.74	-	-	-	(104,544.74)
Fees, Licenses and Permits	3,500.00	-	-	-	(3,500.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	928,268.42	-	-	-	(928,268.42)
Property, Equipment and Buildings	475,075.50	-	-	-	(475,075.50)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,908,599.53	\$ 1,945,907.68	\$ 588,234.45	\$ 330,597.73	(3,043,859.67)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied					381,904.83
Sales Tax					1,304,278.15
Investment Income					63,634.12
Miscellaneous					1,161,227.73
TOTAL GENERAL REVENUES					2,911,044.83
CHANGE IN NET ASSETS					(132,814.84)
NET ASSETS, BEGINNING OF YEAR					2,293,491.34
NET ASSETS, END OF YEAR					\$ 2,160,676.50

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 2,217,289.57	\$ 1,089,998.60	\$ 227,022.13	\$ 253,227.69	\$ (647,041.15)
Road and Bridge	406,073.43	825,903.17	-	-	419,829.74
Financial Administration	120,807.29	-	-	-	(120,807.29)
Other Offices and Grants	-	-	349,659.34	-	349,659.34
Administration of Justice and Law Enforcement	1,283,550.96	-	-	-	(1,283,550.96)
Consulting	102,481.45	-	-	-	(102,481.45)
Fees, Licenses and Permits	3,500.00	-	-	-	(3,500.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	773,136.63	-	-	-	(773,136.63)
Property, Equipment and Buildings	36,695.45	-	-	-	(36,695.45)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 4,943,534.78</u>	<u>\$ 1,915,901.77</u>	<u>\$ 576,681.47</u>	<u>\$ 253,227.69</u>	(2,197,723.85)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied					
					315,071.43
Sales Tax					
					1,307,506.23
Investment Income					
					76,515.73
Miscellaneous					
					598,511.13
TOTAL GENERAL REVENUES					<u>2,297,604.52</u>
CHANGE IN NET ASSETS					99,880.67
NET ASSETS, BEGINNING OF YEAR					<u>2,193,610.67</u>
NET ASSETS, END OF YEAR					<u>\$ 2,293,491.34</u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2008 AND 2007

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Enhanced 911 Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Enhanced 911 Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	\$ 313,290.50	\$ 117,438.56	\$ 194,578.04	\$ 385,369.40	\$ 1,010,676.50	\$ 227,419.32	\$ 298,833.83	\$ 285,719.98	\$ 331,518.21	\$ 1,143,491.34
Investments	50,000.00	800,000.00	300,000.00	-	1,150,000.00	50,000.00	800,000.00	300,000.00	-	1,150,000.00
					-					-
TOTAL ASSETS	<u>363,290.50</u>	<u>917,438.56</u>	<u>494,578.04</u>	<u>385,369.40</u>	<u>2,160,676.50</u>	<u>277,419.32</u>	<u>1,098,833.83</u>	<u>585,719.98</u>	<u>331,518.21</u>	<u>2,293,491.34</u>
FUND BALANCES										
Unreserved:										
General Fund	363,290.50	-	-	-	363,290.50	277,419.32	-	-	-	277,419.32
Special Revenue Funds	-	917,438.56	494,578.04	385,369.40	1,797,386.00	-	1,098,833.83	585,719.98	331,518.21	2,016,072.02
TOTAL FUND BALANCES	<u>363,290.50</u>	<u>917,438.56</u>	<u>494,578.04</u>	<u>385,369.40</u>	<u>2,160,676.50</u>	<u>277,419.32</u>	<u>1,098,833.83</u>	<u>585,719.98</u>	<u>331,518.21</u>	<u>2,293,491.34</u>
TOTAL FUND BALANCES	<u>\$ 363,290.50</u>	<u>\$ 917,438.56</u>	<u>\$ 494,578.04</u>	<u>\$ 385,369.40</u>	<u>\$ 2,160,676.50</u>	<u>\$ 277,419.32</u>	<u>\$ 1,098,833.83</u>	<u>\$ 585,719.98</u>	<u>\$ 331,518.21</u>	<u>\$ 2,293,491.34</u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Enhanced 911 Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Enhanced 911 Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES										
Property Tax	\$ 144,933.27	\$ 102,186.53	\$ -	\$ 134,785.03	\$ 381,904.83	\$ 86,694.29	\$ 99,883.58	\$ -	\$ 128,493.56	\$ 315,071.43
Sales Tax	1,161,496.21	-	-	142,781.94	1,304,278.15	1,218,021.15	-	-	89,485.08	1,307,506.23
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	678,494.90	4,406.95	256,096.90	262,268.04	1,201,266.79	555,347.49	6,954.31	268,518.62	259,178.18	1,089,998.60
Loans	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	277,462.63	330,597.73	-	310,771.82	918,832.18	227,022.13	253,227.69	-	349,659.34	829,909.16
Fees, Licenses and Permits	-	744,640.89	-	-	744,640.89	-	825,903.17	-	-	825,903.17
Interest	7,085.48	38,671.70	15,846.07	2,030.87	63,634.12	8,576.80	49,439.16	16,705.87	1,793.90	76,515.73
Contributions	-	-	-	-	-	-	-	-	-	-
Other	299,482.81	78,942.32	2,945.00	779,857.60	1,161,227.73	172,068.01	40,695.35	996.00	384,751.77	598,511.13
TOTAL REVENUES	2,568,955.30	1,299,446.12	274,887.97	1,632,495.30	5,775,784.69	2,267,729.87	1,276,103.26	286,220.49	1,213,361.83	5,043,415.45
EXPENDITURES										
Current:										
General County Government	929,497.19	-	226,529.91	1,322,808.39	2,478,835.49	794,697.75	-	89,047.62	1,333,544.20	2,217,289.57
Road and Bridge	-	454,262.57	-	-	454,262.57	-	406,073.43	-	-	406,073.43
Financial Administration	118,427.12	-	-	-	118,427.12	120,807.29	-	-	-	120,807.29
Other Offices and Grants	-	-	-	-	-	-	-	-	-	-
Property Valuation and Recording	104,544.74	-	-	-	104,544.74	102,481.45	-	-	-	102,481.45
Supplies	-	-	-	-	-	-	-	-	-	-
Permits and Fees	3,500.00	-	-	-	3,500.00	3,500.00	-	-	-	3,500.00
Administration of Justice and Law	1,345,685.69	-	-	-	1,345,685.69	1,283,550.96	-	-	-	1,283,550.96
Continued Progress	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction	-	928,268.42	-	-	928,268.42	-	773,136.63	-	-	773,136.63
Property, Equipment and Buildings	-	38,310.40	-	436,765.10	475,075.50	-	36,695.45	-	-	36,695.45
TOTAL EXPENDITURES	2,501,654.74	1,420,841.39	226,529.91	1,759,573.49	5,908,599.53	2,305,037.45	1,215,905.51	89,047.62	1,333,544.20	4,943,534.78
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,300.56	(121,395.27)	48,358.06	(127,078.19)	(132,814.84)	(37,307.58)	60,197.75	197,172.87	(120,182.37)	99,880.67
OTHER FINANCING SOURCES (USES)										
Transfers In	126,745.62	-	-	254,342.02	381,087.64	150,000.00	-	-	263,134.65	413,134.65
Transfers Out	(108,175.00)	(60,000.00)	(139,500.00)	(73,412.64)	(381,087.64)	(109,425.00)	(60,000.00)	(142,000.00)	(101,709.65)	(413,134.65)
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	18,570.62	(60,000.00)	(139,500.00)	180,929.38	-	40,575.00	(60,000.00)	(142,000.00)	161,425.00	-
NET CHANGE IN FUND BALANCE	85,871.18	(181,395.27)	(91,141.94)	53,851.19	(132,814.84)	3,267.42	197.75	55,172.87	41,242.63	99,880.67
FUND BALANCE - BEGINNING OF YEAR	277,419.32	1,098,833.83	585,719.98	331,518.21	2,293,491.34	274,151.90	1,098,636.08	530,547.11	290,275.58	2,193,610.67
FUND BALANCE - END OF YEAR	\$ 363,290.50	\$ 917,438.56	\$ 494,578.04	\$ 385,369.40	\$ 2,160,676.50	\$ 277,419.32	\$ 1,098,833.83	\$ 585,719.98	\$ 331,518.21	\$ 2,293,491.34

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 2,160,676.50
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 2,160,676.50</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 2,293,491.34
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u>\$ 2,293,491.34</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (132,814.84)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (132,814.84)</u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ 99,880.67
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 99,880.67</u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2008 AND 2007

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 12,107,402.78</u>	<u>\$ 11,432,529.93</u>
TOTAL ASSETS	<u><u>12,107,402.78</u></u>	<u><u>11,432,529.93</u></u>
LIABILITIES		
Due to Other Funds	<u>12,107,402.78</u>	<u>11,432,529.93</u>
TOTAL LIABILITIES	<u><u>\$ 12,107,402.78</u></u>	<u><u>\$ 11,432,529.93</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Henry, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1834 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Henry County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, the Henry County Health Center, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* consist of (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, the Special Road and Bridge Fund and the Enhanced 911 Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – The Special Road and Bridge Fund is a special revenue fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Enhanced 911 Fund – The Enhanced 911 Fund is a special revenue fund used to account for receipts of the 911 Fund and related expenditures for the 911 department.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	2008	2007
Real Estate	\$ 191,520,250	\$ 187,408,960
Personal Property	76,056,919	74,106,358
Railroad and Utilities	15,206,499	16,610,817
	<u>\$ 282,783,668</u>	<u>\$ 278,126,135</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

During 2008 and 2007, the County Commission approved a \$0.04 and \$0.04, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	<u>2008</u>	<u>2007</u>
General Revenue Fund	\$ 0.0402	\$ 0.0372

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for special revenue funds.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$14,268,079.28 and \$13,726,021.27, the bank balance was \$9,825,931.36 and \$9,336,598.84, respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,010,676.50
Investments	1,150,000.00
<u>Balance Sheet – Agency Funds</u>	
Cash	<u>12,107,402.78</u>
Total Deposits & Investments as of December 31, 2008	<u>\$ 14,268,079.28</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,143,491.34
Investments	1,150,000.00
 <u>Balance Sheet – Agency Funds</u>	
Cash	<u>11,432,529.93</u>
Total Deposits & Investments as of December 31, 2007	\$ <u>13,726,021.27</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's investments were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LEASES

Henry County entered into a lease-purchase agreement with Ford Motor Credit Company for six 2008 Chevrolet Impala police sedans in November 2007. Initial term is 36 months. Henry County also entered into a lease-purchase agreement with Security Leasing Services for records management software in January 2008. Initial term is 36 months. The following is a schedule of future minimum lease payments at December 31, 2008:

	FORD	SECURITY LEASING	TOTAL
2009	\$ 50,826.80	\$ 10,940.28	\$ 61,767.08
2010	20,330.72	10,940.28	31,271.00
	<u>\$ 71,157.52</u>	<u>\$ 21,880.56</u>	<u>\$ 93,038.08</u>

The following is a schedule of future minimum lease payments at December 31, 2007:

	FORD	SECURITY LEASING	TOTAL
2008	40,641.44	10,940.28	51,601.72
2009	50,826.80	10,940.28	61,767.08
2010	20,330.72	10,940.28	31,271.00
	<u>\$ 111,818.96</u>	<u>\$ 32,820.84</u>	<u>\$ 144,639.80</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 126,745.62	\$ 108,175.00	\$ 150,000.00	\$ 109,425.00
Special Road and Bridge Fund	-	60,000.00	-	60,000.00
Enhanced 911 Fund	-	139,500.00	-	142,000.00
NON-MAJOR FUNDS	<u>254,342.02</u>	<u>73,412.64</u>	<u>263,134.65</u>	<u>101,709.65</u>
TOTAL	<u>\$ 381,087.64</u>	<u>\$ 381,087.64</u>	<u>\$ 413,134.65</u>	<u>\$ 413,134.65</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$93,748.15 and \$88,576.63, respectively, for the years then ended.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VII. OTHER RETIREMENT PLAN

Henry County does not participate in the Missouri Local Government Employees' Retirement System. Contributions to a voluntary plan are paid by a voluntary deduction from employees' salary. These contributions qualify under the Internal Revenue Code and are tax exempt. These contributions are then remitted to Pepco who administers the 457 Plan. Employee contributions were \$1,440.00 and \$1,440.00 for the years 2008 and 2007, respectively.

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is involved in pending litigation at December 31, 2008.

B. Compensated Absences

The County provides employees with up to two weeks of paid vacation based upon the number of years of continuous service. Vacation days do not carry forward if they are unused. Upon termination, an employee is reimbursed for any unused vacation days. Employees accrue one sick day per month. The County allows employees to carry forward six days a year to a maximum of thirty days. Upon termination from County employment, an employee is reimbursed for half of unused sick leave, except if the employee has not worked in the County for ten years. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is also a member of the Missouri Rural Services Workers Compensation Insurance Trust. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$1,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 100,000.00	\$ 100,000.00	\$ 144,933.27	\$ 44,933.27	\$ 70,000.00	\$ 70,000.00	\$ 86,694.29	\$ 16,694.29
Sales Tax	1,200,000.00	1,200,000.00	1,161,496.21	(38,503.79)	1,170,000.00	1,170,000.00	1,218,021.15	48,021.15
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	8,000.00	8,000.00	678,494.90	670,494.90	532,954.00	532,954.00	555,347.49	22,393.49
Grants, Distributions and Reimbursements	323,012.00	323,012.00	277,462.63	(45,549.37)	275,779.00	275,779.00	227,022.13	(48,756.87)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	8,000.00	8,000.00	7,085.48	(914.52)	6,000.00	6,000.00	8,576.80	2,576.80
Other	193,000.00	193,000.00	299,482.81	106,482.81	153,200.00	153,200.00	172,068.01	18,868.01
TOTAL REVENUES	1,832,012.00	1,832,012.00	2,568,955.30	736,943.30	2,207,933.00	2,207,933.00	2,267,729.87	59,796.87
EXPENDITURES								
Current:								
General County Government	1,008,338.00	1,008,338.00	929,497.19	(78,840.81)	915,886.00	915,886.00	794,697.75	(121,188.25)
Financial Administration	135,167.00	135,167.00	118,427.12	(16,739.88)	123,349.00	123,349.00	120,807.29	(2,541.71)
Other Offices and Grants	-	-	-	-	-	-	-	-
Health and Welfare	5,600.00	5,600.00	3,500.00	(2,100.00)	5,600.00	5,600.00	3,500.00	(2,100.00)
Property Valuation and Recording	103,166.00	103,166.00	104,544.74	1,378.74	100,356.00	100,356.00	102,481.45	2,125.45
Administration of Justice and Law	1,405,394.00	1,405,394.00	1,345,685.69	(59,708.31)	1,295,768.00	1,295,768.00	1,283,550.96	(12,217.04)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,657,665.00	2,657,665.00	2,501,654.74	(156,010.26)	2,440,959.00	2,440,959.00	2,305,037.45	(135,921.55)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(825,653.00)	(825,653.00)	67,300.56	892,953.56	(233,026.00)	(233,026.00)	(37,307.58)	195,718.42
OTHER FINANCING SOURCES (USES)								
Transfers In	2,599,495.00	2,599,495.00	126,745.62	(2,472,749.38)	164,400.00	164,400.00	150,000.00	(14,400.00)
Transfers Out	(114,325.00)	(114,325.00)	(108,175.00)	6,150.00	(114,769.00)	(114,769.00)	(109,425.00)	5,344.00
Emergency Fund	(78,000.00)	(78,000.00)	-	78,000.00	(71,170.00)	(71,170.00)	-	71,170.00
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,407,170.00	2,407,170.00	18,570.62	(2,388,599.38)	(21,539.00)	(21,539.00)	40,575.00	62,114.00
NET CHANGE IN FUND BALANCE	1,581,517.00	1,581,517.00	85,871.18	(1,495,645.82)	(254,565.00)	(254,565.00)	3,267.42	257,832.42
FUND BALANCE - BEGINNING OF YEAR	277,419.32	277,419.32	277,419.32	-	274,151.90	274,151.90	274,151.90	-
FUND BALANCE - END OF YEAR	\$ 1,858,936.32	\$ 1,858,936.32	\$ 363,290.50	\$ (1,495,645.82)	\$ 19,586.90	\$ 19,586.90	\$ 277,419.32	\$ 257,832.42

See accompanying Independent Auditor's Report.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES - NON-GAAP BUDGET BASIS AND ACTUAL
MODIFIED CASH BASIS - GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
EXPENDITURES								
Current:								
General County Government:								
County Commission	\$ 121,592.00	121,592.00	119,623.42	\$ (1,968.58)	\$ 117,111.00	117,111.00	114,556.13	\$ (2,554.87)
County Clerk	101,198.00	101,198.00	97,429.47	(3,768.53)	98,538.00	98,538.00	94,539.77	(3,998.23)
Elections	199,833.00	199,833.00	182,917.09	(16,915.91)	123,023.00	123,023.00	67,502.86	(55,520.14)
Buildings and Grounds	133,830.00	133,830.00	123,242.21	(10,587.79)	146,750.00	146,750.00	145,876.57	(873.43)
Employee Fringe Benefits	214,640.00	214,640.00	202,591.12	(12,048.88)	206,714.00	206,714.00	187,312.02	(19,401.98)
Other Expenses	237,245.00	237,245.00	203,693.88	(33,551.12)	223,750.00	223,750.00	184,910.40	(38,839.60)
	<u>1,008,338.00</u>	<u>1,008,338.00</u>	<u>929,497.19</u>	<u>(78,840.81)</u>	<u>915,886.00</u>	<u>915,886.00</u>	<u>794,697.75</u>	<u>(121,188.25)</u>
Financial Administration:								
Collector	37,424.00	37,424.00	28,206.05	(9,217.95)	25,196.00	25,196.00	31,145.69	5,949.69
Treasurer	97,743.00	97,743.00	90,221.07	(7,521.93)	98,153.00	98,153.00	89,661.60	(8,491.40)
	<u>135,167.00</u>	<u>135,167.00</u>	<u>118,427.12</u>	<u>(16,739.88)</u>	<u>123,349.00</u>	<u>123,349.00</u>	<u>120,807.29</u>	<u>(2,541.71)</u>
Other Offices & Grants:								
Other Offices & Grants	-	-	-	-	-	-	-	-
Health and Welfare:								
Non-Institutional Care	5,600.00	5,600.00	3,500.00	(2,100.00)	5,600.00	5,600.00	3,500.00	(2,100.00)
	<u>5,600.00</u>	<u>5,600.00</u>	<u>3,500.00</u>	<u>(2,100.00)</u>	<u>5,600.00</u>	<u>5,600.00</u>	<u>3,500.00</u>	<u>(2,100.00)</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES - NON-GAAP BUDGET BASIS AND ACTUAL
MODIFIED CASH BASIS - GENERAL FUND - UNAUDITED (CONCLUDED)
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
EXPENDITURES (concluded)								
Property Valuation and Recording:								
Recorder of Deeds	103,166.00	103,166.00	104,544.74	1,378.74	100,356.00	100,356.00	102,481.45	2,125.45
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	31,500.00	31,500.00	41,871.34	10,371.34	35,304.00	35,304.00	39,180.21	3,876.21
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	138,582.00	138,582.00	58,360.29	(80,221.71)	77,684.00	77,684.00	55,224.78	(22,459.22)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	261,533.00	261,533.00	292,308.13	30,775.13	235,979.00	235,979.00	297,546.74	61,567.74
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	347,264.00	347,264.00	290,543.74	(56,720.26)	360,074.00	360,074.00	271,094.05	(88,979.95)
Medical Examiner	33,410.00	33,410.00	25,792.84	(7,617.16)	31,580.00	31,580.00	33,071.80	1,491.80
Sheriff's Office	353,462.00	353,462.00	405,336.47	51,874.47	336,356.00	336,356.00	368,417.91	32,061.91
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	238,243.00	238,243.00	229,831.52	(8,411.48)	217,191.00	217,191.00	217,417.67	226.67
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	1,400.00	1,400.00	1,641.36	241.36	1,600.00	1,600.00	1,597.80	(2.20)
	1,405,394.00	1,405,394.00	1,345,685.69	(59,708.31)	1,295,768.00	1,295,768.00	1,283,550.96	(12,217.04)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 2,657,665.00	\$ 2,657,665.00	\$ 2,501,654.74	\$ (156,010.26)	\$ 2,440,959.00	\$ 2,440,959.00	\$ 2,305,037.45	\$ (135,921.55)

See accompanying Independent Auditor's Report

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
ROAD AND BRIDGE FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 100,000.00	\$ 100,000.00	\$ 102,186.53	\$ 2,186.53	\$ 102,000.00	\$ 102,000.00	\$ 99,883.58	\$ (2,116.42)
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	4,500.00	4,500.00	4,406.95	(93.05)	6,000.00	6,000.00	6,954.31	-
Grants, Distributions and Reimbursements	320,000.00	320,000.00	330,597.73	10,597.73	495,000.00	495,000.00	253,227.69	(241,772.31)
Fees, Licenses and Permits	838,000.00	838,000.00	744,640.89	(93,359.11)	805,000.00	805,000.00	825,903.17	20,903.17
Interests	45,000.00	45,000.00	38,671.70	(6,328.30)	25,000.00	25,000.00	49,439.16	24,439.16
Other	41,500.00	41,500.00	78,942.32	37,442.32	46,500.00	46,500.00	40,695.35	(5,804.65)
TOTAL REVENUES	1,349,000.00	1,349,000.00	1,299,446.12	(49,553.88)	1,479,500.00	1,479,500.00	1,276,103.26	(204,351.05)
EXPENDITURES								
Current:								
Salaries	170,000.00	170,000.00	156,364.88	(13,635.12)	161,000.00	161,000.00	154,894.08	(6,105.92)
Employee Fringe Benefits	51,705.00	51,705.00	45,068.01	(6,636.99)	53,816.00	53,816.00	42,520.25	(11,295.75)
Supplies	197,300.00	197,300.00	228,353.83	31,053.83	185,000.00	185,000.00	174,835.44	(10,164.56)
Property and Equipment Insurance	13,000.00	13,000.00	8,647.00	(4,353.00)	13,000.00	13,000.00	7,713.00	(5,287.00)
Equipment Repairs	15,000.00	15,000.00	6,735.33	(8,264.67)	15,000.00	15,000.00	14,569.65	(430.35)
Rentals	-	-	-	-	-	-	-	-
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	44,000.00	44,000.00	9,093.52	(34,906.48)	44,000.00	44,000.00	11,541.01	(32,458.99)
Capital Outlay:								
Construction of Roads and Bridges	1,027,665.00	1,027,665.00	928,268.42	(99,396.58)	1,172,565.00	1,172,565.00	773,136.63	(399,428.37)
Property, Equipment and Buildings	100,000.00	100,000.00	38,310.40	(61,689.60)	75,000.00	75,000.00	36,695.45	(38,304.55)
TOTAL EXPENDITURES	1,618,670.00	1,618,670.00	1,420,841.39	(197,828.61)	1,719,381.00	1,719,381.00	1,215,905.51	(503,475.49)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(269,670.00)	(269,670.00)	(121,395.27)	148,274.73	(239,881.00)	(239,881.00)	60,197.75	300,078.75
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(60,000.00)	(60,000.00)	(60,000.00)	-	(60,000.00)	(60,000.00)	(60,000.00)	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(60,000.00)	(60,000.00)	(60,000.00)	-	(60,000.00)	(60,000.00)	(60,000.00)	-
NET CHANGE IN FUND BALANCE	(329,670.00)	(329,670.00)	(181,395.27)	148,274.73	(299,881.00)	(299,881.00)	197.75	300,078.75
FUND BALANCE - BEGINNING OF YEAR	1,098,833.83	1,098,833.83	1,098,833.83	-	1,098,636.08	1,098,636.08	1,098,636.08	-
FUND BALANCE - END OF YEAR	\$ 769,163.83	\$ 769,163.83	\$ 917,438.56	\$ 148,274.73	\$ 798,755.08	\$ 798,755.08	\$ 1,098,833.83	\$ 300,078.75

See accompanying Independent Auditor's Report.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
ENHANCED 911 FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	265,000.00	265,000.00	256,096.90	(8,903.10)	275,000.00	275,000.00	268,518.62	(6,481.38)
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	12,000.00	12,000.00	15,846.07	3,846.07	10,000.00	10,000.00	16,705.87	6,705.87
Other	996.00	996.00	2,945.00	1,949.00	-	-	996.00	996.00
TOTAL REVENUES	277,996.00	277,996.00	274,887.97	(3,108.03)	285,000.00	285,000.00	286,220.49	1,220.49
EXPENDITURES								
Enhanced 911 Fund	399,000.00	399,000.00	226,529.91	172,470.09	394,000.00	394,000.00	89,047.62	(304,952.38)
TOTAL EXPENDITURES	399,000.00	399,000.00	226,529.91	172,470.09	394,000.00	394,000.00	89,047.62	(304,952.38)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(121,004.00)	(121,004.00)	48,358.06	169,362.06	(109,000.00)	(109,000.00)	197,172.87	306,172.87
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(139,500.00)	(139,500.00)	-	-	(142,000.00)	(142,000.00)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(139,500.00)	(139,500.00)	-	-	(142,000.00)	(142,000.00)
NET CHANGE IN FUND BALANCE	(121,004.00)	(121,004.00)	(91,141.94)	29,862.06	(109,000.00)	(109,000.00)	55,172.87	164,172.87
FUND BALANCE - BEGINNING OF YEAR	585,719.98	585,719.98	585,719.98	-	530,547.11	530,547.11	530,547.11	-
FUND BALANCE - END OF YEAR	\$ 464,715.98	\$ 464,715.98	\$ 494,578.04	\$ 29,862.06	\$ 421,547.11	\$ 421,547.11	\$ 585,719.98	\$ 164,172.87

See accompanying Independent Auditor's Report.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Central Emergency Communicati ons Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Prosecuting Attorney Delinquent Tax Fund	Domestic Violence Fund	Use Tax Fund	Local Emergency Planning Commission Fund	Drug Abuse Resistance Fund	Corps of Engineers	Federal Grant Fund
ASSETS												
Cash and Cash Equivalents	\$ 40,428.25	\$ 30,213.12	\$ 130.91	\$ 33.82	\$ 8,851.53	\$ 42.86	\$ 23.80	\$ 85,479.97	\$ 7,350.59	\$ 9.94	\$ 4,543.20	\$ 1,835.68
TOTAL ASSETS	<u>40,428.25</u>	<u>30,213.12</u>	<u>130.91</u>	<u>33.82</u>	<u>8,851.53</u>	<u>42.86</u>	<u>23.80</u>	<u>85,479.97</u>	<u>7,350.59</u>	<u>9.94</u>	<u>4,543.20</u>	<u>1,835.68</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>40,428.25</u>	<u>30,213.12</u>	<u>130.91</u>	<u>33.82</u>	<u>8,851.53</u>	<u>42.86</u>	<u>23.80</u>	<u>85,479.97</u>	<u>7,350.59</u>	<u>9.94</u>	<u>4,543.20</u>	<u>1,835.68</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,428.25</u>	<u>\$ 30,213.12</u>	<u>\$ 130.91</u>	<u>\$ 33.82</u>	<u>\$ 8,851.53</u>	<u>\$ 42.86</u>	<u>\$ 23.80</u>	<u>\$ 85,479.97</u>	<u>\$ 7,350.59</u>	<u>\$ 9.94</u>	<u>\$ 4,543.20</u>	<u>\$ 1,835.68</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Log Jam/CDBG Fund	Tax Maintenance Fund	County Grant Fund	Inmate Security Fund	Victims Advocate Fund	Senior Citizen's Fund	Sheriff's Special Project Fund	Recorder's Records Storage Preservation Fund	Tri-County Child Support Fund	Election Service Fund	County Law Enforcement	Total
ASSETS												
Cash and Cash Equivalents	\$ 34,346.91	\$ 46,890.16	\$ 18,213.17	\$ 3,269.32	\$ 4,619.98	\$ 56,966.91	\$ 74.82	\$ 7.95	\$ -	\$ 14,488.85	\$ 27,547.66	\$ 385,369.40
TOTAL ASSETS	<u>34,346.91</u>	<u>46,890.16</u>	<u>18,213.17</u>	<u>3,269.32</u>	<u>4,619.98</u>	<u>56,966.91</u>	<u>74.82</u>	<u>7.95</u>	<u>-</u>	<u>14,488.85</u>	<u>27,547.66</u>	<u>385,369.40</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	34,346.91	46,890.16	18,213.17	3,269.32	4,619.98	56,966.91	74.82	7.95	-	14,488.85	27,547.66	385,369.40
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,346.91</u>	<u>\$ 46,890.16</u>	<u>\$ 18,213.17</u>	<u>\$ 3,269.32</u>	<u>\$ 4,619.98</u>	<u>\$ 56,966.91</u>	<u>\$ 74.82</u>	<u>\$ 7.95</u>	<u>\$ -</u>	<u>\$ 14,488.85</u>	<u>\$ 27,547.66</u>	<u>\$ 385,369.40</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Central Emergency Communications Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Prosecuting Attorney Delinquent Tax Fund	Domestic Violence Fund	Use Tax Fund	Local Emergency Planning Commission Fund	Drug Abuse Resistance Fund	Corps of Engineers	Federal Grant Fund
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	56,618.71	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	145,460.00	10,573.60	1,391.28	35,688.32	2,375.15	-	-	-	-	-	-
Grants, Distributions and Reimbursements	97,510.14	-	-	-	-	-	15,699.05	-	5,165.37	-	-	39,874.53
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	634.64	170.14	-	-	-	-	-	585.75	-	-	-	-
Other	223,382.19	9,896.00	1,225.00	72.91	-	56.51	1,069.00	-	-	1,822.00	97,176.04	9,179.52
TOTAL REVENUES	321,526.97	155,526.14	11,798.60	1,464.19	35,688.32	2,431.66	16,768.05	57,204.46	5,165.37	1,822.00	97,176.04	49,054.05
EXPENDITURES												
General Government	305,734.14	397,586.13	12,331.98	1,628.57	38,652.63	3,139.71	18,431.27	-	5,593.89	1,813.95	92,485.47	48,358.50
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	305,734.14	397,586.13	12,331.98	1,628.57	38,652.63	3,139.71	18,431.27	-	5,593.89	1,813.95	92,485.47	48,358.50
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,792.83	(242,059.99)	(533.38)	(164.38)	(2,964.31)	(708.05)	(1,663.22)	57,204.46	(428.52)	8.05	4,690.57	695.55
OTHER FINANCING SOURCES (USES)												
Transfers In	-	229,500.00	-	-	5,000.00	-	1,667.02	-	-	-	5,850.00	-
Transfers Out	-	-	-	-	-	-	-	(50,000.00)	-	-	(6,000.00)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	229,500.00	-	-	5,000.00	-	1,667.02	(50,000.00)	-	-	(150.00)	-
NET CHANGE IN FUND BALANCES	15,792.83	(12,559.99)	(533.38)	(164.38)	2,035.69	(708.05)	3.80	7,204.46	(428.52)	8.05	4,540.57	695.55
FUND BALANCES - BEGINNING OF YEAR	24,635.42	42,773.11	664.29	198.20	6,815.84	750.91	20.00	78,275.51	7,779.11	1.89	2.63	1,140.13
FUND BALANCES - END OF YEAR	\$ 40,428.25	\$ 30,213.12	\$ 130.91	\$ 33.82	\$ 8,851.53	\$ 42.86	\$ 23.80	\$ 85,479.97	\$ 7,350.59	\$ 9.94	\$ 4,543.20	\$ 1,835.68

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Log Jam/CDBG Fund	Tax Maintenance Fund	County Grant Fund	Inmate Security Fund	Victims Advocate Fund	Senior Citizen's Fund	Sheriff's Special Project Fund	Recorder's Records Storage Preservation Fund	Tri-County Child Support Fund	Election Service Fund	County Law Enforcement	Total
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,785.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,785.03
Sales Tax	-	-	-	-	-	-	-	-	-	-	86,163.23	142,781.94
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	47,837.69	-	4,095.00	-	-	-	14,847.00	-	-	-	262,268.04
Grants, Distributions and Reimbursements	7,403.00	-	2,215.00	-	27,340.03	-	23,813.68	-	91,751.02	-	-	310,771.82
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	558.22	-	32.59	-	-	49.53	2,030.87
Other	-	245.46	-	1,559.00	-	-	36,503.48	-	5,984.51	13,585.98	378,100.00	779,857.60
TOTAL REVENUES	7,403.00	48,083.15	2,215.00	5,654.00	27,340.03	135,343.25	60,317.16	14,879.59	97,735.53	13,585.98	464,312.76	1,632,495.30
EXPENDITURES												
General Government	7,403.00	52,485.37	2,215.00	2,531.69	29,039.18	119,548.14	73,444.68	4,157.60	97,244.14	8,983.35	-	1,322,808.39
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:											-	
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	436,765.10	436,765.10
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	7,403.00	52,485.37	2,215.00	2,531.69	29,039.18	119,548.14	73,444.68	4,157.60	97,244.14	8,983.35	436,765.10	1,759,573.49
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(4,402.22)	-	3,122.31	(1,699.15)	15,795.11	(13,127.52)	10,721.99	491.39	4,602.63	27,547.66	(127,078.19)
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	-	-	-	12,325.00	-	-	-	-	254,342.02
Transfers Out	-	-	-	-	(1,667.02)	-	-	(10,745.62)	(5,000.00)	-	-	(73,412.64)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(1,667.02)	-	12,325.00	(10,745.62)	(5,000.00)	-	-	180,929.38
NET CHANGE IN FUND BALANCES	-	(4,402.22)	-	3,122.31	(3,366.17)	15,795.11	(802.52)	(23.63)	(4,508.61)	4,602.63	27,547.66	53,851.19
FUND BALANCES - BEGINNING OF YEAR	34,346.91	51,292.38	18,213.17	147.01	7,986.15	41,171.80	877.34	31.58	4,508.61	9,886.22	-	331,518.21
FUND BALANCES - END OF YEAR	\$ 34,346.91	\$ 46,890.16	\$ 18,213.17	\$ 3,269.32	\$ 4,619.98	\$ 56,966.91	\$ 74.82	\$ 7.95	\$ -	\$ 14,488.85	\$ 27,547.66	\$ 385,369.40

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Central Emergency Communications Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Prosecuting Attorney Delinquent Tax Fund	Domestic Violence Fund	Use Tax Fund	Local Emergency Planning Commission Fund	Drug Abuse Resistance Fund	Corps of Engineers	Federal Grant Fund
ASSETS												
Cash and Cash Equivalents	\$ 24,635.42	\$ 42,773.11	\$ 664.29	\$ 198.20	\$ 6,815.84	\$ 750.91	\$ 20.00	\$ 78,275.51	\$ 7,779.11	\$ 1.89	\$ 2.63	\$ 1,140.13
TOTAL ASSETS	<u>24,635.42</u>	<u>42,773.11</u>	<u>664.29</u>	<u>198.20</u>	<u>6,815.84</u>	<u>750.91</u>	<u>20.00</u>	<u>78,275.51</u>	<u>7,779.11</u>	<u>1.89</u>	<u>2.63</u>	<u>1,140.13</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>24,635.42</u>	<u>42,773.11</u>	<u>664.29</u>	<u>198.20</u>	<u>6,815.84</u>	<u>750.91</u>	<u>20.00</u>	<u>78,275.51</u>	<u>7,779.11</u>	<u>1.89</u>	<u>2.63</u>	<u>1,140.13</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,635.42</u>	<u>\$ 42,773.11</u>	<u>\$ 664.29</u>	<u>\$ 198.20</u>	<u>\$ 6,815.84</u>	<u>\$ 750.91</u>	<u>\$ 20.00</u>	<u>\$ 78,275.51</u>	<u>\$ 7,779.11</u>	<u>\$ 1.89</u>	<u>\$ 2.63</u>	<u>\$ 1,140.13</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Log Jam/CDBG Fund	Tax Maintenance Fund	County Grant Fund	Inmate Security Fund	Victims Advocate Fund	Senior Citizen's Fund	Recorder's Records Storage Preservation Fund	Sheriff's Special Project Fund	Tri-County Child Support Fund	Election Service Fund	Total
ASSETS											
Cash and Cash Equivalents	\$ 34,346.91	\$ 51,292.38	\$ 18,213.17	\$ 147.01	\$ 7,986.15	\$ 41,171.80	\$ 31.58	\$ 877.34	\$ 4,508.61	\$ 9,886.22	\$ 331,518.21
TOTAL ASSETS	<u>34,346.91</u>	<u>51,292.38</u>	<u>18,213.17</u>	<u>147.01</u>	<u>7,986.15</u>	<u>41,171.80</u>	<u>31.58</u>	<u>877.34</u>	<u>4,508.61</u>	<u>9,886.22</u>	<u>331,518.21</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>34,346.91</u>	<u>51,292.38</u>	<u>18,213.17</u>	<u>147.01</u>	<u>7,986.15</u>	<u>41,171.80</u>	<u>31.58</u>	<u>877.34</u>	<u>4,508.61</u>	<u>9,886.22</u>	<u>331,518.21</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,346.91</u>	<u>\$ 51,292.38</u>	<u>\$ 18,213.17</u>	<u>\$ 147.01</u>	<u>\$ 7,986.15</u>	<u>\$ 41,171.80</u>	<u>\$ 31.58</u>	<u>\$ 877.34</u>	<u>\$ 4,508.61</u>	<u>\$ 9,886.22</u>	<u>\$ 331,518.21</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Central Emergency Communications Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Prosecuting Attorney Delinquent Tax Fund	Domestic Violence Fund	Use Tax Fund	Local Emergency Planning Commission Fund	Drug Abuse Resistance Fund	Corps of Engineers	Federal Grant Fund
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	89,485.08	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	142,460.00	9,639.00	1,372.05	38,810.63	1,959.11	-	-	-	-	-	-
Grants, Distributions and Reimbursements	92,826.29	-	-	-	-	-	16,298.50	-	5,224.71	1,000.00	-	90,112.16
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	1,095.73	284.23	-	-	-	-	-	413.94	-	-	-	-
Other	198,626.82	1,555.75	1,650.00	-	-	125.25	1,066.00	-	-	3,384.00	88,908.98	4,825.00
TOTAL REVENUES	292,548.84	144,299.98	11,289.00	1,372.05	38,810.63	2,084.36	17,364.50	89,899.02	5,224.71	4,384.00	88,908.98	94,937.16
EXPENDITURES												
General Government	279,833.63	378,811.57	10,890.06	1,448.99	54,532.88	1,725.74	23,910.15	-	5,615.93	4,396.68	88,675.60	97,441.92
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	279,833.63	378,811.57	10,890.06	1,448.99	54,532.88	1,725.74	23,910.15	-	5,615.93	4,396.68	88,675.60	97,441.92
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,715.21	(234,511.59)	398.94	(76.94)	(15,722.25)	358.62	(6,545.65)	89,899.02	(391.22)	(12.68)	233.38	(2,504.76)
OTHER FINANCING SOURCES (USES)												
Transfers In	-	232,000.00	-	-	5,170.00	-	6,539.65	-	-	-	5,700.00	-
Transfers Out	-	-	-	-	-	-	-	(80,000.00)	-	-	(6,000.00)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	232,000.00	-	-	5,170.00	-	6,539.65	(80,000.00)	-	-	(300.00)	-
NET CHANGE IN FUND BALANCES	12,715.21	(2,511.59)	398.94	(76.94)	(10,552.25)	358.62	(6.00)	9,899.02	(391.22)	(12.68)	(66.62)	(2,504.76)
FUND BALANCES - BEGINNING OF YEAR	11,920.21	45,284.70	265.35	275.14	17,368.09	392.29	26.00	68,376.49	8,170.33	14.57	69.25	3,644.89
FUND BALANCES - END OF YEAR	\$ 24,635.42	\$ 42,773.11	\$ 664.29	\$ 198.20	\$ 6,815.84	\$ 750.91	\$ 20.00	\$ 78,275.51	\$ 7,779.11	\$ 1.89	\$ 2.63	\$ 1,140.13

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Log Jam/CDBG Fund	Tax Maintenance Fund	County Grant Fund	Inmate Security Fund	Victims Advocate Fund	Senior Citizen's Fund	Recorder's Records Storage Preservation Fund	Sheriff's Special Project Fund	Tri-County Child Support Fund	Election Service Fund	Total
REVENUES											
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,493.56	\$ -	\$ -	\$ -	\$ -	\$ 128,493.56
Sales Tax	-	-	-	-	-	-	-	-	-	-	89,485.08
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	44,895.95	-	2,990.00	-	-	17,051.44	-	-	-	259,178.18
Grants, Distributions and Reimbursements	31,075.00	-	-	-	22,775.87	-	-	12,199.14	78,147.67	-	349,659.34
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	1,793.90
Other	-	90.41	12,800.00	4,545.00	6,506.00	1,300.01	50.86	36,423.80	16,997.59	5,896.30	384,751.77
TOTAL REVENUES	31,075.00	44,986.36	12,800.00	7,535.00	29,281.87	129,793.57	17,102.30	48,622.94	95,145.26	5,896.30	1,213,361.83
EXPENDITURES											
General Government	33,075.00	28,193.37	15,200.00	7,387.99	19,255.85	107,163.97	16,540.62	63,046.80	93,961.29	2,436.16	1,333,544.20
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:											
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-
Debt Service:											
Principal Payment	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	33,075.00	28,193.37	15,200.00	7,387.99	19,255.85	107,163.97	16,540.62	63,046.80	93,961.29	2,436.16	1,333,544.20
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,000.00)	16,792.99	(2,400.00)	147.01	10,026.02	22,629.60	561.68	(14,423.86)	1,183.97	3,460.14	(120,182.37)
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	-	13,725.00	-	-	263,134.65
Transfers Out	-	-	-	-	(7,039.65)	-	(4,000.00)	-	(4,670.00)	-	(101,709.65)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(7,039.65)	-	(4,000.00)	13,725.00	(4,670.00)	-	161,425.00
NET CHANGE IN FUND BALANCES	(2,000.00)	16,792.99	(2,400.00)	147.01	2,986.37	22,629.60	(3,438.32)	(698.86)	(3,486.03)	3,460.14	41,242.63
FUND BALANCES - BEGINNING OF YEAR	36,346.91	34,499.39	20,613.17	-	4,999.78	18,542.20	3,469.90	1,576.20	7,994.64	6,426.08	290,275.58
FUND BALANCES - END OF YEAR	\$ 34,346.91	\$ 51,292.38	\$ 18,213.17	\$ 147.01	\$ 7,986.15	\$ 41,171.80	\$ 31.58	\$ 877.34	\$ 4,508.61	\$ 9,886.22	\$ 331,518.21

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2008

	Sheriff's Civil Fund	Law Enforcement Contract Fund	County Sheriff Revolving Fund	County Employee's Retirement Fund (CERF)	Surplus Sales	Electronic Federal Tax Payment	CAP. Schools	Lieu/Tax	Collector	Circuit Court	Recorder	Sheriff	Total
ASSETS													
Cash and Cash Equivalents	\$ 15.90	\$ 6,598.89	\$ 83.04	\$ 7,394.85	\$ 18,144.57	\$ 46,174.23	\$ 2,000.00	\$ 16,812.13	\$11,806,706.50	\$ 188,441.18	\$ 15,825.00	\$ (793.51)	\$ 12,107,402.78
TOTAL ASSETS	<u>15.90</u>	<u>6,598.89</u>	<u>83.04</u>	<u>7,394.85</u>	<u>18,144.57</u>	<u>46,174.23</u>	<u>2,000.00</u>	<u>16,812.13</u>	<u>11,806,706.50</u>	<u>188,441.18</u>	<u>15,825.00</u>	<u>(793.51)</u>	<u>12,107,402.78</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	15.90	6,598.89	83.04	7,394.85	18,144.57	46,174.23	2,000.00	16,812.13	11,806,706.50	188,441.18	15,825.00	(793.51)	12,107,402.78
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15.90</u>	<u>\$ 6,598.89</u>	<u>\$ 83.04</u>	<u>\$ 7,394.85</u>	<u>\$ 18,144.57</u>	<u>\$ 46,174.23</u>	<u>\$ 2,000.00</u>	<u>\$ 16,812.13</u>	<u>\$11,806,706.50</u>	<u>\$ 188,441.18</u>	<u>\$ 15,825.00</u>	<u>\$ (793.51)</u>	<u>\$ 12,107,402.78</u>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007

	Sheriff's Civil Fund	Law Enforcement Contract Fund	County Sheriff Revolving Fund	County Employee's Retirement Fund (CERF)	Surplus Sales	Electronic Federal Tax Payment	CAP. Schools	Lieu/Tax	Collector	Circuit Court	Recorder	Sheriff	Total
ASSETS													
Cash and Cash Equivalents	\$ 1.05	\$ 285.75	\$ 964.44	\$ 6,920.12	\$ 22,847.02	\$ 43,260.86	\$ 9,948.00	\$ 20,326.12	\$ 11,268,590.49	\$ 46,530.72	\$ 14,264.50	\$ (1,409.14)	\$ 11,432,529.93
TOTAL ASSETS	<u>1.05</u>	<u>285.75</u>	<u>964.44</u>	<u>6,920.12</u>	<u>22,847.02</u>	<u>43,260.86</u>	<u>9,948.00</u>	<u>20,326.12</u>	<u>11,268,590.49</u>	<u>46,530.72</u>	<u>14,264.50</u>	<u>(1,409.14)</u>	<u>11,432,529.93</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>1.05</u>	<u>285.75</u>	<u>964.44</u>	<u>6,920.12</u>	<u>22,847.02</u>	<u>43,260.86</u>	<u>9,948.00</u>	<u>20,326.12</u>	<u>11,268,590.49</u>	<u>46,530.72</u>	<u>14,264.50</u>	<u>(1,409.14)</u>	<u>11,432,529.93</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1.05</u>	<u>\$ 285.75</u>	<u>\$ 964.44</u>	<u>\$ 6,920.12</u>	<u>\$ 22,847.02</u>	<u>\$ 43,260.86</u>	<u>\$ 9,948.00</u>	<u>\$ 20,326.12</u>	<u>\$ 11,268,590.49</u>	<u>\$ 46,530.72</u>	<u>\$ 14,264.50</u>	<u>\$ (1,409.14)</u>	<u>\$ 11,432,529.93</u>

STATE COMPLIANCE SECTION

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There are no state findings to report for the years ended December 31, 2007 and 2008.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Henry, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Henry, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the basic financial statements of the Primary Government, and have issued our modified cash basis report thereon dated July 27, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03 and 07/08-04 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Henry County in a separate letter dated July 27, 2009.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 27, 2009

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS
(concluded) requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-04 Criteria: The Sheriff operates a commissary and inmate account for inmates.

Condition: During our audit, we noted the Sheriff used monies deposited into the inmate and commissary account to pay operating expenses of his office and bank reconciliations are not being prepared on a timely basis. Supporting documentation was not retained for numerous purchases.

Effect: Lack of appropriate supporting documentation, untimely bank reconciliations and transactions that do not appear to be prudent or necessary use of public or inmate funds are indicative of a significant deficiency in internal control over financial reporting.

Cause: The Sheriff has not retained supporting documentation for various expenditures, prepared untimely bank reconciliations and has made purchases that do not appear to be prudent or necessary use of public or inmate funds.

Recommendation: Checks submitted for signature should, in every case, be accompanied by the supporting invoices which should be initialed to reflect final approval for payment. Bank reconciliations should be prepared on a timely basis. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. The inmate and commissary account should only be used for related expenditures, not office operating expenditures.

Management's Response: The Sheriff has begun to implement procedures going forward to obtain proper documentation for check disbursements, to prepare timely bank reconciliations and to disburse payments out of the proper accounts.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to *Government Auditing Standards* for an audit of financial statements.

**THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2008 & 2007**

**THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
TABLE OF CONTENTS**

	PAGE
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
Schedule of Expenditures of Federal Awards.....	5-6
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs.....	8-16



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Henry, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Henry, Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated July 27, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies *FS 07/08-01*, *FS 07/08-02*, *FS 07/08-03* and *FS 07/08-04* described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated July 27, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 27, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To The County Commission
The County of Henry
Clinton, Missouri

Compliance

We have audited the compliance of Henry County, (the Primary Government) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and December 31, 2007. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008 and December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA-07-08-01, SA-07-08-02 and SA-07-08-03.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Internal Control Over Compliance (concluded)

In planning and performing our audit, we considered the Primary Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Primary Government's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA-07-08-01, SA-07-08-02 and SA-07-08-03 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 27, 2009

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State:				
Department of Health and Senior Services:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$	75,502.77
Office of Administration:				
Schools and Roads - Grants to States	10.665			
Summer Food Program		ERSO46-7141i		210.00
School		DH070001011		12,578.00
Special Health Care Needs		ERSO4448003		51,244.03
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through State:				
Department of Economic Development:				
Community Development Block Grants / State Program	14.228	2007-PF-01	7,403.00	31,075.00
Department of Social Services:				
Emergency Shelter Grants Program	14.231	ERO-1640744		13,229.02
		ERO-1640809	8,429.07	9,575.13
		ERO-1640919	8,936.20	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Passed Through:				
State Department of Public Safety:				
Juvenile Accountability Incentive Block Grants	16.523			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	227-EUDL-12	1,694.00	
Crime Victim Assistance	16.575	2005-VOCA-0019	27,340.03	26,295.50
Edward Byrne Memorial Formula Grant Program	16.579	2004NCD2-047		46,201.86
Violence Against Women Formula Grants	16.588	2006STOPVAWA-0008		17,607.48
		07-VAWA-0013	15,928.00	
Local Law Enforcement Block Grants Program	16.592	07-LBGJ-020	7,757.00	
Cape Girardeau County:				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2006-DD-BX-0204 DPS08MOST001	25,965.00	38,968.87
Missouri Sheriffs' Association:				
Domestic Cannabis Eradication/Suppression Program	16			428.00
Corps of Engineers		WP12DQ-08-P-0116	58,455.00	
Corps of Engineers		WP12DQ-07-D-0020		53,502.88

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through State:				
Highway and Transportation Commission:				
Highway Planning and Construction	20.205	BRO-B042(22) BRO-B042(23)	382,850.92	238,771.10 12,133.46
Highway Safety Regular - Destination Safe				7,509.12
Division of Highway Safety	20.600	09-PT-02-59	1,886.00	
SAFE		BPC04922	4,675.00	
ELECTION ASSISTANCE COMMISSION				
Passed Through the Office of Secretary of State:				
HelpAmerica Vote Act Requirements Payments	90.401	Title II - Sec. 251	5,489.54	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed Through State:				
Department of Health and Senior Services:				
Centers for Disease Control and Prevention:	93.283			
Investigations and Technical Assistance:				
Bio Terrorism		DHO80006041		27,269.97
Pan Flu		DHO700011101		22,015.62
West Nile Virus Mosquito Surveillance		DHO80001001		3,459.66
Department of Social Services:				
Child Support Enforcement	93.563	TRI-COUNTY	91,751.02	98,631.29
Maternal and Child Health Services	93.994	AOCO83800263		20,888.59
Block Grant to the States:				
Child Care Sanitation Inspection		AOCO6380234		1,245.00
Core Function		AOCO838277		57,974.42
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through State Department of Public Safety:				
Emergency Management Performance Grants	97.042	SLAPL81-920		5,224.71
State & Local All Hazards Emergency Operations Planning	97.051	EMPG		4,624.56
Total Expenditures of Federal Awards			\$ 648,559.78	\$ 876,166.04

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that are not considered to be material weaknesses? 2008 ☒ Yes ☐ None Reported
2007 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial statements noted? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major programs:
 - Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
 2. Any significant deficiencies identified that are not considered to be material weaknesses? 2008 ☒ Yes ☐ No
2007 ☒ Yes ☐ No
3. Type of auditor's report issued on compliance for major programs: 2008 - Unqualified
2007 - Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of *Circular A-133*? 2008 ☒ Yes ☐ No
2007 ☒ Yes ☐ No

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS (concluded)

B. Federal Awards (concluded)

5. Identification of major programs:

<u>Year</u>	<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
2008 / 2007	20.205	Highway Planning & Construction
2008 / 2007	93.563	Child Support Enforcement

6. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

7. Auditee qualified as low-risk auditee? 2007 Yes X No

2006 Yes X No

II. FINANCIAL STATEMENT FINDINGS

FS 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County will consider the auditor's recommendation.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (continued)

FS 07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County will consider the auditor's recommendation.

FS 07/08-03 Criteria: Anti-fraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 07/08-03 (concluded) Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The County will consider the auditor's recommendation.

07/08-04 Criteria: The Sheriff operates a commissary and inmate account for inmates.

Condition: During our audit, we noted the Sheriff used monies deposited into the inmate and commissary account to pay operating expenses of his office and bank reconciliations are not being prepared on a timely basis. Supporting documentation was not retained for numerous purchases.

Effect: Lack of appropriate supporting documentation, untimely bank reconciliations and transactions that do not appear to be prudent or necessary use of public or inmate funds are indicative of a significant deficiency in internal control over financial reporting.

Cause: The Sheriff has not retained supporting documentation for various expenditures, prepared untimely bank reconciliations and has made purchases that do not appear to be prudent or necessary use of public or inmate funds.

Recommendation: Checks submitted for signature should, in every case, be accompanied by the supporting invoices which should be initialed to reflect final approval for payment. Bank reconciliations should be prepared on a timely basis. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. The inmate and commissary account should only be used for related expenditures, not office operating expenditures.

Management's Response: The Sheriff has begun to implement procedures going forward to obtain proper documentation for check disbursements, to prepare timely bank reconciliations and to disburse payments out of the proper accounts.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007

The following findings, recommendations, and questioned costs are the results of the single audit of Henry County, Missouri for the fiscal year ended December 31, 2008 and 2007. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.
2. Material Weakness: A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (continued)

C. Federal Award Findings and Questioned Costs (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-1	Other Information: Significant Deficiency	<p><u>Findings:</u> Weakness in Control Over Expenditures In Compliance with Single Audit Requirements.</p> <p>The County did not properly maintain separate expense accounts to account for federal expenditures. To prepare the Schedule of Expenditures of Federal Awards (SEFA) report, the County used revenues instead of expenditures. Because the program is reimbursement in nature, revenues equal expenditures.</p> <p><u>Recommendation:</u> The County should track all federal expenditures in the general ledger system by adding a grant code at the end of the account code.</p> <p><u>Agency Response:</u> The County agrees with this finding.</p>
SA 07/08-2	Other Information: Significant Deficiency Procurement and Suspension and Debarment	<p><u>Findings:</u> Required contracting procedures were not followed.</p> <p>The County does not have procedures in place to ensure that it does not contract with prohibited parties in administering federal funds. As a result, there is an increased risk of federal funds being spent in violation of grant requirements.</p> <p>The Commissioners did not check the Excluded Parties List System maintained by the General Services Administration to verify that parties it contracted with were not on the prohibited list.</p>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (continued)

C. Federal Award Findings and Questioned Costs (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-2 (concluded)	Other Information: Significant Deficiency Procurement and Suspension and Debarment	<p><u>Findings (concluded):</u> However, we did not note any instances where the County actually contracted with prohibited parties.</p> <p>The OMB Circular A-133 Compliance Supplement and 41 CFR 105-71.135 prohibit entities from contracting with parties that are on the prohibited list.</p> <p><u>Recommendation:</u> The County should implement procedures to ensure that parties they contract with are not on the prohibited list.</p> <p><u>Agency Response:</u> The County agrees with this finding.</p>
SA 07/08-3	Other Information: Significant Deficiency	<p><u>Findings:</u> The Schedule of Expenditures of Federal Awards contained errors. Controls were not in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the SEFA provide total federal awards expended for each individual federal program. It states that the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place.</p> <p>The Schedule of Expenditures of Federal Awards (SEFA) was prepared with various errors. These errors are described below:</p>

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (concluded)

C. Federal Award Findings and Questioned Costs (concluded)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-3 (concluded)	Other Information: Significant Deficiency	<u>Findings (concluded):</u> 1. The SEFA schedule contained several incorrect CFDA numbers for federal programs. 2. Expenditures listed on the SEFA schedule submitted to the State Auditor's Office were incorrect. Revenue was used to prepare the SEFA instead of expenditures. Actual expenditures were not agreed to the general ledger.

A revised SEFA was submitted to the State Auditor's Office, containing corrections for all errors described.

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Agency Response: The County agrees with this finding.

THE COUNTY OF HENRY
CLINTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Follow-up Prior Year Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 05/06-1	Other Information: Significant Deficiency	Unresolved – The County does not have adequate procedures in place to track Federal Awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The County agrees with this finding.
SA 05/06-2	Other Information: Significant Deficiency	Resolved – The Commissioners will document current sole source providers.
SA 05/06-3	Other Information: Significant Deficiency	Resolved – Adequate payroll documentation by the Sheriff's department.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Henry County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Henry County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

July 27, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Continued)

07/08-02 Management's Response (Concluded): The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07/08-04 Criteria: The Sheriff operates a commissary and inmate account for inmates.

Condition: During our audit, we noted the Sheriff used monies deposited into the inmate and commissary account to pay operating expenses of his office and bank reconciliations are not being prepared on a timely basis. Supporting documentation was not retained for numerous purchases.

Effect: Lack of appropriate supporting documentation, untimely bank reconciliations and transactions that do not appear to be prudent or necessary use of public or inmate funds are indicative of a significant deficiency in internal control over financial reporting.

Cause: The Sheriff has not retained supporting documentation for various expenditures, prepared untimely bank reconciliations and has made purchases that do not appear to be prudent or necessary use of public or inmate funds.

Recommendation: Checks submitted for signature should in every case be accompanied by the supporting invoices which should be initialed to reflect final approval for payment. Bank reconciliations should be prepared on a timely basis. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. The inmate and commissary account should only be used for related expenditures, not office operating expenditures.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (Concluded)

07/08-04 Management's Response: The Sheriff has begun to implement procedures going forward to obtain proper documentation for check disbursements, to prepare timely bank reconciliations and to disburse payments out of the proper accounts.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 22, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Henry County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Henry County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Henry County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 23, 2009.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Henry County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We recommend that the Sheriff Department's fee account be properly reconciled to the bank statement. During the audit, we noted the list of outstanding checks and deposits, however, the complete book balance reconciliation to the bank statement was incomplete. We also noted outstanding checks dated back to 1997 in one account and back to 2001 in another account. These outstanding checks should have a stop payment put on them and be re-issued.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Howell County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Howell County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-105

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Modified Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	27
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	28-29
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	30

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Howell County Law Enforcement Sales Tax Fund – Unaudited	31
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Howell County Special Grant Fund – Unaudited	32
Notes to Required Supplementary Information	33
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	34-35
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	36-37
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	38-39
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	40-41
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008	42-43
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007	44-45
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings	46

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Howell, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	47-48
Schedule of Findings.....	49-51

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Howell, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Howell (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Howell County, and the Howell County Senate Bill 40 Board, have issued separate reporting entity financial statements. For information on these component units, please contact the Howell County Health Department and the Howell County Senate Bill 40 Board.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2009 on our consideration for the Primary Government’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 27 through 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 34 through 41 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 46 through 48 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 29, 2009

FINANCIAL STATEMENTS

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED

	December 31, 2008 Total Governmental Activities	December 31, 2007 Total Governmental Activities
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 634,624.11	\$ 1,202,028.14
Investments	<u>193,000.00</u>	<u>-</u>
TOTAL ASSETS	<u><u>827,624.11</u></u>	<u><u>1,202,028.14</u></u>
NET ASSETS		
Unrestricted	122,522.73	260,549.90
Restricted for Specific Purpose	<u>705,101.38</u>	<u>941,478.24</u>
TOTAL NET ASSETS	<u>827,624.11</u>	<u>1,202,028.14</u>
TOTAL FUND BALANCE	<u><u>\$ 827,624.11</u></u>	<u><u>\$ 1,202,028.14</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 3,993,774.50	\$ 650,474.57	\$ 487,513.07	\$ 4,023,180.53	\$ 1,167,393.67
Road and Bridge	1,941,456.16	1,759,042.92	-	-	(182,413.24)
Financial Administration	230,713.20	-	-	-	(230,713.20)
Other Offices and Grants	633,747.56	-	-	-	(633,747.56)
Administration of Justice and Law Enforcement	1,041,837.11	-	-	-	(1,041,837.11)
Health and Welfare	525.00	-	-	-	(525.00)
Consulting	67,844.15	-	-	-	(67,844.15)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	110,000.00	-	-	-	(110,000.00)
Interest and Fiscal Charges	21,889.42	-	-	-	(21,889.42)
Capital Outlay:					
Construction of Roads and Bridges	2,547.81	-	-	-	(2,547.81)
Property, Equipment and Buildings	2,974,346.50	-	-	-	(2,974,346.50)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 11,018,681.41	\$ 2,409,517.49	\$ 487,513.07	\$ 4,023,180.53	(4,098,470.32)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	386,610.96
Sales Tax	3,284,918.11
Investment Income	43,231.84
Miscellaneous	9,305.38
TOTAL GENERAL REVENUES	3,724,066.29
CHANGE IN NET ASSETS	(374,404.03)
NET ASSETS, BEGINNING OF YEAR	1,202,028.14
NET ASSETS, END OF YEAR	\$ 827,624.11

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 4,114,875.62	\$ 696,255.11	\$ 506,934.53	\$ 2,037,765.15	\$ (873,920.83)
Road and Bridge	1,510,273.69	1,205,726.91	-	-	(304,546.78)
Financial Administration	213,434.45	-	-	-	(213,434.45)
Other Offices and Grants	704,655.38	-	-	-	(704,655.38)
Administration of Justice and Law Enforcement	564,845.78	-	-	381,705.94	(183,139.84)
Health and Welfare	5,919.28	-	-	-	(5,919.28)
Consulting	65,316.97	-	-	-	(65,316.97)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	512,687.41	-	512,687.41
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	105,000.00	-	-	-	(105,000.00)
Interest and Fiscal Charges	26,503.29	-	-	-	(26,503.29)
Capital Outlay:					
Construction of Roads and Bridges.	27,635.76	-	-	-	(27,635.76)
Property, Equipment and Buildings	2,133,717.00	-	-	-	(2,133,717.00)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 9,472,177.22</u>	<u>\$ 1,901,982.02</u>	<u>\$ 1,019,621.94</u>	<u>\$ 2,419,471.09</u>	(4,131,102.17)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	361,667.34
Sales Tax	3,677,853.51
Investment Income	87,389.69
Miscellaneous	11,456.90
TOTAL GENERAL REVENUES	<u>4,138,367.44</u>
CHANGE IN NET ASSETS	7,265.27
NET ASSETS, BEGINNING OF YEAR	<u>1,194,762.87</u>
NET ASSETS, END OF YEAR	<u>\$ 1,202,028.14</u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	Law Enforcement Sales Tax	Special Grant Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Law Enforcement Sales Tax	Special Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS												
Cash and Cash Equivalents	\$ 122,522.73	\$ 91,269.14	\$ 61,570.82	\$ -	\$ 359,261.42	\$ 634,624.11	\$ 260,549.90	\$ 443,378.12	\$ 158,999.68	\$ -	\$ 339,100.44	\$ 1,202,028.14
Investments	-	193,000.00	-	-	-	193,000.00	-	-	-	-	-	-
						-						-
TOTAL ASSETS	<u>122,522.73</u>	<u>284,269.14</u>	<u>61,570.82</u>	<u>-</u>	<u>359,261.42</u>	<u>827,624.11</u>	<u>260,549.90</u>	<u>443,378.12</u>	<u>158,999.68</u>	<u>-</u>	<u>339,100.44</u>	<u>1,202,028.14</u>
FUND BALANCES												
Unreserved:												
General Fund	122,522.73	-	-	-	-	122,522.73	260,549.90	-	-	-	-	260,549.90
Special Revenue Funds	-	284,269.14	61,570.82	-	359,261.42	705,101.38	-	443,378.12	158,999.68	-	339,100.44	941,478.24
TOTAL FUND BALANCES	<u>122,522.73</u>	<u>284,269.14</u>	<u>61,570.82</u>	<u>-</u>	<u>359,261.42</u>	<u>827,624.11</u>	<u>260,549.90</u>	<u>443,378.12</u>	<u>158,999.68</u>	<u>-</u>	<u>339,100.44</u>	<u>1,202,028.14</u>
TOTAL FUND BALANCES	<u>\$ 122,522.73</u>	<u>\$ 284,269.14</u>	<u>\$ 61,570.82</u>	<u>\$ -</u>	<u>\$ 359,261.42</u>	<u>\$ 827,624.11</u>	<u>\$ 260,549.90</u>	<u>\$ 443,378.12</u>	<u>\$ 158,999.68</u>	<u>\$ -</u>	<u>\$ 339,100.44</u>	<u>\$ 1,202,028.14</u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	Law Enforcement Sales Tax Fund	Special Grant Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Law Enforcement Sales Tax Fund	Special Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES												
Property Tax	\$ 51,576.81	\$ 335,034.15	\$ -	\$ -	\$ -	\$ 386,610.96	\$ 48,971.61	\$ 312,695.73	\$ -	\$ -	\$ -	\$ 361,667.34
Sales Tax	1,940,638.82	250,000.00	1,094,279.29	-	-	3,284,918.11	1,909,888.50	275,000.00	1,091,890.12	-	401,074.89	3,677,853.51
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	1,160.00	1,160.00
Charges for Services	485,741.56	2,025.00	16,838.64	-	145,869.37	650,474.57	580,130.10	1,265.00	15,123.36	-	98,576.65	695,095.11
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	778,751.01	20,703.39	89,448.15	2,282,275.18	852,002.80	4,023,180.53	763,581.03	512,687.41	381,705.94	892,836.87	381,347.25	2,932,158.50
Fees, Licenses and Permits	270,897.32	1,759,042.92	104,009.66	-	112,606.09	2,246,555.99	252,354.35	1,205,726.91	123,918.77	-	130,661.41	1,712,661.44
Interest	19,676.43	12,182.32	2,904.62	-	8,468.47	43,231.84	39,000.85	17,658.53	10,837.95	-	19,892.36	87,389.69
Other	4,600.10	-	-	-	4,705.28	9,305.38	4,600.90	-	-	-	6,856.00	11,456.90
TOTAL REVENUES	3,551,882.05	2,378,987.78	1,307,480.36	2,282,275.18	1,123,652.01	10,644,277.38	3,598,527.34	2,325,033.58	1,623,476.14	892,836.87	1,039,568.56	9,479,442.49
EXPENDITURES												
Current:												
General County Government	1,180,334.71	-	2,090,443.20	-	722,996.59	3,993,774.50	958,271.63	-	2,119,629.22	-	1,036,974.77	4,114,875.62
Road and Bridge	-	1,941,456.16	-	-	-	1,941,456.16	-	1,510,273.69	-	-	-	1,510,273.69
Financial Administration	230,713.20	-	-	-	-	230,713.20	213,434.45	-	-	-	-	213,434.45
Other Offices and Grants	633,747.56	-	-	-	-	633,747.56	704,655.38	-	-	-	-	704,655.38
Property Valuation and Recording	67,844.15	-	-	-	-	67,844.15	65,316.97	-	-	-	-	65,316.97
Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	629,183.86	-	-	-	412,653.25	1,041,837.11	564,845.78	-	-	-	-	564,845.78
Health and Welfare	525.00	-	-	-	-	525.00	525.00	-	-	-	5,394.28	5,919.28
Principal, Interest and Fiscal Fee:	-	-	-	-	-	-	-	-	-	-	1,663.23	1,663.23
Capital Outlay:												
Construction of Roads and Bridges	-	2,547.81	-	-	-	2,547.81	-	27,635.76	-	-	-	27,635.76
Property, Equipment and Buildings	-	585,752.48	67,576.60	2,282,275.18	38,742.24	2,974,346.50	-	691,196.62	414,379.28	892,836.87	135,304.23	2,133,717.00
TOTAL EXPENDITURES	2,742,348.48	2,529,756.45	2,158,019.80	2,282,275.18	1,174,392.08	10,886,791.99	2,507,049.21	2,229,106.07	2,534,008.50	892,836.87	1,179,336.51	9,342,337.16
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	809,533.57	(150,768.67)	(850,539.44)	-	(50,740.07)	(242,514.61)	1,091,478.13	95,927.51	(910,532.36)	-	(139,767.95)	137,105.33
OTHER FINANCING SOURCES (USES)												
Transfers In	108,060.19	-	885,000.00	-	175,620.93	1,168,681.12	109,076.50	-	880,000.00	-	145,074.77	1,134,151.27
Transfers Out	(1,055,620.93)	(8,340.31)	-	-	(104,719.88)	(1,168,681.12)	(1,025,074.77)	-	(20,000.00)	-	(89,076.50)	(1,134,151.27)
Emergency Fund	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	(110,000.00)	-	-	(110,000.00)	-	-	(105,000.00)	-	-	(105,000.00)
Interest and Fiscal Charges	-	-	(21,889.42)	-	-	(21,889.42)	-	-	(24,840.06)	-	-	(24,840.06)
TOTAL OTHER FINANCING SOURCES (USES)	(947,560.74)	(8,340.31)	753,110.58	-	70,901.05	(131,889.42)	(915,998.27)	-	730,159.94	-	55,998.27	(129,840.06)
NET CHANGE IN FUND BALANCE	(138,027.17)	(159,108.98)	(97,428.86)	-	20,160.98	(374,404.03)	175,479.86	95,927.51	(180,372.42)	-	(83,769.68)	7,265.27
FUND BALANCE - BEGINNING OF YEAR	260,549.90	443,378.12	158,999.68	-	339,100.44	1,202,028.14	85,070.04	347,450.61	339,372.10	-	422,870.12	1,194,762.87
FUND BALANCE - END OF YEAR	\$ 122,522.73	\$ 284,269.14	\$ 61,570.82	\$ -	\$ 359,261.42	\$ 827,624.11	\$ 260,549.90	\$ 443,378.12	\$ 158,999.68	\$ -	\$ 339,100.44	\$ 1,202,028.14

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 827,624.11
---	---------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 827,624.11</u></u>
--	-----------------------------

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,202,028.14
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 1,202,028.14</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (374,404.03)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (374,404.03)</u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ 7,265.27
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 7,265.27</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,259,478.35</u>	<u>\$ 1,104,504.10</u>
TOTAL ASSETS	<u><u>1,259,478.35</u></u>	<u><u>1,104,504.10</u></u>
LIABILITIES		
Due to Other Funds	<u>1,259,478.35</u>	<u>1,104,504.10</u>
TOTAL LIABILITIES	<u><u>\$ 1,259,478.35</u></u>	<u><u>\$ 1,104,504.10</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Howell, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1857 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Howell County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Howell County, Missouri and the Howell County Senate Bill 40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Howell County Health Department at (417) 256-7078 (or write to 180 S. Kentucky Street West Plains, MO 65775) and the Howell County Senate Bill 40 Board at (417) 469-1933 (or write to 8160 Co Rd. 5010 West Plains, MO 65775).

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund and the Law Enforcement Complex Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Howell County Law Enforcement Sales Tax Fund – The Howell County Law Enforcement Sales Tax Fund is a Special Revenue Fund used to account for the receipts of the primary government's sales taxes and related law enforcement expenditures.

Howell County Special Grant Fund – The Howell County Special Grant Fund is a Special Revenue Fund used to account for the receipts and expenditures of the Grants of Howell County.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	2008	2007
Real Estate	\$ 258,225,540	\$ 257,402,270
Personal Property	114,101,810	108,117,700
Railroad and Utilities	16,627,173	16,623,260
Private Car	-	715,540
	<u>\$ 388,954,523</u>	<u>\$ 382,858,770</u>

During 2008 and 2007, the County Commission approved a \$.0800 and \$.0800, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
Special Road and Bridge Fund	\$.0800	\$.0800
	<u>\$.0800</u>	<u>\$.0800</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions (concluded)

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$827,624.11 and \$1,202,028.14, the bank balance was \$1,807,581.75 and \$2,516,169.07 respectively. As of December 31, 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government, however as of December 31, 2008, the Primary Government's investments were 100% guaranteed by the U.S. Government.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 827,624.11
Investments	-
Total Governmental Funds	<u>827,624.11</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	1,034,478.35
Investments	<u>225,000.00</u>
Total Deposits & Investments as of December 31, 2008	\$ <u>2,087,102.46</u>

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,009,028.14
Investments	193,000.00
Total Governmental Funds	<u>1,202,028.14</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	904,504.10
Investments	<u>200,000.00</u>
Total Deposits & Investments as of December 31, 2007	\$ <u>2,306,532.24</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. LONG-TERM DEBT

Howell County has a non-profit Building Corporation that is considered a blended component unit. The building corporation was set up so that the County could have debt since it cannot issue its own. The Building Corporation has a 2005 Loan Series and a 2004 Bond Series, the details of each are following.

Series 2005 Loan – This loan is for the Governmental Building that the County is run out of. The maturity date of the loan is 12/29/09 and the interest rate is 4.8%. West Plains Bank & Trust Company hold this note.

Series 2004 Bond – This bond is for the Dispatching and Jail Facility Project. The maturity date of the bond is 12/1/13 and the interest rate is variable from 2.0% to 4.2%. UMB Bank is the paying agent of this bond.

DEBT	2007				
	BALANCE AT 12/31/2006	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2007	INTEREST PD DURING YEAR
2005 LOAN	\$ 711,924.26	\$ -	\$ 25,782.12	\$ 686,142.14	\$ 34,172.36
2004 BONDS	825,000.00	-	105,000.00	720,000.00	29,322.50
TOTAL	<u>\$ 1,536,924.26</u>	<u>\$ -</u>	<u>\$ 130,782.12</u>	<u>\$ 1,406,142.14</u>	<u>\$ 63,494.86</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (concluded)

DEBT	BALANCE AT 12/31/2007	2008		BALANCE AT 12/31/2008	INTEREST PD DURING YEAR
		AMOUNT BORROWED	AMOUNT REPAID		
2005 LOAN	\$ 686,142.14	\$ -	\$ 27,019.66	\$ 659,122.48	\$ 32,934.82
2004 BONDS	720,000.00	-	110,000.00	610,000.00	26,645.00
TOTAL	<u>\$ 1,406,142.14</u>	<u>\$ -</u>	<u>\$ 137,019.66</u>	<u>\$ 1,269,122.48</u>	<u>\$ 59,579.82</u>

2007 Amortizations

2007 LOAN SCHEDULE				2007 BOND SCHEDULE			
YEAR	PRINCIPLE	INTEREST	TOTAL	YEAR	PRINCIPLE	INTEREST	TOTAL
2008	27,019.66	32,934.82	59,954.48	2008	110,000.00	26,645.00	136,645.00
2009	659,122.48	31,637.88	690,760.36	2009	110,000.00	23,455.00	133,455.00
				2010	115,000.00	19,825.00	134,825.00
				2011	120,000.00	15,685.00	135,685.00
				2012	125,000.00	11,005.00	136,005.00
				2013	140,000.00	5,880.00	145,880.00
TOTAL	<u>686,142.14</u>	<u>64,572.70</u>	<u>750,714.84</u>	TOTAL	<u>720,000.00</u>	<u>102,495.00</u>	<u>822,495.00</u>

2008 Amortizations

2008 LOAN SCHEDULE				2008 BOND SCHEDULE			
YEAR	PRINCIPLE	INTEREST	TOTAL	YEAR	PRINCIPLE	INTEREST	TOTAL
2009	659,122.48	31,637.88	690,760.36	2009	110,000.00	23,455.00	133,455.00
				2010	115,000.00	19,825.00	134,825.00
				2011	120,000.00	15,685.00	135,685.00
				2012	125,000.00	11,005.00	136,005.00
				2013	140,000.00	5,880.00	145,880.00
TOTAL	<u>659,122.48</u>	<u>31,637.88</u>	<u>690,760.36</u>	TOTAL	<u>610,000.00</u>	<u>75,850.00</u>	<u>685,850.00</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 108,060.19	\$ 1,055,620.93	\$ 109,076.50	\$ 1,025,074.77
Special Road and Bridge Fund	-	8,340.31	-	-
Howell County Law Enforcement Sales Tax Fund	885,000.00	-	880,000.00	20,000.00
NON-MAJOR FUNDS	175,620.93	104,719.88	145,074.77	89,076.50
TOTAL	\$ 1,168,681.12	\$ 1,168,681.12	\$ 1,134,151.27	\$ 1,134,151.27

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits (concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$54,800.85 and \$53,545.12, respectively, for the years then ended.

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Howell County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Howell County's full time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2008 are 15.4% (general) and 14.7% (police), for 2007 they are 16.1% (general) and 15.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$478,488 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and /or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial valuation using the entry age actuarial cost method. For 2007, the political subdivision's annual pension cost of \$475,406 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2005 and/or February 29, 2006 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using the techniques that smooth the effects of short-term volatility in the market value of the investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for 2007 and a closed basis for 2008. The amortization period at 2/28/07 and at 2/29/08 was 15 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 455,736	100%	\$ 0
6/30/2007	475,406	100%	0
6/30/2008	478,488	100%	0

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	\$4,139,554	\$ 5,487,921	\$ 1,348,367	75%	\$ 2,847,455	47%
2/28/2007	4,865,205	5,947,685	1,082,480	82%	2,894,141	37%
2/29/2008	5,875,603	6,631,560	755,957	89%	3,022,656	25%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government currently involved in pending litigation, but there appears to be sufficient insurance coverage to cover any claims that may arise against the county.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. After the employees first year of employment they receive one week of vacation, after the second year of employment they will receive two weeks of vacation, and finally after fifteen years of vacation an employee will receive three weeks of vacation. Full time employees accrue sick time at six days per year and part time employees accrue sick time at a pro-rata basis, according to hours worked. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime, if applicable

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 51,866.85	\$ 51,866.85	\$ 51,576.81	\$ (290.04)	\$ 47,600.00	\$ 47,600.00	\$ 48,971.61	\$ 1,371.61
Sales Tax	1,960,000.00	1,960,000.00	1,940,638.82	(19,361.18)	1,952,000.00	1,952,000.00	1,909,888.50	(42,111.50)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	586,043.96	586,043.96	485,741.56	(100,302.40)	554,800.00	554,800.00	580,130.10	25,330.10
Grants, Distributions and Reimbursements	718,197.33	718,197.33	778,751.01	60,553.68	691,126.14	691,126.14	763,581.03	72,454.89
Fees, Licenses and Permits	234,771.25	234,771.25	270,897.32	36,126.07	199,036.60	199,036.60	252,354.35	53,317.75
Interests	39,680.41	39,680.41	19,676.43	(20,003.98)	28,925.00	28,925.00	39,000.85	10,075.85
Other	2,715.00	2,715.00	4,600.10	1,885.10	2,695.00	2,695.00	4,600.90	1,905.90
TOTAL REVENUES	3,593,274.80	3,593,274.80	3,551,882.05	(41,392.75)	3,476,182.74	3,476,182.74	3,598,527.34	122,344.60
EXPENDITURES								
Current:								
General County Government	1,114,480.30	1,114,480.30	1,180,334.71	65,854.41	1,003,500.00	1,003,500.00	958,271.63	(45,228.37)
Financial Administration	247,726.00	247,726.00	230,713.20	(17,012.80)	239,924.00	239,924.00	213,434.45	(26,489.55)
Other Offices and Grants	625,095.57	625,095.57	633,747.56	8,651.99	630,761.08	630,761.08	704,655.38	73,894.30
Health and Welfare	1,000.00	1,000.00	525.00	(475.00)	1,000.00	1,000.00	525.00	(475.00)
Property Valuation and Recording	72,633.20	72,633.20	67,844.15	(4,789.05)	68,603.60	68,603.60	65,316.97	(3,286.63)
Administration of Justice and Law	647,275.70	647,275.70	629,183.86	(18,091.84)	591,905.92	591,905.92	564,845.78	(27,060.14)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,708,210.77	2,708,210.77	2,742,348.48	34,137.71	2,535,694.60	2,535,694.60	2,507,049.21	(28,645.39)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	885,064.03	885,064.03	809,533.57	(75,530.46)	940,488.14	940,488.14	1,091,478.13	150,989.99
OTHER FINANCING SOURCES (USES)								
Transfers In	68,000.00	68,000.00	108,060.19	40,060.19	76,000.00	76,000.00	109,076.50	33,076.50
Transfers Out	(991,620.93)	(991,620.93)	(1,055,620.93)	(64,000.00)	(960,074.77)	(960,074.77)	(1,025,074.77)	(65,000.00)
Emergency Fund	(112,113.50)	(112,113.50)	-	112,113.50	(107,000.00)	(107,000.00)	-	107,000.00
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,035,734.43)	(1,035,734.43)	(947,560.74)	88,173.69	(991,074.77)	(991,074.77)	(915,998.27)	75,076.50
NET CHANGE IN FUND BALANCE	(150,670.40)	(150,670.40)	(138,027.17)	12,643.23	(50,586.63)	(50,586.63)	175,479.86	226,066.49
FUND BALANCE - BEGINNING OF YEAR	260,549.90	260,549.90	260,549.90	-	85,070.04	85,070.04	85,070.04	-
FUND BALANCE - END OF YEAR	\$ 109,879.50	\$ 109,879.50	\$ 122,522.73	\$ 12,643.23	\$ 34,483.41	\$ 34,483.41	\$ 260,549.90	\$ 226,066.49

See accompanying Independent Auditor's Report.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 106,145.30	106,145.30	107,623.71	\$ 1,478.41	\$ 103,150.00	103,150.00	102,620.95	\$ (529.05)
County Clerk	117,285.00	117,285.00	132,917.61	15,632.61	111,000.00	111,000.00	110,474.49	(525.51)
Elections	160,500.00	160,500.00	160,418.37	(81.63)	72,000.00	72,000.00	64,422.79	(7,577.21)
Buildings and Grounds	89,600.00	89,600.00	86,014.31	(3,585.69)	83,350.00	83,350.00	84,292.08	942.08
Employee Fringe Benefits	355,000.00	355,000.00	377,120.42	22,120.42	362,100.00	362,100.00	339,695.48	(22,404.52)
Other Expenses	285,950.00	285,950.00	316,240.29	30,290.29	271,900.00	271,900.00	256,765.84	(15,134.16)
	<u>1,114,480.30</u>	<u>1,114,480.30</u>	<u>1,180,334.71</u>	<u>65,854.41</u>	<u>1,003,500.00</u>	<u>1,003,500.00</u>	<u>958,271.63</u>	<u>(45,228.37)</u>
Financial Administration:								
Collector	192,150.00	192,150.00	179,039.27	(13,110.73)	174,450.00	174,450.00	158,593.13	(15,856.87)
Treasurer	55,576.00	55,576.00	51,673.93	(3,902.07)	65,474.00	65,474.00	54,841.32	(10,632.68)
	<u>247,726.00</u>	<u>247,726.00</u>	<u>230,713.20</u>	<u>(17,012.80)</u>	<u>239,924.00</u>	<u>239,924.00</u>	<u>213,434.45</u>	<u>(26,489.55)</u>
Other Offices & Grants:								
Other Offices & Grants	<u>625,095.57</u>	<u>625,095.57</u>	<u>633,747.56</u>	<u>8,651.99</u>	<u>630,761.08</u>	<u>630,761.08</u>	<u>704,655.38</u>	<u>73,894.30</u>
	625,095.57	625,095.57	633,747.56	8,651.99	630,761.08	630,761.08	704,655.38	73,894.30
Health and Welfare:								
Non-Institutional Care	<u>1,000.00</u>	<u>1,000.00</u>	<u>525.00</u>	<u>475.00</u>	<u>1,000.00</u>	<u>1,000.00</u>	<u>525.00</u>	<u>475.00</u>
	1,000.00	1,000.00	525.00	475.00	1,000.00	1,000.00	525.00	475.00

See accompanying Independent Auditor's Report.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	72,633.20	72,633.20	67,844.15	(4,789.05)	68,603.60	68,603.60	65,316.97	(3,286.63)
Administration of Justice and Law Enforcement:								
Associate Circuit	16,000.00	16,000.00	15,001.27	(998.73)	13,000.00	13,000.00	11,585.18	(1,414.82)
Circuit Clerk	39,700.00	39,700.00	20,479.24	(19,220.76)	30,700.00	30,700.00	16,883.90	(13,816.10)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	10,800.00	10,800.00	4,458.14	(6,341.86)	8,100.00	8,100.00	4,143.80	(3,956.20)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	217,087.70	217,087.70	220,211.47	3,123.77	205,431.87	205,431.87	210,721.15	5,289.28
Medical Examiner	32,368.00	32,368.00	36,979.96	4,611.96	32,100.00	32,100.00	19,106.17	(12,993.83)
Sheriffs Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	275,935.00	275,935.00	276,985.77	1,050.77	248,274.05	248,274.05	250,428.45	2,154.40
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	55,385.00	55,385.00	55,068.01	(316.99)	54,300.00	54,300.00	51,977.13	(2,322.87)
	647,275.70	647,275.70	629,183.86	(18,091.84)	591,905.92	591,905.92	564,845.78	(27,060.14)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 2,708,210.77	\$ 2,708,210.77	\$ 2,742,348.48	\$ 34,137.71	\$ 2,535,694.60	\$ 2,535,694.60	\$ 2,507,049.21	\$ (28,645.39)

See accompanying Independent Auditor's Report

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 300,100.00	\$ 300,100.00	\$ 335,034.15	\$ 34,934.15	\$ 312,000.00	\$ 312,000.00	\$ 312,695.73	\$ 695.73
Sales Tax	275,000.00	275,000.00	250,000.00	(25,000.00)	275,000.00	275,000.00	275,000.00	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	2,000.00	2,000.00	2,025.00	25.00	2,000.00	2,000.00	1,265.00	(735.00)
Grants, Distributions and Reimbursements	52,000.00	52,000.00	20,703.39	(31,296.61)	524,000.00	524,000.00	512,687.41	(11,312.59)
Fees, Licenses and Permits	1,744,455.20	1,744,455.20	1,759,042.92	14,587.72	1,195,483.08	1,195,483.08	1,205,726.91	10,243.83
Interests	8,600.00	8,600.00	12,182.32	3,582.32	4,600.00	4,600.00	17,658.53	13,058.53
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,382,155.20	2,382,155.20	2,378,987.78	(3,167.42)	2,313,083.08	2,313,083.08	2,325,033.58	11,950.50
EXPENDITURES								
Current:								
Salaries	655,700.00	655,700.00	670,637.69	14,937.69	651,000.00	651,000.00	641,665.68	(9,334.32)
Employee Fringe Benefits	343,543.10	343,543.10	327,330.63	(16,212.47)	310,150.00	310,150.00	311,172.17	1,022.17
Supplies	542,675.00	542,675.00	604,551.63	61,876.63	469,677.80	469,677.80	425,214.45	(44,463.35)
Property and Equipment Insurance	38,000.00	38,000.00	29,439.24	(8,560.76)	26,000.00	26,000.00	34,804.84	8,804.84
Equipment Repairs	70,800.00	70,800.00	81,103.08	10,303.08	65,000.00	65,000.00	75,922.24	10,922.24
Rentals	3,000.00	3,000.00	1,923.11	(1,076.89)	4,800.00	4,800.00	2,595.14	(2,204.86)
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	249,750.00	249,750.00	226,470.78	(23,279.22)	21,800.00	21,800.00	18,899.17	(2,900.83)
Capital Outlay:								
Construction of Roads and Bridges	56,000.00	56,000.00	2,547.81	(53,452.19)	56,200.00	56,200.00	27,635.76	(28,564.24)
Property, Equipment and Buildings	582,000.00	582,000.00	585,752.48	3,752.48	700,500.00	700,500.00	691,196.62	(9,303.38)
TOTAL EXPENDITURES	2,541,468.10	2,541,468.10	2,529,756.45	(11,711.65)	2,305,127.80	2,305,127.80	2,229,106.07	(76,021.73)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(159,312.90)	(159,312.90)	(150,768.67)	8,544.23	7,955.28	7,955.28	95,927.51	87,972.23
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(8,340.31)	(8,340.31)	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(8,340.31)	(8,340.31)	-	-	-	-
NET CHANGE IN FUND BALANCE	(159,312.90)	(159,312.90)	(159,108.98)	203.92	7,955.28	7,955.28	95,927.51	87,972.23
FUND BALANCE - BEGINNING OF YEAR	443,378.12	443,378.12	443,378.12	-	347,450.61	347,450.61	347,450.61	-
FUND BALANCE - END OF YEAR	\$ 284,065.22	\$ 284,065.22	\$ 284,269.14	\$ 203.92	\$ 355,405.89	\$ 355,405.89	\$ 443,378.12	\$ 87,972.23

See accompanying Independent Auditor's Report.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - LAW ENFORCEMENT SALES TAX FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	1,120,000.00	1,120,000.00	1,094,279.29	(25,720.71)	1,118,000.00	1,118,000.00	1,091,890.12	(26,109.88)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	15,000.00	15,000.00	16,838.64	1,838.64	10,500.00	10,500.00	15,123.36	4,623.36
Grants, Distributions and Reimbursements	51,804.20	51,804.20	89,448.15	37,643.95	304,344.25	304,344.25	381,705.94	77,361.69
Fees, Licenses and Permits	107,200.00	107,200.00	104,009.66	(3,190.34)	77,650.00	77,650.00	123,918.77	46,268.77
Interest	10,000.00	10,000.00	2,904.62	(7,095.38)	7,500.00	7,500.00	10,837.95	3,337.95
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,304,004.20	1,304,004.20	1,307,480.36	3,476.16	1,517,994.25	1,517,994.25	1,623,476.14	105,481.89
EXPENDITURES								
Salaries	1,221,162.70	1,221,162.70	1,169,081.06	(52,081.64)	1,193,579.00	1,193,579.00	1,170,280.61	(23,298.39)
Employee Fringe Benefits	511,022.00	511,022.00	505,488.48	(5,533.52)	545,691.40	545,691.40	464,680.97	(81,010.43)
Supplies	314,178.00	314,178.00	318,716.60	4,538.60	332,710.00	332,710.00	386,920.07	54,210.07
Property and Equipment Insurance	98,200.00	98,200.00	96,461.23	(1,738.77)	95,050.00	95,050.00	97,747.57	2,697.57
Equipment Repairs	2,000.00	2,000.00	695.83	(1,304.17)	2,500.00	2,500.00	-	(2,500.00)
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	61,706	61,705.69	67,576.60	5,870.91	340,531.79	340,531.79	414,379.28	73,847.49
TOTAL EXPENDITURES	2,208,268.39	2,208,268.39	2,158,019.80	(50,248.59)	2,510,062.19	2,510,062.19	2,534,008.50	23,946.31
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(904,264.19)	(904,264.19)	(850,539.44)	53,724.75	(992,067.94)	(992,067.94)	(910,532.36)	81,535.58
OTHER FINANCING SOURCES (USES)								
Transfers In	880,000.00	880,000.00	885,000.00	5,000.00	880,000.00	880,000.00	880,000.00	-
Transfers Out	-	-	-	-	(85,000.00)	(85,000.00)	(20,000.00)	65,000.00
Debt Service:								
Principle	(110,000.00)	(110,000.00)	(110,000.00)	-	(105,000.00)	(105,000.00)	(105,000.00)	-
Interest	(22,000.00)	(22,000.00)	(21,889.42)	110.58	(32,000.00)	(32,000.00)	(24,840.06)	7,159.94
TOTAL OTHER FINANCING SOURCES (USES)	748,000.00	748,000.00	753,110.58	5,110.58	658,000.00	658,000.00	730,159.94	72,159.94
NET CHANGE IN FUND BALANCE	(156,264.19)	(156,264.19)	(97,428.86)	58,835.33	(334,067.94)	(334,067.94)	(180,372.42)	153,695.52
FUND BALANCE - BEGINNING OF YEAR	158,999.68	158,999.68	158,999.68	-	339,372.10	339,372.10	339,372.10	-
FUND BALANCE - END OF YEAR	\$ 2,735.49	\$ 2,735.49	\$ 61,570.82	\$ 58,835.33	\$ 5,304.16	\$ 5,304.16	\$ 158,999.68	\$ 153,695.52

See accompanying Independent Auditor's Report.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - SPECIAL GRANT FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	2,299,210.51	2,299,210.51	2,282,275.18	(16,935.33)	3,378,507.69	3,378,507.69	892,836.87	(2,485,670.82)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,299,210.51	2,299,210.51	2,282,275.18	(16,935.33)	3,378,507.69	3,378,507.69	892,836.87	(2,485,670.82)
EXPENDITURES								
Property, Equipment and Buildings	2,299,210.51	2,299,210.51	2,282,275.18	(16,935.33)	3,378,507.69	3,378,507.69	892,836.87	(2,485,670.82)
TOTAL EXPENDITURES	2,299,210.51	2,299,210.51	2,282,275.18	(16,935.33)	3,378,507.69	3,378,507.69	892,836.87	(2,485,670.82)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditor's Report.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	911 Emergency Telephone Fund	School Resource Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Recorder Special Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Prosecuting Attorney Retirement Fund	Children's Trust Fund	Prosecuting Attorney Special Fund	Employee Health Benefit Fund
ASSETS												
Cash and Cash Equivalents	\$ 6,186.37	\$ -	\$ 35,311.52	\$ 4,122.47	\$ 17,314.38	\$ 46,988.75	\$ 2,079.09	\$ 5,004.93	\$ -	\$ -	\$ 4,042.02	\$ 67,440.55
TOTAL ASSETS	<u>6,186.37</u>	<u>-</u>	<u>35,311.52</u>	<u>4,122.47</u>	<u>17,314.38</u>	<u>46,988.75</u>	<u>2,079.09</u>	<u>5,004.93</u>	<u>-</u>	<u>-</u>	<u>4,042.02</u>	<u>67,440.55</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>6,186.37</u>	<u>-</u>	<u>35,311.52</u>	<u>4,122.47</u>	<u>17,314.38</u>	<u>46,988.75</u>	<u>2,079.09</u>	<u>5,004.93</u>	<u>-</u>	<u>-</u>	<u>4,042.02</u>	<u>67,440.55</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,186.37</u>	<u>\$ -</u>	<u>\$ 35,311.52</u>	<u>\$ 4,122.47</u>	<u>\$ 17,314.38</u>	<u>\$ 46,988.75</u>	<u>\$ 2,079.09</u>	<u>\$ 5,004.93</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,042.02</u>	<u>\$ 67,440.55</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Sheriff Special Fund	HAVA Grant Fund	Election Service Fund	Collectors Tax Maintenance Fund	Sheriff Forfeiture Fund	Sheriff Revolving Fund	Recorder's Technology Fund	Court Appeals Special	Total
ASSETS									
Cash and Cash Equivalents	\$ 39,186.09	\$ 319.40	\$ 17,254.65	\$ 43,285.67	\$ 13,630.22	\$ 8,359.94	\$ 26,372.93	\$ 22,362.44	\$ 359,261.42
TOTAL ASSETS	<u>39,186.09</u>	<u>319.40</u>	<u>17,254.65</u>	<u>43,285.67</u>	<u>13,630.22</u>	<u>8,359.94</u>	<u>26,372.93</u>	<u>22,362.44</u>	<u>359,261.42</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>39,186.09</u>	<u>319.40</u>	<u>17,254.65</u>	<u>43,285.67</u>	<u>13,630.22</u>	<u>8,359.94</u>	<u>26,372.93</u>	<u>22,362.44</u>	<u>359,261.42</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,186.09</u>	<u>\$ 319.40</u>	<u>\$ 17,254.65</u>	<u>\$ 43,285.67</u>	<u>\$ 13,630.22</u>	<u>\$ 8,359.94</u>	<u>\$ 26,372.93</u>	<u>\$ 22,362.44</u>	<u>\$ 359,261.42</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	911 Emergency Telephone Fund	School Resource Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Recorder Special Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Prosecuting Attorney Retirement Fund
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	13,114.09	-	-	3,812.93	69,811.32	-	2,663.57	-	-
Grants, Distributions and Reimbursements	307,084.35	400,210.35	70,270.09	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	11,865.54	-	14,806.00	-	-	-
Interest	1,760.13	-	-	205.60	529.65	967.00	41.14	-	-
Other	849.25	-	-	-	-	-	138.00	3,656.21	-
TOTAL REVENUES	322,807.82	400,210.35	70,270.09	15,884.07	70,340.97	15,773.00	2,842.71	3,656.21	-
EXPENDITURES									
General Government	440,308.52	-	46,311.18	21,813.76	55,354.94	11,203.36	2,766.18	1,340.40	2,244.00
Administration of Justice and Law	-	412,653.25	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	440,308.52	412,653.25	46,311.18	21,813.76	55,354.94	11,203.36	2,766.18	1,340.40	2,244.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(117,500.70)	(12,442.90)	23,958.91	(5,929.69)	14,986.03	4,569.64	76.53	2,315.81	(2,244.00)
OTHER FINANCING SOURCES (USES)									
Transfers In	109,376.93	64,000.00	-	-	-	-	-	-	2,244.00
Transfers Out	(5,000.00)	(64,000.00)	-	-	(20,000.00)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	104,376.93	-	-	-	(20,000.00)	-	-	-	2,244.00
NET CHANGE IN FUND BALANCES	(13,123.77)	(12,442.90)	23,958.91	(5,929.69)	(5,013.97)	4,569.64	76.53	2,315.81	-
FUND BALANCES - BEGINNING OF YEAR	19,310.14	12,442.90	11,352.61	10,052.16	22,328.35	42,419.11	2,002.56	2,689.12	-
FUND BALANCES - END OF YEAR	\$ 6,186.37	\$ -	\$ 35,311.52	\$ 4,122.47	\$ 17,314.38	\$ 46,988.75	\$ 2,079.09	\$ 5,004.93	\$ -

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Children's Trust Fund	Prosecuting Attorney Special Fund	Employee Health Benefit Fund	Sheriff Special Fund	HAVA Grant Fund	Election Service Fund	Collectors Tax Maintenance Fund	Sheriff Forfeiture Fund	Sheriff Revolving Fund	Recorder's Technology Fund	Court Appeals Special	Total
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	319.40	-	38,328.81	-	17,819.25	-	-	145,869.37
Grants, Distributions and Reimbursements	-	-	33,059.41	-	-	-	3,259.00	-	-	-	38,119.60	852,002.80
Fees, Licenses and Permits	7,195.75	2,746.19	-	56,872.20	-	9,011.66	-	-	-	10,108.75	-	112,606.09
Interest	80.85	48.12	1,058.37	219.10	-	396.05	1,508.98	442.67	155.98	602.56	452.27	8,468.47
Other	-	-	-	-	-	-	61.82	-	-	-	-	4,705.28
TOTAL REVENUES	7,276.60	2,794.31	34,117.78	57,091.30	319.40	9,407.71	43,158.61	442.67	17,975.23	10,711.31	38,571.87	1,123,652.01
EXPENDITURES												
General Government	7,276.60	699.11	11,782.44	12,924.05	-	1,252.41	36,185.70	-	16,920.09	9,304.99	45,308.86	722,996.59
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	412,653.25
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	190.58	-	8,224.38	18,798.33	9,894.28	-	1,634.67	-	38,742.24
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	7,276.60	699.11	11,782.44	13,114.63	-	9,476.79	54,984.03	9,894.28	16,920.09	10,939.66	45,308.86	1,174,392.08
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	2,095.20	22,335.34	43,976.67	319.40	(69.08)	(11,825.42)	(9,451.61)	1,055.14	(228.35)	(6,736.99)	(50,740.07)
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	175,620.93
Transfers Out	-	-	-	(5,719.88)	-	-	(10,000.00)	-	-	-	-	(104,719.88)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(5,719.88)	-	-	(10,000.00)	-	-	-	-	70,901.05
NET CHANGE IN FUND BALANCES	-	2,095.20	22,335.34	38,256.79	319.40	(69.08)	(21,825.42)	(9,451.61)	1,055.14	(228.35)	(6,736.99)	20,160.98
FUND BALANCES - BEGINNING OF YEAR	-	1,946.82	45,105.21	929.30	-	17,323.73	65,111.09	23,081.83	7,304.80	26,601.28	29,099.43	339,100.44
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 4,042.02</u>	<u>\$ 67,440.55</u>	<u>\$ 39,186.09</u>	<u>\$ 319.40</u>	<u>\$ 17,254.65</u>	<u>\$ 43,285.67</u>	<u>\$ 13,630.22</u>	<u>\$ 8,359.94</u>	<u>\$ 26,372.93</u>	<u>\$ 22,362.44</u>	<u>\$ 359,261.42</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	911 Emergency Telephone Fund	School Resource Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Recorder Special Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Prosecuting Attorney Retirement Fund	Children's Trust Fund	Prosecuting Attorney Special Fund	Employee Health Benefit Fund
ASSETS												
Cash and Cash Equivalents	\$ 19,310.14	\$ 12,442.90	\$ 11,352.61	\$ 10,052.16	\$ 22,328.35	\$ 42,419.11	\$ 2,002.56	\$ 2,689.12	\$ -	\$ -	\$ 1,946.82	\$ 45,105.21
TOTAL ASSETS	<u>19,310.14</u>	<u>12,442.90</u>	<u>11,352.61</u>	<u>10,052.16</u>	<u>22,328.35</u>	<u>42,419.11</u>	<u>2,002.56</u>	<u>2,689.12</u>	<u>-</u>	<u>-</u>	<u>1,946.82</u>	<u>45,105.21</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>19,310.14</u>	<u>12,442.90</u>	<u>11,352.61</u>	<u>10,052.16</u>	<u>22,328.35</u>	<u>42,419.11</u>	<u>2,002.56</u>	<u>2,689.12</u>	<u>-</u>	<u>-</u>	<u>1,946.82</u>	<u>45,105.21</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,310.14</u>	<u>\$ 12,442.90</u>	<u>\$ 11,352.61</u>	<u>\$ 10,052.16</u>	<u>\$ 22,328.35</u>	<u>\$ 42,419.11</u>	<u>\$ 2,002.56</u>	<u>\$ 2,689.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946.82</u>	<u>\$ 45,105.21</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Sheriff Special Fund	HAVA Grant Fund	Election Service Fund	Collectors Tax Maintenance Fund	Sheriff Forfeiture Fund	Sheriff Revolving Fund	Recorder's Technology Fund	Court Appeals Special	Total
ASSETS									
Cash and Cash Equivalents	\$ 929.30	\$ -	\$ 17,323.73	\$ 65,111.09	\$ 23,081.83	\$ 7,304.80	\$ 26,601.28	\$ 29,099.43	\$ 339,100.44
TOTAL ASSETS	<u>929.30</u>	<u>-</u>	<u>17,323.73</u>	<u>65,111.09</u>	<u>23,081.83</u>	<u>7,304.80</u>	<u>26,601.28</u>	<u>29,099.43</u>	<u>339,100.44</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>929.30</u>	<u>-</u>	<u>17,323.73</u>	<u>65,111.09</u>	<u>23,081.83</u>	<u>7,304.80</u>	<u>26,601.28</u>	<u>29,099.43</u>	<u>339,100.44</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 929.30</u>	<u>\$ -</u>	<u>\$ 17,323.73</u>	<u>\$ 65,111.09</u>	<u>\$ 23,081.83</u>	<u>\$ 7,304.80</u>	<u>\$ 26,601.28</u>	<u>\$ 29,099.43</u>	<u>\$ 339,100.44</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	911 Emergency Telephone Fund	School Resource Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Recorder Special Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Prosecuting Attorney Retirement Fund	Children's Trust Fund
REVENUES										
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	401,074.89	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	12,377.01	-	-	7,174.50	76,522.57	-	2,502.57	-	-	-
Grants, Distributions and Reimbursements	297,550.67	-	33,105.12	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	6,865.74	-	17,266.00	-	2,110.93	-	7,434.02
Interest	6,014.47	1,409.47	-	220.66	1,029.48	1,914.00	108.74	-	-	171.30
Other	278.20	6,521.02	-	-	56.78	-	-	-	-	-
TOTAL REVENUES	316,220.35	409,005.38	33,105.12	14,260.90	77,608.83	19,180.00	2,611.31	2,110.93	-	7,605.32
EXPENDITURES										
General Government	436,478.65	380,387.65	46,544.61	4,967.96	57,370.49	11,431.35	2,746.74	6,612.08	2,244.00	11,471.95
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	171.30
Capital Outlay:										
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	36,367.04	-	-	13,595.36	-	-	-	-	-
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	436,478.65	416,754.69	46,544.61	4,967.96	70,965.85	11,431.35	2,746.74	6,612.08	2,244.00	11,643.25
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,258.30)	(7,749.31)	(13,439.49)	9,292.94	6,642.98	7,748.65	(135.43)	(4,501.15)	(2,244.00)	(4,037.93)
OTHER FINANCING SOURCES (USES)										
Transfers In	77,830.77	65,000.00	-	-	-	-	-	-	2,244.00	-
Transfers Out	-	(65,000.00)	-	-	(6,000.00)	-	-	(76.50)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	77,830.77	-	-	-	(6,000.00)	-	-	(76.50)	2,244.00	-
NET CHANGE IN FUND BALANCES	(42,427.53)	(7,749.31)	(13,439.49)	9,292.94	642.98	7,748.65	(135.43)	(4,577.65)	-	(4,037.93)
FUND BALANCES - BEGINNING OF YEAR	61,737.67	20,192.21	24,792.10	759.22	21,685.37	34,670.46	2,137.99	7,266.77	-	4,037.93
FUND BALANCES - END OF YEAR	\$ 19,310.14	\$ 12,442.90	\$ 11,352.61	\$ 10,052.16	\$ 22,328.35	\$ 42,419.11	\$ 2,002.56	\$ 2,689.12	\$ -	\$ -

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Prosecuting Attorney Special Fund	Employee Health Benefit Fund	Sheriff Special Fund	HAVA Grant Fund	Election Service Fund	Collectors Tax Maintenance Fund	Sheriff Forfeiture Fund	Sheriff Revolving Fund	Recorder's Technology Fund	Court Appeals Special	Total
REVENUES											
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	401,074.89
Inter-Governmental Revenue	-	-	-	-	-	-	1,160.00	-	-	-	1,160.00
Charges for Services	-	-	-	-	-	-	-	-	-	-	98,576.65
Grants, Distributions and Reimbursements	-	2,963.28	1,478.84	-	3,734.90	-	-	5.51	-	42,508.93	381,347.25
Fees, Licenses and Permits	1,356.42	-	32,831.64	-	4,396.08	31,618.08	-	14,760.00	12,022.50	-	130,661.41
Interest	100.08	2,158.33	134.39	407.41	717.12	3,963.74	-	134.68	1,274.02	134.47	19,892.36
Other	-	-	-	-	-	-	-	-	-	-	6,856.00
TOTAL REVENUES	1,456.50	5,121.61	34,444.87	407.41	8,848.10	35,581.82	1,160.00	14,900.19	13,296.52	42,643.40	1,039,568.56
EXPENDITURES											
General Government	1,717.95	-	35,116.17	156.21	559.30	8,441.36	-	8,543.39	9,652.59	12,532.32	1,036,974.77
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	5,394.28	-	-	-	-	-	-	-	-	5,394.28
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	1,491.93	-	-	-	1,663.23
Capital Outlay:											
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	41,798.01	9,976.43	1,517.74	10,738.00	20,300.00	-	-	1,011.65	135,304.23
Debt Service:											
Principal Payment	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,717.95	5,394.28	76,914.18	10,132.64	2,077.04	19,179.36	21,791.93	8,543.39	9,652.59	13,543.97	1,179,336.51
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(261.45)	(272.67)	(42,469.31)	(9,725.23)	6,771.06	16,402.46	(20,631.93)	6,356.80	3,643.93	29,099.43	(139,767.95)
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	-	-	-	-	145,074.77
Transfers Out	-	-	-	-	-	(18,000.00)	-	-	-	-	(89,076.50)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(18,000.00)	-	-	-	-	55,998.27
NET CHANGE IN FUND BALANCES	(261.45)	(272.67)	(42,469.31)	(9,725.23)	6,771.06	(1,597.54)	(20,631.93)	6,356.80	3,643.93	29,099.43	(83,769.68)
FUND BALANCES - BEGINNING OF YEAR	2,208.27	45,377.88	43,398.61	9,725.23	10,552.67	66,708.63	43,713.76	948.00	22,957.35	-	422,870.12
FUND BALANCES - END OF YEAR	<u>\$ 1,946.82</u>	<u>\$ 45,105.21</u>	<u>\$ 929.30</u>	<u>\$ -</u>	<u>\$ 17,323.73</u>	<u>\$ 65,111.09</u>	<u>\$ 23,081.83</u>	<u>\$ 7,304.80</u>	<u>\$ 26,601.28</u>	<u>\$ 29,099.43</u>	<u>\$ 339,100.44</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	Collectors Funds	Recorders Funds	Circuit Clerks Funds	Associated Circuit Clerks Funds	County Clerks Funds	Sheriffs Funds	Prosecuting Attorney Funds	School Fund	Ambulance Fund	Sherltered Workshop
ASSETS										
Cash and Cash Equivalents	\$ (91.15)	\$ 6.02	\$ 662,554.75	\$ 70,727.90	\$ 2,500.00	\$ 2,110.82	\$ 169.52	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>(91.15)</u>	<u>6.02</u>	<u>662,554.75</u>	<u>70,727.90</u>	<u>2,500.00</u>	<u>2,110.82</u>	<u>169.52</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	(91.15)	6.02	662,554.75	70,727.90	2,500.00	2,110.82	169.52	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (91.15)</u>	<u>\$ 6.02</u>	<u>\$ 662,554.75</u>	<u>\$ 70,727.90</u>	<u>\$ 2,500.00</u>	<u>\$ 2,110.82</u>	<u>\$ 169.52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	<u>Fire District Funds</u>	<u>Capital Principle Fund</u>	<u>Overplus Fund</u>	<u>National Forest Fund</u>	<u>Intangible Property Tax</u>	<u>County Employee Fund</u>	<u>School Building</u>	<u>Howell County Health</u>	<u>County Law</u>	<u>Total</u>
ASSETS										
Cash and Cash Equivalents	\$ -	\$ 401,707.08	\$ 69,272.52	\$ -	\$ -	\$ 15,699.70	\$ 74.06	\$ -	\$ 34,747.13	\$ 1,259,478.35
TOTAL ASSETS	<u>-</u>	<u>401,707.08</u>	<u>69,272.52</u>	<u>-</u>	<u>-</u>	<u>15,699.70</u>	<u>74.06</u>	<u>-</u>	<u>34,747.13</u>	<u>1,259,478.35</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	401,707.08	69,272.52	-	-	15,699.70	74.06	-	34,747.13	1,259,478.35
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 401,707.08</u>	<u>\$ 69,272.52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,699.70</u>	<u>\$ 74.06</u>	<u>\$ -</u>	<u>\$ 34,747.13</u>	<u>\$ 1,259,478.35</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Collectors Funds</u>	<u>Recorders Funds</u>	<u>Circuit Clerks Funds</u>	<u>Associated Circuit Clerks Funds</u>	<u>County Clerks Funds</u>	<u>Sheriffs Funds</u>	<u>Prosecuting Attorney Funds</u>	<u>School Fund</u>	<u>Ambulance Fund</u>	<u>Sherltered Workshop</u>
ASSETS										
Cash and Cash Equivalents	\$ (90.98)	\$ 693.03	\$ 501,970.01	\$ 93,765.68	\$ 28,436.56	\$ 242.80	\$ 150.06	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>(90.98)</u>	<u>693.03</u>	<u>501,970.01</u>	<u>93,765.68</u>	<u>28,436.56</u>	<u>242.80</u>	<u>150.06</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>(90.98)</u>	<u>693.03</u>	<u>501,970.01</u>	<u>93,765.68</u>	<u>28,436.56</u>	<u>242.80</u>	<u>150.06</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (90.98)</u>	<u>\$ 693.03</u>	<u>\$ 501,970.01</u>	<u>\$ 93,765.68</u>	<u>\$ 28,436.56</u>	<u>\$ 242.80</u>	<u>\$ 150.06</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Fire District Funds</u>	<u>Capital Principle Fund</u>	<u>Overplus Fund</u>	<u>National Forest Fund</u>	<u>Intangible Property Tax</u>	<u>County Employee Fund</u>	<u>School Building</u>	<u>Howell County Health</u>	<u>County Law</u>	<u>Total</u>
ASSETS										
Cash and Cash Equivalents	\$ -	\$ 385,657.66	\$ 73,144.96	\$ -	\$ -	\$ 16,844.19	\$ -	\$ -	\$ 3,690.13	\$ 1,104,504.10
TOTAL ASSETS	<u>-</u>	<u>385,657.66</u>	<u>73,144.96</u>	<u>-</u>	<u>-</u>	<u>16,844.19</u>	<u>-</u>	<u>-</u>	<u>3,690.13</u>	<u>1,104,504.10</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	385,657.66	73,144.96	-	-	16,844.19	-	-	3,690.13	1,104,504.10
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 385,657.66</u>	<u>\$ 73,144.96</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,844.19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,690.13</u>	<u>\$ 1,104,504.10</u>

STATE COMPLIANCE SECTION

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There were no state findings for the years ended 12/31/07 and 12/31/08.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Howell, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Howell (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated July 29, 2009. Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated July 29, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 29, 2009

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is in compliance with state law (50.800 through 50.810 RSM0.) in regards to the format, preparation and publication of the annual financial statement by the county.

The statutory format for the financial statement is extremely comprehensive and detailed. The statement consists of nearly 738 column inches (six pages) of newspaper print for its required publication.

The County will with additional knowledgeable resources to determine if in the future, financial state format(s) other than the statutory format is essential. If so, the county is confident that the maintained comprehensive data is sufficient to prepare format(s) as may be required.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County's controls and internal procedures are strong. Howell County accounting procedures and controls has been provided to Daniel Jones and Associates.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-03 Management's Response: The Howell County Commission has appointed a "Risk Management Committee." This committee will serve on a continuing basis to review current controls and procedures, as well as develop and implement controls as may be identified in the future to help ensure reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The Committee consists of: Presiding Commissioner, County Clerk, County Treasurer, and Prosecuting Attorney.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2008 & 2007**

**THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
TABLE OF CONTENTS**

	PAGE
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
2008 Schedule of Expenditures of Federal Awards.....	5-6
2007 Schedule of Expenditures of Federal Awards.....	7-8
Notes to Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs.....	10-15



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Howell, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Howell, Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated July 29, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies *FS 07/08-01*, *FS 07/08-02* and *FS 07/08-03*, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated July 29, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 29, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Howell, West Plains, Missouri

Compliance

We have audited the compliance of Howell County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and December 31, 2007. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and December 31, 2007.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Internal Control Over Compliance (concluded)

In planning and performing our audit, we considered the Primary Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 29, 2009

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State:			
Office of Administration:			
Schools and Roads - Grants to States	10.665		\$ 323,930.90
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State:			
Department of Social Services:			
Emergency Shelter Grants Program	14.231	ERO1640	9,068.06
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0417	37,268.21
Passed Through:			
State Department of Public Safety:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2007-JFJ2-25	4,147.98
National Criminal History Improvement Program	16.554		
Crime Victim Assistance	16.575	2008-VOCA-0024	6,016.00
Cape Girardeau County:			
Enforcement Assistance Discretionary Grants Program	16.580	2007 SCDTF	9,211.30
Missouri Sheriff's Association:			
Justice Assistance Grant Program	16.738	2007-LBGJ-025	9,000.00
Byrne / Justice Assistance Grant	16.738	2007-JAG-004	91,503.85
Enforcement Assistance Discretionary Grants Program	16.580	2007-HOWE	553.83
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through State:			
DWI Enforcement	20.607	08-154-AL-09	4,041.66
Highway Planning and Construction	20.205	STP6600(906)	23,983.78
Department of Public Safety:			
Hazardous Moving Violations	20.600	09-PT-02-61	1,525.14
DWI Enforcement Project - Alcohol	20.601	09-K8-03-50	1,214.16
Hazardous Moving Violations	20.600	08-PT-02-53	4,403.11

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)
FOR THE YEARS ENDED DECEMBER 31, 2008

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008
ELECTION ASSISTANCE COMMISSION			
Passed Through the Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	02 01	2,526.89
		02 03	4,000.00
		02 05	2,496.00
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed Through State:			
Family Centered Out of Home	93.658	AOCO8380376	21,981.06
Multidisciplinary Training for Child Abuse/Neglect	93.586	OSCA0801206	1,521.84
Department of Social Services:			
Child Support Enforcement	93.563		1,846.43
Child Support Enforcement	93.563		166,346.19
Family Centered Out of Home	93.658	AOCO8380376	18,238.45
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Public Safety:			
Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	97.036	FEMA 1749	553,869.39
Tornado Safe Room / Shelter	97.017	EMK2006PC0002 A	1,963,116.81
DVERT Grants to Encourage Arrest Policies & Enf.	16.590	2005WEAX0101	95.00
Emergency Preparedness	83.534		9,571.00
Justice Assistance	16.738	2005JAG026	114,316.14
Victims Service Unit	16.575	2006VOCA0024	22,416.64
Chronic Truancy Initiative	16.540	07JFJ209	36,656.97
<i>Total Expenditures of Federal Awards</i>			3,444,866.79

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State:			
Office of Administration:			
Schools and Roads - Grants to States	10.665		\$ 224,972.76
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State:			
Department of Economic Development:			
Community Development Block Grants / State Program	14.228	2006-FL-02	400,000.00
Department of Social Services:			
Emergency Shelter Grants Program	14.231	BRO-1640746	17,284.33
Emergency Shelter Grants Program	14.231	ERO-1640	19,754.94
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	2004-NCD2-048	123,051.25
Equitable Sharing of Seized and Forfeited Property			1,160.00
Passed Through:			
State Department of Public Safety:			
Juvenile Accountability Incentive Block Grants	16.523	06-JFJ2-08A	6,058.76
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	06-JF-J2-08	31,617.81
National Criminal History Improvement Program	16.554		
Crime Victim Assistance	16.575	2005-VOCA-0024	21,452.27
Cape Girardeau County:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-SCDTF	28,805.55
Missouri Sheriff's Association:			
COPS Methamphetamine	16.710	2006CKWX0417	63,651.83
Edward Byrne Memorial State and Local Law	16.580	2007-HOWE	27,650.86
Bulletproof Vest Partnership	16.607		571.40
COPS Methamphetamine	16.710	2005-JAG-026	81,816.77
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through State:			
Highway and Transportation Commission:			
Highway Planning and Construction	20.205	BRO-	
Hazardous Moving Violation	20.600	06-PT-02-58	33.90
Hazardous Moving Violation	20.600	GAC065	786.27
Transportation Enhancement	20.205	STP-6600(906)	94,756.43
DWI Saturation		07-154-AL-55	3,736.62

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF TRANSPORTATION (concluded)			
Passed Through State:			
Department of Public Safety:			
DWI Enforcement	20.607	08-154-AL-09	654.15
Hazardous Moving Violation	20.600	08-PT-02-53	2,100.74
Hazardous Moving Violation	20.600	07-PT-02-06	1,502.13
Hazardous Moving Violation	20.600	07-PT-02-66	6,120.81
GENERAL SERVICES ADMINISTRATION			
Passed Through State Office of Administration:			
Election Reform Payments	39.011		3,149.81
U.S. DEPARTMENT OF JUSTICE			
Family Centered Out of Home			14,503.63
Department of Social Services:			
Child Support Enforcement	93.563		2,086.30
Child Support Enforcement	93.563		159,121.68
Multidisciplinary Training for Child Abuse Neglect	93.586	OSCA 08-012-06	2,030.83
Edward Bryne Memorial State & Local Law	16.580	2005-SCDTF	23,114.50
COPS Methamphetamine	16.710	2005-CKWX-0318	12,750.87
Domestic Violence Emergency Response Team	16.590	2005-WE-AX-0101	191,356.68
Election Reform Payments	39.011		9,976.43
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Public Safety:			
Homeland Security Grant Program	97.067 *	2005-GE-T5-0022	56,080.90
Homeland Security Grant Program	97.067 *	2006-GE-T6-0067	20,881.00
Public Safety Partnership & Community Policing Grants	16.607	2003BUBX03017447	399.57
Juvenile Justice & Delinquency Prevention	16.540	07-JFJ2-09	5,497.24
Crime Victim Assistance	16.575	2006-VOCA-0024	6,615.00
Tornado Safe Room / Shelter	97.017	EMK-2006-PC-0002	130,194.71
Emergency Preparedness	83.534		9,797.34
Total Expenditures of Federal Awards			\$ 1,805,096.07

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that are
not considered to be material weaknesses? 2008 ☒ Yes ☐ None Reported
2007 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial state-
ments noted? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major programs:
Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
2. Any significant deficiencies identified that are not
considered to be material weaknesses? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
3. Type of auditor's report issued on compliance for
major programs: 2008 - Unqualified
2007 - Unqualified
4. Any audit findings disclosed that are required to
be reported in accordance with section 510 (a) of
Circular A-133? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (continued)

Management's Response: The County is in compliance with state law (50.800 through 50.810 RSM0.) in regards to the format, preparation and publication of the annual financial statement by the county.

The statutory format for the financial statement is extremely comprehensive and detailed. The statement consists of nearly 738 column inches (six pages) of newspaper print for its required publication.

The County will with additional knowledgeable resources to determine if in the future, financial state format(s) other than the statutory format is essential. If so, the county is confident that the maintained comprehensive data is sufficient to prepare format(s) as may be required.

FS 07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County's controls and internal procedures are strong. Howell County accounting procedures and controls has been provided to Daniel Jones and Associates.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 07/08-03 Criteria: Anti-fraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The Howell County Commission has appointed a "Risk Management Committee." This committee will serve on a continuing basis to review current controls and procedures, as well as develop and implement controls as may be identified in the future to help ensure reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The Committee consists of: Presiding Commissioner, County Clerk, County Treasurer, and Prosecuting Attorney.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007

The following findings, recommendations, and questioned costs are the results of the single audit of Howell County, Missouri for the fiscal year ended December 31, 2008 and 2007. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.
2. Material Weakness: A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

THE COUNTY OF HOWELL
WEST PLAINS, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (continued)

C. Federal Award Findings and Questioned Costs

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
		<u>Findings:</u> There were no findings or questioned costs.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

Follow-up Prior Year Federal Award Findings and Questioned Costs

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
		There were no findings or questioned costs.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Howell County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Howell County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Howell County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 29, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is in compliance with state law (50.800 through 50.810 RSM0.) in regards to the format, preparation and publication of the annual financial statement by the county.

The statutory format for the financial statement is extremely comprehensive and detailed. The statement consists of nearly 738 column inches (six pages) of newspaper print for its required publication.

The County will with additional knowledgeable resources to determine if in the future, financial state format(s) other than the statutory format is essential. If so, the county is confident that the maintained comprehensive data is sufficient to prepare format(s) as may be required.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County's controls and internal procedures are strong. Howell County accounting procedures and controls has been provided to Daniel Jones and Associates.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Howell County Commission has appointed a "Risk Management Committee." This committee will serve on a continuing basis to review current controls and procedures, as well as develop and implement controls as may be identified in the future to help ensure reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The Committee consists of: Presiding Commissioner, County Clerk, County Treasurer, and Prosecuting Attorney.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 16, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Howell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Howell County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Howell County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Howell County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 23, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Howell County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007

**HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007**

TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
<u>FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities and Fund Balance – Cash Basis.....	5
Statement of Revenues, Expenses and Changes in Fund Balance – Cash Basis.....	6
Notes to the Financial Statements.....	7-11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2008.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2007.....	13
Notes to Required Supplementary Information.....	14
Schedule of Findings and Questioned Costs.....	15-17



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Howell County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Howell County Senate Bill 40 of Missouri, a component unit of Howell County, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Howell County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Howell County Senate Bill 40 of Missouri as of December 31, 2008 and December 31, 2007, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2009, on our consideration of the Howell County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 12 and 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Howell County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Howell County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated August 31, 2009, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Howell County Senate Bill 40 of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Howell County Senate Bill 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Howell County Senate Bill 40's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Howell County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Howell County Senate Bill 40 in a separate letter dated August 31, 2009.

Howell County Senate Bill 40's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Howell County Senate Bill 40's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

August 31, 2009

FINANCIAL STATEMENTS

HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 193,920.61	\$ 207,322.53
Investments		
Total Assets	<u><u>193,920.61</u></u>	<u><u>207,322.53</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ <u>193,920.61</u>	\$ <u>207,322.53</u>
Total Fund Balance	<u>193,920.61</u>	<u>207,322.53</u>
Total Liabilities and Fund Balance	<u><u>193,920.61</u></u>	<u><u>207,322.53</u></u>

The notes to the financial statements are an integral part of this statement.

HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Property Tax Revenues	\$ 199,864.14	\$ 187,056.32
	<u>199,864.14</u>	<u>187,056.32</u>
TOTAL REVENUES	199,864.14	187,056.32
EXPENDITURES		
General Administration	-	-
Insurance & Bonds	2,073.00	2,003.00
Publication Cost	50.10	36.30
Board Expenses	-	-
Miscellaneous	-	-
Meeting & Mileage	-	3,030.44
Dues	562.50	562.50
Contractual Services	<u>217,243.68</u>	<u>204,875.05</u>
TOTAL EXPENDITURES	<u>219,929.28</u>	<u>210,507.29</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(20,065.14)	(23,450.97)
OTHER FINANCING SOURCES (USES)		
Interest	6,663.22	13,873.42
Miscellaneous	-	-
Rents	-	-
Donations	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,663.22</u>	<u>13,873.42</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	(13,401.92)	(9,577.55)
FUND BALANCE - BEGINNING OF YEAR	<u>207,322.53</u>	<u>216,900.08</u>
FUND BALANCE - END OF YEAR	<u>\$ 193,920.61</u>	<u>\$ 207,322.53</u>

The notes to the financial statements are an integral part of this statement.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Howell County Senate Bill 40 (“SB 40”), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Howell County Senate Bill 40 is a component unit of Howell County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits were fully insured or collateralized as required by state statutes at December 31, 2008 and December 31, 2007. At December 31, 2008, the carrying amount of the Board's deposits was \$193,920.61 with respective bank balances totaling \$193,920.61. At December 31, 2007, the carrying amount of the Board's deposits was \$207,322.53 with respective bank balances totaling \$207,322.53. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for 2007 and \$250,000 for 2008.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2008 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2008		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 193,920.61
TOTAL DEPOSITS		\$ 193,920.61

The Deposits held at December 31, 2007 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 207,322.53
TOTAL DEPOSITS		\$ 207,322.53

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was \$389,008,283 and \$381,943,530 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was .05 and .05 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

IV. RISK MANAGEMENT (CONCLUDED)

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2008 or December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 190,000.00	\$ 199,864.14	\$ 9,864.14
TOTAL REVENUES	<u>190,000.00</u>	<u>199,864.14</u>	<u>9,864.14</u>
EXPENDITURES			
General Administration	200.00	-	(200.00)
Insurance & Bonds	2,000.00	2,073.00	73.00
Publication Cost	100.00	50.10	(49.90)
Board Expenses	-	-	-
Miscellaneous	500.00	-	(500.00)
Meeting & Mileage	4,000.00	-	(4,000.00)
Dues	600.00	562.50	(37.50)
Contractual Services	375,000.00	217,243.68	(157,756.32)
TOTAL EXPENDITURES	<u>382,400.00</u>	<u>219,929.28</u>	<u>(162,470.72)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(192,400.00)	(20,065.14)	172,334.86
OTHER FINANCING SOURCES (USES)			
Interest	12,500.00	6,663.22	(5,836.78)
Miscellaneous	-	-	-
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,500.00</u>	<u>6,663.22</u>	<u>(5,836.78)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(179,900.00)	(13,401.92)	166,498.08
FUND BALANCE BEGINNING OF YEAR	<u>207,322.53</u>	<u>207,322.53</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 27,422.53</u>	<u>\$ 193,920.61</u>	<u>\$ 166,498.08</u>

HOWELL COUNTY SENATE BILL 40
(A COMPONENT UNIT OF HOWELL COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 180,000.00	187,056.32	\$ 7,056.32
TOTAL REVENUES	<u>180,000.00</u>	<u>187,056.32</u>	<u>7,056.32</u>
EXPENDITURES			
General Administration	200.00	-	(200.00)
Insurance & Bonds	2,144.00	2,003.00	(141.00)
Publication Cost	100.00	36.30	(63.70)
Board Expenses	300.00	-	(300.00)
Miscellaneous	600.00	-	(600.00)
Meeting & Mileage	4,000.00	3,030.44	(969.56)
Dues	562.50	562.50	-
Contractual Services	220,000.00	204,875.05	(15,124.95)
TOTAL EXPENDITURES	<u>227,906.50</u>	<u>210,507.29</u>	<u>(17,399.21)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(47,906.50)	(23,450.97)	24,455.53
OTHER FINANCING SOURCES (USES)			
Interest	12,000.00	13,873.42	1,873.42
Miscellaneous	-	-	-
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,000.00</u>	<u>13,873.42</u>	<u>1,873.42</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(35,906.50)	(9,577.55)	26,328.95
FUND BALANCE BEGINNING OF YEAR	<u>216,900.08</u>	<u>216,900.08</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 180,993.58</u>	<u>\$ 207,322.53</u>	<u>\$ 26,328.95</u>

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

BUDGETS AND BUDGETARY ACCOUNTING

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Board adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
SCHEDULE OF QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS
(concluded) requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

HOWELL COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF HOWELL COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Howell County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Howell County Senate Bill 40 as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Senate Bill 40's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate Bill 40's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate Bill 40's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Howell County Senate Bill 40's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

August 31, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 22, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

In planning and performing our audit, we considered Howell County Senate Bill 40's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Senate Bill 40's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Howell County Senate Bill 40's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Howell County Senate Bill 40's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Howell County Senate Bill 40's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 22, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Howell County Senate Bill 40 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Perry County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Perry County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-104

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds	6-7
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	8-9
Reconciliation of the Governmental Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis	10-11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances With the Government-Wide Statement of Activities Modified Cash Basis	12-13
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds	14
Notes to the Financial Statements	15-29
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances Modified Cash Basis – Non-GAAP Budget Basis and Actual General Fund – Unaudited	30
Departmental Schedule of Expenditures – Modified Cash Basis Non-GAAP Budget Basis and Actual – General Fund – Unaudited	31-32
Schedule of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Special Revenue Major Fund Non-GAAP Budget Basis and Actual – Special Road and Bridge Fund - Unaudited	33
Schedule of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Special Revenue Major Fund –Non-GAAP Budget Basis and Actual – Road and Bridge Capital Improvement Sales Tax Fund - Unaudited	34

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
TABLE OF CONTENTS (continued)

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Mental Health Unit- Unaudited.....	35
Schedule of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Local Park Sales Tax Fund - Unaudited.....	36
Schedule of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Special Revenue Major Fund – Non-GAAP Budget Basis and Actual – Emergency 911 Fund – Unaudited.....	37
Notes to Required Supplementary Information.....	38
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis Non-Major Governmental Funds (Special Revenue Funds) – 2008	39-40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis Non-Major Governmental Funds (Special Revenue Funds) – 2008	41-42
Combining Balance Sheet – Modified Cash Basis Non-Major Governmental Funds (Special Revenue Funds) – 2007	43-44
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis Non-Major Governmental Funds (Special Revenue Funds) – 2007	45-46
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds - 2008	47-48
Combining Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds - 2007	49-50
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	51

**THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)**

TABLE OF CONTENTS (concluded)

	PAGE
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Schedule of Findings & Responses.....	54-56

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Perry, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Perry, (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007 which collectively comprise the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, is required to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and December 31, 2007, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. In accordance with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, the Health Department of Perry County, the Perry County Senior Citizens' Services Tax Commission and the Perry County SB40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Perry County Health Department at (573) 547-6564, and the Perry County Senior Citizens' Services Tax Commission and the Perry County SB40 Board by writing to 321 N. Main St., No. 2, Perryville, MO 63775.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note XII, the Primary Government has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*," GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*" and GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," as of and for the years ended December 31, 2008, and December 31, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and December 31, 2007 and the respective changes in financial position for the years then ended in conformity with the basis of accounting described in Note I.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2009, on our consideration of the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 30 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 39 through 46 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 51 through 56 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
July 14, 2009

FINANCIAL STATEMENTS

NET ASSETS

3

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 4,234,574.23	\$ 1,390,756.92	\$ 446,931.40	\$ 991,476.84	\$ (1,405,409.07)
Road and Bridge	2,328,361.96	-	-	-	(2,328,361.96)
Financial Administration	140,972.22	-	-	-	(140,972.22)
Other Offices and Grants	313,827.95	-	-	-	(313,827.95)
Health and Welfare	304,289.82	-	-	-	(304,289.82)
Administration of Justice and Law Enforcement	1,215,799.72	-	-	-	(1,215,799.72)
Consulting	99,670.27	-	-	-	(99,670.27)
Fees, Licenses and Permits	5,015.00	-	-	-	(5,015.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	8,175.00	-	-	-	(8,175.00)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	139,591.46	-	-	-	(139,591.46)
Property, Equipment and Buildings	173,118.83	-	-	-	(173,118.83)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,963,396.46</u>	<u>\$ 1,390,756.92</u>	<u>\$ 446,931.40</u>	<u>\$ 991,476.84</u>	(6,134,231.30)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	1,872,503.67
Sales Tax	3,124,578.03
Investment Income	97,126.33
Transfers In (Out)	-
Miscellaneous	169,544.57
TOTAL GENERAL REVENUES	<u>5,263,752.60</u>
CHANGE IN NET ASSETS	(870,478.70)
NET ASSETS, BEGINNING OF YEAR	<u>3,133,994.53</u>
NET ASSETS, END OF YEAR	<u>\$ 2,263,515.83</u>

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 3,487,279.65	\$ 1,312,143.98	\$ 438,524.07	\$ 329,760.06	\$ (1,406,851.54)
Road and Bridge	2,154,011.04	-	-	-	(2,154,011.04)
Financial Administration	143,611.16	-	-	-	(143,611.16)
Other Offices and Grants	316,492.99	-	-	-	(316,492.99)
Health and Welfare	179,660.06	-	-	-	(179,660.06)
Administration of Justice and Law Enforcement	1,349,234.37	-	-	-	(1,349,234.37)
Consulting	98,801.18	-	-	-	(98,801.18)
Fees, Licenses and Permits	1,750.00	-	-	-	(1,750.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	616,783.55	-	616,783.55
Park Maintenance	-	-	-	-	-
Other	17,112.01	-	-	-	(17,112.01)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	196,353.30	-	-	-	(196,353.30)
Property, Equipment and Buildings	228,940.91	-	-	-	(228,940.91)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,173,246.67</u>	<u>\$ 1,312,143.98</u>	<u>\$ 1,055,307.62</u>	<u>\$ 329,760.06</u>	(5,476,035.01)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	1,790,357.98
Sales Tax	3,097,560.50
Investment Income	184,597.76
Transfers In (Out)	-
Miscellaneous	171,115.73
TOTAL GENERAL REVENUES	<u>5,243,631.97</u>
CHANGE IN NET ASSETS	(232,403.04)
NET ASSETS, BEGINNING OF YEAR	<u>3,366,397.57</u>
NET ASSETS, END OF YEAR	<u>\$ 3,133,994.53</u>

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

DECEMBER 31, 2008							
	General	Special Road and Bridge	Road & Bridge Sales Tax Fund	Mental Health Fund	Local Park Sales Tax Fund	Emergency 911	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 27,693.20	\$ 213,109.95	\$ 277,159.13	\$ 90,010.27	\$ 758,932.83	\$ 120,151.37	\$ 1,938,515.83
Investments	-	100,000.00	-	100,000.00	-	125,000.00	325,000.00
							-
TOTAL ASSETS	<u>27,693.20</u>	<u>313,109.95</u>	<u>277,159.13</u>	<u>190,010.27</u>	<u>758,932.83</u>	<u>245,151.37</u>	<u>2,263,515.83</u>
FUND BALANCES							
Unreserved:							
General Fund	27,693.20	-	-	-	-	-	27,693.20
Special Revenue Funds	-	313,109.95	277,159.13	190,010.27	758,932.83	245,151.37	2,235,822.63
TOTAL FUND BALANCES	<u>27,693.20</u>	<u>313,109.95</u>	<u>277,159.13</u>	<u>190,010.27</u>	<u>758,932.83</u>	<u>245,151.37</u>	<u>2,263,515.83</u>
TOTAL FUND BALANCES	<u>\$ 27,693.20</u>	<u>\$ 313,109.95</u>	<u>\$ 277,159.13</u>	<u>\$ 190,010.27</u>	<u>\$ 758,932.83</u>	<u>\$ 245,151.37</u>	<u>\$ 2,263,515.83</u>

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

DECEMBER 31, 2007							
	General	Special Road and Bridge	Road & Bridge Sales Tax Fund	Mental Health Fund	Local Park Sales Tax Fund	Emergency 911	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 130,433.31	\$ 251,022.56	\$ 327,201.69	\$ 358,364.33	\$ 783,827.24	\$ 139,941.72	\$ 2,509,707.88
Investments	220,000.00	204,286.65	-	-	-	200,000.00	624,286.65
							-
TOTAL ASSETS	<u>350,433.31</u>	<u>455,309.21</u>	<u>327,201.69</u>	<u>358,364.33</u>	<u>783,827.24</u>	<u>339,941.72</u>	<u>3,133,994.53</u>
FUND BALANCES							
Unreserved:							
General Fund	350,433.31	-	-	-	-	-	350,433.31
Special Revenue Funds	-	455,309.21	327,201.69	358,364.33	783,827.24	339,941.72	2,783,561.22
TOTAL FUND BALANCES	<u>350,433.31</u>	<u>455,309.21</u>	<u>327,201.69</u>	<u>358,364.33</u>	<u>783,827.24</u>	<u>339,941.72</u>	<u>3,133,994.53</u>
TOTAL FUND BALANCES	<u>\$ 350,433.31</u>	<u>\$ 455,309.21</u>	<u>\$ 327,201.69</u>	<u>\$ 358,364.33</u>	<u>\$ 783,827.24</u>	<u>\$ 339,941.72</u>	<u>\$ 3,133,994.53</u>

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS FOR THE YEAR ENDED
DECEMBER 31, 2008

	DECEMBER 31, 2008							
	General	Special Road and Bridge	Road & Bridge Capital Improvement Sales Tax Fund	Mental Health Fund	Local Park Sales Tax Fund	Emergency 911	Non-Major Governmental Funds	Total Governmental Funds
REVENUES								
Property Tax	\$ 539,026.40	\$ 836,329.05	\$ -	\$ 253,284.47	\$ -	\$ -	\$ 243,863.75	\$ 1,872,503.67
Sales Tax	1,155,691.49	-	864,639.85	-	1,064,368.90	-	39,877.79	3,124,578.03
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	363,504.89	31,280.00	-	-	-	199,707.93	796,264.10	1,390,756.92
Loans	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	446,931.40	597,302.75	82,437.86	-	-	-	311,736.23	1,438,408.24
Fees, Licenses and Permits	-	-	-	708.85	-	-	-	708.85
Interest	14,196.68	19,832.93	11,772.06	8,682.11	20,794.22	9,791.54	12,056.79	97,126.33
Other	121,368.72	5,235.93	-	9,031.67	-	-	33,199.40	168,835.72
TOTAL REVENUES	2,640,719.58	1,489,980.66	958,849.77	271,707.10	1,085,163.12	209,499.47	1,436,998.06	8,092,917.76
EXPENDITURES								
Current:								
General County Government	1,192,312.26	-	-	440,061.16	1,110,057.53	-	1,492,143.28	4,234,574.23
Road and Bridge	-	1,346,588.15	981,773.81	-	-	-	-	2,328,361.96
Financial Administration	140,972.22	-	-	-	-	-	-	140,972.22
Other Offices and Grants	313,827.95	-	-	-	-	-	-	313,827.95
Health and Welfare	-	-	-	-	-	304,289.82	-	304,289.82
Property Valuation and Recording	99,670.27	-	-	-	-	-	-	99,670.27
Supplies	-	-	-	-	-	-	-	-
Permits and Fees	5,015.00	-	-	-	-	-	-	5,015.00
Administration of Justice and Law	1,203,486.99	-	-	-	-	-	12,312.73	1,215,799.72
Continued Progress	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction	-	139,591.46	-	-	-	-	-	139,591.46
Property, Equipment and Buildings	-	173,118.83	-	-	-	-	-	173,118.83
TOTAL EXPENDITURES	2,955,284.69	1,659,298.44	981,773.81	440,061.16	1,110,057.53	304,289.82	1,504,456.01	8,955,221.46
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(314,565.11)	(169,317.78)	(22,924.04)	(168,354.06)	(24,894.41)	(94,790.35)	(67,457.95)	(862,303.70)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	27,118.52	-	-	-	-	-	27,118.52
Transfers Out	-	-	(27,118.52)	-	-	-	-	(27,118.52)
Emergency Fund	(8,175.00)	-	-	-	-	-	-	(8,175.00)
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,175.00)	27,118.52	(27,118.52)	-	-	-	-	(8,175.00)
NET CHANGE IN FUND BALANCE	(322,740.11)	(142,199.26)	(50,042.56)	(168,354.06)	(24,894.41)	(94,790.35)	(67,457.95)	(870,478.70)
FUND BALANCE - BEGINNING OF YEAR	350,433.31	455,309.21	327,201.69	358,364.33	783,827.24	339,941.72	518,917.03	3,133,994.53
FUND BALANCE - END OF YEAR	\$ 27,693.20	\$ 313,109.95	\$ 277,159.13	\$ 190,010.27	\$ 758,932.83	\$ 245,151.37	\$ 451,459.08	\$ 2,263,515.83

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS FOR THE YEAR ENDED
DECEMBER 31, 2007

	DECEMBER 31, 2007								
	General	Special Road and Bridge	Road & Bridge Capital Improvement Sales Tax Fund	Mental Health Fund	Law Enforcement Center Fund	Local Park Sales Tax Fund	Emergency 911	Non-Major Governmental Funds	Total Governmental Funds
REVENUES									
Property Tax	\$ 512,221.98	\$ 798,708.23	\$ -	\$ 243,979.37	\$ -	\$ -	\$ -	\$ 235,448.40	\$ 1,790,357.98
Sales Tax	1,157,637.98	-	866,294.60	-	-	1,073,627.92	-	-	3,097,560.50
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	375,223.05	29,752.00	-	-	-	-	178,909.70	728,259.23	1,312,143.98
Loans	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	438,524.07	616,783.55	-	-	-	-	-	329,760.06	1,385,067.68
Fees, Licenses and Permits	-	-	-	369.35	-	-	17,902.82	-	18,272.17
Interest	41,842.72	30,627.53	31,366.14	20,503.94	-	31,995.93	-	28,261.50	184,597.76
Other	47,739.49	27,160.67	-	36,669.00	-	-	-	41,274.40	152,843.56
TOTAL REVENUES	2,573,189.29	1,503,031.98	897,660.74	301,521.66	-	1,105,623.85	196,812.52	1,363,003.59	7,940,843.63
EXPENDITURES									
Current:									
General County Government	1,014,181.75	-	-	211,588.88	-	1,002,799.25	-	1,258,709.77	3,487,279.65
Road and Bridge	-	1,169,560.83	984,450.21	-	-	-	-	-	2,154,011.04
Financial Administration	143,611.16	-	-	-	-	-	-	-	143,611.16
Other Offices and Grants	316,492.99	-	-	-	-	-	-	-	316,492.99
Health and Welfare	-	-	-	-	-	-	179,660.06	-	179,660.06
Property Valuation and Recording	98,801.18	-	-	-	-	-	-	-	98,801.18
Supplies	-	-	-	-	-	-	-	-	-
Permits and Fees	1,750.00	-	-	-	-	-	-	-	1,750.00
Administration of Justice and Law	1,288,760.02	-	-	-	-	-	-	60,474.35	1,349,234.37
Continued Progress	-	-	-	-	-	-	-	-	-
Capital Outlay:									
Construction	-	196,353.30	-	-	-	-	-	-	196,353.30
Property, Equipment and Buildings	-	228,940.91	-	-	-	-	-	-	228,940.91
TOTAL EXPENDITURES	2,863,597.10	1,594,855.04	984,450.21	211,588.88	-	1,002,799.25	179,660.06	1,319,184.12	8,156,134.66
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(290,407.81)	(91,823.06)	(86,789.47)	89,932.78	-	102,824.60	17,152.46	43,819.47	(215,291.03)
OTHER FINANCING SOURCES (USES)									
Transfers In	14,061.00	42,546.13	-	-	-	-	-	-	56,607.13
Transfers Out	-	-	(42,546.13)	-	-	-	-	(14,061.00)	(56,607.13)
Emergency Fund	(17,112.01)	-	-	-	-	-	-	-	(17,112.01)
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,051.01)	42,546.13	(42,546.13)	-	-	-	-	(14,061.00)	(17,112.01)
NET CHANGE IN FUND BALANCE	(293,458.82)	(49,276.93)	(129,335.60)	89,932.78	-	102,824.60	17,152.46	29,758.47	(232,403.04)
FUND BALANCE - BEGINNING OF YEAR	643,892.13	504,586.14	456,537.29	268,431.55	-	681,002.64	322,789.26	489,158.56	3,366,397.57
FUND BALANCE - END OF YEAR	\$ 350,433.31	\$ 455,309.21	\$ 327,201.69	\$ 358,364.33	\$ -	\$ 783,827.24	\$ 339,941.72	\$ 518,917.03	\$ 3,133,994.53

See accompanying notes to the financial statments.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for Governmental Activities in the
Statement of Activities are different because...

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	\$ 2,263,515.83
---	-----------------

There are no items of reconciliation.

-

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 2,263,515.83</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for Governmental Activities in the
Statement of Activities are different because...

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	\$ 3,133,994.53
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 3,133,994.53</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$	(870,478.70)
--	----	--------------

There are no items of reconciliation.

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(870,478.70)</u>
---	----	---------------------

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$	(232,403.04)
--	----	--------------

There are no items of reconciliation.

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(232,403.04)</u>
---	----	---------------------

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 11,390,487.26</u>	<u>\$ 12,184,486.52</u>
TOTAL ASSETS	<u><u>11,390,487.26</u></u>	<u><u>12,184,486.52</u></u>
LIABILITIES		
Due to Other Funds	<u>11,390,487.26</u>	<u>12,184,486.52</u>
TOTAL LIABILITIES	<u><u>\$ 11,390,487.26</u></u>	<u><u>\$ 12,184,486.52</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Perry, Missouri ("Primary Government"), which is governed by a three-member board of commissioners, was established in 1827. Perry County is an organized, third class county and is part of the 32nd Judicial Circuit. The county seat is in Perryville.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the County.

The Primary Government's operations include tax assessments and collections, state /county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Perry County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, requires to be reported with the financial data of the County's primary government.

In accordance with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, the Health Department of Perry County, Missouri, the Perry County Senior Citizens' Services Tax Commission and the Perry County SB40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Perry County Health Department at (573) 547-6564 and the Perry County Senior Citizens' Services Tax Commission and the Perry County SB40 Board by writing to 321 N. Main St., No. 2, Perryville, MO 63775.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the Primary Government of Perry County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the Primary Government of Perry County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Special Road and Bridge, Road and Bridge Capital Improvement Sales Tax Fund, Mental Health Fund, Local Park Sales Tax Fund and Emergency 911 Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road & Bridge Fund – The Special Road & Bridge Fund is a fund used to account for receipts of the county property tax levy and state designated revenues, such as Road Use Tax, etc. Expenditures paid from this fund are any expenses involved in maintaining county roads and bridges such as salaries, fuel, purchase and maintenance of equipment, etc.

Road & Bridge Capital Improvement Sales Tax Fund – The Road & Bridge Capital Improvement Sales Tax Fund is a special fund for receipt of sales tax revenues that was approved by the voters in 2004. Expenditures out of this fund are for any expense related to improving the condition of county roads and bridges such as purchase of equipment, purchase of product to asphalt county roads, bridge projects, fuel purchases for fuel used on these projects, etc. This sales tax sunsets on December 31, 2010.

Mental Health Fund – The Mental Health Fund is a fund that levies a mill tax that was approved by the voters in the 1970's. The fund is administered by a board of directors that is appointed by the County Commission.

Local Park Sales Tax Fund – The Local Park Sales Tax Fund is a fund for the sales tax receipts, again approved by voters, that is used for the construction and maintenance of the Perry Park Center in the Perryville City Park. This is a twenty year sales tax and it will then reduce to 1/8 of a cent for maintenance of the building only.

Emergency 911 Fund – The Emergency 911 Tax Fund is a fund for the revenues from a 15% surcharge on telephone bills for county residents that funds the purchase of equipment and salaries of 911 dispatchers in the county. The county commission administers the expenditures and the department is headed by a 911 Director.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

	2008	2007
Real Estate (Net of TIF)	\$ 193,576,042	\$ 186,670,773
Personal Property	81,408,827	78,229,537
Railroad and Utility	13,920,503	14,486,069
	<u>\$ 288,905,372</u>	<u>\$ 279,386,379</u>

During 2008 and 2007, the County Commission approved a \$1.99 and \$1.99, respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$ 0.1800	\$ 0.1800
Special Road and Bridge Fund	0.3000	0.3000
SB40 Fund	0.0898	0.0898
Mental Health Fund	0.0898	0.0898
Surtax	1.0600	1.0600
Hospital Maintenance Fund	0.0898	0.0898
Health Center Fund	0.1795	0.1795
	<u>\$ 1.9889</u>	<u>\$ 1.9889</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on each fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due From Other funds" or "Due To Other Funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for all special revenue accounts.

H. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the County's deposits was \$13,654,003.09 and \$15,318,481.05, the bank balance was \$13,093,099.10 and 13,694,763.30, respectively. Of the 2007 bank balance, \$100,000 was covered by federal depository insurance and \$13,594,763.30 was covered by collateral held at the banks in the County's name. Of the 2008 bank balance, \$250,000 was covered by federal depository insurance and \$12,843,099.10 was covered by collateral held at the banks in the County's name.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. CASH AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash	\$ 1,938,515.83
Investments	325,000.00

Balance Sheet – Agency Funds

Cash	<u>11,390,487.26</u>
------	----------------------

Total Cash & Investments as of December 31, 2008	<u>\$ 13,654,003.09</u>
--	-------------------------

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash	\$ 2,509,707.88
Investments	624,286.65

Balance Sheet – Agency Funds

Cash	<u>12,184,486.52</u>
------	----------------------

Total Cash & Investments as of December 31, 2007	<u>\$ 15,318,481.05</u>
--	-------------------------

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the years ended December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. CASH AND INVESTMENTS (concluded)

Investment Interest Rate Risk

The Primary Government has a policy in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities.

Investment Credit Risk

The Primary Government has no policy in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer.

As of December 31, 2008 and 2007, all investments of the Primary Government were rated AAA.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments.)

The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities.

At December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U.S. Government.

III. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 0	\$ 0	\$ 14,061.00	\$ 0
Road and Bridge	27,118.52	0	42,546.13	0
Road and Bridge Capital Improvement				
Sales Tax Fund	0	(27,118.52)	0	(42,546.13)
NON-MAJOR FUNDS	0	0	0	(14,061.00)
TOTAL	<u>\$ 27,118.52</u>	<u>\$ (27,118.52)</u>	<u>\$ 56,607.13</u>	<u>\$ (56,607.13)</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes. The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in the Fund, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

A. Plan Description

The Fund is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. The fund covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than (1,000) one thousand hours per calendar year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. The Fund is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement.

Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of the Fund are paid out of the funds of the system.

In addition, the following fees and penalties prescribed under Missouri Law are required to be collected and remitted to the Fund by counties covered by the plan:

- Late fees on filing of personal property tax declarations
- Twenty dollars for each merchant's and manufacturer's license issued
- Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
- Three sevenths of the fee on delinquent property taxes
- Interest earned on investment of the above collections prior to remittance to the Fund

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. *Contributions:* Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature. During 2008 and 2007, the County collected and remitted to CERF, employee contributions of approximately for \$41,292 and \$43,862, respectively, for the years then ended December 31, 2008 and 2007.

V. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Perry County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P. O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

B. Funding Status

Perry County's full time employees do not contribute to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 9.5% (general), 8.0% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$220,144 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table, set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008, was 15 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 221,699	100%	\$ 0
6/30/2007	\$ 222,703	100%	\$ 0
6/30/2008	\$ 220,144	100%	\$ 0

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

C. Annual Pension Cost

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	4,361,914	4,508,556	146,642	97%	2,232,925	7%
2/28/2007	4,792,180	4,816,246	24,066	100%	2,265,586	1%
2/29/2008	2,421,558	5,279,837	141,721	103%	2,404,050	-

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VII. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

At this time there are pending litigation matters for years ended December 31, 2008 and 2007.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES (concluded)

B. Compensated Absences

The County provides employees with up to 5 weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime if applicable. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

X. CHANGES IN LONG-TERM DEBT

The following is a summary of certificates of participation transactions for the years ended December 31, 2008 and December 31, 2007:

	Balance 12/31/2006	Additions	Payments	Balance 12/31/2007	Additions	Payments	Balance 12/31/2008
Leasehold Refunding Revenue Bonds Series 2005	\$ 8,305,000	\$ -	\$ (490,000)	\$ 7,815,000	\$ -	\$ (540,000)	\$ 7,275,000
Note Payable	638,000	-	(19,916.62)	618,083.38	-	(18,248.63)	599,834.75
	<u>\$ 8,943,000</u>	<u>\$ -</u>	<u>\$ (509,916.62)</u>	<u>\$ 8,433,083.38</u>	<u>\$ -</u>	<u>\$ (558,248.63)</u>	<u>\$7,874,834.75</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. CHANGES IN LONG-TERM DEBT (continued)

Debt consists of:

	2008	2007
\$8,785,000 original principal Leasehold Refunding Revenue Bonds Series 2005, due in varying annual principal installments ranging from \$480,000 to \$1,085,000 through May 1, 2017. Interest rate is variable from 3.25% to 4.50%. Principal payments are made annually on May 1 and interest payments are made semi-annually on May 1 and Nov 1	\$ 540,000	\$ 490,000
\$638,000 original principal Lease purchase note payable, due in varying annual principal installments ranging from \$18,248.63 to 51,145.15 through April 1, 2026. Interest rate is 5.70%. Principal and interest payments are made annually on April 1	18,248.63	19,916.62
	<u>\$ 558,248.63</u>	<u>\$ 509,916.62</u>

The annual requirements to amortize all debt outstanding as of December 31, 2008, including interest payments are as follows:

Fiscal Year Ending December 31,	TOTAL		
	Principle	Interest	Total
2009	\$ 599,930.96	\$ 306,849.29	\$ 906,780.25
2010	661,067.03	281,723.22	942,790.25
2011	707,267.84	258,451.16	965,719.00
2012	753,537.11	230,025.64	983,562.75
2013	824,878.73	194,659.02	1,019,537.75
2014-2018	3,987,352.27	439,802.73	4,427,155.00
2019-2023	194,415.89	75,885.36	270,301.25
2024-2028	146,384.92	15,795.83	162,180.75
	<u>\$ 7,874,834.75</u>	<u>\$ 1,803,192.25</u>	<u>\$ 9,678,027.00</u>

Principle payments due within one year consist of \$580,000 for the Leasehold Refunding Revenue Bonds Series 2005 and \$19,930.96 for the Lease purchase note payable.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. CHANGES IN LONG-TERM DEBT (concluded)

The annual requirements to amortize all debt outstanding as of December 31, 2007, including interest payments are as follows:

FISCAL YEAR ENDING DECEMBER 31,	TOTAL		
	PRINCIPLE	INTEREST	TOTAL
2008	\$ 558,248.63	\$ 332,381.62	\$ 890,630.25
2009	599,930.96	306,849.29	906,780.25
2010	661,067.03	281,723.22	942,790.25
2011	707,267.84	258,451.16	965,719.00
2012	753,537.11	230,025.64	983,562.75
2013 – 2017	4,779,406.12	613,226.38	5,392,632.50
2018 – 2022	183,931.78	86,369.47	270,301.25
2023 – 2026	189,693.91	26,547.09	216,241.00
	<u>\$ 8,433,083.38</u>	<u>\$ 2,135,573.87</u>	<u>\$ 10,568,657.25</u>

Principle payments due within one year consist of \$540,000 for the Leasehold Refunding Revenue Bonds Series 2005 and \$18,248.63 for the lease purchase note payable.

XI. LEASES

During 2008, Perry County entered into two capital leases; one requiring two annual payments of \$21,191.66, beginning April 1, 2009, with an interest rate of 4.625% for a compactor; the other also requiring two annual payments of \$53,608.04, beginning October 27, 2009 with an interest rate of 4.625% for a high reach wheel loader with bucket.

XII. ACCOUNTING CHANGE

For the years ended December 31, 2008, and December 31, 2007, the Primary Government has implemented GASB Statement No. 34, *“Basic Financial Statements-and Management’s Discussion and Analysis-For State and Local Governments.”* GASB 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments. The Primary Government’s implementation was prepared on the modified cash basis of accounting. Therefore, significant assets (i.e. capital assets) and significant liabilities (i.e. general obligation bonds) are not presented in the financial statements of the Primary Government.

In addition, for the years ended December 31, 2008, and December 31, 2007, the Primary Government has implemented GASB Statement No. 37, *“Basic Financial Statements for State and Local Governments: Omnibus”* and GASB Statement No. 38, *“Certain Financial Statement Note Disclosures.”*

At December 31, 2007, there was no effect on fund balance as a result of implementing these GASB Statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-GAAP BUDGET BASIS AND ACTUAL - GENERAL FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 532,000.00	\$ 532,000.00	\$ 539,026.40	\$ 7,026.40	\$ 490,000.00	\$ 490,000.00	\$ 512,221.98	\$ 22,221.98
Sales Tax	1,190,000.00	1,190,000.00	1,155,691.49	(34,308.51)	1,140,000.00	1,140,000.00	1,157,637.98	17,637.98
Inter-Governmental Revenue		-		-		-		-
Charges for Services	380,200.00	380,200.00	363,504.89	(16,695.11)	370,752.00	370,752.00	375,223.05	4,471.05
Grants, Distributions and Reimbursements	483,245.00	483,245.00	446,931.40	(36,313.60)	665,704.00	665,704.00	438,524.07	(227,179.93)
Fees, Licenses and Permits	-	-	-	-		-		-
Interest	30,000.00	30,000.00	14,196.68	(15,803.32)	33,000.00	33,000.00	41,842.72	8,842.72
Other	139,925.00	139,925.00	121,368.72	(18,556.28)	87,125.00	87,125.00	47,739.49	(39,385.51)
TOTAL REVENUES	2,755,370.00	2,755,370.00	2,640,719.58	(114,650.42)	2,786,581.00	2,786,581.00	2,573,189.29	(213,391.71)
EXPENDITURES								
Current:								
General County Government	1,309,905.52	1,309,905.52	1,192,312.26	(117,593.26)	1,118,731.60	1,118,731.60	1,014,181.75	(104,549.85)
Financial Administration	149,530.00	149,530.00	140,972.22	(8,557.78)	147,660.00	147,660.00	143,611.16	(4,048.84)
Other Offices and Grants	144,864.21	144,864.21	313,827.95	168,963.74	343,572.52	343,572.52	316,492.99	(27,079.53)
Health and Welfare	2,000.00	2,000.00	5,015.00	3,015.00	5,000.00	5,000.00	1,750.00	(3,250.00)
Property Valuation and Recording	100,896.40	100,896.40	99,670.27	(1,226.13)	100,440.40	100,440.40	98,801.18	(1,639.22)
Administration of Justice and Law	1,166,905.74	1,166,905.74	1,203,486.99	36,581.25	1,219,526.00	1,219,526.00	1,288,760.02	69,234.02
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings		-	-	-		-	-	-
TOTAL EXPENDITURES	2,874,101.87	2,874,101.87	2,955,284.69	81,182.82	2,934,930.52	2,934,930.52	2,863,597.10	(71,333.42)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,731.87)	(118,731.87)	(314,565.11)	(195,833.24)	(148,349.52)	(148,349.52)	(290,407.81)	(142,058.29)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	14,061.00	14,061.00
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	(80,000.00)	(8,175.00)	71,825.00	(84,000.00)	(84,000.00)	(17,112.01)	66,887.99
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(80,000.00)	(8,175.00)	71,825.00	(84,000.00)	(84,000.00)	(3,051.01)	80,948.99
NET CHANGE IN FUND BALANCE	(118,731.87)	(198,731.87)	(322,740.11)	(124,008.24)	(232,349.52)	(232,349.52)	(293,458.82)	(61,109.30)
FUND BALANCE - BEGINNING OF YEAR	350,433.31	350,433.31	350,433.31	-	643,892.13	643,892.13	643,892.13	-
FUND BALANCE - END OF YEAR	\$ 231,701.44	\$ 151,701.44	\$ 27,693.20	\$ (124,008.24)	\$ 411,542.61	\$ 411,542.61	\$ 350,433.31	\$ (61,109.30)

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - NON-GAAP BUDGET BASIS AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 101,704.00	101,704.00	99,332.88	\$ (2,371.12)	\$ 102,704.00	102,704.00	101,612.02	\$ (1,091.98)
County Clerk	97,141.52	97,141.52	97,577.23	435.71	112,963.60	112,963.60	95,543.38	(17,420.22)
Elections	92,200.00	92,200.00	44,799.34	(47,400.66)	22,864.00	22,864.00	14,229.97	(8,634.03)
Buildings and Grounds	351,960.00	351,960.00	300,242.96	(51,717.04)	233,200.00	233,200.00	179,193.08	(54,006.92)
Employee Fringe Benefits	500,000.00	500,000.00	476,865.85	(23,134.15)	480,000.00	480,000.00	454,836.78	(25,163.22)
Other Expenses	166,900.00	166,900.00	173,494.00	6,594.00	167,000.00	167,000.00	168,766.52	1,766.52
	<u>1,309,905.52</u>	<u>1,309,905.52</u>	<u>1,192,312.26</u>	<u>(117,593.26)</u>	<u>1,118,731.60</u>	<u>1,118,731.60</u>	<u>1,014,181.75</u>	<u>(104,549.85)</u>
Financial Administration:								
Collector	93,200.00	93,200.00	89,225.34	(3,974.66)	92,730.00	92,730.00	91,475.77	(1,254.23)
Treasurer	56,330.00	56,330.00	51,746.88	(4,583.12)	54,930.00	54,930.00	52,135.39	(2,794.61)
	<u>149,530.00</u>	<u>149,530.00</u>	<u>140,972.22</u>	<u>(8,557.78)</u>	<u>147,660.00</u>	<u>147,660.00</u>	<u>143,611.16</u>	<u>(4,048.84)</u>
Other Offices & Grants:								
Other Offices & Grants	144,864.21	289,364.21	313,827.95	24,463.74	343,572.52	343,572.52	316,492.99	(27,079.53)
	<u>144,864.21</u>	<u>289,364.21</u>	<u>313,827.95</u>	<u>24,463.74</u>	<u>343,572.52</u>	<u>343,572.52</u>	<u>316,492.99</u>	<u>(27,079.53)</u>
Health and Welfare:								
Non-Institutional Care	2,000.00	2,000.00	5,015.00	3,015.00	5,000.00	5,000.00	1,750.00	(3,250.00)
	<u>2,000.00</u>	<u>2,000.00</u>	<u>5,015.00</u>	<u>3,015.00</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>1,750.00</u>	<u>(3,250.00)</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES (CONTINUED)
MODIFIED CASH BASIS - NON-GAAP BUDGET BASIS AND ACTUAL
GENERAL FUND - UNAUDITED FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	100,896.40	100,896.40	99,670.27	(1,226.13)	100,440.40	100,440.40	98,801.18	(1,639.22)
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	13,700.00	13,700.00	14,602.70	902.70	14,200.00	14,200.00	13,228.74	(971.26)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	37,950.00	37,950.00	34,175.68	(3,774.32)	41,500.00	41,500.00	55,555.16	14,055.16
Dispatch	116,690.00	116,690.00	127,478.68	10,788.68	122,250.00	122,250.00	122,043.30	(206.70)
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	315,560.00	315,560.00	316,588.45	1,028.45	355,820.00	355,820.00	343,806.18	(12,013.82)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	50,000.00	50,000.00	49,564.42	(435.58)	40,000.00	40,000.00	69,478.95	29,478.95
Medical Examiner	18,062.34	18,062.34	18,119.49	57.15	15,600.00	15,600.00	15,192.13	(407.87)
Sheriff's Office	456,088.20	456,088.20	483,118.40	27,030.20	475,245.00	475,245.00	514,659.38	39,414.38
Drug Court	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	134,634.20	134,634.20	135,880.75	1,246.55	132,023.00	132,023.00	131,768.97	(254.03)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	24,221.00	24,221.00	23,958.42	(262.58)	22,888.00	22,888.00	23,027.21	139.21
	1,166,905.74	1,166,905.74	1,203,486.99	36,581.25	1,219,526.00	1,219,526.00	1,288,760.02	69,234.02
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 2,874,101.87	\$ 3,018,601.87	\$ 2,955,284.69	\$ (63,317.18)	\$ 2,934,930.52	\$ 2,934,930.52	\$ 2,863,597.10	\$ (71,333.42)

See accompanying Independent Auditor's Report

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
NON-GAAP BUDGET BASIS AND ACTUAL - SPECIAL ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 806,500.00	\$ 806,500.00	\$ 836,329.05	\$ 29,829.05	\$ 770,000.00	\$ 770,000.00	\$ 798,708.23	\$ 28,708.23
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	20,000.00	20,000.00	31,280.00	11,280.00	20,000.00	20,000.00	29,752.00	9,752.00
Grants, Distributions and Reimbursements	809,100.00	809,100.00	597,302.75	(211,797.25)	613,000.00	613,000.00	616,783.55	3,783.55
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	25,000.00	25,000.00	19,832.93	(5,167.07)	40,000.00	40,000.00	30,627.53	(9,372.47)
Other	4,325.00	4,325.00	5,235.93	910.93	1,325.00	1,325.00	27,160.67	25,835.67
TOTAL REVENUES	1,664,925.00	1,664,925.00	1,489,980.66	(174,944.34)	1,444,325.00	1,444,325.00	1,503,031.98	58,706.98
EXPENDITURES								
Current:								
Salaries	475,000.00	475,000.00	454,098.89	(20,901.11)	453,000.00	453,000.00	448,951.84	(4,048.16)
Employee Fringe Benefits	194,500.00	194,500.00	188,319.75	(6,180.25)	186,500.00	186,500.00	177,903.01	(8,596.99)
Supplies	200,700.00	200,700.00	153,751.49	(46,948.51)	153,050.00	153,050.00	173,269.11	20,219.11
Property and Equipment Insurance	38,000.00	38,000.00	33,792.45	(4,207.55)	38,000.00	38,000.00	32,047.00	(5,953.00)
Equipment Repairs	91,500.00	91,500.00	160,930.02	69,430.02	101,500.00	101,500.00	87,701.83	(13,798.17)
Rentals	5,000.00	5,000.00	5,565.37	565.37	-	-	6,522.88	6,522.88
Maintenance of Roads:								
Highway and Roads	195,000.00	235,000.00	238,467.60	3,467.60	165,000.00	165,000.00	136,410.44	(28,589.56)
Other	113,100.00	113,100.00	111,662.58	(1,437.42)	110,700.00	110,700.00	106,754.72	(3,945.28)
Capital Outlay:								
Construction of Roads and Bridges	402,000.00	402,000.00	139,591.46	(262,408.54)	156,000.00	156,000.00	196,353.30	40,353.30
Property, Equipment and Buildings	267,500.00	267,500.00	173,118.83	(94,381.17)	241,000.00	241,000.00	228,940.91	(12,059.09)
TOTAL EXPENDITURES	1,982,300.00	2,022,300.00	1,659,298.44	(363,001.56)	1,604,750.00	1,604,750.00	1,594,855.04	(9,894.96)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(317,375.00)	(357,375.00)	(169,317.78)	188,057.22	(160,425.00)	(160,425.00)	(91,823.06)	68,601.94
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	27,118.52	27,118.52	-	-	42,546.13	42,546.13
Transfers Out	-	-	-	-	(40,000.00)	(40,000.00)	-	40,000.00
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	27,118.52	27,118.52	(40,000.00)	(40,000.00)	42,546.13	82,546.13
NET CHANGE IN FUND BALANCE	(317,375.00)	(357,375.00)	(142,199.26)	215,175.74	(200,425.00)	(200,425.00)	(49,276.93)	151,148.07
FUND BALANCE - BEGINNING OF YEAR	455,309.21	455,309.21	455,309.21	-	504,586.14	504,586.14	504,586.14	-
FUND BALANCE - END OF YEAR	\$ 137,934.21	\$ 97,934.21	\$ 313,109.95	\$ 215,175.74	\$ 304,161.14	\$ 304,161.14	\$ 455,309.21	\$ 151,148.07

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - NON-GAAP BUDGET BASIS AND ACTUAL
ROAD AND BRIDGE CAPITAL IMPROVEMENT SALES TAX FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Sales Tax	875,000.00	875,000.00	864,639.85	(10,360.15)	840,000.00	840,000.00	866,294.60	26,294.60
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	129,000.00	129,000.00	82,437.86	(46,562.14)	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	25,000.00	25,000.00	11,772.06	(13,227.94)	20,000.00	20,000.00	31,366.14	11,366.14
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,029,000.00	1,029,000.00	958,849.77	(70,150.23)	860,000.00	860,000.00	897,660.74	37,660.74
EXPENDITURES								
R&B Capital Improvement Sales Tax Fund	1,009,300.00	1,009,300.00	981,773.81	(27,526.19)	1,050,300.00	1,050,300.00	984,450.21	(65,849.79)
TOTAL EXPENDITURES	1,009,300.00	1,009,300.00	981,773.81	(27,526.19)	1,050,300.00	1,050,300.00	984,450.21	(65,849.79)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,700.00	19,700.00	(22,924.04)	(42,624.04)	(190,300.00)	(190,300.00)	(86,789.47)	103,510.53
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(27,118.52)	(27,118.52)	-	-	(42,546.13)	(42,546.13)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(27,118.52)	(27,118.52)	-	-	(42,546.13)	(42,546.13)
NET CHANGE IN FUND BALANCE	19,700.00	19,700.00	(50,042.56)	(69,742.56)	(190,300.00)	(190,300.00)	(129,335.60)	60,964.40
FUND BALANCE - BEGINNING OF YEAR	327,201.69	327,201.69	327,201.69	-	456,537.29	456,537.29	456,537.29	-
FUND BALANCE - END OF YEAR	\$ 346,901.69	\$ 346,901.69	\$ 277,159.13	\$ (69,742.56)	\$ 266,237.29	\$ 266,237.29	\$ 327,201.69	\$ 60,964.40

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
NON-GAAP BUDGET BASIS AND ACTUAL - MENTAL HEALTH
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 250,000.00	\$ 250,000.00	\$ 253,284.47	\$ 3,284.47	\$ 200,000.00	\$ 200,000.00	\$ 243,979.37	\$ 43,979.37
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	400.00	400.00	708.85	308.85	400.00	400.00	369.35	(30.65)
Interest	18,000.00	18,000.00	8,682.11	(9,317.89)	18,000.00	18,000.00	20,503.94	2,503.94
Other	36,000.00	36,000.00	9,031.67	(26,968.33)	36,000.00	36,000.00	36,669.00	669.00
TOTAL REVENUES	304,400.00	304,400.00	271,707.10	(32,692.90)	254,400.00	254,400.00	301,521.66	47,121.66
EXPENDITURES								
Mental Health Fund	522,000.00	522,000.00	440,061.16	(81,938.84)	382,000.00	382,000.00	211,588.88	(170,411.12)
TOTAL EXPENDITURES	522,000.00	522,000.00	440,061.16	(81,938.84)	382,000.00	382,000.00	211,588.88	(170,411.12)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(217,600.00)	(217,600.00)	(168,354.06)	49,245.94	(127,600.00)	(127,600.00)	89,932.78	217,532.78
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(217,600.00)	(217,600.00)	(168,354.06)	49,245.94	(127,600.00)	(127,600.00)	89,932.78	217,532.78
FUND BALANCE - BEGINNING OF YEAR	358,364.33	358,364.33	358,364.33	-	268,431.55	268,431.55	268,431.55	-
FUND BALANCE - END OF YEAR	\$ 140,764.33	\$ 140,764.33	\$ 190,010.27	\$ 49,245.94	\$ 140,831.55	\$ 140,831.55	\$ 358,364.33	\$ 217,532.78

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - NON GAAP BUDGET BASIS AND ACTUAL
LOCAL PARK SALES TAX - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	1,100,468.62	1,100,468.62	1,064,368.90	(36,099.72)	1,058,526.26	1,058,526.26	1,073,627.92	15,101.66
Inter-Governmental Revenue		-		-		-		-
Charges for Services		-		-		-		-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-		-	-	-		-
Interest	37,151.16	37,151.16	20,794.22	(16,356.94)	32,708.46	32,708.46	31,995.93	(712.53)
Other	-	-		-	-	-	-	-
TOTAL REVENUES	1,137,619.78	1,137,619.78	1,085,163.12	(52,456.66)	1,091,234.72	1,091,234.72	1,105,623.85	14,389.13
EXPENDITURES								
Local Park Sales Tax Fund	1,124,187.16	1,124,187.16	1,110,057.53	(14,129.63)	1,101,776.57	1,101,776.57	1,002,799.25	(98,977.32)
TOTAL EXPENDITURES	1,124,187.16	1,124,187.16	1,110,057.53	(14,129.63)	1,101,776.57	1,101,776.57	1,002,799.25	(98,977.32)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,432.62	13,432.62	(24,894.41)	(38,327.03)	(10,541.85)	(10,541.85)	102,824.60	113,366.45
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	13,432.62	13,432.62	(24,894.41)	(38,327.03)	(10,541.85)	(10,541.85)	102,824.60	113,366.45
FUND BALANCE - BEGINNING OF YEAR	783,827.24	783,827.24	783,827.24	-	681,002.64	681,002.64	681,002.64	-
FUND BALANCE - END OF YEAR	\$ 797,259.86	\$ 797,259.86	\$ 758,932.83	\$ (38,327.03)	\$ 670,460.79	\$ 670,460.79	\$ 783,827.24	\$ 113,366.45

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
NON-GAAP BUDGET BASIS AND ACTUAL - EMERGENCY 911 FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	180,000.00	180,000.00	199,707.93	19,707.93	170,200.00	170,200.00	178,909.70	8,709.70
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	18,000.00	18,000.00	9,791.54	(8,208.46)	10,000.00	10,000.00	17,902.82	7,902.82
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	198,000.00	198,000.00	209,499.47	11,499.47	180,200.00	180,200.00	196,812.52	16,612.52
EXPENDITURES								
Health and Welfare	338,147.21	330,893.20	304,289.82	(26,603.38)	245,450.40	241,747.20	179,660.06	(62,087.14)
TOTAL EXPENDITURES	338,147.21	330,893.20	304,289.82	(26,603.38)	245,450.40	241,747.20	179,660.06	(62,087.14)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(140,147.21)	(132,893.20)	(94,790.35)	38,102.85	(65,250.40)	(61,547.20)	17,152.46	78,699.66
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(140,147.21)	(132,893.20)	(94,790.35)	38,102.85	(65,250.40)	(61,547.20)	17,152.46	78,699.66
FUND BALANCE - BEGINNING OF YEAR	339,941.72	339,941.72	339,941.72	-	322,789.26	322,789.26	322,789.26	-
FUND BALANCE - END OF YEAR	<u>\$ 199,794.51</u>	<u>\$ 207,048.52</u>	<u>\$ 245,151.37</u>	<u>\$ 38,102.85</u>	<u>\$ 257,538.86</u>	<u>\$ 261,242.06</u>	<u>\$ 339,941.72</u>	<u>\$ 78,699.66</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

I. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
- B. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- C. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
- D. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
- E. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
- F. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

- G. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

PERRY COUNTY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Transfer Station Fund	Recycling Center Fund	Sheriff Revolving Fund	Recorder's User Fees Fund
ASSETS							
Cash and Cash Equivalents	\$ 57,518.11	\$ 2,770.13	\$ 3,504.26	\$ 128,915.33	\$ 62,601.16	\$ 7,011.92	\$ 46,525.04
TOTAL ASSETS	<u>57,518.11</u>	<u>2,770.13</u>	<u>3,504.26</u>	<u>128,915.33</u>	<u>62,601.16</u>	<u>7,011.92</u>	<u>46,525.04</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>57,518.11</u>	<u>2,770.13</u>	<u>3,504.26</u>	<u>128,915.33</u>	<u>62,601.16</u>	<u>7,011.92</u>	<u>46,525.04</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 57,518.11</u>	<u>\$ 2,770.13</u>	<u>\$ 3,504.26</u>	<u>\$ 128,915.33</u>	<u>\$ 62,601.16</u>	<u>\$ 7,011.92</u>	<u>\$ 46,525.04</u>

PERRY COUNTY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Election Services Fund	Sheriff's Civil Fees Fund	Senate Bill 40 Fund	P.A. Bad Check Fund	Sheriff's Reserve Fund	Senior Services Tax Fund	Youth Tax Board Fund	Total
ASSETS								
Cash and Cash Equivalents	\$ 3,973.06	\$ 39,641.85	\$ 36,907.62	\$ 16,954.25	\$ 7,250.74	\$ 17,942.80	\$ 19,942.81	\$ 451,459.08
TOTAL ASSETS	<u>3,973.06</u>	<u>39,641.85</u>	<u>36,907.62</u>	<u>16,954.25</u>	<u>7,250.74</u>	<u>17,942.80</u>	<u>19,942.81</u>	<u>451,459.08</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>3,973.06</u>	<u>39,641.85</u>	<u>36,907.62</u>	<u>16,954.25</u>	<u>7,250.74</u>	<u>17,942.80</u>	<u>19,942.81</u>	<u>451,459.08</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,973.06</u>	<u>\$ 39,641.85</u>	<u>\$ 36,907.62</u>	<u>\$ 16,954.25</u>	<u>\$ 7,250.74</u>	<u>\$ 17,942.80</u>	<u>\$ 19,942.81</u>	<u>\$ 451,459.08</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Transfer Station Fund	Recycling Center Fund	Sheriff Revolving Fund	Recorder's User Fees Fund	Election Services Fund
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	5,174.00	4,143.22	1,053.35	574,502.27	141,741.40	3,490.00	14,333.00	-
Grants, Distributions and Reimbursements	274,455.64	2,468.44	-	-	22,673.25	-	-	3,389.10
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	2,474.61	57.78	85.91	3,501.19	1,336.01	136.59	-	238.30
Other	-	-	-	2,138.86	410.00	-	1,300.67	60.00
TOTAL REVENUES	282,104.25	6,669.44	1,139.26	580,142.32	166,160.66	3,626.59	15,633.67	3,687.40
EXPENDITURES								
General Government	276,300.38	-	-	630,348.01	158,662.15	-	25,632.17	9,905.76
Administration of Justice and Law	-	7,958.71	1,263.56	-	-	1,030.75	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	276,300.38	7,958.71	1,263.56	630,348.01	158,662.15	1,030.75	25,632.17	9,905.76
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,803.87	(1,289.27)	(124.30)	(50,205.69)	7,498.51	2,595.84	(9,998.50)	(6,218.36)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	5,803.87	(1,289.27)	(124.30)	(50,205.69)	7,498.51	2,595.84	(9,998.50)	(6,218.36)
FUND BALANCES - BEGINNING OF YEAR	51,714.24	4,059.40	3,628.56	179,121.02	55,102.65	4,416.08	56,523.54	10,191.42
FUND BALANCES - END OF YEAR	\$ 57,518.11	\$ 2,770.13	\$ 3,504.26	\$ 128,915.33	\$ 62,601.16	\$ 7,011.92	\$ 46,525.04	\$ 3,973.06

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Sheriff's Civil Fees Fund	Senate Bill 40 Fund	P.A. Bad Check Fund	Sheriff's Reserve Fund	Senior Services Tax Fund	Youth Tax Board Fund	Total
REVENUES							
Property Tax	\$ -	\$ 243,863.75	\$ -	\$ -	\$ -	\$ -	\$ 243,863.75
Sales Tax	-	-	-	-	19,938.89	19,938.90	39,877.79
Inter-Governmental Revenue	-	-	-	-	-	-	-
Charges for Services	25,065.57	-	26,261.29	500.00	-	-	796,264.10
Grants, Distributions and Reimbursements	8,749.80	-	-	-	-	-	311,736.23
Fees, Licenses and Permits	-	-	-	-	-	-	-
Interest	741.22	3,012.62	361.19	103.55	3.91	3.91	12,056.79
Other	16,557.19	10,982.68	-	1,750.00	-	-	33,199.40
TOTAL REVENUES	51,113.78	257,859.05	26,622.48	2,353.55	19,942.80	19,942.81	1,436,998.06
EXPENDITURES							
General Government	41,158.05	308,000.00	40,136.76	-	2,000.00	-	1,492,143.28
Administration of Justice and Law	-	-	-	2,059.71	-	-	12,312.73
Permits, Licenses and Fees	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-
Capital Outlay:							
Construction of Roads and Bridges	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-
Debt Service:							
Principal Payment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-
TOTAL EXPENDITURES	41,158.05	308,000.00	40,136.76	2,059.71	2,000.00	-	1,504,456.01
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,955.73	(50,140.95)	(13,514.28)	293.84	17,942.80	19,942.81	(67,457.95)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	9,955.73	(50,140.95)	(13,514.28)	293.84	17,942.80	19,942.81	(67,457.95)
FUND BALANCES - BEGINNING OF YEAR	29,686.12	87,048.57	30,468.53	6,956.90	-	-	518,917.03
FUND BALANCES - END OF YEAR	\$ 39,641.85	\$ 36,907.62	\$ 16,954.25	\$ 7,250.74	\$ 17,942.80	\$ 19,942.81	\$ 451,459.08

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Transfer Station Fund	Recycling Center Fund	Sheriff Revolving Fund	Recorder's User Fees Fund	Election Services Fund
ASSETS								
Cash and Cash Equivalents	\$ 51,714.24	\$ 4,059.40	\$ 3,628.56	\$ 179,121.02	\$55,102.65	\$ 4,416.08	\$56,523.54	\$10,191.42
TOTAL ASSETS	<u>51,714.24</u>	<u>4,059.40</u>	<u>3,628.56</u>	<u>179,121.02</u>	<u>55,102.65</u>	<u>4,416.08</u>	<u>56,523.54</u>	<u>10,191.42</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>51,714.24</u>	<u>4,059.40</u>	<u>3,628.56</u>	<u>179,121.02</u>	<u>55,102.65</u>	<u>4,416.08</u>	<u>56,523.54</u>	<u>10,191.42</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,714.24</u>	<u>\$ 4,059.40</u>	<u>\$ 3,628.56</u>	<u>\$ 179,121.02</u>	<u>\$55,102.65</u>	<u>\$ 4,416.08</u>	<u>\$56,523.54</u>	<u>\$10,191.42</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	<u>Sheriff's Civil Fees Fund</u>	<u>Senate Bill 40 Fund</u>	<u>P.A. Bad Check Fund</u>	<u>Sheriff's Reserve Fund</u>	<u>Senior Services Tax Fund</u>	<u>Youth Tax Board Fund</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 29,686.12	\$ 87,048.57	\$ 30,468.53	\$ 6,956.90	\$ -	\$ -	\$ 518,917.03
TOTAL ASSETS	<u>29,686.12</u>	<u>87,048.57</u>	<u>30,468.53</u>	<u>6,956.90</u>	<u>-</u>	<u>-</u>	<u>518,917.03</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>29,686.12</u>	<u>87,048.57</u>	<u>30,468.53</u>	<u>6,956.90</u>	<u>-</u>	<u>-</u>	<u>518,917.03</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,686.12</u>	<u>\$ 87,048.57</u>	<u>\$ 30,468.53</u>	<u>\$ 6,956.90</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,917.03</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Transfer Station Fund	Recycling Center Fund	Sheriff Revolving Fund	Recorder's User Fees Fund
REVENUES							
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-
Charges for Services	4,157.75	5,432.15	1,371.63	527,448.38	122,316.72	2,630.00	15,351.00
Grants, Distributions and Reimbursements	277,927.48	2,528.59	-	-	35,064.84	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-
Interest	4,418.14	77.04	168.28	8,717.37	2,891.89	147.99	1,358.91
Other	-	-	-	-	344.91	-	1,160.41
TOTAL REVENUES	286,503.37	8,037.78	1,539.91	536,165.75	160,618.36	2,777.99	17,870.32
EXPENDITURES							
General Government	266,591.63	-	-	561,766.14	174,749.95	-	13,692.22
Administration of Justice and Law	-	6,912.25	1,214.56	-	-	627.00	-
Highways and Roads	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-
Capital Outlay:							
Construction of Roads and Bridges	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-
Debt Service:							
Principal Payment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
TOTAL EXPENDITURES	266,591.63	6,912.25	1,214.56	561,766.14	174,749.95	627.00	13,692.22
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,911.74	1,125.53	325.35	(25,600.39)	(14,131.59)	2,150.99	4,178.10
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	19,911.74	1,125.53	325.35	(25,600.39)	(14,131.59)	2,150.99	4,178.10
FUND BALANCES - BEGINNING OF YEAR	31,802.50	2,933.87	3,303.21	204,721.41	69,234.24	2,265.09	52,345.44
FUND BALANCES - END OF YEAR	\$ 51,714.24	\$ 4,059.40	\$ 3,628.56	\$179,121.02	\$ 55,102.65	\$ 4,416.08	\$ 56,523.54

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Election Services Fund	Sheriff's Civil Fees Fund	Senate Bill 40 Fund	P.A. Bad Check Fund	Sheriff's Reserve Fund	Senior Services Tax Fund	Youth Tax Board Fund	Total
REVENUES								
Property Tax	\$ -	\$ -	\$ 235,448.40	\$ -	\$ -	\$ -	\$ -	\$ 235,448.40
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	24,728.97	-	24,822.63	-	-	-	728,259.23
Grants, Distributions and Reimbursements	2,996.55	10,542.60	-	-	700.00	-	-	329,760.06
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	953.13	1,160.83	6,825.15	1,412.04	130.73	-	-	28,261.50
Other	1,852.80	26,111.61	8,884.07	-	2,920.60	-	-	41,274.40
TOTAL REVENUES	5,802.48	62,544.01	251,157.62	26,234.67	3,751.33	-	-	1,363,003.59
EXPENDITURES								
General Government	6,045.29	-	213,000.00	22,864.54	-	-	-	1,258,709.77
Administration of Justice and Law	-	49,403.54	-	-	2,317.00	-	-	60,474.35
Highways and Roads	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	6,045.29	49,403.54	213,000.00	22,864.54	2,317.00	-	-	1,319,184.12
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(242.81)	13,140.47	38,157.62	3,370.13	1,434.33	-	-	43,819.47
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(14,061.00)	-	-	-	-	-	-	(14,061.00)
TOTAL OTHER FINANCING SOURCES (USES)	(14,061.00)	-	-	-	-	-	-	(14,061.00)
NET CHANGE IN FUND BALANCES	(14,303.81)	13,140.47	38,157.62	3,370.13	1,434.33	-	-	29,758.47
FUND BALANCES - BEGINNING OF YEAR	24,495.23	16,545.65	48,890.95	27,098.40	5,522.57	-	-	489,158.56
FUND BALANCES - END OF YEAR	\$ 10,191.42	\$ 29,686.12	\$ 87,048.57	\$ 30,468.53	\$ 6,956.90	\$ -	\$ -	\$ 518,917.03

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
AGENCY FUNDS - DECEMBER 31, 2008

	Law Enforcement Restitution Fund	Juvenile Restitution - Court Fund	Shop with a Cop Fund	Surplus Sales Tax Fund	Fees Due Other Fund	Loanable School Fines - Interest	Collector	Circuit Court
ASSETS								
Cash and Cash Equivalents	\$ 10,800.82	\$ 3,267.00	\$ 5,649.37	\$ 100.11	\$ 480.21	\$ 111,128.91	\$9,701,274.31	\$ 597,179.14
TOTAL ASSETS	<u>10,800.82</u>	<u>3,267.00</u>	<u>5,649.37</u>	<u>100.11</u>	<u>480.21</u>	<u>111,128.91</u>	<u>9,701,274.31</u>	<u>597,179.14</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>10,800.82</u>	<u>3,267.00</u>	<u>5,649.37</u>	<u>100.11</u>	<u>480.21</u>	<u>111,128.91</u>	<u>9,701,274.31</u>	<u>597,179.14</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,800.82</u>	<u>\$ 3,267.00</u>	<u>\$ 5,649.37</u>	<u>\$ 100.11</u>	<u>\$ 480.21</u>	<u>\$ 111,128.91</u>	<u>\$9,701,274.31</u>	<u>\$ 597,179.14</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS (CONTINUED)
AGENCY FUNDS - DECEMBER 31, 2008

	<u>Recorder</u>	<u>Sheriff</u>	<u>Prosecuting Attorney</u>	<u>Senior Service Tax Commission</u>	<u>Senate Bill 40 Board</u>	<u>Treasurer</u>	<u>Associate Circuit Court</u>	<u>Total</u>
ASSETS								
Cash and Cash Equivalents	\$ 4.00	\$ 31,228.70	\$ 16,420.58	\$ 2,000.00	\$ 861.14	\$ 883,542.64	\$ 26,550.33	\$ 11,390,487.26
TOTAL ASSETS	<u>4.00</u>	<u>31,228.70</u>	<u>16,420.58</u>	<u>2,000.00</u>	<u>861.14</u>	<u>883,542.64</u>	<u>26,550.33</u>	<u>11,390,487.26</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>4.00</u>	<u>31,228.70</u>	<u>16,420.58</u>	<u>2,000.00</u>	<u>861.14</u>	<u>883,542.64</u>	<u>26,550.33</u>	<u>11,390,487.26</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4.00</u>	<u>\$ 31,228.70</u>	<u>\$ 16,420.58</u>	<u>\$ 2,000.00</u>	<u>\$ 861.14</u>	<u>\$ 883,542.64</u>	<u>\$ 26,550.33</u>	<u>\$ 11,390,487.26</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
AGENCY FUNDS - DECEMBER 31, 2007

	Law Enforcement Restitution Fund	Juvenile Restitution - Court Fund	Shop with a Cop Fund	Surplus Sales Tax Fund	Fees Due Other Fund	Loanable School Fines - Interest	Collector	Circuit Court
ASSETS								
Cash and Cash Equivalents	\$ 5,160.50	\$ 2,692.00	\$ 5,296.21	\$ 2,076.73	\$ -	\$ 175,288.54	\$ 10,843,545.00	\$ 189,547.79
TOTAL ASSETS	<u>5,160.50</u>	<u>2,692.00</u>	<u>5,296.21</u>	<u>2,076.73</u>	<u>-</u>	<u>175,288.54</u>	<u>10,843,545.00</u>	<u>189,547.79</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>5,160.50</u>	<u>2,692.00</u>	<u>5,296.21</u>	<u>2,076.73</u>	<u>-</u>	<u>175,288.54</u>	<u>10,843,545.00</u>	<u>189,547.79</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,160.50</u>	<u>\$ 2,692.00</u>	<u>\$ 5,296.21</u>	<u>\$ 2,076.73</u>	<u>\$ -</u>	<u>\$ 175,288.54</u>	<u>\$ 10,843,545.00</u>	<u>\$ 189,547.79</u>

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS (CONTINUED)
AGENCY FUNDS - DECEMBER 31, 2007

	Recorder	Sheriff	Prosecuting Attorney	Senior Service Tax Commission	Senate Bill 40 Board	Treasurer	Associate Circuit Court	Total
ASSETS								
Cash and Cash Equivalents	\$ -	\$ 20,519.57	\$ 13,817.98	\$ -	\$ 311.55	\$ 901,534.71	\$ 24,695.94	\$ 12,184,486.52
TOTAL ASSETS	<u>-</u>	<u>20,519.57</u>	<u>13,817.98</u>	<u>-</u>	<u>311.55</u>	<u>901,534.71</u>	<u>24,695.94</u>	<u>12,184,486.52</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>-</u>	<u>20,519.57</u>	<u>13,817.98</u>	<u>-</u>	<u>311.55</u>	<u>901,534.71</u>	<u>24,695.94</u>	<u>12,184,486.52</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 20,519.57</u>	<u>\$ 13,817.98</u>	<u>\$ -</u>	<u>\$ 311.55</u>	<u>\$ 901,534.71</u>	<u>\$ 24,695.94</u>	<u>\$ 12,184,486.52</u>

STATE COMPLIANCE SECTION

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There were no state findings for the years ended December 31, 2008 and December 31, 2007.

FEDERAL COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To The County Commission
The County of Perry, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The County of Perry (the Primary Government), Missouri as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements and have issued our report thereon, dated July 14, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03 and 07/08-04 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Primary Government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated July 14, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County officeholders, Missouri State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 14, 2009

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2008 & 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02
(concluded) Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

THE COUNTY OF PERRY
PERRYVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-04 Criteria: Segregation of duties.

Condition: Lack of segregation of duties.

Effect: A single employee has the ability to initiate, record, reconcile and monitor a single transaction.

Cause: Lack of staff.

Recommendation: Hire another employee to segregate duties or find other ways to monitor transactions of current employee.

Management's Response: Reports are reconciled to other offices. We will review the cost versus benefit of adding additional staff to alleviate the segregation of duties issue.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Perry County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Perry County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 14, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

07/08-02 **Management's Response (Concluded):** The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07/08-04 **Criteria:** Segregation of duties.

Condition: Lack of segregation of duties.

Effect: A single employee has the ability to initiate, record, reconcile and monitor a single transaction.

Cause: Lack of staff.

Recommendation: Hire another employee to segregate duties or find other ways to monitor transactions of current employee.

Management's Response: Reports are reconciled to other offices. We will review the cost versus benefit of adding additional staff to alleviate the segregation of duties issue.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (Concluded)

- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 11, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Perry County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Perry County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Perry County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Perry County are described in Note I to the financial statements. New accounting policies adopted during the years ended December 31, 2008, and December 31, 2007, were GASB Statements No. 34, 37 and 38. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the audit we noted an outstanding check dated back to 2004 in the prosecuting attorney's general account which should be addressed.



Susan Montee, JD, CPA
Missouri State Auditor

CORRECTIONS

Department of Corrections



September 2009

Report No. 2009-103

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following report is our audit of the Department of Corrections.

Significant General Revenue Fund monies, exceeding \$2 million annually, were used to subsidize correctional facility canteen operations. As discussed in our prior report, this may be in violation of statutory provisions requiring the costs of goods and other expenses to be paid by the canteen fund. In fiscal year 2004, the DOC began making reimbursements from the Inmate Canteen Fund (ICF) to the General Revenue Fund for the salaries of canteen managers, and these reimbursements totaled approximately \$1.7 million for the 3 years ended June 30, 2008. However, significant additional expenses, including canteen manager fringe benefit expenses, civilian canteen employee salaries and benefits, inmate canteen worker wages, and various other operating expenses, are paid from General Revenue Fund monies without reimbursement. During the 3 years ended June 30, 2008, the ICF bank account balance has increased significantly and it appears funds are available to fully reimburse the General Revenue Fund for canteen related expenses without requiring an increase in canteen retail prices.

As noted in previous audits, the DOC continues to retain monies seized from offenders who escaped from supervision, as well as monies remaining from old unredeemed canteen coupons. During fiscal year 2007, the DOC began spending escapee monies. At June 30, 2008, the DOC was holding approximately \$973,000 and \$19,000 in escapee and coupon monies, respectively. It is unclear whether the DOC has statutory authority to retain and spend these monies. Although the DOC disagreed with the prior audit recommendations that any such monies remaining after financial obligations are met should be considered abandoned property and turned over to the State Treasurer's Office (STO) Unclaimed Property Section, department officials did not consult with the STO to confirm the accuracy of their understanding.

The Inmate Finance Office does not prepare financial reports of the ICF activities as required by department policy and statements of department-wide ICF activities are not provided to department management or the comptroller.

Inmate canteen operations need improvement. The DOC has implemented a centralized point-of-sale inventory system; however, about half of the canteens do not maintain perpetual inventory records on the system. Various concerns with expenditures from the ICF were noted. Expenditure approval was not always documented as required by DOC policy, and bids and price analyses were not always performed as required by DOC policy. There is minimal oversight over the use of interest monies earned on the ICF bank account and no policies relating to the interest monies have been established. Decisions regarding the disposition of these monies are made by the Inmate Finance Officer (IFO). The ICF earned interest totaling more than \$1.6 million for the 3 years ended June 30,

YELLOW SHEET

2008, and the Interest Fund balance at June 30, 2008, was \$983,655. As mentioned in our prior report, the DOC does not maintain centralized records of canteen capital assets and has not established sufficient procedures for monitoring canteen capital assets. The Canteen Operations Policy does not require periodic physical inventories be performed and the IFO has not established procedures to ensure canteen capital assets are tagged.

The DOC reimburses counties and the City of St. Louis more than \$40 million each year for costs incurred in the prosecution and incarceration of defendants sentenced to imprisonment in the DOC, and the transportation of prisoners. Although detailed written procedures for reviewing the criminal cost billings have been established and are being followed, these procedures have not detected some significant billing errors that resulted in overpayments. Our review of 18 payments totaling approximately \$5.7 million to St. Louis County during the period March 2007 to May 2008, identified 43 instances where the DOC improperly reimbursed the county for multiple billings for the same prisoners and dates resulting in overpayments totaling at least \$44,118. In addition, the DOC has not established policies and procedures to periodically compare criminal cost billings to the certification of prisoner incarceration days and/or jail records and relies on a manual review process for paying thousands of claims each year. In addition, the DOC's interpretation of the state law for reimbursing counties and the City of St. Louis for transporting convicted offenders to reception and diagnostic centers may provide excess reimbursements for these services. Also, our review of some extradition reimbursements and the related supporting documents found DOC procedures need to address meal and lodging limits and include requirements for itemized receipts.

As noted in several prior audit reports, Missouri Vocational Enterprises (MVE) receipts are not always transmitted for deposit on a timely basis. A cash count determined the MVE was holding \$153,968, some of which had been held up to 50 business days. In addition, we noted significant concerns with the records and procedures over monies collected in the MVE Store. Receipt records are poorly organized and lack proper documentation and controls. As a result, there is little assurance all monies collected were accounted for properly and transmitted to the Accounts Receivable Office.

Competitive bids/proposals were not solicited for fuel, attorney services, and physician services. The DOC and the Office of Administration, Information Technology Division need to improve procedures for monitoring cellular telephone usage. Some employee expense reimbursements appeared excessive and/or were not supported with adequate documentation of actual expenses incurred. The DOC may be paying more than necessary for meals provided to employees attending training.

The DOC has not established formal written policies and procedures regarding the handling of old Inmate Revolving Fund accounts receivable balances related to discontinued program fees.

The department's internal audit section is not fully independent of the activities it audits. Internal audit engagements are determined by department policy, without utilizing risk assessment procedures.

All reports are available on our Web site: auditor.mo.gov

DEPARTMENT OF CORRECTIONS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-31

<u>Number</u>	<u>Description</u>	
1.	Inmate Canteen Funding	5
2.	Funds Held Outside the State Treasury and Financial Reporting	7
3.	Inmate Canteen Operations	9
4.	Cost Reimbursements	14
5.	Controls over Missouri Vocational Enterprises Receipts	19
6.	Expenditures	23
7.	Accounts Receivable	28
8.	Internal Audit	29
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		32-56

Appendix

	Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments, Year Ended -	
A-1	June 30, 2008	39
A-2	June 30, 2007	40
A-3	June 30, 2006	41
B	Comparative Statement of Receipts, Years Ended June 30, 2008, 2007, and 2006	42
C	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2008, 2007, and 2006	43-52
D	Comparative Statement of Expenditures (From Appropriations), Five Years Ended June 30, 2008	53
E	Comparative Statement of Income, Expenses, and Net Income – Inmate Canteen Fund, Years Ended June 30, 2008, 2007, and 2006	54
F	Comparative Statement of Income, Expenses, and Net Income – Working Capital Revolving Fund, Years Ended June 30, 2008, 2007, and 2006	55

DEPARTMENT OF CORRECTIONS

TABLE OF CONTENTS

	<u>Page</u>
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	32-56
<u>Appendix</u>	
G	
Comparative Statement of General Capital Assets, Years Ended June 30, 2008, 2007, and 2006	56

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
George Lombardi, Director
Jefferson City, Missouri

We have audited the Department of Corrections. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Corrections.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Kim Spraggs, CPA
Audit Staff:	James M. Applegate, MBA
	Seth Sanders
	Tanisha Ursery
	Darrell Wolken

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF CORRECTIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Inmate Canteen Funding
-----------	-------------------------------

The Department of Corrections (DOC) uses significant General Revenue Fund monies to subsidize correctional facility canteen operations. This funding exceeded \$2 million per year for the 3 years ended June 30, 2008. As discussed in our prior report, the use of General Revenue Fund monies for this purpose may be in violation of statutory provisions requiring the costs of goods and other expenses to be paid by the canteen fund.

The Inmate Canteen Fund (ICF) accounts for the purchase of goods and the sale of those goods to inmates through the inmate canteens located in each institution. The canteens stock and sell numerous products such as soda, tobacco products, hygiene items, snack foods, radios, and televisions. Profits from the canteen sales are designated for the use and benefit of the offenders through purchases of recreational, religious, or educational services. In recent years, canteen sales have exceeded \$29 million each year. The Inmate Finance Office (IFO) manages the ICF which is held outside the state treasury. During the 3 years ended June 30, 2008, the ICF bank account balance increased significantly, from approximately \$7.8 million at July 1, 2005, to approximately \$15.3 million at June 30, 2008 (an average annual increase of \$2.5 million).

Beginning in fiscal year 2004, the DOC began making reimbursements from the ICF to the General Revenue Fund for the salaries of 20 canteen managers. These reimbursements totaled approximately \$595,400, \$541,900, and \$553,000 for fiscal years 2008, 2007, and 2006, respectively. However, there are additional expenses paid from General Revenue Fund monies that are not reimbursed, including:

- Fringe benefit expenses associated with the salaries of 20 canteen managers. These expenses totaled approximately \$200,000 per year for fiscal years 2008, 2007, and 2006.
- Salaries and benefits associated with additional civilian canteen employees. These expenses totaled more than \$1.6 million during fiscal year 2008 for 40 full-time and 7 part-time employees.
- Inmate canteen worker wages totaling approximately \$265,400, \$252,800, and \$193,100 for fiscal years 2008, 2007, and 2006, respectively.
- Other operating expenses, such as utility costs, space utilization, IFO administrative costs, etc., which are more difficult to identify to the canteens.

The ICF was established under Section 217.195, RSMo, which includes the requirement that, "The acquisition cost of goods sold and ***other expenses*** [*emphasis added*] shall be paid from this account." Based on this statutory language, it appears the operational costs related to the canteens should be paid from the earnings from canteen sales. In addition, considering the annual increases in the ICF's cash and investment balance, funds appear

to be available to fully reimburse the General Revenue Fund for salary and fringe benefit expenses without requiring an increase in canteen retail prices.

Department officials believe some subsidization of ICF operating expenses is warranted because the canteens discharge major DOC constitutional obligations to provide inmates with the basic necessities of life as well as access to the courts through writing supplies and stamps. Further, officials believe offering certain items for purchase in the canteens may reduce DOC operating costs. For example, fewer corrections officers are needed to supervise those inmates who choose to stay in their cells to watch televisions purchased at the canteens instead of going to the recreation areas.

However, DOC officials have not quantified the costs of the constitutional obligations and/or the extent of savings to the department due to the canteen operations and compared these amounts to the overall General Revenue Fund subsidy of the canteen operations. Officials also indicated, and we acknowledge, that some costs which are not tracked by specific function, such as utilities and administrative costs of the IFO, are difficult to identify to the canteens.

The DOC should discontinue the practice of subsidizing the ICF with General Revenue Fund appropriations. All operating costs of the ICF activities should be determined, and reimbursed to the appropriate fund. Any adjustments to the reimbursements for departmental savings or costs related to constitutional obligations should be supported by sufficient analysis and documentation.

WE RECOMMEND the DOC discontinue the practice of subsidizing the operations of the ICF with General Revenue Fund appropriations and reimburse the state's General Revenue Fund as appropriate.

AUDITEE'S RESPONSE

The Department partially concurs with this recommendation. The ultimate outcome of any computations will not be exact (as acknowledged by the auditors), but rather an estimate based upon a number of factors that are constantly changing. This approach appears to be contrary to the premise that reimbursing the General Revenue Fund should be based on actual costs. Nonetheless, the DOC will endeavor to establish a methodology to reimburse the General Revenue Fund and will regularly review and adjust this methodology.

It should be noted that any expenditures redirected from the ICF to reimburse the General Revenue Fund also diminishes ICF available "for the benefit of offenders in the improvement of recreational, religious, or educational services." If sufficient ICF funds are not available for these services, the DOC would request General Revenue Funds to augment funding for these services.

2. Funds Held Outside the State Treasury and Financial Reporting

The DOC has confiscated over \$1 million from offenders who escaped or absconded from supervision, and has spent some of these monies while retaining some for future uses. Unredeemed coupon monies totaling over \$19,000 have been held without any disposition by the department. In addition, financial reporting procedures for the ICF are not sufficient.

The DOC maintains two significant funds, the Inmate Account Fund (IAF) and the ICF, outside the state treasury. Since these funds are held outside the state treasury, there is less oversight and the internal controls applicable to these funds are the responsibility of the department. The DOC receives monies for and from offenders, and these monies are accounted for in the IAF where each offender has an individual account that functions much like a bank account. For the 3 years ended June 30, 2008, more than \$30 million in offender monies were processed through this fund annually and the fund balance totaled approximately \$3.1 million at June 30, 2008. As described in Management Advisory Report (MAR) finding number 1, the ICF accounts for canteen activities at each of the institutions. More than \$29 million in canteen sales were processed through this fund annually and the fund balance totaled approximately \$15.3 million at June 30, 2008.

- A. As noted in previous audits, the DOC continues to retain monies seized from offenders who escaped or absconded from supervision as well as monies remaining from old unredeemed canteen coupons. During fiscal year 2007, the DOC began spending escapee monies. However, it is unclear whether the DOC has statutory authority to retain and spend these monies. At June 30, 2008, the DOC was holding approximately \$973,000 and \$19,000, in escapee and coupon monies, respectively.
- Escapee monies consist of funds held by the DOC in inmates' accounts at the time of their escape, less withholdings for certain inmate obligations such as court ordered obligations and child support. At June 30, 2008, escapee monies totaling approximately \$640,000 were held in the IAF. In addition, during fiscal years 2007 and 2008, the DOC transferred a total of \$500,000 in escapee monies from the IAF to the ICF to fund various computer upgrades and purchase equipment for the IFO. As of June 30, 2008, approximately \$167,000 had been spent, resulting in an unspent balance of approximately \$333,000. There was no supporting documentation regarding the approval of the transfer and/or use of the escapee monies. According to DOC personnel, the transfer and subsequent expenditures were verbally authorized by the department's Deputy Director and Comptroller.
 - For more than 9 years, the DOC has held over \$19,000 in the ICF related to canteen coupons that were sold, but never redeemed by the inmates for various reasons, such as losing the coupons or leaving the institution. The

department is unable to identify the inmates who did not spend the coupons. The department has not spent any of these coupon monies.

The confiscation and retention of the escapee monies and failure to dispose of unredeemed coupon monies was addressed in our previous audit reports. We recommended the DOC follow guidance provided in Chapter 447, RSMo, and transmit both escapee monies remaining after any financial obligations (such as court ordered obligations, child support, and costs of incarceration) have been met, as well as the unredeemed coupon monies to the State Treasurer's Office (STO) Unclaimed Property Section. Chapter 447, RSMo, provides that abandoned property once belonging to persons known or unknown should be turned over to the STO. DOC officials disagreed with the prior audit recommendations, responding that Chapter 447, RSMo, does not apply to the DOC and they believe the handling of these funds is in compliance with various statutory provisions, court rulings, and department policy. However, DOC officials have not consulted with the STO to confirm the accuracy of their understanding.

Due to the absence of clear statutory authority for the DOC to retain and spend confiscated escapee and coupon monies, the DOC should resolve the issue with the STO and/or seek legislative authority allowing these monies to be retained and spent by the department. If spending authorization is obtained, the DOC should ensure appropriate approval is obtained and sufficiently documented for transfers and expenditures of funds.

- B. The IFO does not prepare financial reports of the ICF activities as required by department policy.

Individual income statements and estimates of available funds are periodically provided to each canteen, and copies are provided to the division directors. However, statements of department-wide ICF activities, including the interest and central fund sub-accounts, are not provided to department management or the comptroller.

DOC Canteen Operations Policy D3-9.1, Section III.D, requires the Offender Finance Officer to ". . . complete and distribute monthly financial statements, year-end reports by institution and a consolidation for all institutions to the appropriate division directors and chief administrative officer and the comptroller of fiscal management for each month's operation." Monthly and yearly financial statements of department-wide ICF activities should be prepared and made available to department management and the comptroller so they are aware of the activities of the ICF and effective decisions regarding the fund can be made.

WE RECOMMEND the DOC:

- A. Resolve the issue with the STO and/or seek legislative authority allowing escapee and coupon monies to be retained and spent by the department before any additional monies are spent. If it is determined these monies can be spent by the DOC, the department should ensure appropriate approval is obtained and sufficiently documented for transfers and expenditures of funds.
- B. Ensure ICF financial statements are prepared and made available to appropriate DOC officials in accordance with department policies.

AUDITEE'S RESPONSE

- A. *The Department disagrees with this recommendation. With respect to both escapee balances and unredeemed coupon moneys, we assert that this inmate personal property is governed by DOC policy pursuant to the power delegated to DOC by the legislature in section 217.197 RSMo, and that Chapter 447 RSMo does not apply to the property at issue. In addition, with respect to escapee balances held by the DOC, we assert that existing case law with respect to escapee's property is applicable and is consistent with DOC policy and practice. See Herron v. Whiteside, 782 S.W.2d 414 (Mo. App. 1989) (inmate's escape consisted of abandonment of personal property, divests owner of title, and becomes as if inmate never had any interest in it); Charron v. Thompson, 939 S.W.2d 885 (Mo. banc 1996) (legislature delegated to prison officials the responsibilities about making decisions about inmate property control).*
- B. *The Department concurs with this recommendation. Regular financial statements will be prepared and made available to appropriate DOC officials.*

3. Inmate Canteen Operations

Established perpetual inventory records are not used by many institutions, expenditure approval and price comparison procedures do not always comply with policy, adequate policies and procedures regarding the retention and use of interest earnings have not been established, and procedures and records related to capital assets are lacking.

- A. The DOC has implemented a centralized point-of-sale inventory system; however, many of the canteens do not maintain perpetual inventory records on the system. According to DOC officials, managers of 11 of 20 (55 percent) canteens maintain perpetual inventory records on the point-of-sale system. However, the remaining canteens have developed various other inventory records that are often not complete perpetual records of all items for sale. Canteens are required to utilize the point-of-sale system to sell items in the canteens, but they are not required to maintain inventory records on the system. As a result, the system cannot be utilized to determine and analyze canteen inventories on a department-wide basis.

DOC Canteen Operations Policy D3-9.1, Section III.A.2, requires canteens conduct monthly inventory counts of all canteen items; however, the policy only requires perpetual inventory records be maintained for expensive and high-risk items such as radios, CD players, and televisions. Without complete perpetual inventory records, as provided through the point-of-sale system, the benefits of the physical inventory procedure are diminished; inventory variances are not identified or reported to DOC management; and the risk of undetected loss, theft, or misuse of inventory is increased. Effective inventory internal controls require perpetual records to be maintained on all inventory items and that a reconciliation of the balances obtained during the physical inventory count and the balances recorded on the perpetual inventory records be performed. To provide assurance canteens maintain proper inventory procedures, the DOC should revise canteen inventory policies to require canteens use the point-of-sale system to maintain perpetual inventory records and compare those records to the monthly inventory counts.

- B. Various concerns with expenditures from the ICF were noted. Expenditure approval was not always documented as required by DOC policy, and bids and price analyses were not always performed as required by DOC policy.

Oversight of the canteens is vested in institutional and central canteen committees. The DOC Canteen Operations Policy D3-9.1, Sections III.B.1 and III.B.2, outline committee membership compositions and duties. The institutional committees meet quarterly to consider and approve specific purchases for the benefit of offenders. Purchase authorization is documented in the meeting minutes and quarterly budget requests are submitted to the IFO for review and approval. The central canteen committee considers institutional canteen committee recommendations, periodically evaluates sales, and is responsible for establishing and updating a master canteen list of items authorized for sale in the canteens. We noted the following concerns related to the ICF expenditures:

- 1) Three of 14 canteen purchases reviewed were not supported by documentation of institutional canteen committee approval. The IFO should ensure all ICF expenditures are approved by the institutional canteen committee as required by DOC policy.
- 2) The IFO has not established sufficient procedures to ensure canteen bidding policies are followed. For 4 of 12 canteen purchases reviewed, bids or price comparisons were not obtained or documented as required by DOC policy.

Items	Year Ended June 30,	
	2008	2007
Canteen resale - various food items	\$ 62,304	
Canteen resale - candy	4,234	
Microwaves (20 units)		5,500
Delivery of dirt/topsoil		3,460

Some of the items above consisted of individual purchases that were less than \$3,000, but exceeded \$3,000 in total for the year. The Inmate Finance Officer acknowledged the canteen employees need additional training regarding bid requirements, particularly the requirements pertaining to aggregate purchases during a period of 1 year. Some were purchases of items for resale, for which the IFO could not provide documentation of price analyses. The DOC internal audits of some canteen operations have also found instances where comparative price analyses were not prepared for resale items as required by policy.

DOC Canteen Operations Policy D3-9.1, Section III.D.10, requires canteens to strive to obtain three bids for purchases of items with an anticipated yearly aggregate cost of \$3,000 or more. For items purchased for resale, DOC Canteen Operations Policy D3-9.1, Section III.A.4, requires when canteens buy items not offered under already established DOC vendor contracts, a comparative price analysis shall be prepared for each item. In addition, a summary of the price analysis obtained during the previous 12-month period shall be provided to the comptroller each July.

The IFO should ensure competitive bids are solicited and price analyses are conducted in accordance with DOC policy.

- C. There is minimal oversight over the use of interest monies earned on the ICF bank account and no policies relating to the interest monies have been established. Decisions regarding the disposition of these monies are made by the Inmate Finance Officer.

The ICF earned interest totaling approximately \$632,700, \$575,400, and \$454,800, in fiscal years 2008, 2007, and 2006, respectively. The IFO accounts for the interest earned and expenditures of those monies in an ICF sub-account called the Interest Fund. The Interest Fund balance at June 30, 2008, was \$983,655.

The Offender Finance Officer indicated Interest Fund monies are spent on purchases that benefit all inmates. During fiscal years 2008, 2007, and 2006, Interest Fund monies were spent toward several new processes implemented by the IFO, including a system for electronic inmate discharge payments; an inmate account receipts document scanning, imaging, and recording system; and a kiosk

system with which inmates can check their account activity and balance. In addition, the funds were used for movies for the inmates, various IFO computer upgrades, and other IFO administrative expenditures.

Although the DOC has established policies requiring committee approval of all other ICF expenditures as discussed in part B above, no policies address the interest monies. To ensure proper oversight and procedures, policies should be developed to address interest income retention, appropriate uses of the interest funds, and expenditure approval guidelines. The DOC should consider requiring approval from an independent committee similar to all other ICF expenditures.

D. Canteen capital asset procedures need improvement. As noted in our prior report, the DOC does not maintain centralized records of canteen capital assets and has not established sufficient procedures for monitoring canteen capital assets. The following problems regarding canteen capital asset records and procedures were noted:

- A centralized system for tracking canteen capital assets is not maintained. DOC Canteen Operations Policy D3-9.1, Section III.E.6, requires each canteen maintain a detailed listing of capital assets; however, our review noted some canteens are not maintaining adequate listings. We requested capital asset listings from five institution canteen managers. One of the canteens did not maintain such a listing; while the listings provided by the other four canteens varied with regard to level of details provided and in some cases did not contain some required information, such as date of purchase, serial numbers, and location. DOC internal auditors have also identified inadequate capital asset records at several canteens.
- Unlike the Code of State Regulations (CSR), 15 CSR 40-2.031, and the department's property control policy, the Canteen Operations Policy does not require periodic physical inventories be performed. Physical inventory procedures were discussed with the five canteen managers mentioned above. One canteen manager indicated employees periodically spot check approximately 25 percent of the assets, but could not provide documentation of such spot checks. Another canteen manager provided documentation from a September 2007 physical inventory count and, although the count showed 25 (approximately 8 percent) of the canteen assets were unaccounted for, the canteen manager indicated no efforts had been made to resolve the discrepancies. The other three canteen managers indicated they do not perform any physical inventory procedures.
- The IFO has not established procedures to ensure canteen capital assets are tagged for specific identification. All canteen purchases are processed by the IFO; however, the IFO does not automatically issue a property tag for each applicable item. Instead, the IFO issues tags to the business managers upon request without ensuring tags are issued for each applicable item. DOC

internal auditors have identified instances where capital assets were not properly tagged at several canteens.

Adequate capital asset records and procedures are necessary to ensure better internal controls; safeguard assets which are susceptible to loss, theft, or misuse; and comply with state and department policies. The DOC should consider modifying canteen capital assets policy to be more consistent with state regulations and department policies. In addition, consideration should be given to implementing centralized canteen capital assets records and providing more monitoring of individual canteen procedures either through the IFO or internal audit function to ensure assets are properly tagged, records are accurate, and physical inventories performed as appropriate.

WE RECOMMEND the DOC:

- A. Revise canteen inventory policies to require canteens use the point-of-sale system to maintain perpetual inventory records and compare those records to the monthly inventory counts.
- B.1. Ensure all ICF expenditures are approved by the institutional canteen committee as required by DOC policy.
- 2. Ensure competitive bids are solicited and price analyses are conducted in accordance with DOC policy.
- C. Establish policies regarding the appropriate uses and authorization of expenditures of interest monies. The DOC should consider requiring approval from an independent committee similar to all other ICF expenditures.
- D. Amend the DOC Canteen Operations Policy to require periodic physical inventories of canteen capital assets. In addition, procedures to ensure canteens are properly tagging canteen property and maintaining complete and accurate records should be established in accordance with the policy and state regulations. The DOC should consider implementing centralized canteen capital asset records and procedures to facilitate these improvements.

AUDITEE'S RESPONSE

- A. *The Department concurs with this recommendation. In a memorandum from the Director of Adult Institutions dated July 14, 2009, all DOC sites were directed to begin utilizing the point-of-sale system to maintain perpetual inventories.*
- B.1. *The Department concurs with this recommendation. Department procedures clearly outline the process by which ICF expenditures are approved by the institutional canteen committees and submitted to Central Office for final approval. Other centralized expenditures are approved by appropriate staff to ensure compliance with statutorily*

authorized use of these funds. This process will be outlined and included in the next revision to department policy.

- 2. *The Department concurs with this recommendation. The DOC will ensure competitive bids are solicited and appropriate price analyses are conducted in accordance with policy.*
- C. *The Department concurs with this recommendation. The DOC has historically followed a standard practice for the approval and utilization of interest funds and will formalize this practice into a department policy.*
- D. *The Department concurs with this recommendation. A database of all canteen capital assets has been developed to track these assets. In addition, beginning in fiscal year 2010 the DOC will include canteen capital assets in the routine inventories conducted by property control staff.*

4.

Cost Reimbursements

The DOC reimburses counties and the City of St. Louis for costs incurred in the prosecution and incarceration of defendants sentenced to imprisonment in the DOC, transporting prisoners to the reception and diagnostic centers, and transporting extradited prisoners. Our review noted 1) procedures to monitor county and/or city criminal cost reimbursement claims are not sufficient to detect certain over billings, 2) the DOC's interpretation of the law providing for prisoner transportation may provide for payments in excess of the intent of the law, 3) guidelines and limits for reimbursements of extradition expenses have not been developed, and 4) records and procedures need improvement to ensure cost reimbursements are made on a timely basis.

The responsibility for processing the cost reimbursements was transferred from the Office of Administration (OA) to the DOC in fiscal year 2007. At that time, the employee primarily responsible for receiving, reviewing, and processing the reimbursement requests was transferred to the DOC. Reimbursements to the counties and the City of St. Louis for criminal costs, transportation of prisoners to the reception and diagnostic centers, and transportation of extradited prisoners total over \$40 million each year. The majority of the overall reimbursements pertain to incarceration costs. While Section 221.105, RSMo, provides the DOC can pay up to \$37.50 per offender per day; the reimbursement rate, which is dependent on appropriations, is significantly less. Effective July 1, 2007, the rate was \$21.25 per day. A rate increase to \$22.50 was included in the department's fiscal year 2009 budget request, but was not approved. Department officials are aware the current rate is not sufficient to cover actual costs of offender incarceration.

- A. Although detailed written procedures for reviewing criminal cost billings have been established and are being followed, these procedures have not detected some significant billing errors that resulted in overpayments. In addition, the billing

process is manual, monitoring procedures are labor intensive, and the DOC has not taken advantage of improvements in technology to prevent and/or detect improper billings. Criminal cost reimbursements totaled approximately \$35.7 million and \$35.6 million in fiscal years 2008 and 2007, respectively.

- 1) Our review of 18 payments (each relating to multiple prisoners and dates of incarceration) totaling approximately \$5.7 million to St. Louis County during the period March 2007 to May 2008, identified 43 instances where the DOC improperly reimbursed the county for multiple billings for the same prisoners and dates. These overpayments totaled at least \$44,118. For one prisoner, the county billed \$3,864 for the same incarceration dates on three different billings, resulting in a \$7,728 overpayment. Criminal cost reimbursements to St. Louis County represented 13 percent and 11 percent of total statewide reimbursements for fiscal years 2008 and 2007, respectively. These errors were not detected by DOC personnel because review procedures are limited to the current billing and do not include a comparison of current billings to previous billings.

The DOC reviews appear to be effective in identifying various instances of improper billings related to duplicate claims (billing for the same prisoner(s) for the same days within the same billing period), late billings, and excess days billed. When such errors are identified, the reimbursement amounts are properly reduced. However, when numerous and frequent errors are identified, the DOC should consider expanding the review period, requesting supporting records, and working with the billing entity to resolve the cause to curtail future billing errors.

For example, the DOC's review of the St. Louis County billings for June and July 2007 identified many errors. The reimbursement amounts were reduced by \$20,500 (4 percent of the billing) and \$22,800 (6 percent of the billing) for June and July, respectively, due to duplicate claims on the same billing and/or claims exceeding the 2 year claim filing deadline. Although the DOC identified significant instances of duplicate claims, procedures were not expanded to compare to other billing periods. Department personnel indicated they do not have enough staff to perform such a detailed review. Also, although these billings and others contained numerous errors requiring adjustment to billed amounts, the DOC had not contacted St. Louis County to address these deficiencies and possible solutions, and to prevent similar errors in the future.

- 2) The DOC has not established policies and procedures to periodically compare criminal cost billings to the certification of prisoner incarceration days and/or jail records. Discussion with DOC employees and review of records found the certification of prisoner incarceration days is infrequently requested from a city or county, and only for instances where the prison stay was extensive (i.e., over a year). Periodic comparison of

billings to supporting records would help ensure only actual prisoner incarceration days incurred are reimbursed.

- 3) The DOC relies on a manual review process and should give consideration to more effective alternatives. Counties and the City of St. Louis complete and mail criminal costs reimbursement forms to the DOC, and department personnel manually review the claims. More than 21,000 criminal cost claims and an additional 9,800 transportation and extradition claims were paid during fiscal year 2008. The DOC has designated a full-time employee, with some assistance from another employee, to review these claims. To provide greater efficiency and error detection, the DOC should consider converting to an electronic billing system containing sufficient edit checks.

Chapter 550 and Section 221.105, RSMo, outline the responsibilities and requirements for preparing criminal cost billings, which include 1) certification of the number of prisoner incarceration days by the Sheriff/City Jail Superintendent; 2) preparation of the billings by the Circuit Clerk/City Chief Executive Officer, including a certification that he/she has not previously submitted the same claims; and 3) examination and certification of the accuracy of the bill by the judge and prosecuting attorney.

To ensure incarceration costs are not reimbursed more than once, the DOC should compare current billings to previous billings. In addition, policies and procedures should be developed to periodically verify the billings to supporting records. Conversion to an electronic billing system, containing sufficient edit checks, could increase efficiency and improve the DOC's ability to monitor the billings for accuracy.

- B. The DOC's interpretation of state law for reimbursing counties and the City of St. Louis for transporting convicted offenders to reception and diagnostic centers may provide excess reimbursements for these services. Prisoner transportation reimbursements totaled approximately \$1.9 and \$1.8 million in fiscal years 2008 and 2007, respectively.

Current reimbursement procedures and the certificate of delivery form for transportation reimbursements were developed many years ago by the OA. DOC prisoner transportation reimbursement procedures provide the following five components for each trip to and from a reception and diagnostic center:

- Eight dollars per day per Sheriff or other officer.
- Six dollars per day per guard (allowed when three or more prisoners are transported or if ordered by a judge).
- Round trip mileage for each Sheriff or officer.
- Round trip mileage for each guard.
- One-way mileage for each prisoner.

While the first four components are clearly authorized by state law providing for reimbursement of prisoner transportation costs; the fifth component is not. Section 57.290.2, RSMo, states ". . . the mileage rate prescribed by this section for each mile traveled shall be allowed to the sheriff to cover all expenses on each convicted offender while being taken to the reception and diagnostic center" This statute could be interpreted to provide reimbursements in the manner used by the DOC, or to not allow mileage for prisoners.

The state law has been interpreted by the OA (and continued by the DOC) to provide payment for mileage for each prisoner. Under this interpretation, the reimbursement of trips from the same location varies based on the number of prisoners transported even though the trips may cost approximately the same regardless of the number of prisoners transported. For example, a county was reimbursed for a 1-day trip, in which a deputy Sheriff and a guard transported 23 prisoners to the Fulton Reception and Diagnostic Center. The county was paid \$2,240 for this trip, which included mileage totaling \$1,896 for the prisoners. For another trip to the same center, the same county was reimbursed \$1,581 for transporting 15 prisoners, again claiming expenses for one deputy Sheriff and one guard. The reimbursement would have been \$344 for each of these trips, if mileage was not provided for each prisoner.

DOC personnel indicated they continue to utilize procedures established by the OA and have not reviewed these procedures or sought legal advice to determine if they are in compliance with the state law. Given the ambiguity of the state law, the DOC should evaluate its current prisoner transportation reimbursement procedures and consider amending procedures to provide for reimbursements that more closely approximate actual mileage costs. In addition, the DOC should consider seeking legislative changes or legal opinions regarding any issues needing clarification.

- C. The DOC reimburses for extradition costs pursuant to Section 548.241, RSMo, and has developed procedures requiring submission of receipts. However, our review of some reimbursements and the related supporting documents found DOC procedures need to address meal and lodging limits and include requirements for itemized receipts.

Extradition reimbursements totaled approximately \$2.4 million and \$2.6 million in fiscal years 2008 and 2007, respectively. Our review of some reimbursements made in March and August 2007, totaling approximately \$192,300, noted the following:

- Several lodging reimbursements appeared excessive. For example, the DOC reimbursed one county \$199 per night in both Phoenix, Arizona and Sacramento, California, while CONUS rates (federal per diem maximums for the Continental United States established by the U.S. General Services Administration) were \$141 and \$103 per night, respectively.

- Several meal reimbursements reviewed were supported only by a credit card receipt, with no details regarding the meals served or documentation of the number of individuals eating. These individual meal reimbursements ranged from \$33 to \$71. Without sufficient documentation, the propriety and reasonableness of meal expenses cannot be determined.

Each extradition reimbursement claim is approved by the Governor's office and then reviewed and processed for payment by DOC personnel. DOC personnel indicated they do review claims for excessive expenses and unsupported expenditures and have reduced certain claims; however, no guidelines defining what is allowable have been established and itemized invoices for meals are not required.

The DOC should develop a detailed extradition policy to provide guidance to the counties and the City of St. Louis. This policy should include guidelines regarding maximum lodging and meal costs allowable for reimbursement and outline supporting documentation requirements. Adequate review procedures should be in place to ensure compliance with the policy.

- D. The DOC's records and procedures to monitor the timeliness of cost reimbursements are not sufficient. Our review of five payments to counties and/or the City of St. Louis noted payment dates ranged from 3 weeks to 4 months after the date the reimbursement claim was prepared. The DOC does not track claims by receipt date or have established timeframes within which reimbursements are to be processed. Department personnel indicated they consolidate claims into one payment after a reasonable number have been received. However, criteria for determining a reasonable number, amount, or age of claims have not been established. Monitoring reimbursement claim receipt dates and making prompt reimbursement payments is important for several reasons. Section 33.120, RSMo, requires bills to be submitted to the state within 2 years after reimbursable expenses have been accrued. Without proper tracking, bills submitted outside the allotted timeframe could be paid in error. In addition, untimely reimbursements may increase the possibility for claims to be re-submitted and the potential for duplicate payments. Finally, the City of St. Louis and counties should receive timely reimbursements for costs already incurred.

WE RECOMMEND the DOC:

- A. Expand monitoring procedures to ensure payments for criminal costs represent actual costs incurred. These procedures should include a comparison of current billings to previous billings and a periodic comparison to certifications of prisoner incarceration days by jail personnel and/or jail records. The DOC should consider developing an electronic billing system that contains sufficient edit checks designed to prevent and detect improper payments. Finally, the DOC should identify and recoup overpayments for duplicate criminal costs claims.

- B. Review current prisoner transportation reimbursement procedures and consider amending procedures to provide for reimbursements that more closely represent actual mileage costs. Any legal matters needing clarification should be resolved by seeking applicable legislation or legal opinions.
- C. Develop and adopt a policy regarding extradition reimbursements. The policy should establish guidelines regarding maximum lodging and meal costs allowable for reimbursement and outline supporting documentation requirements.
- D. Establish procedures to monitor and ensure reimbursements are paid timely.

AUDITEE'S RESPONSE

- A. *The Department partially concurs with this recommendation. A credit was taken in July 2009 to recoup the duplicate criminal cost claims identified by the auditors. Discussions are on-going with St. Louis County officials to develop a mutually acceptable process designed to eliminate any future duplicate billings. Once established, the DOC will attempt to employ similar procedures with other counties where the potential for duplicate billings may exist. The DOC believes its current practices are sufficient to detect duplicate billings for the vast majority of counties. The potential for duplicate billings appears to exist primarily at the larger counties.*

Due to the various levels of technology employed by all 114 counties in Missouri, the DOC believes it is unreasonable and unwise to put the sole burden of developing such a system on the DOC. Instead, the DOC will work with representatives from the Office of State Court Administrators, Office of Administration - Information Technology Services Division (OA-ITSD), and others as appropriate to collaborate on an acceptable solution that can be deployed in all 114 counties in Missouri.

- B. *The Department will consider applicable legislative changes to further clarify reasonable prisoner transportation reimbursements.*
- C. *The Department partially concurs with this recommendation. We have notified the county sheriffs that effective July 1, 2009 extradition claims will be reviewed for compliance with existing CONUS rates. Although the DOC may establish procedures to govern extradition reimbursement claims, the DOC has no statutory authority to enforce compliance by the sheriffs.*
- D. *The Department concurs with this recommendation and will develop procedures to monitor the timeliness of reimbursements.*

5.	Controls over Missouri Vocational Enterprises Receipts
-----------	---

Missouri Vocational Enterprises (MVE) receipts are not always transmitted to the DOR on a timely basis. In addition, controls over monies collected in the MVE Store need

improvement. MVE receipts from product sales totaled approximately \$36.3 million, \$28.7 million, and \$28.5 million during fiscal years 2008, 2007, and 2006, respectively. More than 70 percent of MVE receipts are electronic transfers from various state agencies.

MVE receipts are collected in three main areas: MVE Central Office Sales, Customer Service (mail receipts), and the MVE Store. The monies received by these areas are transmitted to the MVE Accounts Receivable Office which then transmits the monies to the Department of Revenue (DOR) for deposit.

A. As similarly discussed in several prior audit reports, MVE receipts are not always transmitted to the DOR on a timely basis. A cash count performed on April 15, 2008, determined the MVE was holding \$153,968 comprised of receipts that had been received by various MVE areas; some of which had been held up to 50 business days. Our review of those receipts and the subsequent transmittals noted the following concerns:

- Cash totaling \$557 and 39 checks totaling \$6,808 were transmitted for deposit more than 5 business days after receipt. The cash and 32 of the 39 checks totaling \$5,610 were employee sales receipts collected by Central Office Sales and the MVE Store, both of which transmit receipts to the Accounts Receivable Office only once a week. These receipts were transmitted to the DOR for deposit 6 to 15 business days after receipt. The remaining 7 checks totaling \$1,198 were mail receipts which the Accounts Receivable Office held 6 to 50 business days prior to transmittal.
- Two other checks totaling \$503 had been received March 12, 2008, and March 23, 2008; but had not been transmitted to DOR as of our review on April 30, 2008.

MVE personnel indicated the Central Office Sales and the MVE store prepare weekly transmittals to the MVE Accounts Receivable Office because receipts are not significant for these areas. However, we noted Central Office Sales and MVE Store transmittals averaged \$2,750 and \$842, respectively, per week during fiscal year 2008. They also indicated the MVE does not have enough Accounts Receivable staff to make more frequent transmittals.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, monies should be transmitted for deposit more timely. Central Office Sales and the MVE Store should make more frequent transmittals to the Accounts Receivable Office, and the Accounts Receivable Office should transmit all MVE receipts to the DOR on a timely basis.

B. In addition to untimely transmittals of receipts noted above, significant problems were noted with the records and procedures of monies collected in the MVE Store. Receipt records are poorly organized and lack proper documentation and

controls. As a result, there is little assurance all monies collected were accounted for properly and transmitted to the Accounts Receivable Office.

The MVE Store offers items for immediate purchase, such as trash bags, clothing, clearance and discontinued items, metal outdoor equipment, and certain other items. The MVE Store was established in February 2006 to speed the process by which state employees purchase smaller, more popular products. Previously, state employees had to purchase these items by placing an order in Central Office Sales and picking up the item(s) at the warehouse. The MVE Store is operated by a storekeeper, a part-time employee, and two inmates. These employees also operate the MVE dry cleaning business. MVE Store transmittals totaled \$43,800 in fiscal year 2008, approximately half of which was cash.

Store procedures require a manual four-part sales order form be completed for each sale, indicating the date, item(s) purchased, quantity, price, and total sale. The customer certifies that he/she is a state employee and the purchase is not for resale, by signing the form. The sales order form serves as both a receipt for the customer and a transaction record which is entered into the MVE accounting system. Our review identified numerous concerns as noted below:

- 1) Prenumbered sales order forms are not issued sequentially and the numerical sequence is not accounted for properly. A review of sales order forms numbered 1300 through 1350, issued in 2008, noted various problems as illustrated in the table and discussed below:

Sales Order Numbers	Date Issued	Sales Order Numbers	Date Issued	Sales Order Numbers	Date Issued
1300	April 14	1315	(2)	1336	April 22
1301 (1)	April 3	1316	April 8	1337	April 23
1302	March 31	1317-1318	April 9	1338	April 24
1303	April 1	1319	April 10	1339	April 25
1304	April 21	1320-1321	April 24	1340	April 30
1305	April 2	1322-1323	April 11	1341	(3)
1306 (1)	April 16	1324-1327	April 14	1342-1343	April 25
1307-1308	April 2	1328	(3)	1344	(3)
1309	April 4	1329	April 16	1345	April 25
1310	(2)	1330-1332	April 17	1346-1347	April 28
1311	April 4	1333	April 22	1348	April 30
1312-1313	April 7	1334	April 21	1349	(3)
1314	April 8	1335	April 22	1350	April 29

(1) handwritten number - prenumbered sales order not issued

(2) sales order not located

(3) multiple transactions recorded on one sales order

- While most sales order forms are prenumbered, others have a blank space where the store employee handwrites a number. The Storekeeper indicated the blank forms are used to replace prenumbered forms that have been lost or damaged. In those cases, the employee handwrites the number from the original sales order form onto the replacement form.
 - Sales order forms are not properly voided and retained. The Storekeeper indicated voided sales order forms are thrown away.
 - Individual sales order forms are not issued for some transactions. The Storekeeper explained for items that are inexpensive, frequently sold, and customers do not request a receipt; store employees record multiple sales on one sales order. For example, when a customer purchases a package of trash bags, a sales order would be completed and signed by the customer. If another customer purchases trash bags, the sales order prepared for the previous customer would be revised to indicate two packages of trash bags were sold. The signature of the second customer is not obtained, and only the date of the first transaction is recorded. The Storekeeper indicated store employees continue to record sales on a sales order until all or most of the 12 lines on the sales order are full. The related monies are not transmitted until the sales order is full. As a result, monies are not transmitted intact to the Accounts Receivable Office and customer signatures are not obtained as required. In addition, a May 7, 2008, cash count showed a receipt of \$7 had not been recorded on a sales order.
- 2) Some sales order forms do not indicate the method of payment (cash, check, or money order). Because the sales order form does not require this documentation, store employees must remember to note the method of payment.
 - 3) Access to blank sales orders is not adequately controlled. The forms are kept in a box accessible to anyone entering the MVE Store. In addition, the Storekeeper indicated blank sales order forms are used for purposes other than recording sales, such as scratch paper for taking notes.
 - 4) Check receipts are locked in the Storekeeper's office until transmitted to the Accounts Receivable Office so that inmates do not have access to personal information on the checks. However, we noted the checks are not always kept together and properly organized. When we performed cash counts on April 15, 2008, and May 7, 2008, the Storekeeper failed to provide two checks totaling \$169, and four checks totaling \$169, respectively.

Upon receipt of a transmittal, the Accounts Receivable Office reconciles the receipts to the sales orders submitted with the transmittal. Also, the department's internal auditors reconcile transmittal documentation to the sales orders on a

monthly basis. However, because neither the Accounts Receivable Office nor internal auditors account for the numerical sequence of the sales orders issued, there is not a sufficient review to ensure all monies received are deposited intact. Until brought to their attention, DOC and MVE officials were not aware of the significant control deficiencies noted above.

Failure to implement adequate receipting procedures increases the risk of loss, theft or misuse of funds. To adequately safeguard and account for all monies received, prenumbered sales orders, with the method of payment documented, should be issued in sequence for each transaction. In addition, voided sales orders should be properly defaced and maintained, access to sales orders should be controlled, and check receipts should be properly secured. Monies should be transmitted to the Accounts Receivable Office intact, the numerical sequence of sales orders issued should be accounted for properly, and the composition of sales orders issued should be reconciled to the amounts transmitted.

WE RECOMMEND the DOC, along with the Missouri Vocational Enterprises:

- A. Ensure receipts are transmitted for deposit on a timely basis.
- B. Improve receipting procedures at the MVE Store and oversight of these procedures.

AUDITEE'S RESPONSE

- A. *The Department concurs with this recommendation. Currently receipts are transmitted on a weekly basis. However, when staff are absent, transmittals may be delayed by one or two days. To improve, we will continue to transmit every week and when sales have reached 75 transactions we will transmit that day.*
- B. *The Department concurs with this recommendation. Previously if a dry cleaning or sales ticket was not numbered or filled out incorrectly the store staff would save these tickets and use them as replacements or throw them away. To correct this, they are now writing void across all tickets that are filled out incorrectly or have missing numbers and then recording them on a spreadsheet. Individual sales order forms were not issued for some transactions. To correct this, individual sales order forms are currently being issued for all transactions and signatures are obtained from every customer. When the MVE accounting section receives the tickets, cash, and spreadsheet, any tickets that are missing will be reported to the Fiscal and Administrative Manager for investigation.*

6. Expenditures

Competitive bids/proposals were not solicited for fuel, attorney services, and physician services. Procedures for monitoring cellular telephone usage need improvement. Some

employee expense reimbursements appeared excessive and/or were not supported with adequate documentation of actual expenses incurred.

- A. The DOC spent approximately \$2.5 million, \$1.9 million, and \$1.8 million for vehicle fuel during fiscal years 2008, 2007, and 2006, respectively. Some of these fuel purchases were procured under the DOC's special delegation of authority without obtaining bids.

For example, the Farmington Correctional Center (FCC) purchased fuel totaling approximately \$54,000, \$63,800, and \$80,300 from a vendor in fiscal years 2008, 2007, and 2006, respectively, and the Boonville Correctional Center (BCC) purchased fuel totaling approximately \$38,000, \$24,300, and \$23,100 from another vendor in fiscal years 2008, 2007, and 2006, respectively, without obtaining bids. Numerous individual payments to these vendors totaled just under the \$3,000 bidding threshold, giving the appearance that DOC employees attempted to circumvent state purchasing requirements. Officials from the BCC provided a copy of an October 2006 internal memo stating the vendor is the only vendor in the area willing to sell fuel at the prices the state is willing to pay. However, the BCC could not provide documentation of communications with vendors or other documentation to support this conclusion. Officials at these facilities indicated due to our audit and/or a recent internal audit, they currently ensure at least three bids are obtained for fuel purchases.

Section 34.040, RSMo, and the OA's procurement policy requires bids be obtained for purchases over \$3,000, including any item or service in which the total expenditure over a 12 month period is over \$3,000. In addition, the OA has granted the DOC special delegation of authority for the procurement of fuel, which allows the department to procure fuel purchases in excess of the local procurement authority (i.e. \$25,000 or more) directly rather than referring these procurements to the OA, Division of Purchasing and Materials Management. DOC's Procedure for Procurement Authority prohibits splitting local procurements among two or more orders to the same vendor or multiple vendors to avoid the competitive bid process. Competitive bidding helps ensure the state receives fair value by contracting with the lowest and best bidders, and also ensures all interested parties are given an equal opportunity to participate in the state's business.

- B. The DOC does not always utilize a competitive procurement process or solicit proposals for professional services. For example, the DOC contracts with a former employee for attorney services related to inmate clemency applications and a physician to conduct mortality case reviews, without soliciting proposals for these services. The attorney was paid \$4,000 and \$24,000 in fiscal years 2007 and 2006, respectively; and the physician was paid \$1,500, \$5,500, and \$2,250 in fiscal years 2008, 2007, and 2006, respectively. DOC officials indicated the proposals for the attorney and physician services were not solicited because Attorney General's Opinion Letter No. 22, 1980 to Muckler, concluded physician,

attorney, and expert witness services do not have to be bid in accordance with state purchasing laws. However, the opinion does not preclude the DOC from soliciting competitive proposals for these services. DOC officials indicated a nationwide procurement process for the physician services was conducted in fiscal year 2003; however, no documentation of the proposals received or the justification for selection of this physician was maintained.

The DOC should utilize a competitive procurement process or solicit proposals for attorney and physician services to ensure the best services and rates are received. Sufficient documentation of these procedures should be retained.

- C. The DOC and the OA-ITSD need to improve procedures for monitoring cellular telephone usage. The DOC spent approximately \$229,000, \$261,000, and \$300,000 for cellular telephone services in fiscal years 2008, 2007, and 2006, respectively. As of March 2008 the DOC had approximately 970 cellular telephones.

While the OA-ITSD telecommunications analyst responsible for monitoring DOC cellular telephone services indicated she reviews cellular telephone usage quarterly to identify and switch to plans that meet employee needs at the lowest costs, she was unable to provide any documentation of such reviews. In addition, these review procedures did not always appear effective. Our review of usage during the months of March, April, and May 2008 for 13 cellular telephones noted instances where telephones may not have been on the most cost effective plan. For example, one employee, who was issued a telephone with a 150 minutes per month plan, used the telephone 593 minutes more than covered by his plan for the 3 month period. The employee reimbursed the DOC \$83 for costs associated with personal calls, while the DOC paid \$184 for the additional minutes used. Another employee, who was issued a telephone with a 500 minutes per month plan, only used the telephone 8 minutes under this plan during the 3 month period. The DOC paid \$29 per month for this cellular telephone. The employee indicated a personal cellular telephone instead of the department-issued telephone is generally used to make business related calls.

While cellular telephones can help increase employee productivity, they are also costly. The DOC Cellular Phones Policy D4-4.7, Section III.A.2, requires the telecommunications analyst perform a quarterly review of rates, plans, and equipment for cost effectiveness; and submit a report of findings, including recommendations for change, to the director of human services to be reviewed with department executive staff. Effective procedures should be implemented to monitor cellular phone usage to ensure the best plan is used for each phone, and there is a need for each phone. This review should be documented and the results reported as required by DOC policy.

- D. Some employee expense reimbursements appeared excessive and/or were not supported by adequate documentation of actual expenses incurred. The DOC

spent approximately \$2.9 million, \$3 million, and \$3 million on travel expenses during fiscal years 2008, 2007, and 2006, respectively. Our review of six employee expense reimbursements noted the following:

- One employee's expense report was not adequately supported by invoices or other supporting documentation for a trip to Miami, Florida to attend a conference. The employee was reimbursed \$937 for lodging and \$161 for an airline ticket without detailed invoices or receipts for these costs.

In addition, the employee was reimbursed \$234 per night for lodging while the CONUS rate was \$107 per night. Expense report documentation indicated the employee coordinated the trip with a family vacation, and stayed in a hotel other than where the conference was held. No documentation was available regarding the per night cost for the hotel hosting the conference.

- On another expense report, an employee claimed a round trip from Bolivar to Springfield, totaling 256 miles, while the actual round trip mileage is approximately 60 miles. DOC officials provided us with documentation showing the employee administered flu shots in various cities that day; however, these additional trips were not documented on the expense report. Also, this documentation was not readily available upon our inquiry and, thus, it appears was not considered when approving the expense reimbursement.

The DOC Reimbursement for Travel and Subsistence Expenses Policy, Sections III.D and III.E, and state travel regulations require various reimbursements, including lodging and airline costs, be supported by descriptive invoices. DOC policy further requires lodging invoices clearly indicate the single room rate was charged. Neither state regulations nor DOC policy provide for lodging reimbursement limits. Reimbursement limits for lodging expenses, such as the federal per diem maximum, could ensure such reimbursements are reasonable.

Expense reimbursement monitoring procedures should be improved to ensure travel reimbursements are necessary, reasonable, and adequately documented in accordance with DOC policy and state travel regulations. The DOC should consider adopting guidelines regarding maximum lodging cost reimbursements.

- E. The DOC may be paying more than necessary for meals provided to employees attending training.

To provide meals to employees attending training at the training center located in the MVE Central Office building, the DOC contracts with the vendor that operates the cafeteria in that building. The DOC paid the vendor approximately \$173,600, \$151,400, and \$124,700 during fiscal years 2008, 2007, and 2006, respectively, for training lunches and snacks.

Our review found the DOC frequently pays for significantly more lunches than actually provided to trainees. For example, our review of a payment totaling \$8,423 for lunches and snacks provided during 13 training sessions in December 2007 revealed the DOC was billed and paid for 1,099 lunches, of which only 954 (87 percent) were actually provided to trainees. The DOC paid approximately \$939 for 145 lunches that were not provided by the vendor.

Under the current arrangement with the vendor, the DOC guarantees a number of lunches needed for each training session, and the vendor bills the DOC for at least that number of lunches, regardless of the number of lunches actually provided. In cases where more lunches are provided than guaranteed, the vendor bills for actual lunches provided. However, in cases where fewer lunches are provided than guaranteed, the vendor bills for the higher, guaranteed amount.

Approximately one week prior to the training session, the training center submits a meal guarantee to the vendor for 90 percent of the training enrollment. However, as noted above, the DOC frequently guarantees significantly more meals than are actually needed. Training center employees acknowledged the guarantee is frequently higher than the actual meals consumed; and they continue to guarantee meals for 90 percent of training enrollment without evaluating whether this method is reasonable. They indicated DOC frequently pays for extra meals due to unexpected absences and trainees choosing to eat elsewhere.

The DOC needs to review its current procedures for estimating meals needed for training and its current billing arrangement with the vendor, and develop a more reasonable method that will minimize costs incurred for meals not consumed.

WE RECOMMEND the DOC:

- A. Ensure competitive bids are solicited for fuel purchases in accordance with state law and adequate documentation is maintained to support the procurement and selection process.
- B. Utilize a competitive procurement process or solicit proposals for all professional services, and retain sufficient documentation of these procedures.
- C. Along with the OA-ITSD, ensure effective quarterly reviews of cellular phone usage are performed and documented, and necessary changes are made to cellular plans based on those reviews.
- D. Ensure travel reimbursements are necessary, reasonable, and comply with DOC policy and state travel regulations. In addition, the DOC should consider adopting guidelines regarding maximum lodging cost reimbursements.
- E. Evaluate alternative procedures for estimating and paying for training meals, and develop procedures to minimize payments for meals not consumed.

AUDITEE'S RESPONSE

- A. *The Department concurs with this recommendation. The department has implemented enhanced oversight and review procedures to ensure all purchasing activities comply with state purchasing laws.*
- B. *The Department disagrees with this recommendation. As stated by the auditors, Attorney General Opinion Letter No. 22, 1980 to Muckler, concluded that physician, attorney, and expert witness services do not have to be bid in accordance with state purchasing laws. Therefore, the department has not sought competitive bids for these services.*
- C. *The department concurs that the current policy is not being followed and will work with the appropriate staff to revise the policy so that it meets the agency's requirements and is realistic to implement.*
- D. *The Department concurs with this recommendation. In the matter regarding the conference in Miami, Florida, this was an isolated incident wherein supporting documentation could not be obtained despite repeated contacts with the internet site and hotel that provided the billing. Nonetheless, every effort will be made to ensure supporting documentation is obtained to support reimbursement claims.*
- E. *The Department concurs with this recommendation and will continue to work with the Office of Administration to explore alternative procedures designed to minimize payment of meals not consumed.*

7. Accounts Receivable

The DOC has not established formal written policies and procedures regarding the handling of old Inmate Revolving Fund (IRF) accounts receivable balances related to discontinued program fees.

To help cover the costs of various programs to assist the offenders in successful completion of probation, parole, or conditional release, the IFO collects fees from offenders under supervision of the Division of Probation and Parole, and deposits these fees into the IRF. Since April 2006 the IFO assesses a \$30 monthly intervention fee to these offenders, as authorized by Section 217.690, RSMo. Prior to the implementation of the intervention fees, offenders were charged various fees specific to the programs in which they participated, such as the electronic monitoring, interactive voice recognition, and residential facilities programs. The department discontinued charging specific program fees in fiscal year 2008, and currently charges the intervention fee to offenders under the supervision of the Division of Probation and Parole. As of June 30, 2008, the accounts receivable balance associated with the discontinued program fees was over \$9.9 million, with approximately \$2.6 million of this amount due from offenders who left DOC supervision more than 3 years ago.

The DOC has not established formal policies and procedures regarding the handling of these old accounts receivable balances. DOC collection procedures consist of Probation and Parole officers reminding offenders under their supervision of past due balances and the IFO collection of past due balances from any offenders that re-enter the prison system. DOC officials indicated they are developing procedures related to the accounts receivable balances associated with these old fees and are considering writing off at least the \$2.6 million due from offenders who left DOC supervision more than 3 years ago.

Formal policies and procedures related to delinquent accounts are needed to help ensure such accounts are handled in a proper and consistent manner. The policies and procedures should address required follow-up efforts on delinquent accounts and establish criteria for write off of balances for which collection is unlikely or the cost of collection would exceed the amount collected. In addition, the DOC should take aggressive actions to collect these old fees, document efforts made, and then write off the fees as appropriate. By doing so the DOC will be able to focus collection and record keeping efforts on intervention fee accounts receivables rather than old accounts receivables related to discontinued fees.

WE RECOMMEND the DOC establish formal policies and procedures to follow-up on accounts receivable balances associated with the old IRF fees, aggressively pursue collection of these amounts, and write off balances that may be deemed uncollectible.

AUDITEE'S RESPONSE

The Department concurs with this recommendation. Separate policies have been developed that deal with the collection and writeoff of outstanding debts owed by offenders. These policies provide guidance regarding the classification of debt and when debts are considered no longer collectible. These uncollectible amounts will be presented to the Executive staff for approval to write off said debt.

It is anticipated these policies will be in effect in the very near future.

8. Internal Audit

The department's internal audit section is not fully independent of the activities it audits and internal audit engagements are not planned utilizing risk assessment procedures.

- A. Under the current organization structure, the internal audit section does not report to top management, but instead reports to the Comptroller. The Comptroller directs the Fiscal Management Unit, which is responsible for all financial activities of the department.

The Institute of Internal Auditors' standards provide that internal audit activity is to be independent and should ". . . report to a level within the organization that allows the internal audit activity to fulfill its responsibilities." To ensure complete

and objective audit coverage, the internal audit function must be independent of the activities it audits, through both departmental status and objective performance of its audits. Direct communication with the inspector general or the department director would help ensure independence and provide a means whereby top management can be kept abreast of current operations and activities. Such a reporting structure would also permit top management to request the internal audit section to perform specific audits.

- B. Internal audit engagements are determined by department policy, without utilizing risk assessment procedures. DOC policies require annual or biannual audits of the department's correctional centers, community release centers, treatment centers, reception and diagnostic centers, and certain contracted residential facilities. Rather than requiring risk assessment procedures to determine internal audit engagements, the policies give equal consideration to all of the above listed entities and no consideration to central office processes. Various divisions within the DOC central office, such as the IFO, which maintains the IAF and ICF, and the MVE, which processes receipts for sales of MVE products, handle significant monies, but have received limited internal audit coverage. In recent years, due to an understaffed internal audit section, some audits required by the policies have not been performed.

Consideration should be given to revising department policies to address central office processes in need of periodic audit by the internal auditors and incorporate risk assessment procedures for prioritizing audit activities and better utilizing available audit resources. A risk assessment procedure would evaluate risk factors, such as amount of transactions processed, prior experience with the entity or central office section, adequacy of information submitted by the entity or central office section, and expected level of compliance with department policies. In addition, the Institute of Internal Auditors' standards provide, "The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals."

WE RECOMMEND the DOC:

- A. Consider having the internal audit section report directly to the inspector general or the department director.
- B. Revise department policies related to the internal audit function to incorporate central office processes needing periodic audits and the use of risk assessment procedures.

AUDITEE'S RESPONSE

- A. *The Department will take this recommendation under advisement as part of our overall review of the department's organizational structure.*

- B. *The Department concurs with this recommendation. The department will include risk assessment procedures in future policy revisions and will include periodic reviews of Central Office processes.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF CORRECTIONS HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Division of Corrections and the Board of Probation and Parole were transferred to the Department of Social Services on July 1, 1974, following passage of the Omnibus State Reorganization Act of 1974. Effective September 28, 1981, the Missouri Department of Corrections and Human Resources was established as a cabinet-level department of state government as a result of legislation approved by the Eighty-First General Assembly and signed by the Governor. With the revision made to Chapter 217, which became effective August 28, 1989, the Department of Corrections and Human Resources was renamed to the Department of Corrections.

The Governor appointed George Lombardi as Director of the Department of Corrections on January 29, 2009. Prior to Mr. Lombardi's appointment, Larry Crawford had served as Director of the department since January 4, 2005.

The department has the responsibility of supervising and managing all correctional institutions and probation and parole services. The department is composed of the Office of the Director and four divisions: Human Services, Adult Institutions, Offender Rehabilitative Services, and Probation and Parole. The department employed approximately 10,900 employees as of June 2008. The functions of the Office of the Director and divisions are:

The Office of the Director is responsible for shaping legislation and formulating policy and procedures to guide and implement public safety objectives and goals. The Office of the Director oversees the management of the four divisions as well as the following specialized areas: Legal Services, Public Information, Inspector General, Legislative and Constituent Services, Restorative Justice, and Victims' Services.

The Division of Human Services provides coordinated services to the department by supervising the following activities: Human Resources, Staff Training, Employee Health/Safety, Budget and Research, Fiscal Management, General Services, Strategic Planning, Religious/Spiritual Programs, and Volunteer Services.

The Division of Adult Institutions is responsible for the management of the state's 21 correctional centers and the care, custody and control of incarcerated offenders. The division houses incarcerated inmates securely and humanely while providing programs and treatment that effectively manages the offender's risk to re-offend. As of June 2008, the prison population was approximately 30,500 inmates.

The Division of Offender Rehabilitative Services is the arm of the department responsible for developing and delivering interventions and services necessary for offenders to correct their criminal behaviors and become more productive at each point in the department's supervision continuum. These services and interventions include education, workforce readiness, and substance abuse treatment services. The division also oversees the inmate medical and mental health services programs and the Missouri Sexual

Offender Treatment Program provided by the contracted treatment provider. In 1990, Missouri Vocational Enterprises (MVE) was transferred to the division. The MVE is responsible for 27 different industries, services, and agribusiness operations located in 15 correctional institutions. MVE utilizes offender labor, along with department supervisors and administrative staff, to provide products and services to state agencies, political subdivisions, state employees and not-for-profit organizations. Examples of items offered include furniture, modular office systems, license plates, metal outdoor equipment, clothing, chemical products, dry cleaning, and furniture restoration services. The program's financial activity is accounted for exclusively through the state's Working Capital Revolving Fund.

The Division of Probation and Parole assesses and supervises criminal offenders assigned to the division by the Circuit Courts of Missouri and under the terms of the Interstate Compact. Affiliated with the Division of Probation and Parole is the State Probation and Parole Board. The Probation and Parole Board determines the eligibility and conditions for the release of inmates confined in the Division of Adult Institutions and oversees the supervision of probationers as directed by the courts. The Probation and Parole Board is comprised of seven full-time members appointed by the Governor, subject to the advice and consent of the Senate. Board members also investigate and report to the Governor on all applications for pardons, commutations of sentence, reprieves or restorations of citizenship. At June 2008, approximately 71,100 offenders were under supervision of the division.

CORRECTIONAL INSTITUTIONS

The 21 correctional institutions located throughout the state are:

The Alcoa Correctional Center is a medium security institution constructed in 1932. The institution is located 6 miles east of Jefferson City in Cole County on a bluff overlooking the Missouri River.

The Boonville Correctional Center in Cooper County, which opened in 1983, was transferred from the Department of Social Services, Division of Youth Services. The facility is a medium security institution housing first time offenders between the ages of 17 and 25.

The Central Missouri Correctional Center (CMCC), a minimum to medium security institution, was temporarily closed in fiscal year 2006 and will be reopened in the future based on bed space needs. Originally constructed in 1938 as a satellite to the Missouri State Penitentiary, the CMCC became an independent institution within the department in 1974. The institution is located 10 miles northwest of Jefferson City in Cole County along the Missouri River. The CMCC receives appropriations to cover the costs of securing and preserving the facility. Also, the MVE continues to operate certain industries at the CMCC.

The Chillicothe Correctional Center (CCC) in Livingston County, which opened in 1981, was transferred from the Department of Social Services, Division of Youth Services. The CCC is a minimum to maximum security institution housing only female offenders. Construction on the new CCC facility was completed in August 2008 and offenders from the existing CCC were transferred to the new facility in December 2008. The old CCC facility and grounds were transferred to the City of Chillicothe in June 2009.

The Crossroads Correctional Center (CRCC), is a maximum security facility, which opened in 1997 in DeKalb County. The CRCC is the first facility in Missouri to be equipped with a lethal perimeter fence.

The Eastern Reception, Diagnostic and Correctional Center was opened in May 2002, when the Regimented Discipline Program formerly housed at Farmington was moved to this facility. It is a maximum security facility and serves as the point of intake for offenders from the eastern part of the state. The facility is located in St. Francois County at Bonne Terre.

The Farmington Correctional Center opened in 1986 and was transferred from the Department of Mental Health. It is located on the grounds of the former Farmington State Hospital in the city of Farmington in St. Francois County. The facility is a medium security institution.

The Fulton Reception and Diagnostic Center, located in Callaway County was opened in 1987 and serves as a reception and diagnostic center, which accepts offenders from the central part of the state. After processing, offenders are assigned to an appropriate security level facility. This institution also includes the Biggs Correctional Unit and the Cremer Therapeutic Community Center.

The Jefferson City Correctional Center is a maximum security institution located approximately 6 miles east of Jefferson City in Cole County. It was constructed in 2004 to replace the Missouri State Penitentiary which opened in 1836 in Jefferson City.

The Maryville Treatment Center opened in 1996. It is a minimum security institution in Nodaway County on a site that was formerly a Catholic convent. It is located 45 miles north of St. Joseph.

The Missouri Eastern Correctional Center is a medium security institution opened in 1981. The institution is located near Pacific in St. Louis County.

The Moberly Correctional Center is a medium security institution, which began operation in 1963. The institution is located 5 miles south of Moberly in Randolph County.

The Northeast Correctional Center (NECC) is a medium security facility located at Bowling Green in Pike County. The facility began operations in 1998. The NECC also is the site of the department's male juvenile unit for housing offenders under 17 years of age.

The Ozark Correctional Center (OCC) is a minimum security institution established in 1961 on a site originally constructed as an Air Force base. The institution is located 25 miles southeast of Springfield in Webster County. The OCC previously supervised Camp Hawthorn, a minimum security, and work-release camp for 45 offenders at the Lake of the Ozarks located in Miller County. The camp was closed in April 2005 due to budget constraints.

The Potosi Correctional Center in Washington County is a maximum security institution opened in 1989. This facility is the first lease-purchase state correctional facility in the history of the state.

The South Central Correctional Center is a maximum security facility located at Licking in Texas County. It opened in June 2000.

The Southeast Correctional Center is a minimum and maximum security facility located at Charleston in Mississippi County. It opened in September 2001.

The Tipton Correctional Center (TCC) in Moniteau County is a medium security institution. The TCC was placed under the administration of the department in 1960 and served as the state prison for women. The facility now houses male offenders.

The Western Missouri Correctional Center is a medium security institution opened in 1989. It is located near Cameron in DeKalb County.

The Western Reception, Diagnostic and Correctional Center (WRDCC) is a reception and diagnostic center located in St. Joseph in Buchanan County, that accepts offenders from the western areas of the state. The WRDCC was constructed on property transferred from the Department of Mental Health.

The Women's Eastern Reception, Diagnostic and Correctional Center (WERDCC) is located in Vandalia in Audrain County. The WERDCC houses minimum through maximum security female offenders. The facility opened in 1998.

BOARD OF PROBATION AND PAROLE

The Board of Probation and Parole consists of seven full-time members appointed by the Governor, subject to the advice and consent of the Senate. Terms of members are for 6 years on a staggered basis. The chairman is appointed by the Governor and is the chief administrative officer of the board in charge of the board's operations, funds and expenditures.

As of June 30, 2008, members of the Board of Probation and Parole were:

Steve Long (1)	Chairman	<u>Term Expires</u> August 2012
Wayne Crump (2)	Member	August 2008
Robert Robinson (3)	Member	April 2009

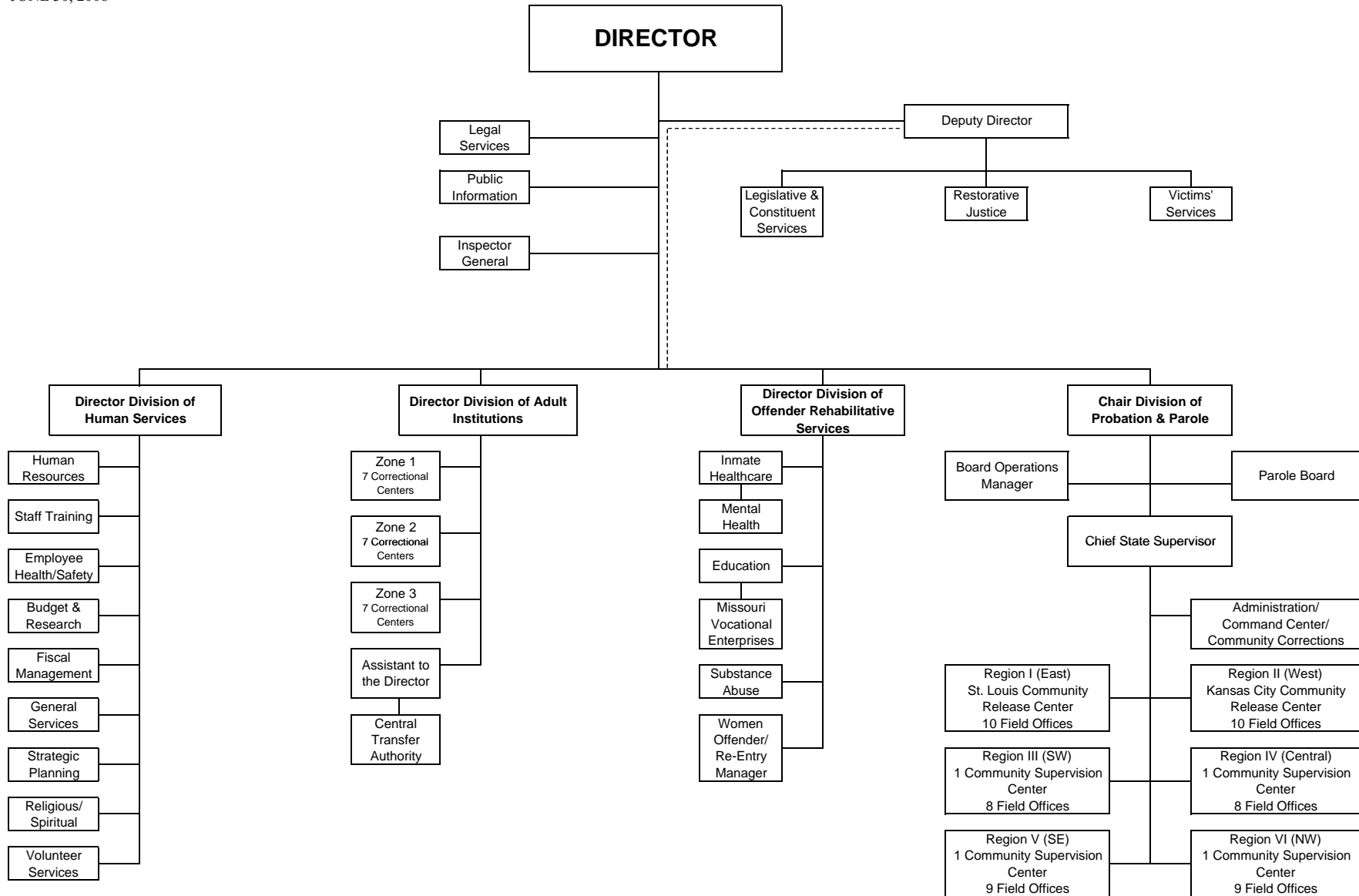
Penny Hubbard	Member	April 2010
Reid K. Forrester	Member	December 2011
Brian Jamison (1)	Member	August 2012
Chuck Pryor	Member	April 2014

- (1) Steve Long retired in May 2009 and this position remains vacant. Brian Jamison was appointed Acting Chairman in June 2009.
- (2) Jimmie Lee Wells was appointed to replace board member Wayne Crump in January 2009. His term expires in February 2015.
- (3) Robert Robinson retired in April 2009 and this position remains vacant.

The Board supervises offenders through 65 district and satellite offices throughout the state. The Board of Probation and Parole also manages the operation of Community Release Centers and Community Supervision Centers which house offenders during transition from institutional to community placement. The Kansas City Community Release Center and the St. Louis Community Release Center house up to 900 offenders. The department has constructed seven Community Supervision Centers which will house up to 30 offenders and accommodate existing probation and parole district offices in that area. Ninety percent of the construction costs are paid with federal funding. The centers in St. Joseph and Farmington opened in 2005; the center in Hannibal opened in 2007; and the centers in Kennett, Fulton, Kansas City, and Poplar Bluff opened in 2008. As of June 2008, there were approximately 1,816 staff serving in the division.

A department organization chart follows.

DEPARTMENT OF CORRECTIONS
ORGANIZATION CHART
JUNE 30, 2008



Appendix A-1

DEPARTMENT OF CORRECTIONS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 2008

	Department of Corrections - Federal	Working Capital Revolving Fund	Inmate Revolving Fund	Correctional Substance Abuse Earnings Fund	Inmate Canteen Fund *	Inmate Account Fund *	Total (Memorandum Only)
RECEIPTS							
Federal receipts	\$ 20,115,030	0	0	0	0	0	20,115,030
Product sales	0	36,336,124	0	0	0	0	36,336,124
Leases and rentals	0	110,477	0	0	0	0	110,477
Offender intervention fees	0	0	14,567,910	0	0	0	14,567,910
Other offender program participation fees	0	0	1,643,163	77,831	0	0	1,720,994
Offender reimbursement of incarceration costs **	0	0	706,399	0	0	0	706,399
Inmate canteen deposits	0	0	0	0	31,393,206	0	31,393,206
Inmate account deposits	0	0	0	0	0	35,779,328	35,779,328
Interest	0	0	0	30,972	0	0	30,972
Total Receipts	20,115,030	36,446,601	16,917,472	108,803	31,393,206	35,779,328	140,760,440
DISBURSEMENTS ***							
Personal service	2,048,625	6,498,216	833,165	0	0	0	9,380,006
Employee fringe benefits	841,514	2,930,704	346,197	0	0	0	4,118,415
Expense and equipment	3,510,630	24,088,570	6,718,438	78,370	0	0	34,396,008
Capital improvements	13,668,193	18,272	0	0	0	0	13,686,465
Leasing operations	0	0	0	0	0	0	0
Fuel, utilities, and building maintenance and repair	0	1,546,608	47,795	0	0	0	1,594,403
Cost allocation plan	0	274,294	76,790	1,014	0	0	352,098
Inmate canteen disbursements	0	0	0	0	30,210,660	0	30,210,660
Inmate account withdrawals	0	0	0	0	0	36,211,164	36,211,164
Other	0	0	0	0	0	0	0
Total Disbursements	20,068,962	35,356,664	8,022,385	79,384	30,210,660	36,211,164	129,949,219
RECEIPTS OVER (UNDER) DISBURSEMENTS	46,068	1,089,937	8,895,087	29,419	1,182,546	(431,836)	10,811,221
CASH AND INVESTMENTS, JULY 1, 2007	1,362,883	7,403,933	15,237,913	623,800	14,090,616	3,538,545	42,257,690
CASH AND INVESTMENTS, JUNE 30, 2008	\$ 1,408,951	8,493,870	24,133,000	653,219	15,273,162	3,106,709	53,068,911

* Funds held in bank accounts outside the state treasury. Receipts, disbursements, and balances reflect bank account activity. Detailed Canteen Fund income and expenses are included at Appendix E.

** Receipts for offender reimbursement of incarceration costs are deposited by the Attorney General's Office.

*** Disbursements on this statement will not agree to expenditures on Appendix C primarily due to 1) appropriated transfers out for personal service benefits costs, leasing operations, fuel and utilities, building maintenance and repair, and cost allocation plan; and 2) disbursements made by other state agencies. Disbursements made by other state agencies include disbursements totaling approximately \$156,000 and \$15,000 by the Office of Administration from the Working Capital Revolving Fund and Inmate Revolving Fund, respectively; for services provided to the department by the Information Technology Service Division; and disbursements totaling approximately \$673,000 by the Department of Mental Health for substance abuse treatment services provided to the department.

Appendix A-2

DEPARTMENT OF CORRECTIONS
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2007

	Department of Corrections - Federal	Working Capital Revolving Fund	Inmate Revolving Fund	Correctional Substance Abuse Earnings Fund	Inmate Canteen Fund *	Inmate Account Fund *	Total (Memorandum Only)
RECEIPTS							
Federal receipts	\$ 10,622,871	0	0	0	0	0	10,622,871
Product sales	0	28,660,248	0	0	0	0	28,660,248
Leases and rentals	0	116,854	0	0	0	0	116,854
Offender intervention fees	0	0	14,744,721	0	0	0	14,744,721
Other offender program participation fees	0	0	2,523,305	70,751	0	0	2,594,056
Offender reimbursement of incarceration costs **	0	0	729,882	0	0	0	729,882
Inmate canteen deposits	0	0	0	0	31,100,030	0	31,100,030
Inmate account deposits	0	0	0	0	0	33,862,486	33,862,486
Interest	0	0	0	28,706	0	0	28,706
Total Receipts	10,622,871	28,777,102	17,997,908	99,457	31,100,030	33,862,486	122,459,854
DISBURSEMENTS ***							
Personal service	1,939,182	6,183,811	937,488	0	0	0	9,060,481
Employee fringe benefits	839,060	2,911,701	409,006	0	0	0	4,159,767
Expense and equipment	3,231,613	20,035,960	5,583,709	88,232	0	0	28,939,514
Capital improvements	4,215,156	486,232	0	0	0	0	4,701,388
Leasing operations	0	0	0	0	0	0	0
Fuel, utilities, and building maintenance and repair	0	0	0	0	0	0	0
Cost allocation plan	0	316,607	47,660	706	0	0	364,973
Inmate canteen disbursements	0	0	0	0	27,320,066	0	27,320,066
Inmate account withdrawals	0	0	0	0	0	33,806,589	33,806,589
Other	115	0	0	0	0	0	115
Total Disbursements	10,225,126	29,934,311	6,977,863	88,938	27,320,066	33,806,589	108,352,893
RECEIPTS OVER (UNDER) DISBURSEMENTS	397,745	(1,157,209)	11,020,045	10,519	3,779,964	55,897	14,106,961
CASH AND INVESTMENTS, JULY 1, 2006	965,138	8,561,142	4,217,868	613,281	10,310,652	3,482,648	28,150,729
CASH AND INVESTMENTS, JUNE 30, 2007	\$ 1,362,883	7,403,933	15,237,913	623,800	14,090,616	3,538,545	42,257,690

* Funds held in bank accounts outside the state treasury. Receipts, disbursements, and balances reflect bank account activity. Detailed Canteen Fund income and expenses are included at Appendix E.

** Receipts for offender reimbursement of incarceration costs are deposited by the Attorney General's Office.

*** Disbursements on this statement will not agree to expenditures on Appendix C primarily due to 1) appropriated transfers out for personal service benefits costs, leasing operations, fuel and utilities, building maintenance and repair, and cost allocation plan; and 2) disbursements made by other state agencies. Disbursements made by other state agencies include disbursements totaling approximately \$16,000 and \$10,000 by the Office of Administration from the Working Capital Revolving Fund and Inmate Revolving Fund, respectively; for services provided to the department by the Information Technology Service Division; and disbursements totaling approximately \$640,000 by the Department of Mental Health for substance abuse treatment services provided to the department.

Appendix A-3

DEPARTMENT OF CORRECTIONS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 2006

	Department of Corrections - Federal	Working Capital Revolving Fund	Inmate Revolving Fund	Correctional Substance Abuse Earnings Fund	Inmate Canteen Fund *	Inmate Account Fund *	Total (Memorandum Only)
RECEIPTS							
Federal receipts	\$ 12,552,400	0	0	0	0	0	12,552,400
Product sales	0	28,462,126	0	0	0	0	28,462,126
Leases and rentals	0	112,655	0	0	0	0	112,655
Offender intervention fees	0	0	3,741,278	0	0	0	3,741,278
Other offender program participation fees	0	0	3,043,972	92,038	0	0	3,136,010
Offender reimbursement of incarceration costs **	0	0	551,430	0	0	0	551,430
Inmate canteen deposits	0	0	0	0	30,433,724	0	30,433,724
Inmate account deposits	0	0	0	0	0	30,652,921	30,652,921
Interest	0	0	0	21,390	0	0	21,390
Total Receipts	12,552,400	28,574,781	7,336,680	113,428	30,433,724	30,652,921	109,663,934
DISBURSEMENTS ***							
Personal service	1,885,535	6,766,123	886,915	0	0	0	9,538,573
Employee fringe benefits	774,894	3,056,549	373,864	0	0	0	4,205,307
Expense and equipment	2,603,536	17,109,383	3,250,255	49,159	0	0	23,012,333
Capital improvements	6,907,044	100,696	0	0	0	0	7,007,740
Leasing operations	0	1,650	0	0	0	0	1,650
Fuel, utilities, and building maintenance and repair	0	0	0	0	0	0	0
Cost allocation plan	0	316,871	50,211	752	0	0	367,834
Inmate canteen disbursements	0	0	0	0	27,946,223	0	27,946,223
Inmate account withdrawals	0	0	0	0	0	30,548,497	30,548,497
Other	0	0	0	0	0	0	0
Total Disbursements	12,171,009	27,351,272	4,561,245	49,911	27,946,223	30,548,497	102,628,157
RECEIPTS OVER (UNDER) DISBURSEMENTS	381,391	1,223,509	2,775,435	63,517	2,487,501	104,424	7,035,777
CASH AND INVESTMENTS, JULY 1, 2005	583,747	7,337,633	1,442,433	549,764	7,823,151	3,378,224	21,114,952
CASH AND INVESTMENTS, JUNE 30, 2006	\$ 965,138	8,561,142	4,217,868	613,281	10,310,652	3,482,648	28,150,729

* Funds held in bank accounts outside the state treasury. Receipts, disbursements, and balances reflect bank account activity. Detailed Canteen Fund income and expenses are included at Appendix E.

** Receipts for offender reimbursement of incarceration costs are deposited by the Attorney General's Office.

*** Disbursements on this statement will not agree to expenditures at Appendix C primarily due to 1) appropriated transfers out for personal service benefits costs, leasing operations, fuel and utilities, building maintenance and repair, and cost allocation plan; and 2) disbursements made by other state agencies. Disbursements made by other state agencies include disbursements totaling approximately \$369,000 by the Department of Mental Health for substance abuse treatment services provided to the department.

Appendix B

DEPARTMENT OF CORRECTIONS COMPARATIVE STATEMENT OF RECEIPTS

	Year Ended June 30,		
	2008	2007	2006
GENERAL REVENUE FUND			
Filing fees	\$ 17,049	25,336	20,893
Donated assets	280,975	91,296	209,743
Inmate social security benefits	262,800	256,800	195,800
Refunds of criminal case reimbursements	761,476	693,320	0
Recoveries	48,831	40,407	64,205
Cost reimbursements from			
Canteen Fund and others *	649,860	550,217	1,003,998
Fees for copying public records	7,307	11,188	14,293
Miscellaneous	81,429	200,753	73,415
Total General Revenue Fund	<u>\$ 2,109,727</u>	<u>1,869,317</u>	<u>1,582,347</u>
FACILITIES MAINTENANCE RESERVE FUND			
Donated assets	<u>\$ 0</u>	<u>44,107</u>	<u>0</u>
BOARD OF PUBLIC BUILDINGS - SERIES A			
2003 BOND PROCEEDS - PROJECT FUND			
Donated assets	<u>\$ 0</u>	<u>111,055</u>	<u>0</u>

* Receipts are primarily reimbursements from the Canteen Fund for canteen manager salaries. Fiscal year 2006 receipts also include reimbursements for canteen manager payroll for all of fiscal year 2005.

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
GENERAL REVENUE FUND									
Information Technology Services Division - Personal Service	\$ 0	0	0	0	0	0	2,324,348	2,301,130	23,218
Information Technology Services Division - Expense and Equipment	0	0	0	0	0	0	4,032,559	4,029,533	3,026
Eastern Reception and Diagnostic Center - Personal Service	18,848,102	18,630,840	217,262	18,841,731	18,434,028	407,703	18,703,273	17,899,433	803,840
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide	0	0	0	1	1	0	48,630	48,629	1 *
Chillicothe Correctional Center - Planning, Programming, and Preliminary Design of Replacement Facility	0	0	0	202,141	202,066	75	250,000	47,859	202,141 *
Costs Associated with Increased Offender Population Department-wide - Personal Service	2,647,100	2,539,043	108,057	3,152,524	2,710,940	441,584	6,058,375	1,922,438	4,135,937
Payment of Real Property Leases, Related Services, Utilities, Systems Furniture, Structural Modifications, and Related Expenses- Leasing	7,128,732	6,530,530	598,202	6,469,634	6,469,634	0	5,529,197	5,497,772	31,425
Adult Institutions Department-wide Expense and Equipment - Officers Clothing	1,775,781	1,774,391	1,390	749,151	748,391	760	749,151	749,150	1
Adult Institutions Department-wide Expense and Equipment - Vehicle	0	0	0	1	0	1	1	0	1
Adult Institutions Department-wide Expense and Equipment - Inmate Clothing	2,050,000	2,049,988	12	2,050,000	2,044,870	5,130	2,050,000	2,049,401	599
Adult Institutions Department-wide Expense and Equipment - Institutional Community Purchases	1,475,206	1,475,206	0	1,475,206	1,472,729	2,477	1,475,206	1,474,079	1,127
BP&P Command Center - Expense and Equipment	240,271	136,083	104,188	14,546	11,254	3,292	14,546	11,023	3,523
DHS - Personal Service	8,692,689	8,085,517	607,172	8,883,432	8,295,877	587,555	8,418,179	8,054,218	363,961
DHS - Expense and Equipment	196,843	196,575	268	204,119	202,349	1,770	224,691	223,183	1,508
Employee Health and Safety - Expense and Equipment	432,000	431,911	89	432,000	431,596	404	433,500	430,115	3,385
BP&P - Personal Service	59,362,650	57,835,010	1,527,640	57,570,928	56,487,340	1,083,588	55,240,249	54,672,967	567,282
BP&P - Expense and Equipment	4,728,404	4,626,652	101,752	4,880,165	4,590,428	289,737	5,181,089	5,074,486	106,603
South Central Correctional Center - Personal Service	11,961,035	11,733,682	227,353	11,917,588	11,449,852	467,736	11,205,053	10,902,589	302,464

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Aid to Counties for the Cost in Criminal Cases, Transportation of Convicted Criminals to State Penitentiaries, Housing, and Cost for Reimbursement of the Expenses Associated with Extradition	41,935,616	40,008,738	1,926,878	40,060,616	40,060,616	0	0	0	0
Western Reception and Diagnostic Center - Personal Service	15,392,727	14,677,180	715,547	15,044,710	14,268,801	775,909	15,104,614	14,317,351	787,263
Payment of Real Property Leases, Related Services, Utilities, Systems, Furniture, Structural Modifications, and Related Expenses - State Owned	937,174	912,923	24,251	855,438	855,438	0	0	0	0
Maryville Treatment Center - Personal Service	5,446,977	5,255,792	191,185	5,525,993	5,229,811	296,182	5,678,581	5,523,214	155,367
BP&P Command Center - Personal Service	520,652	507,141	13,511	505,487	482,262	23,225	470,621	445,513	25,108
General Services - Expense and Equipment	526,248	526,222	26	408,432	406,876	1,556	321,196	320,759	437
Contractual Services for Offender Physical and Mental Health Care - Expense and Equipment	116,113,029	114,679,324	1,433,705	102,279,361	98,327,872	3,951,489	91,226,092	91,223,455	2,637
Medical Equipment - Expense and Equipment	239,523	217,022	22,501	239,523	162,912	76,611	239,134	165,467	73,667
Public School Retirement Contributions	0	0	0	1	0	1	1	0	1
Appraisals and Surveys of State Facilities	22,000	3,766	18,234	0	0	0	0	0	0
Southeast Correctional Center - Personal Service	11,798,187	11,469,139	329,048	11,644,042	11,004,587	639,455	11,059,117	10,322,402	736,715
Restitution Payments for Those Wrongly Convicted	109,500	109,500	0	109,500	109,500	0	0	0	0
Building Maintenance and Repair Service Contracts - Expense and Equipment	0	0	0	15,709	12,211	3,498	0	0	0
Reentry Pilot Program in the City of Saint Louis - Expense and Equipment	900,000	708,818	191,182	1,000,000	25,867	974,133	0	0	0
Crossroads Correctional Center - Personal Service	11,247,084	10,849,310	397,774	11,100,680	10,223,599	877,081	10,478,933	9,991,041	487,892
BP&P Local Sentencing Initiatives, Electronic Monitoring, Residential and Community Treatment, Community Corrections Coordination Unit, and Command Center	0	0	0	0	0	0	1,710,220	1,566,000	144,220
Missouri Eastern Correctional Center - Personal Service	9,546,037	9,249,088	296,949	9,363,209	8,744,834	618,375	7,211,005	6,944,666	266,339
Northeast Correctional Center - Personal Service	15,271,496	14,831,773	439,723	15,192,744	14,218,392	974,352	13,829,615	13,313,936	515,679
Chillicothe Correctional Center - Personal Service	5,595,809	5,388,219	207,590	5,494,417	5,172,834	321,583	4,533,270	4,317,326	215,944

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Fuel and Utilities Department-wide - Expense and Equipment	0	0	0	26,858,285	26,856,080	2,205	26,744,175	26,130,412	613,763
Purchase, Transportation and Storage of Food and Food Service Items and Operational Expenses of Food Preparation Facilities at All Institutions Expense and Equipment	26,348,386	26,080,473	267,913	24,675,819	23,206,773	1,469,046	23,638,476	21,547,702	2,090,774
Jefferson City Correctional Center - Personal Service	15,705,838	15,250,306	455,532	15,566,596	15,474,214	92,382	16,505,039	16,267,926	237,113
Central Missouri Correctional Center - Personal Service	564,831	483,102	81,729	1,180,211	585,046	595,165	1,134,818	586,646	548,172
Women's Eastern Reception and Diagnostic Center - Personal Service	13,504,079	11,980,294	1,523,785	13,462,208	11,198,790	2,263,418	11,152,008	10,361,530	790,478
Ozark Correctional Center - Personal Service	4,583,646	4,454,333	129,313	4,636,239	4,417,450	218,789	4,275,303	4,166,360	108,943
Tipton Correctional Center - Personal Service	9,289,006	9,272,399	16,607	9,394,310	9,235,141	159,169	9,657,895	9,440,434	217,461
Moberly Correctional Center - Personal Service	12,030,676	11,811,491	219,185	11,994,647	11,616,464	378,183	11,156,919	10,847,623	309,296
Algoa Correctional Center - Personal Service	9,566,470	9,348,240	218,230	9,633,850	9,385,825	248,025	9,453,250	9,151,263	301,987
Office of the Director - Personal Service	3,517,383	2,914,758	602,625	2,837,493	2,669,257	168,236	2,728,361	2,487,650	240,711
Office of the Director - Expenses and Equipment	122,118	118,419	3,699	122,643	115,970	6,673	118,275	114,555	3,720
DAI Central Office - Personal Service	1,457,010	1,444,637	12,373	1,414,573	1,340,278	74,295	1,357,229	1,261,498	95,731
DAI Central Office - Expense and Equipment	178,464	178,055	409	178,464	172,058	6,406	183,511	177,933	5,578
Saint Louis Community Release Center - Personal Service	4,085,323	3,804,568	280,755	4,037,840	3,822,063	215,777	3,804,848	3,494,445	310,403
Kansas City Community Release Center - Personal Service	2,359,486	2,066,508	292,978	2,425,034	2,208,242	216,792	2,283,693	2,039,501	244,192
Costs Associated with Increased Offender Population Department-wide - Expense and Equipment	692,996	691,998	998	2,224,479	1,289,408	935,071	7,017,992	6,769,400	248,592
Boonville Correctional Center - Personal Service	9,117,461	8,792,424	325,037	9,068,503	8,472,676	595,827	8,677,146	8,246,532	430,614
Inmate Wage and Discharge Costs at all Correctional Facilities - Expense and Equipment	3,978,702	3,721,335	257,367	3,968,244	3,629,438	338,806	3,782,646	3,669,122	113,524
Telecommunications Expense Department-wide	2,239,422	2,239,422	0	2,239,422	2,239,156	266	2,993,454	2,991,815	1,639
Training Department-wide - Expense and Equipment	1,566,720	1,566,425	295	1,566,720	1,564,089	2,631	1,573,644	1,572,738	906
DORS Central Office - Personal Service	1,952,824	1,777,961	174,863	1,921,471	1,817,921	103,550	1,835,108	1,714,907	120,201
DORS Central Office- Expense and Equipment	59,995	54,592	5,403	59,995	55,379	4,616	62,333	60,486	1,847
Farmington Correctional Center - Personal Service	18,187,198	17,394,634	792,564	17,654,607	16,573,892	1,080,715	16,562,046	15,621,675	940,371
Farmington Correctional Center - Board of Public Buildings - Personal Service	835,826	702,304	133,522	1,169,563	1,088,503	81,060	1,182,312	1,109,625	72,687

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Farmington Correctional Center - Board of Public Buildings - Expense and Equipment	0	0	0	175,547	174,924	623	175,547	173,459	2,088
Fulton Reception and Diagnostic Correctional Center - Personal Service	11,989,070	11,357,290	631,780	11,736,353	10,895,480	840,873	9,783,923	9,453,626	330,297
Overtime	9,578,833	9,290,979	287,854	9,308,726	6,869,614	2,439,112	8,198,745	8,049,703	149,042
Substance Abuse Services - Personal Service	3,632,476	3,247,498	384,978	3,587,120	3,283,954	303,166	3,377,467	3,198,609	178,858
Substance Abuse Services - Expense and Equipment	4,741,219	3,944,281	796,938	2,658,198	2,400,159	258,039	2,671,219	2,613,776	57,443
Toxicology Testing - Expense and Equipment	886,331	858,582	27,749	886,331	850,367	35,964	899,916	869,306	30,610
Workforce Readiness - Expense and Equipment	90,918	72,455	18,463	90,918	74,597	16,321	94,449	83,019	11,430
Offender Education - Personal Service	9,283,371	8,384,588	898,783	8,975,588	8,366,749	608,839	8,604,814	8,114,829	489,985
Offender Education - Expense and Equipment	2,586,396	2,579,915	6,481	2,587,147	2,286,556	300,591	2,920,275	2,876,932	43,343
Offender Education - Personal Service - Hourly	0	0	0	37,394	20,374	17,020	36,206	33,088	3,118
Offender Reentry Program - Expense and Equipment	15,000	14,443	557	15,000	14,267	733	15,000	14,047	953
Offender Reentry Program - Expense and Equipment	368,096	340,858	27,238	368,096	298,283	69,813	370,700	255,103	115,597
Community Supervision Centers - Personal Service	2,484,370	1,912,628	571,742	1,973,976	1,278,248	695,728	1,389,987	988,505	401,482
Community Supervision Centers - Expense and Equipment	1,992,450	1,837,872	154,578	1,517,842	536,714	981,128	830,342	518,813	311,529
Fulton Reception and Diagnostic Correctional Center - Board of Public Buildings - Personal Service	617,918	517,226	100,692	639,988	536,601	103,387	553,340	486,482	66,858
Fulton Reception and Diagnostic Correctional Center - Board of Public Buildings - Expense and Equipment	0	0	0	48,533	48,131	402	48,533	48,521	12
Data Processing and Information Systems Department-wide - Expense and Equipment	0	0	0	0	0	0	176,525	170,912	5,613
Western Missouri Correctional Center - Personal Service	14,965,589	13,884,324	1,081,265	14,937,001	13,638,265	1,298,736	14,073,847	13,016,950	1,056,897
Potosi Correctional Center - Personal Service	10,535,644	10,005,170	530,474	10,709,219	9,965,479	743,740	9,154,126	9,148,397	5,729
Farmington Correctional Center and Fulton Reception and Diagnostic Correctional Center - Board of Public Buildings - Fuel and Utilities	0	0	0	4,561,609	4,557,389	4,220	4,562,017	4,047,622	514,395
Adult Institutions Department-wide Expense and Equipment - Institutional Pool	12,331,980	12,323,748	8,232	14,865,675	14,846,248	19,427	13,787,262	13,779,237	8,025
Total General Revenue Fund	583,184,393	562,159,918	21,024,475	593,654,506	562,834,279	30,820,227	533,405,167	511,611,849	21,793,318

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
FACILITIES MAINTENANCE RESERVE FUND									
Operational Maintenance and Repair	5,800,000	1,364,384	4,435,616	0	0	0	0	0	0
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide	7,288,609	4,457,453	2,831,156	7,839,106	7,839,106	0	18,047,318	724,619	17,322,699 *
Operational Maintenance and Repairs to State-owned Facilities	0	0	0	1,218,750	1,216,606	2,144	1,218,750	1,217,526	1,224
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide - Year 1	0	0	0	48,260	48,260	0	344,840	296,581	48,259 *
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide - Year 2	0	0	0	3,197,744	3,195,726	2,018	7,619,332	5,638,271	1,981,061 *
Maintenance, Repairs, Replacements, and Improvements at Facilities Statewide -									
Algoa Correctional Center - Electrical Service	6,771,068	2,064,802	4,706,266	0	0	0	0	0	0
Algoa Correctional Center - Condensate Lines	347,050	310,030	37,020	0	0	0	0	0	0
Boonville Correctional Center - Phase II Electric Various	4,816,782	231,383	4,585,399	0	0	0	0	0	0
Eastern Reception and Diagnostic Center - Fire Alarm Various	379,469	4,333	375,136	0	0	0	0	0	0
Farmington Correctional Center - Water System Improvement	644,512	28,900	615,612	0	0	0	0	0	0
Farmington Correctional Center - Fire Alarm System	2,798,183	506,213	2,291,970	0	0	0	0	0	0
Fulton Reception and Diagnostic Correctional Center - Replace Roof	52,064	30,972	21,092	0	0	0	0	0	0
Fulton Reception and Diagnostic Correctional Center - Natural Gas Lines	139,191	21,700	117,491	0	0	0	0	0	0
Maryville Treatment Center - Replace/Repair Elevator	802,832	18,599	784,233	0	0	0	0	0	0
Missouri Eastern Correctional Center - Replace Boiler	256,222	203,468	52,754	0	0	0	0	0	0
Kitchen Floor	126,298	0	126,298	0	0	0	0	0	0

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Missouri Eastern Correctional Center - Replace Roofs	1,107,197	26,053	1,081,144	0	0	0	0	0	0
Moberly Correctional Center - Fire Alarm System	919,313	21,472	897,841	0	0	0	0	0	0
Moberly Correctional Center - Repair Exterior Administration	681,017	369	680,648	0	0	0	0	0	0
Ozark Correctional Center - Fire Alarm System Various	466,478	9,255	457,223	0	0	0	0	0	0
Potosi Correctional Center - Replace Chiller	600,799	516,227	84,572	0	0	0	0	0	0
Tipton Correctional Center - Electronic Renovation Various	1,474,552	153,910	1,320,642	0	0	0	0	0	0
Western Missouri Correctional Center - Security Improvements Various	8,387,388	1,911,942	6,475,446	0	0	0	0	0	0
Western Reception and Diagnostic Center - Repair Tunnel	333,938	0	333,938	0	0	0	0	0	0
Western Reception and Diagnostic Center - Power Plant Roof	821,266	18,115	803,151	0	0	0	0	0	0
Western Reception and Diagnostic Center - Replace Floor	290,927	10,601	280,326	0	0	0	0	0	0
Western Reception and Diagnostic Center - Electrical Study	148,000	71,740	76,260	0	0	0	0	0	0
Kansas City Community Release Center - Exhaust System Administration	252,679	14,436	238,243	0	0	0	0	0	0
Energy Conservation Project	618,625	385,590	233,035	0	0	0	0	0	0
Total Facilities Maintenance Reserve Fund	46,324,459	12,381,947	33,942,512	12,303,860	12,299,698	4,162	27,230,240	7,876,997	19,353,243
DEPARTMENT OF CORRECTIONS FUND									
Information Technology Services Division - Expense and Equipment	0	0	0	0	0	0	2,872	2,357	515
Security Enhancements Statewide	969,519	24,243	945,276	232,534	232,534	0	3,000,000	1,797,947	1,202,053 *
Contractual Services for Offender Physical and Mental Health Care - Expense and Equipment	0	0	0	1	0	1	1	0	1
Planning, Design, and Construction of Community Supervision Centers Statewide	308,073	308,073	0	0	0	0	0	0	0

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Food Service Items and Operational Expenses of Food Preparation Facilities at All Institutions - Expense and Equipment	450,000	226,577	223,423	450,000	449,932	68	450,000	449,658	342
Planning, Design, and Construction of Community Supervision Centers Statewide	16,348,960	12,272,677	4,076,283	3,174,087	3,174,086	1	24,611,078	5,088,031	19,523,047 *
Planning, Design, and Construction of a Juvenile Housing Unit at Northeast Correctional Center	1,655,802	1,059,597	596,205	824,486	824,486	0	2,510,501	30,213	2,480,288 *
Overtime	0	0	0	1	0	1	1	0	1
Federal Programs - Personal Service	2,863,731	2,048,625	815,106	2,780,321	1,939,182	841,139	2,219,424	1,885,535	333,889
Federal Programs - Expense and Equipment	6,154,437	3,287,656	2,866,781	5,356,718	2,765,732	2,590,986	5,467,683	2,142,310	3,325,373
Total Department of Corrections Fund	28,750,522	19,227,448	9,523,074	12,818,148	9,385,952	3,432,196	38,261,560	11,396,051	26,865,509
BOARD OF PUBLIC BUILDINGS - SERIES A 2003 BOND PROCEEDS - PROJECTS FUND									
Planning, Design, and Construction of Community Supervision Centers Statewide	730,255	455,726	274,529	717,500	717,499	1	2,022,748	574,993	1,447,755 *
Planning, Design, and Construction of a Juvenile Housing Unit at Northeast Correctional Center	50,364	12,376	37,988	62,393	62,392	1	127,745	14,988	112,757 *
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide	0	0	0	354,682	354,682	0	1,654,048	1,297,831	356,217 *
Total Board of Public Buildings - Series A 2003 Bond Proceeds- Projects Fund	780,619	468,102	312,517	1,134,575	1,134,573	2	3,804,541	1,887,812	1,916,729
FOURTH STATE BUILDING - SERIES A 1998 FUND									
Maintenance, Repairs, Replacements, Unprogrammed Requirements, Emergency Requirements, and Improvements at Facilities Statewide	1,325,607	1,325,607	0	3,802,408	3,802,408	0	6,019,695	1,091,680	4,928,015 *
Total Fourth State Building- Series A 1998 Fund	1,325,607	1,325,607	0	3,802,408	3,802,408	0	6,019,695	1,091,680	4,928,015
WORKING CAPITAL REVOLVING FUND									
Information Technology Services Division - Personal Service	0	0	0	0	0	0	43,152	42,795	357
Information Technology Services Division - Expense and Equipment	0	0	0	0	0	0	223,694	48,100	175,594
Jefferson City Correctional Center - Personal Service	0	0	0	0	0	0	203,024	154,860	48,164
Moberly Correctional Center - Personal Service	0	0	0	0	0	0	169,220	156,416	12,804

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Missouri Eastern Correctional Center - Personal Service	0	0	0	0	0	0	56,806	45,478	11,328
Missouri Correctional Enterprises - Expense and Equipment	25,645,726	23,781,136	1,864,590	25,645,726	18,814,015	6,831,711	25,592,442	15,525,303	10,067,139
Missouri Correctional Enterprises - Personal Service	7,896,208	6,498,215	1,397,993	7,704,116	6,183,811	1,520,305	7,422,081	6,345,776	1,076,305
Private Sector/Prison Industry Enhancement Program - Expense and Equipment	0	0	0	962,762	0	962,762	962,762	0	962,762
Fuel and Utilities Department-wide - Expense and Equipment	0	0	0	1,487,661	1,487,414	247	1,500,000	1,491,251	8,749
Telecommunications Expense Department-wide	0	0	0	256,400	0	256,400	256,400	0	256,400
Payment of Real Property Leases, Related Services, Utilities, Systems Furniture, Structural Modifications, and Related Expenses - Leasing	261,379	168,966	92,413	181,224	177,868	3,356	107,254	105,669	1,585
Algoa Correctional Center - Personal Service	0	0	0	0	0	0	29,003	20,691	8,312
Overtime	15,001	0	15,001	1	0	1	20,001	107	19,894
Workforce Readiness - Expense and Equipment	0	0	0	350,000	0	350,000	694,349	0	694,349
Total Working Capital Revolving Fund	33,818,314	30,448,317	3,369,997	36,587,890	26,663,108	9,924,782	37,280,188	23,936,446	13,343,742
INMATE REVOLVING FUND									
Boonville Correctional Center - Personal Service	32,263	0	32,263	31,323	215	31,108	29,003	20,281	8,722
Residential Treatment Facilities - Expense and Equipment	4,989,458	3,256,789	1,732,669	2,733,039	2,610,045	122,994	2,733,039	2,080,859	652,180
Ozark Correctional Center - Personal Service	319,313	306,724	12,589	310,013	307,949	2,064	291,000	290,705	295
Electronic Monitoring - Expense and Equipment	1,980,289	919,207	1,061,082	1,494,821	960,935	533,886	0	0	0
Local Sentencing Initiative - Expense and Equipment	1,087,115	1,020,071	67,044	1,087,115	915,264	171,851	0	0	0
Costs Associated with Increased Offender Population Department-wide - Personal Service	0	0	0	415,863	383,388	32,475	0	0	0
DHS - Personal Service	311,914	189,945	121,969	333,238	281,206	52,032	320,422	251,809	68,613
DHS - Expense & Equipment	63,049	15,334	47,715	63,049	18,682	44,367	63,049	1,240	61,809
Tipton Correctional Center - Personal Service	85,637	11,961	73,676	83,143	56,926	26,217	79,945	34,643	45,302
BP&P - Personal Service	284,317	252,119	32,198	129,277	88,991	40,286	124,305	90,864	33,441
BP&P - Expense and Equipment	3,050,772	819,283	2,231,489	63,048	45,310	17,738	63,048	43,997	19,051
Kansas City Community Release Center - Personal Service	46,042	38,989	7,053	44,701	32,391	12,310	42,982	37,128	5,854
Chillicothe Correctional Center - Personal Service	27,018	23,834	3,184	26,231	25,940	291	25,222	24,984	238
Overtime	15,001	9,593	5,408	1	0	1	20,001	0	20,001

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***	Appropriation Authority	Expenditures	Lapsed Balances ***
Community Corrections Coordination Unit - Personal Service	0	0	0	146,759	143,869	2,890	141,114	136,502	4,612
BP&P Local Sentencing Initiatives, Electronic Monitoring, Residential and Community Treatment, Community Corrections Coordination Unit, and Command Center	0	0	0	0	0	0	1,510,021	752,489	757,532
Total Inmate Revolving Fund	12,292,188	6,863,849	5,428,339	6,961,621	5,871,111	1,090,510	5,443,151	3,765,501	1,677,650
CORRECTIONAL SUBSTANCE ABUSE EARNINGS FUND									
Substance Abuse Services - Expense and Equipment	264,600	78,371	186,229	264,600	88,233	176,367	264,600	49,159	215,441
Total Correctional Substance Abuse Earnings Fund	264,600	78,371	186,229	264,600	88,233	176,367	264,600	49,159	215,441
Total All Funds **	\$ 706,740,702	632,953,559	73,787,143	667,527,608	622,079,362	45,448,246	651,709,142	561,615,495	90,093,647

* Biennial appropriations set up in the current fiscal year are re-appropriations to the next fiscal year. After the fiscal year-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

** This schedule does not include start-up expenditures for the new Chillicothe Prison. The DOC was authorized to spend \$9.7 million from the Board of Public Buildings Series A 2006 Chillicothe Prison Fund for start-up expenditures. The design and construction of the new facility was also paid from this fund by the Office of Administration.

Appendix C

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURE:

*** The lapsed balances include the following withholdings made at the Governor's request:

		Year Ended June 30,		
		2008	2007	2006
General Revenue Fund				
Personal Service	\$	8,540,532	9,879,415	13,410,821
Expense and Equipment		803,680	1,776,810	929,749
Overtime		287,365	279,262	148,285
Reentry Pilot Program in the City of Saint Louis -				
Expense and Equipment		27,000	30,000	0
BP&P Local Sentencing Initiatives, Electronic				
Monitoring, Residential and Community				
Treatment, Community Corrections Coordination				
Unit, and Command Center- Personal Services &				
Expense & Equipment		0	0	51,307
Total General Revenue Fund	\$	<u>9,658,577</u>	<u>11,965,487</u>	<u>14,540,162</u>

BP&P Board of Probation and Parole
DAI Division of Adult Institutions
DHS Division of Human Services
DORS Division of Offender Rehabilitative Services

Appendix D

DEPARTMENT OF CORRECTIONS COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

		Year Ended June 30,				
		2008	2007	2006	2005	2004
Salaries and wages	\$	340,529,402	330,544,165	319,754,601	326,319,243	311,361,338
Travel, in-state		2,582,667	2,783,679	2,798,146	2,708,348	2,679,154
Travel, out-of-state		311,862	294,917	256,643	298,474	208,817
Fuel and utilities *		706,258	29,975,057	31,743,136	28,528,733	27,250,748
Supplies		62,903,710	53,786,031	50,961,615	52,885,471	53,723,922
Professional development		395,506	402,888	470,646	538,509	627,217
Communication services and supplies		1,544,935	1,750,336	2,476,109	2,514,211	2,519,305
Services:						
Professional		130,287,332	113,517,046	110,821,193	109,407,269	105,337,196
Housekeeping and janitorial		1,673,396	1,578,607	1,596,275	1,585,443	1,753,216
Maintenance and repair		2,802,256	3,793,701	4,215,871	4,519,259	5,666,818
Equipment:						
Computer		299,014	38,788	1,998,057	2,297,413	3,605,561
Motorized		1,134,093	1,440,920	1,431,285	1,269,197	1,601,383
Office		1,254,039	1,533,143	1,314,778	2,424,431	1,572,807
Other		5,081,105	4,862,573	2,990,228	6,408,657	5,814,961
Property and improvements		27,688,417	22,308,004	16,757,007	11,157,503	6,267,510
Debt service		200,833	302,111	66,971	6,155	153,437
Real property rentals and leases		6,419,595	6,561,445	5,907,620	6,610,494	6,433,150
Equipment rental and leases		226,920	337,311	459,356	329,885	1,298,613
Miscellaneous expenses		6,040,763	6,098,524	5,595,936	5,727,681	5,873,389
Rebillable expenses		0	0	0	0	48,161
Refunds		7,901	0	22	0	0
Program distributions **		40,863,555	40,170,116	0	0	0
Total Expenditures	\$	<u>632,953,559</u>	<u>622,079,362</u>	<u>561,615,495</u>	<u>565,536,376</u>	<u>543,796,703</u>

* Beginning in fiscal year 2008, expenditures for fuel and utilities are primarily paid by the Office of Administration (OA) as part of the consolidation of maintenance resources. Funds are transferred to the OA to cover the expenses.

** In fiscal year 2007, appropriations to reimburse counties and the City of St. Louis for certain costs incurred in the prosecution and incarceration of defendants sentenced to imprisonment in the DOC, costs of transporting prisoners to the reception and diagnostic centers, and costs of transporting extradited prisoners were transferred from the OA to the DOC.

Appendix E

DEPARTMENT OF CORRECTIONS COMPARATIVE STATEMENT OF INCOME, EXPENSES, AND NET INCOME INMATE CANTEEN FUND

	Year Ended June 30,		
	2008	2007	2006
Income			
Canteen sales	\$ 29,577,165	29,360,786	29,401,054
Vending machine income	413,048	438,043	398,041
Interest	632,682	575,423	454,780
Miscellaneous	589,201	176,439	297,580
Total Income	<u>31,212,096</u>	<u>30,550,691</u>	<u>30,551,455</u>
Expenses			
Cost of sales	22,666,827	22,624,472	23,360,719
Operating expenses	1,470,428	1,089,098	1,041,589
Inmate benefit	4,646,046	4,415,266	3,523,078
Total Expenses	<u>28,783,301</u>	<u>28,128,836</u>	<u>27,925,386</u>
Net Income (Loss)	<u>\$ 2,428,795</u>	<u>2,421,855</u>	<u>2,626,069</u>

Note: Income and expenses on this statement will not agree to receipts and disbursements on Appendix A because this statement was prepared using the accrual basis of accounting and Appendix A was prepared using the cash basis of accounting.

Appendix F

DEPARTMENT OF CORRECTIONS COMPARATIVE STATEMENT OF INCOME, EXPENSES, AND NET INCOME WORKING CAPITAL REVOLVING FUND

	Year Ended June 30,		
	2008	2007	2006
Income			
Sales - regular	\$ 35,001,609	28,399,355	27,362,419
Sales - interdepartmental	2,843,632	2,226,589	2,391,834
Other	1,008,658	991,173	963,527
Total Income	<u>38,853,899</u>	<u>31,617,117</u>	<u>30,717,780</u>
Cost of Goods Sold			
Material	18,669,953	13,493,637	12,903,259
Inmate labor	1,664,323	1,504,422	1,540,166
Manufacturing overhead	5,154,539	4,778,584	4,224,611
Freight	71,881	51,946	29,899
Subtotal	<u>25,560,696</u>	<u>19,828,589</u>	<u>18,697,935</u>
Physical inventory adjustment	(644,870)	(459,807)	(69,590)
MVE central office overhead	<u>(5,163,828)</u>	<u>(4,844,006)</u>	<u>(4,176,549)</u>
Total Cost of Goods Sold	<u>19,751,998</u>	<u>14,524,776</u>	<u>14,451,796</u>
Gross Profit Margin	19,101,901	17,092,341	16,265,984
Expenses			
Salaries and wages	6,557,544	6,208,687	6,730,026
Benefits	2,863,228	2,853,712	2,972,856
Other	7,655,804	8,143,741	7,522,148
Total Expenses	<u>17,076,576</u>	<u>17,206,140</u>	<u>17,225,030</u>
Net Income (Loss)	\$ <u>2,025,325</u>	<u>(113,799)</u>	<u>(959,046)</u>

Note: Income, cost of goods sold, and expenses on this statement will not agree to receipts and disbursements on Appendix A because this statement was prepared using the accrual basis of accounting and Appendix A was prepared using the cash basis of accounting.

Appendix G

DEPARTMENT OF CORRECTIONS
COMPARATIVE STATEMENT OF GENERAL CAPITAL ASSETS

Asset Type:	Department of Corrections *			Missouri Vocational Enterprises		
	June 30,			June 30,		
	2008	2007	2006	2008	2007	2006
Buildings	\$ 943,235,904	927,452,496	924,073,462	6,361,377	6,385,795	6,385,794
Equipment	65,885,855	65,718,206	67,325,107	3,509,444	3,671,862	3,612,367
Land Improvements	19,895,642	19,526,705	19,506,997	62,453	62,453	62,453
Land	6,781,403	6,781,403	6,670,348	40,500	40,500	40,500
Tools	38,443	38,443	23,897	16,480,455	16,813,889	16,327,488
Vehicles	7,406,142	6,899,292	5,972,957	3,735,786	3,716,069	3,450,012
Total	\$ 1,043,243,389	1,026,416,545	1,023,572,768	30,190,015	30,690,568	29,878,614

Fund of Acquisition:	June 30, 2008	June 30, 2008
General Revenue Fund	\$ 698,459,225	0
Elementary and Secondary Education - Federal and Other Fund	89,567	0
Division of Youth Services - Federal and Other Fund	206,320	0
Facilities Maintenance Reserve Fund	30,791,167	0
Department of Corrections Fund	41,932,350	0
Department of Natural Resources - Federal and Other Fund	3,204	0
Revenue Sharing Trust Fund	7,352,072	0
Federal and Other Fund	513,000	0
Gaming Proceeds for Education Fund	59,878	0
Bingo Proceeds for Education Fund	1,998	0
Board of Public Buildings - Series A 2003 Bond Proceeds - Projects Fund	3,575,480	0
Third State Building Fund - Pre Tax Act 1986 Fund	4,006,235	0
Third State Building Trust Fund	72,862,355	0
Fourth State Building - Series A 1995 Fund	22,521,167	0
Fourth State Building - Series A 1996 Fund	67,564,933	0
Fourth State Building - Series A 1998 Fund	32,226,167	0
Department of Natural Resources Cost Allocation Fund	7,351	0
Working Capital Revolving Fund	0	30,190,015
Inmate Revolving Fund	2,607	0
State School Moneys Fund	42,265	0
Americans With Disabilities Act Compliance Fund	2,707,647	0
Board of Public Buildings - Series A 2001 Bond Proceeds - Projects Fund	2,170,255	0
Board of Public Buildings - Series A 2006 Bond Proceeds - Projects Fund	44,634	0
Board of Public Buildings - Capital Assets Fund	56,103,512	0
Total All Funds	\$ 1,043,243,389	30,190,015

* This statement does not include the Inmate Canteen Fund Capital Assets. See finding number 3.D.



Susan Montee, JD, CPA
Missouri State Auditor

Missouri Statewide Performance Indicators: A National Comparison



September 2009

Report No. 2009-102

auditor.mo.gov

Contents

State Auditor's Letter	2
-------------------------------	---

Statewide Performance Indicators		
Economy		4
Household Median Income: 2007		5
Unemployment Rate: June 2009		6
State Tax Burden as a Percentage of Personal Income: 2007		7
State Cigarette Tax in Dollars: 2009		8
Percent of Population in Poverty: 2007		9
Percent of Children in Poverty: 2007		10
Education		11
4th Grade NAEP Reading Scores: 2007		12
4th Grade NAEP Math Scores: 2007		13
8th Grade NAEP Reading Scores: 2007		14
8th Grade NAEP Math Scores: 2007		15
ACT Scores: 2008		16
High School Drop Out Rate: 2006		17
Percent of Population Age 25 and Older - High School Graduate or Higher: 2007		18
Percent of Population Age 25 and Older - Bachelor's Degree or Higher: 2007		19
Civic Involvement		20
Voter Turnout Rate: Election 2008		21
Volunteer Rate of the Population Age 16+: 2007		22
Health		23
Percent of Population that are Adult Smokers: 2008		24
Percent of Population Overweight or Obese: 2007		25
Percent of Live Births to Mothers Under 20 Years of Age: 2006		26
Percent of Population without Health Insurance: 2007		27
Crime		28
Violent Crime Rate per 100,000 Inhabitants: 2007		29
Property Crime Rate per 100,000 Inhabitants: 2007		30
Transportation		31
Average Travel Time to Work in Minutes: 2007		32
Percent of Population Using Seat Belts: 2008		33
State Gas Taxes in Cents: 2008		34
Percent of Roads in Mediocre or Poor Condition: 2006		35
Percent of Bridges Structurally Deficient or Functionally Obsolete: 2008		36



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The following benchmark report is the result of research conducted by the University of Missouri, Harry S Truman School of Public Affairs that has been presented to, and reviewed by the Missouri State Auditor's Office.

The objective of this report was to present compiled comparative data on a vast array of policy issue areas to:

1. Provide comparative information to Missouri legislators, other elected officials, and citizens.
2. Without comment, or drawing conclusions allow the comparative data and rankings to stand alone as indicators.
3. Publish the report in a technical format that provides information, and trends when classifiable, without presumptions or findings.

Many policy makers have found that monitoring performance indicators can provide valuable information when it comes to policy development, as well as government action. Similar reports conducted elsewhere have been helpful in providing a snap shot as to where states are positioned in relation to each other in critical areas dealing with the economy, health care, crime, education, transportation and civic involvement. Comparative analysis can serve to help measure progress made in relation to others and is becoming increasingly more important for generally establishing the direction states are headed in a variety of policy areas.

Also because statistical information is constantly evolving, updated information can almost always be found from sources drawn upon in this report, as well as from other qualified monitoring sources.

This report was completed in coordination with the University of Missouri-Columbia, Harry S Truman School of Public Affairs, and prepared under the direction of Joe Martin, MPA, JD of the Missouri State Auditor's Office (SAO). Key contributors to this report include SAO staff Becky Brennecke, MPA; and Robert Showers, CPA; and of the Harry S Truman School of Public Affairs David Valentine, PhD; and Ben Wisnewski, MPA.

A handwritten signature in black ink, reading "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, JD, CPA
State Auditor



Missouri Statewide Performance Indicators: A National Comparison

Economy

Household Median Income - The median household income is the amount which divides households into two equal groups, one having incomes above that amount and the other having incomes below that amount. The data was provided by the Census Bureau. In 2007, Missouri ranked 37th.

Unemployment rate - The government conducts a monthly sample survey called the Current Population Survey (CPS) to measure the extent of unemployment in the country. There are approximately 110,000 individuals included in the survey. The CPS sample is selected so as to be representative of the entire population of the United States. The survey is designed so that each person age 16 and over who is neither in an institution (for example, correctional facilities and residential nursing and mental health care facilities) nor on active duty in the Armed Forces is counted and classified in only one group. The sum of the employed and the unemployed constitutes the civilian labor force. The data was provided by the Bureau for Labor Statistics. In June 2009, Missouri ranked 17th.

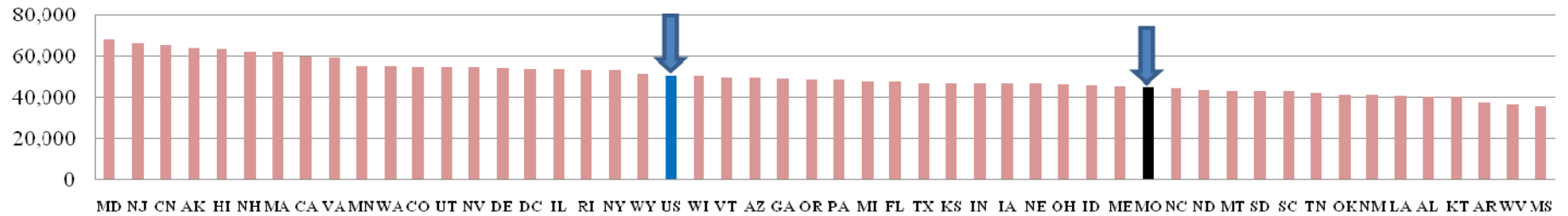
State Tax Burden as a Percentage of Personal Income - The amount of state taxes collected, divided by personal income. The data was provided by the Federation of Tax Administrators. In 2007, Missouri ranked 45th.

State Cigarette Tax - The amount of tax levied, in dollars, by a state on the sale of a pack of cigarettes. The data was provided by the National Conference of State Legislatures. In 2009, Missouri ranked 50th.

Percent of Population in Poverty - The percent of the population that has a yearly income below the federal poverty level. The data was provided by the Census Bureau. In 2007, Missouri ranked 21st.

Percent of Children in Poverty - The percent of children under age 18 that live in a household whose yearly income is below the federal poverty level. The data was provided by the Census Bureau. In 2007, Missouri ranked 20th.

Household Median Income: 2007



Rank	State	Income
1	Maryland	\$68,080
2	New Jersey	\$67,035
3	Connecticut	\$65,967
4	Alaska	\$64,333
5	Hawaii	\$63,746
6	New Hampshire	\$62,369
7	Massachusetts	\$62,365
8	California	\$59,948
9	Virginia	\$59,562
10	Minnesota	\$55,802
11	Washington	\$55,591
12	Colorado	\$55,212
13	Utah	\$55,109
14	Nevada	\$55,062
15	Delaware	\$54,610
16	DC	\$54,317
17	Illinois	\$54,124
18	Rhode Island	\$53,568
19	New York	\$53,514

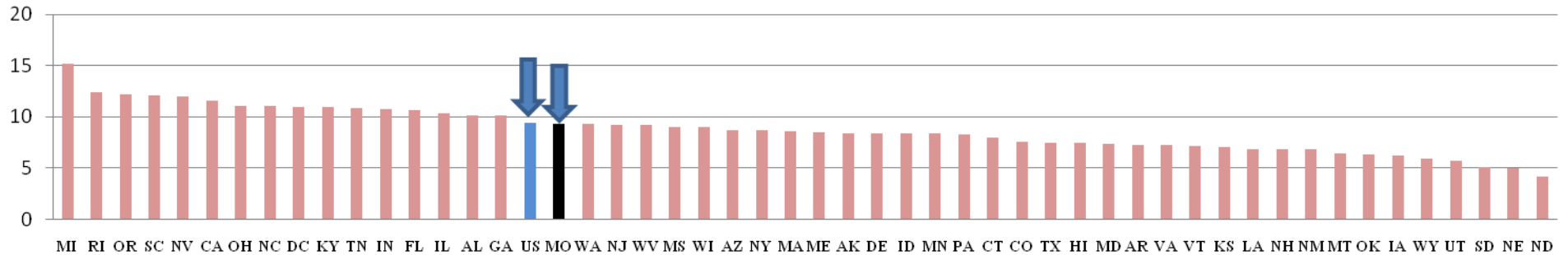
Rank	State	Income
20	Wyoming	\$51,731
	US	\$50,740
21	Wisconsin	\$50,578
22	Vermont	\$49,907
23	Arizona	\$49,889
24	Georgia	\$49,136
25	Oregon	\$48,730
26	Pennsylvania	\$48,576
27	Michigan	\$47,950
28	Florida	\$47,804
29	Texas	\$47,548
30	Kansas	\$47,451
31	Indiana	\$47,448
32	Iowa	\$47,292
33	Nebraska	\$47,085
34	Ohio	\$46,597
35	Idaho	\$46,253
36	Maine	\$45,888
37	Missouri	\$45,114

Rank	State	Income
38	North Carolina	\$44,670
39	North Dakota	\$43,753
40	Montana	\$43,531
41	South Dakota	\$43,424
42	South Carolina	\$43,329
43	Tennessee	\$42,367
44	Oklahoma	\$41,567
45	New Mexico	\$41,452
46	Louisiana	\$40,926
47	Alabama	\$40,554
48	Kentucky	\$40,267
49	Arkansas	\$38,134
50	West Virginia	\$37,060
51	Mississippi	\$36,338

Year	MO Rank	Income
2005	36	\$41,974
2006	37	\$42,841
2007	37	\$45,114

Source: Census.gov

Unemployment Rate: June 2009



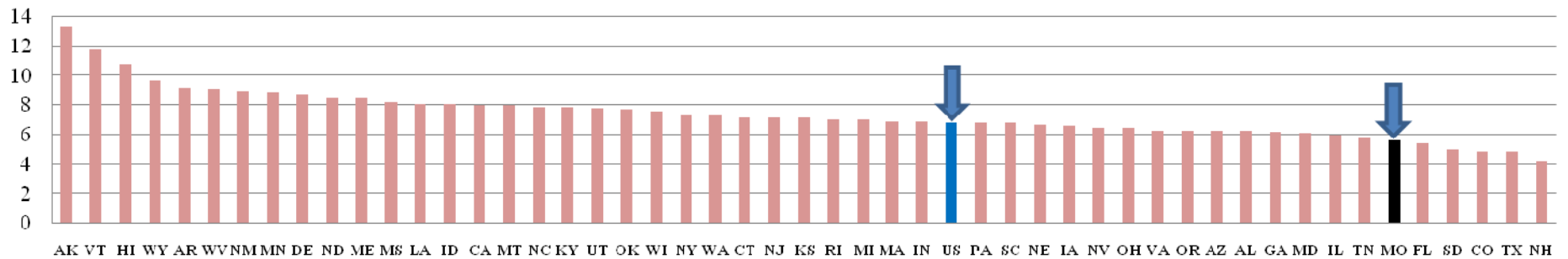
Rank	State	Rate
1	Michigan	15.2%
2	Rhode Island	12.4%
3	Oregon	12.2%
4	South Carolina	12.1%
5	Nevada	12.0%
6	California	11.6%
7	Ohio	11.1%
8	North Carolina	11.0%
9	DC	10.9%
10	Kentucky	10.9%
11	Tennessee	10.8%
12	Indiana	10.7%
13	Florida	10.6%
14	Illinois	10.3%
15	Alabama	10.1%
16	Georgia	10.1%
	US	9.4%
17	Missouri	9.3%
18	Washington	9.3%

Rank	State	Rate
19	New Jersey	9.2%
20	West Virginia	9.2%
21	Mississippi	9.0%
22	Wisconsin	9.0%
23	Arizona	8.7%
24	New York	8.7%
25	Massachusetts	8.6%
26	Maine	8.5%
27	Alaska	8.4%
28	Delaware	8.4%
29	Idaho	8.4%
30	Minnesota	8.4%
31	Pennsylvania	8.3%
32	Connecticut	8.0%
33	Colorado	7.6%
34	Texas	7.5%
35	Hawaii	7.4%
36	Maryland	7.3%
37	Arkansas	7.2%

Rank	State	Rate
38	Virginia	7.2%
39	Vermont	7.1%
40	Kansas	7.0%
41	Louisiana	6.8%
42	New Hampshire	6.8%
43	New Mexico	6.8%
44	Montana	6.4%
45	Oklahoma	6.3%
46	Iowa	6.2%
47	Wyoming	5.9%
48	Utah	5.7%
49	South Dakota	5.1%
50	Nebraska	5.0%
51	North Dakota	4.2%

Source: BLS.gov

State Tax Burden as a Percentage of Personal Income: 2007



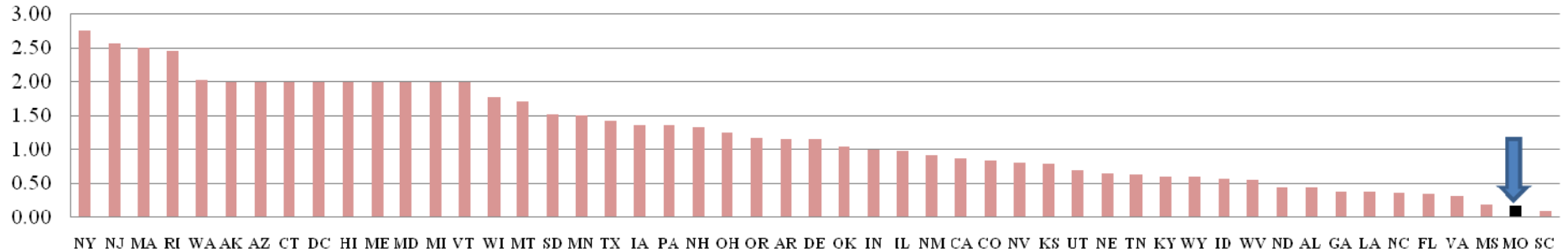
Rank	State	Percent
1	Alaska	13.3%
2	Vermont	11.8%
3	Hawaii	10.8%
4	Wyoming	9.7%
5	Arkansas	9.2%
6	West Virginia	9.1%
7	New Mexico	9.0%
8	Minnesota	8.9%
9	Delaware	8.7%
10	North Dakota	8.5%
11	Maine	8.5%
12	Mississippi	8.2%
13	Louisiana	8.1%
14	Idaho	8.1%
15	California	8.0%
16	Montana	8.0%
17	North Carolina	7.9%
18	Kentucky	7.9%
19	Utah	7.8%

Rank	State	Percent
20	Oklahoma	7.7%
21	Wisconsin	7.6%
22	New York	7.4%
23	Washington	7.3%
24	Connecticut	7.2%
25	New Jersey	7.2%
26	Kansas	7.2%
27	Rhode Island	7.0%
28	Michigan	7.0%
29	Massachusetts	6.9%
30	Indiana	6.9%
	US	6.8%
31	Pennsylvania	6.8%
32	South Carolina	6.8%
33	Nebraska	6.7%
34	Iowa	6.6%
35	Nevada	6.5%
36	Ohio	6.5%
37	Virginia	6.3%

Rank	State	Percent
38	Oregon	6.3%
39	Arizona	6.3%
40	Alabama	6.3%
41	Georgia	6.2%
42	Maryland	6.1%
43	Illinois	6.0%
44	Tennessee	5.8%
45	Missouri	5.6%
46	Florida	5.4%
47	South Dakota	5.0%
48	Colorado	4.9%
49	Texas	4.9%
50	New Hampshire	4.2%

Year	MO Rank	Percent
2005	No data	No data
2006	No data	No data
2007	45	5.6%

State Cigarette Tax in Dollars: 2009



Rank	State	Dollars
1	New York	2.75
2	New Jersey	2.57
3	Massachusetts	2.51
4	Rhode Island	2.46
5	Washington	2.02
6	Alaska	2.00
7	Arizona	2.00
8	Connecticut	2.00
9	DC	2.00
10	Hawaii	2.00
11	Maine	2.00
12	Maryland	2.00
13	Michigan	2.00
14	Vermont	1.99
15	Wisconsin	1.77
16	Montana	1.70
17	South Dakota	1.53
18	Minnesota	1.50
19	Texas	1.41

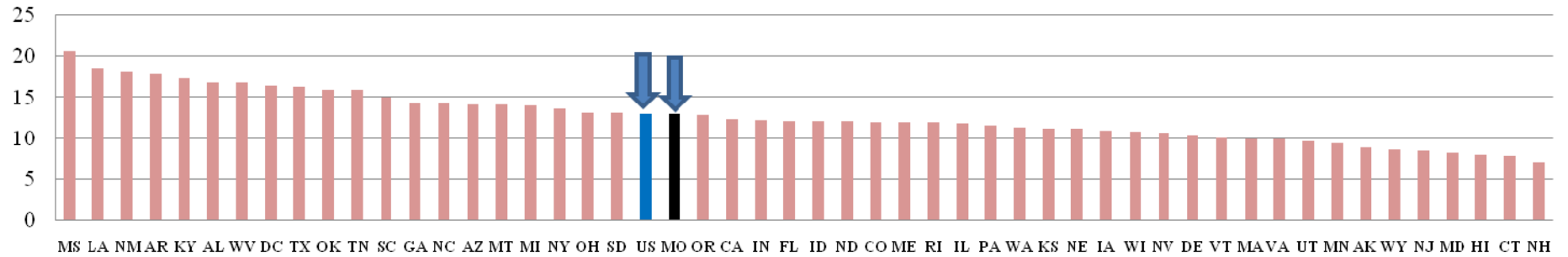
Rank	State	Dollars
20	Iowa	1.36
21	Pennsylvania	1.35
22	New Hampshire	1.33
23	Ohio	1.25
24	Oregon	1.18
25	Arkansas	1.15
26	Delaware	1.15
27	Oklahoma	1.03
28	Indiana	0.99
29	Illinois	0.98
30	New Mexico	0.91
31	California	0.87
32	Colorado	0.84
33	Nevada	0.80
34	Kansas	0.79
35	Utah	0.69
36	Nebraska	0.64
37	Tennessee	0.62
38	Kentucky	0.60

Rank	State	Dollars
39	Wyoming	0.60
40	Idaho	0.57
41	West Virginia	0.55
42	North Dakota	0.44
43	Alabama	0.42
44	Georgia	0.37
45	Louisiana	0.36
46	North Carolina	0.35
47	Florida	0.33
48	Virginia	0.30
49	Mississippi	0.18
50	Missouri	0.17
51	South Carolina	0.07

Year	MO Rank	Dollars
2007	50	0.17
2008	50	0.17
2009	50	0.17

Source: ncs1.org

Percent of Population in Poverty: 2007



Rank	State	Percent
1	Mississippi	20.6%
2	Louisiana	18.6%
3	New Mexico	18.1%
4	Arkansas	17.9%
5	Kentucky	17.3%
6	Alabama	16.9%
6	West Virginia	16.9%
8	DC	16.4%
9	Texas	16.3%
10	Oklahoma	15.9%
10	Tennessee	15.9%
12	South Carolina	15.0%
13	Georgia	14.3%
13	North Carolina	14.3%
15	Arizona	14.2%
16	Montana	14.1%
17	Michigan	14.0%
18	New York	13.7%
19	Ohio	13.1%

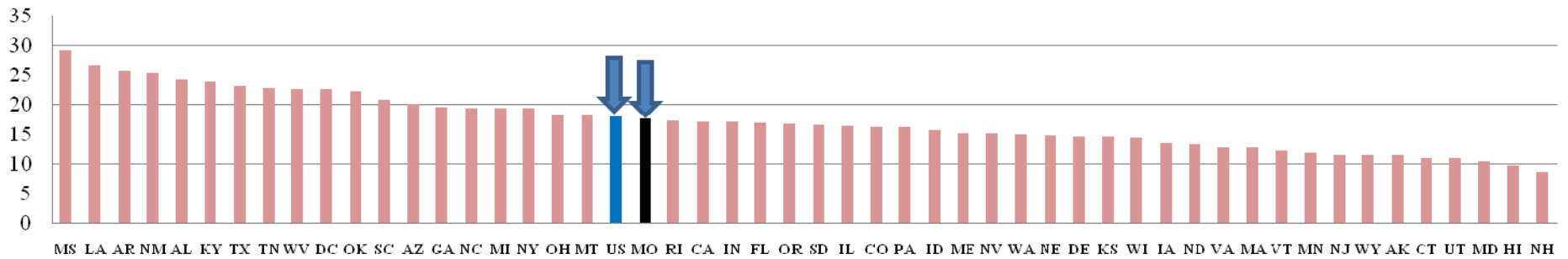
Rank	State	Percent
19	South Dakota	13.1%
	US	13.0%
21	Missouri	13.0%
22	Oregon	12.9%
23	California	12.4%
24	Indiana	12.3%
25	Florida	12.1%
25	Idaho	12.1%
25	North Dakota	12.1%
28	Colorado	12.0%
28	Maine	12.0%
28	Rhode Island	12.0%
31	Illinois	11.9%
32	Pennsylvania	11.6%
33	Washington	11.4%
34	Kansas	11.2%
34	Nebraska	11.2%
36	Iowa	11.0%
37	Wisconsin	10.8%

Rank	State	Percent
38	Nevada	10.7%
39	Delaware	10.5%
40	Vermont	10.1%
41	Massachusetts	9.9%
41	Virginia	9.9%
43	Utah	9.7%
44	Minnesota	9.5%
45	Alaska	8.9%
46	Wyoming	8.7%
47	New Jersey	8.6%
48	Maryland	8.3%
49	Hawaii	8.0%
50	Connecticut	7.9%
51	New Hampshire	7.1%

Year	MO Rank	Percent
2005	21	13.3%
2006	17	13.6%
2007	21	13.0%

Source: Census.gov

Percent of Children in Poverty: 2007



Rank	State	Percent
1	Mississippi	29.3%
2	Louisiana	26.8%
3	Arkansas	25.8%
4	New Mexico	25.5%
5	Alabama	24.3%
6	Kentucky	23.9%
7	Texas	23.2%
8	Tennessee	23.0%
9	West Virginia	22.8%
10	DC	22.7%
11	Oklahoma	22.5%
12	South Carolina	20.9%
13	Arizona	20.2%
14	Georgia	19.7%
15	North Carolina	19.5%
16	Michigan	19.4%
16	New York	19.4%
18	Ohio	18.5%
19	Montana	18.3%

Rank	State	Percent
	United States	18.0%
20	Missouri	17.7%
21	Rhode Island	17.5%
22	California	17.3%
22	Indiana	17.3%
24	Florida	17.1%
25	Oregon	16.9%
26	South Dakota	16.8%
27	Illinois	16.6%
28	Colorado	16.3%
28	Pennsylvania	16.3%
30	Idaho	15.9%
31	Maine	15.4%
32	Nevada	15.3%
33	Washington	15.0%
34	Nebraska	14.9%
35	Delaware	14.7%
36	Kansas	14.6%
37	Wisconsin	14.4%

Rank	State	Percent
38	Iowa	13.6%
39	North Dakota	13.4%
40	Virginia	13.0%
41	Massachusetts	12.9%
42	Vermont	12.4%
43	Minnesota	12.0%
44	New Jersey	11.6%
44	Wyoming	11.6%
46	Alaska	11.5%
47	Connecticut	11.1%
48	Utah	11.0%
49	Maryland	10.5%
50	Hawaii	9.8%
51	New Hampshire	8.8%

Year	MO Rank	Percent
2005	19	19.0%
2006	18	18.6%
2007	20	17.7%

Source: Census.gov



Missouri Statewide Performance Indicators: A National Comparison

Education

NAEP Scores - The National Assessment of Educational Progress (NAEP) is the only nationally representative and continuing assessment of what American students know in various subject areas. NAEP assessments are administered uniformly using the same sets of test booklets across the nation. The test serves as a common metric for all states and selected urban districts. The assessment stays mostly the same from year to year, with only carefully documented changes. The data was provided by the National Center for Education Statistics. In 2007, Missouri ranked 29th in 4th grade reading, 28th in 4th grade math, 27th in 8th grade reading, and 31st in 8th grade math.

ACT Scores - The ACT is a national college admissions examination that consists of subject area tests in: English, Mathematics, Reading, and Science plus a writing test. ACT results are accepted by all 4-year colleges and universities in the U.S. The ACT includes 215 multiple-choice questions and takes approximately 3 hours and 30 minutes to complete. The data was provided ACT, Inc. In 2008, Missouri ranked 26th.

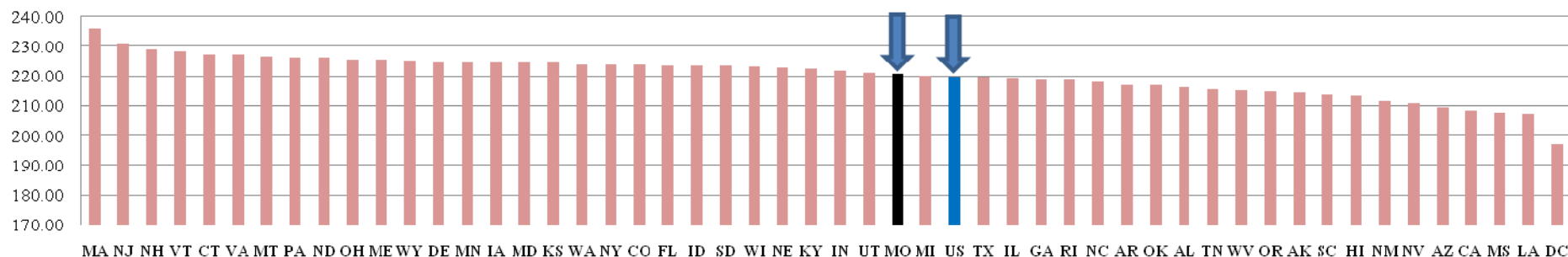
High School Dropout Rate - The percentage of public school students in grades 9 through 12 who dropped out of school between October 1 and the next October 1. The data was provided by the National Center for Education Statistics. In 2006, Missouri ranked 18th.

Percent of Population Age 25 and Older - High School Graduate or Higher - Estimates the percent of the total population that is at least 25 years old with a high school diploma or equivalent. The data was provided by the Census Bureau. In 2007, Missouri ranked 32nd.

Percent of Population Age 25 and Older - Bachelor's Degree or Higher - Estimates the percent of the total population that is at least 25 years old with a bachelor's degree or equivalent. The data was provided by the Census Bureau. In 2007, Missouri ranked 36th.

Education

4th Grade NAEP Reading Scores: 2007



Rank	State	Score
1	Massachusetts	235.75
2	New Jersey	230.65
3	New Hampshire	229.02
4	Vermont	228.25
5	Connecticut	227.20
6	Virginia	227.14
7	Montana	226.67
8	Pennsylvania	226.35
9	North Dakota	226.33
10	Ohio	225.67
11	Maine	225.54
12	Wyoming	225.29
13	Delaware	225.07
14	Minnesota	224.92
15	Iowa	224.89
16	Maryland	224.78
17	Kansas	224.66
18	Washington	224.00
19	New York	223.75

Rank	State	Score
20	Colorado	223.73
21	Florida	223.53
22	Idaho	223.40
23	South Dakota	223.40
24	Wisconsin	223.32
25	Nebraska	222.90
26	Kentucky	222.43
27	Indiana	221.67
28	Utah	221.26
29	Missouri	220.78
30	Michigan	220.12
	US	219.66
31	Texas	219.60
32	Illinois	219.39
33	Georgia	218.89
34	Rhode Island	218.76
35	North Carolina	217.93
36	Arkansas	217.03
37	Oklahoma	216.96

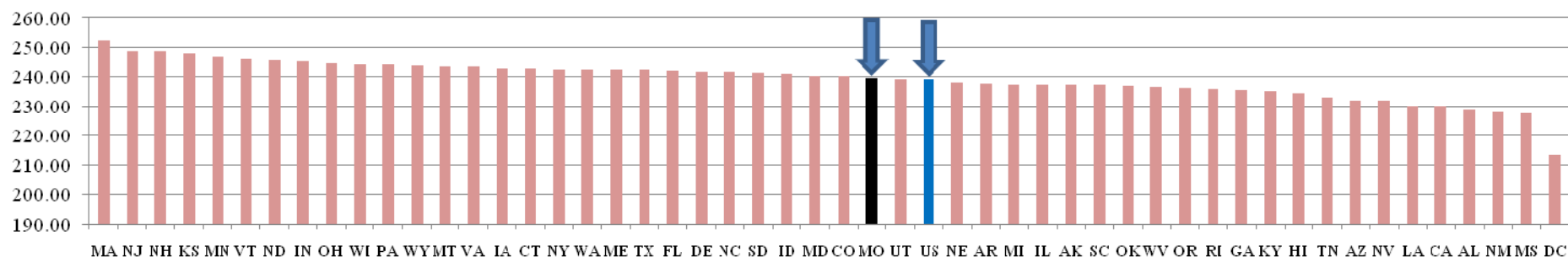
Rank	State	Score
38	Alabama	216.39
39	Tennessee	215.75
40	West Virginia	215.13
41	Oregon	215.02
42	Alaska	214.48
43	South Carolina	213.84
44	Hawaii	213.50
45	New Mexico	211.63
46	Nevada	210.82
47	Arizona	209.52
48	California	208.52
49	Mississippi	207.81
50	Louisiana	207.41
51	DC	197.09

Year	MO Rank	Score
2003	14	222.26
2005	22	221.17
2007	29	220.78

Source: Nationsreportcard.gov NAEP = National Assessment of Educational Progress

Education

4th Grade NAEP Math Scores: 2007



Rank	State	Score
1	Massachusetts	252.43
2	New Jersey	248.62
3	New Hampshire	248.62
4	Kansas	247.92
5	Minnesota	247.00
6	Vermont	246.36
7	North Dakota	245.42
8	Indiana	245.14
9	Ohio	244.53
10	Wisconsin	244.18
11	Pennsylvania	244.00
12	Wyoming	243.87
13	Montana	243.62
14	Virginia	243.52
15	Iowa	242.82
16	Connecticut	242.76
17	New York	242.54
18	Washington	242.54
19	Maine	242.37

Rank	State	Score
20	Texas	242.34
21	Florida	242.02
22	Delaware	241.79
23	North Carolina	241.62
24	South Dakota	241.21
25	Idaho	240.9
26	Maryland	240.33
27	Colorado	240.21
28	Missouri	239.41
29	Utah	239.40
	US	239.06
30	Nebraska	238.04
31	Arkansas	237.67
32	Michigan	237.61
33	Illinois	237.29
34	Alaska	237.27
35	South Carolina	237.11
36	Oklahoma	236.80
37	West Virginia	236.34

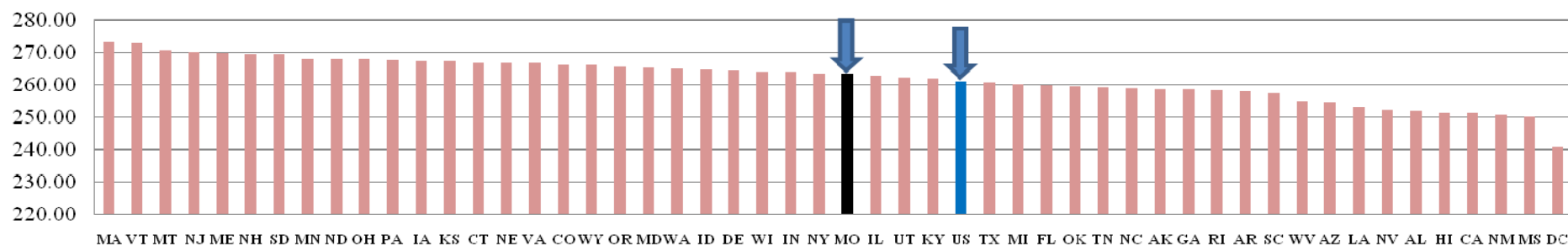
Rank	State	Score
38	Oregon	236.04
39	Rhode Island	235.88
40	Georgia	235.21
41	Kentucky	235.09
42	Hawaii	234.29
43	Tennessee	232.75
44	Arizona	231.94
45	Nevada	231.78
46	Louisiana	230.04
47	California	230.03
48	Alabama	228.52
49	New Mexico	228.06
50	Mississippi	227.61
51	DC	213.70

Year	MO Rank	Score
2003	30	234.84
2006	35	235.04
2007	28	239.06

Source: Nationsreportcard.gov NAEP = National Assessment of Educational Progress

Education

8th Grade NAEP Reading Scores: 2007



Rank	State	Score
1	Massachusetts	273.28
2	Vermont	273.05
3	Montana	270.94
4	New Jersey	270.14
5	Maine	269.92
6	New Hampshire	269.73
7	South Dakota	269.60
8	Minnesota	268.20
9	North Dakota	268.02
10	Ohio	267.98
11	Pennsylvania	267.67
12	Iowa	267.45
13	Kansas	267.41
14	Connecticut	267.06
15	Nebraska	267.03
16	Virginia	266.88
17	Colorado	266.41
18	Wyoming	266.23
19	Oregon	265.71

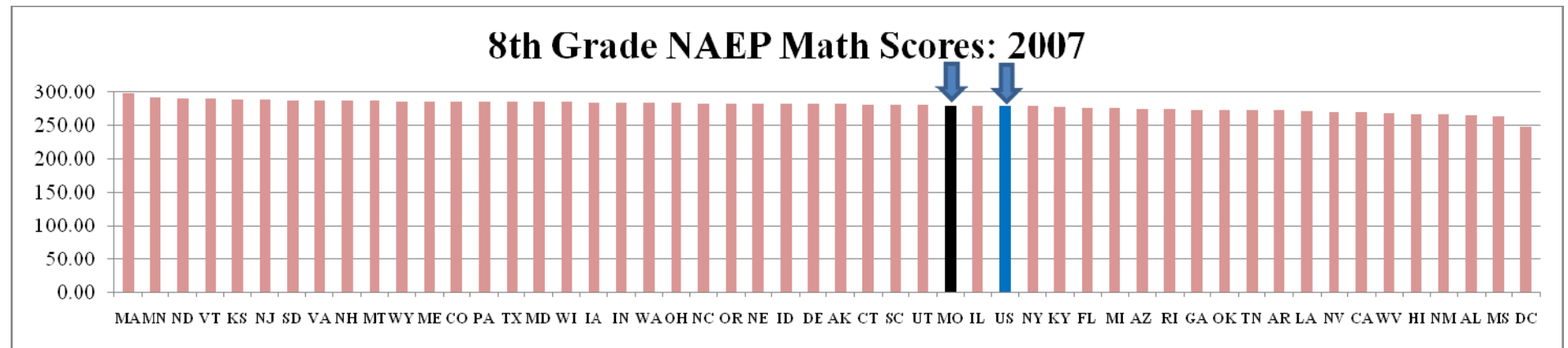
Rank	State	Score
20	Maryland	265.24
21	Washington	264.95
22	Idaho	264.89
23	Delaware	264.54
24	Wisconsin	264.18
25	Indiana	264.10
26	New York	263.55
27	Missouri	263.44
28	Illinois	262.83
29	Utah	262.23
30	Kentucky	261.97
	US	261.01
31	Texas	260.81
32	Michigan	260.32
33	Florida	259.79
34	Oklahoma	259.55
35	Tennessee	259.16
36	North Carolina	259.14
37	Alaska	258.80

Rank	State	Score
38	Georgia	258.70
39	Rhode Island	258.32
40	Arkansas	257.96
41	South Carolina	257.42
42	West Virginia	255.00
43	Arizona	254.83
44	Louisiana	253.24
45	Nevada	252.35
46	Alabama	251.94
47	Hawaii	251.33
48	California	251.29
49	New Mexico	250.75
50	Mississippi	250.06
51	DC	240.79

Year	MO Rank	Score
2003	13	267.36
2005	21	264.66
2007	27	263.44

Source: Nationsreportcard.gov NAEP = National Assessment of Educational Progress

Education



Rank	State	Score
1	Massachusetts	297.92
2	Minnesota	291.85
3	North Dakota	291.56
4	Vermont	291.01
5	Kansas	290.03
6	New Jersey	288.58
7	South Dakota	288.46
8	Virginia	287.63
9	New Hampshire	287.56
10	Montana	287.08
11	Wyoming	286.99
12	Maine	286.47
13	Colorado	286.19
14	Pennsylvania	286.17
15	Texas	285.87
16	Maryland	285.73
17	Wisconsin	285.62
18	Iowa	285.23
19	Indiana	285.01

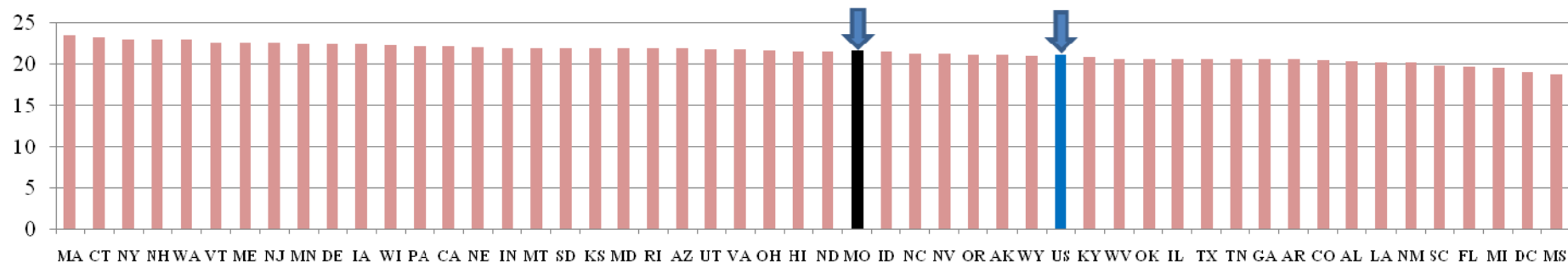
Rank	State	Score
20	Washington	284.86
21	Ohio	284.85
22	North Carolina	283.88
23	Oregon	283.83
24	Nebraska	283.65
25	Idaho	283.51
26	Delaware	282.99
27	Alaska	282.56
28	Connecticut	282.47
29	South Carolina	281.50
30	Utah	281.09
31	Missouri	280.62
32	Illinois	280.50
	US	280.17
33	New York	280.14
34	Kentucky	278.70
35	Florida	277.38
36	Michigan	276.83
37	Arizona	275.55

Rank	State	Score
38	Rhode Island	275.39
39	Georgia	274.78
40	Oklahoma	274.53
41	Tennessee	273.98
42	Arkansas	273.90
43	Louisiana	272.39
44	Nevada	270.80
45	California	270.38
46	West Virginia	270.08
47	Hawaii	268.77
48	New Mexico	267.54
49	Alabama	266.00
50	Mississippi	264.89
51	DC	248.20

Year	MO Rank	Score
2003	27	278.77
2005	34	276.45
2007	31	280.42

Education

ACT Scores: 2008



Rank	State	Score
1	Massachusetts	23.6
2	Connecticut	23.3
3	New York	23.1
4	New Hampshire	23.1
5	Washington	23.1
6	Vermont	22.7
7	Maine	22.7
8	New Jersey	22.7
9	Minnesota	22.6
10	Delaware	22.6
11	Iowa	22.4
12	Wisconsin	22.3
13	Pennsylvania	22.2
14	California	22.2
15	Nebraska	22.1
16	Indiana	22.0
17	Montana	22.0
18	South Dakota	22.0
19	Kansas	22.0

Rank	State	Score
20	Maryland	22.0
21	Rhode Island	21.8
22	Arizona	21.9
23	Utah	21.9
24	Virginia	21.8
25	Ohio	21.7
26	Missouri	21.6
27	North Dakota	21.6
28	Hawaii	21.6
29	Idaho	21.5
30	North Carolina	21.3
31	Nevada	21.3
32	Oregon	21.2
33	Alaska	21.2
34	Wyoming	21.1
	US	21.1
35	Kentucky	20.9
36	West Virginia	20.7
37	Oklahoma	20.7

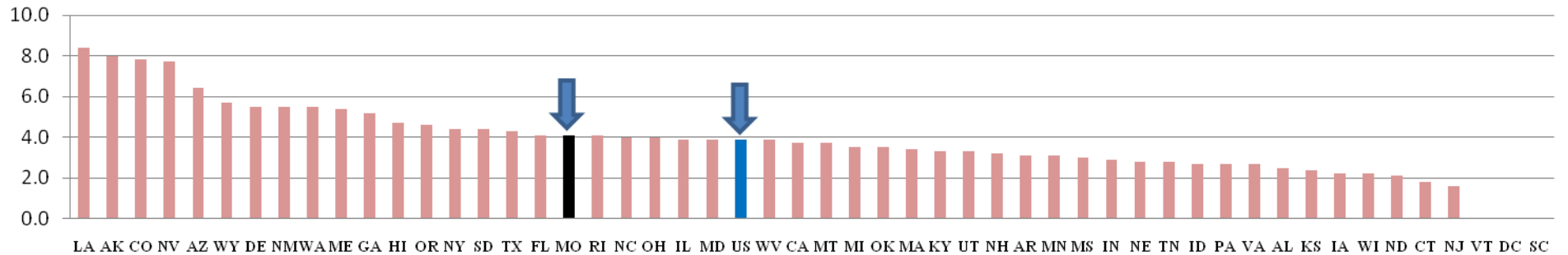
Rank	State	Score
38	Illinois	20.7
39	Texas	20.7
40	Tennessee	20.7
41	Georgia	20.6
42	Arkansas	20.6
43	Colorado	20.5
44	Alabama	20.4
45	Louisiana	20.3
46	New Mexico	20.3
47	South Carolina	19.9
48	Florida	19.8
49	Michigan	19.6
50	D.C.	19.1
51	Mississippi	18.9

Year	MO Rank	Score
2006	21	21.6
2007	24	21.6
2008	26	21.6

Source: ACT.org

Education

High School Drop Out Rate: 2006



Rank	State	Percent
1	Louisiana	8.4%
2	Alaska	8.0%
3	Colorado	7.8%
4	Nevada	7.7%
5	Arizona	6.4%
6	Wyoming	5.7%
7	Delaware	5.5%
8	New Mexico	5.5%
9	Washington	5.5%
10	Maine	5.4%
11	Georgia	5.2%
12	Hawaii	4.7%
13	Oregon	4.6%
14	New York	4.4%
15	South Dakota	4.4%
16	Texas	4.3%
17	Florida	4.1%
18	Missouri	4.1%
19	Rhode Island	4.1%

Rank	State	Percent
20	North Carolina	4.0%
21	Ohio	4.0%
22	Illinois	3.9%
23	Maryland	3.9%
	US	3.9%
24	West Virginia	3.9%
25	California	3.7%
26	Montana	3.7%
27	Michigan	3.5%
28	Oklahoma	3.5%
29	Massachusetts	3.4%
30	Kentucky	3.3%
31	Utah	3.3%
32	New Hampshire	3.2%
33	Arkansas	3.1%
34	Minnesota	3.1%
35	Mississippi	3.0%
36	Indiana	2.9%
37	Nebraska	2.8%

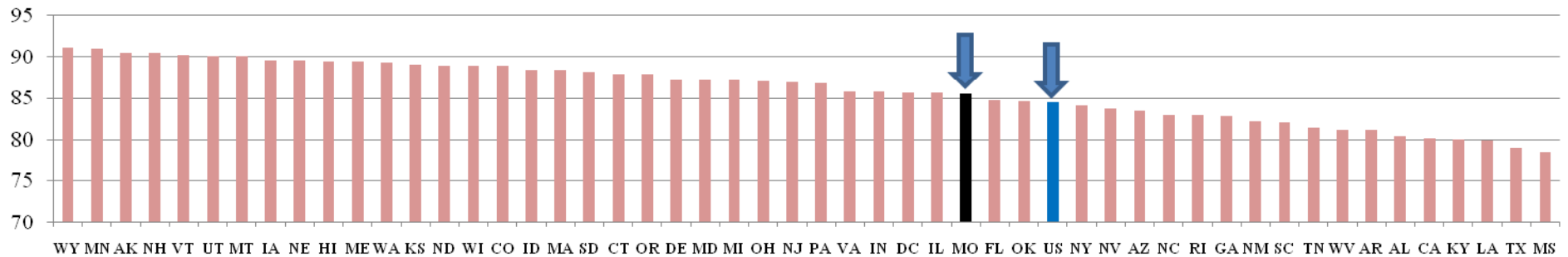
Rank	State	Percent
38	Tennessee	2.8%
39	Idaho	2.7%
40	Pennsylvania	2.7%
41	Virginia	2.7%
42	Alabama	2.5%
43	Kansas	2.4%
44	Iowa	2.2%
45	Wisconsin	2.2%
46	North Dakota	2.1%
47	Connecticut	1.8%
48	New Jersey	1.6%
49	Vermont	no data
50	DC	no data
51	South Carolina	no data

Year	MO Rank	Percent
2004	33	3.6%
2005	39	3.3%
2006	18	4.1%

Source: Nces.ed.gov

Education

Percent of Population Age 25 and Older - High School Graduate or Higher: 2007



Rank	State	Percent
1	Wyoming	91.2%
2	Minnesota	91.0%
3	Alaska	90.5%
4	New Hampshire	90.5%
5	Vermont	90.3%
6	Utah	90.2%
7	Montana	90.0%
8	Iowa	89.6%
9	Nebraska	89.6%
10	Hawaii	89.4%
11	Maine	89.4%
12	Washington	89.3%
13	Kansas	89.1%
14	North Dakota	89.0%
15	Wisconsin	89.0%
16	Colorado	88.9%
17	Idaho	88.4%
18	Massachusetts	88.4%
19	South Dakota	88.2%

Rank	State	Percent
20	Connecticut	88.0%
21	Oregon	88.0%
22	Delaware	87.4%
23	Maryland	87.4%
24	Michigan	87.4%
25	Ohio	87.1%
26	New Jersey	87.0%
27	Pennsylvania	86.8%
28	Virginia	85.9%
29	Indiana	85.8%
30	DC	85.7%
31	Illinois	85.7%
32	Missouri	85.6%
33	Florida	84.9%
34	Oklahoma	84.8%
	US	84.5%
35	New York	84.1%
36	Nevada	83.7%
37	Arizona	83.5%

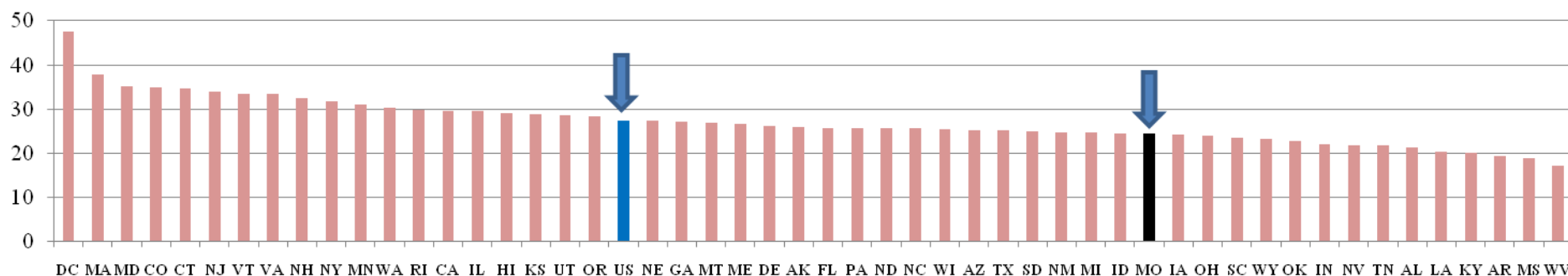
Rank	State	Percent
38	North Carolina	83.0%
39	Rhode Island	83.0%
40	Georgia	82.9%
41	New Mexico	82.3%
42	South Carolina	82.1%
43	Tennessee	81.4%
44	West Virginia	81.2%
45	Arkansas	81.1%
46	Alabama	80.4%
47	California	80.2%
48	Kentucky	80.1%
49	Louisiana	79.9%
50	Texas	79.1%
51	Mississippi	78.5%

Year	MO Rank	Rate
2005	31	85.0%
2006	31	84.8%
2007	32	85.6%

Source: Census.gov

Education

Percent of Population Age 25 and Older - Bachelor's Degree or Higher: 2007



Rank	State	Percent
1	DC	47.5%
2	Massachusetts	37.9%
3	Maryland	35.2%
4	Colorado	35.0%
5	Connecticut	34.7%
6	New Jersey	33.9%
7	Vermont	33.6%
7	Virginia	33.6%
9	New Hampshire	32.5%
10	New York	31.7%
11	Minnesota	31.0%
12	Washington	30.3%
13	Rhode Island	29.8%
14	California	29.5%
14	Illinois	29.5%
16	Hawaii	29.2%
17	Kansas	28.8%
18	Utah	28.7%
19	Oregon	28.3%

Rank	State	Percent
	US	27.5%
20	Nebraska	27.5%
21	Georgia	27.1%
22	Montana	27.0%
23	Maine	26.7%
24	Delaware	26.1%
25	Alaska	26.0%
26	Florida	25.8%
26	Pennsylvania	25.8%
28	North Dakota	25.7%
29	North Carolina	25.6%
30	Wisconsin	25.4%
31	Arizona	25.3%
32	Texas	25.2%
33	South Dakota	25.0%
34	New Mexico	24.8%
35	Michigan	24.7%
36	Idaho	24.5%
36	Missouri	24.5%

Rank	State	Percent
38	Iowa	24.3%
39	Ohio	24.1%
40	South Carolina	23.5%
41	Wyoming	23.4%
42	Oklahoma	22.8%
43	Indiana	22.1%
44	Nevada	21.8%
44	Tennessee	21.8%
46	Alabama	21.4%
47	Louisiana	20.4%
48	Kentucky	20.0%
49	Arkansas	19.3%
50	Mississippi	18.9%
51	West Virginia	17.3%

Year	MO Rank	Percent
2005	36	24.0%
2006	36	24.3%
2007	36	24.5%

Source: Census.gov



Missouri Statewide Performance Indicators: A National Comparison

Civic Involvement

Voter Turnout Rate: Election 2008 - The percentage of the eligible voting age population who cast a ballot in the 2008 Presidential Election. The data was provided by the United States Election Project at George Mason University. In 2008, Missouri ranked 9th.

Volunteer Rate of the Population - The percent of the population, ages 16 and up, who volunteered at a nonprofit or other kind of charitable organization in the last 12 months. The data was provided by the Corporation for National Community Service. In 2007, Missouri ranked 25th.

Voter Turnout Rate: Election 2008



Rank	State	Percent
1	Minnesota	78.2%
2	Wisconsin	72.5%
3	Maine	71.4%
4	New Hampshire	71.3%
5	Iowa	69.9%
6	Colorado	69.8%
7	Michigan	68.9%
8	Alaska	68.3%
9	Missouri	68.1%
10	Oregon	67.8%
11	Maryland	67.7%
12	Virginia	67.7%
13	Florida	67.5%
14	Connecticut	67.2%
15	Washington	67.0%
16	Ohio	66.7%
17	Vermont	66.7%
18	Montana	66.3%
19	Delaware	66.2%

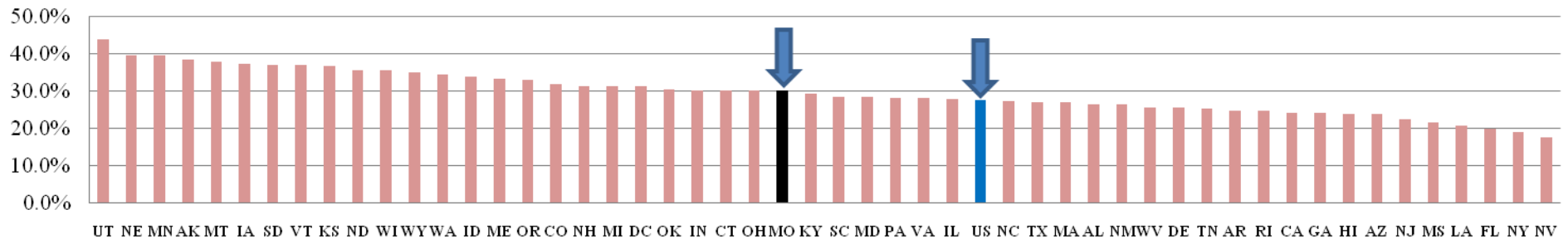
Rank	State	Percent
20	Massachusetts	66.2%
21	New Jersey	66.2%
22	North Carolina	65.8%
23	Wyoming	65.4%
24	North Dakota	65.0%
25	Pennsylvania	64.2%
26	South Dakota	63.8%
27	Idaho	63.3%
28	Illinois	62.8%
29	Nebraska	62.6%
30	Kansas	62.5%
31	Rhode Island	62.3%
32	Louisiana	62.1%
33	Alabama	61.8%
34	California	61.7%
	US	61.7%
35	Georgia	61.4%
36	Mississippi	61.0%
37	DC	60.7%

Rank	State	Percent
38	New Mexico	60.3%
39	Indiana	59.4%
40	Nevada	58.6%
41	South Carolina	58.6%
42	Kentucky	57.9%
43	New York	57.6%
44	Tennessee	57.3%
45	Oklahoma	56.7%
46	Arizona	56.0%
47	Texas	54.7%
48	Arkansas	53.4%
49	Utah	53.3%
50	West Virginia	50.6%
51	Hawaii	50.5%

Year	MO Rank	Percent
2004	15	65.3%
2006	12	50.0%
2008	9	68.1%

Source: Elections.gmu.edu

Volunteer Rate of the Population Age 16+*: 2007



Rate	State	Percent
1	Utah	43.9%
2	Nebraska	39.8%
3	Minnesota	39.7%
4	Alaska	38.6%
5	Montana	38.0%
6	Iowa	37.3%
7	South Dakota	37.1%
8	Vermont	37.0%
9	Kansas	36.8%
10	North Dakota	35.6%
11	Wisconsin	35.6%
12	Wyoming	35.1%
13	Washington	34.7%
14	Idaho	34.0%
15	Maine	33.3%
16	Oregon	33.2%
17	Colorado	31.9%
18	New Hampshire	31.5%
19	Michigan	31.4%

Rate	State	Percent
20	DC	31.3%
21	Oklahoma	30.5%
22	Indiana	30.4%
23	Connecticut	30.3%
24	Ohio	30.3%
25	Missouri	30.2%
26	Kentucky	29.4%
27	South Carolina	28.6%
28	Maryland	28.5%
29	Pennsylvania	28.3%
30	Virginia	28.3%
31	Illinois	28.0%
	US	27.6%
32	North Carolina	27.3%
33	Texas	27.1%
34	Massachusetts	27.0%
35	Alabama	26.6%
36	New Mexico	26.6%
37	West Virginia	25.7%

Rate	State	Percent
38	Delaware	25.6%
39	Tennessee	25.5%
40	Arkansas	25.0%
41	Rhode Island	24.9%
42	California	24.3%
43	Georgia	24.2%
44	Hawaii	24.0%
45	Arizona	23.9%
46	New Jersey	22.7%
47	Mississippi	21.8%
48	Louisiana	20.9%
49	Florida	20.0%
50	New York	19.2%
51	Nevada	17.7%

Year	MO Rank	Percent
2005	No data	31.2%
2006	No data	29.9%
2007	25	30.2%

*Volunteer rate = The percent of the population age 16 and older who volunteered in the last 12 months.

Source: VolunteeringinAmerica.gov



Missouri Statewide Performance Indicators: A National Comparison

Health

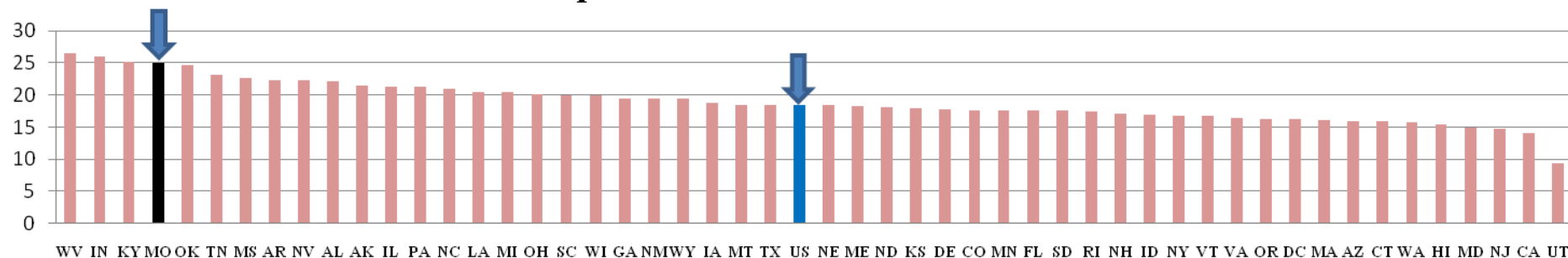
Percent of Population that are Adult Smokers - The percentage of adults age 18 and older who report themselves to be smokers. This data was provided by the Centers for Disease Control. In 2008, Missouri ranked 4th.

Percent of the Population that is Overweight or Obese - The percent of the population who have a body mass index (BMI) of 25 or greater. Obesity is defined as having a BMI of over 30. The data was provided by the Centers for Disease Control. In 2007, Missouri ranked 22nd.

Percent of Live Births to Mothers Under 20 Years of Age - The number of total births to teenage women, age 15-19, as a percentage of total births in the state. The data was provided by the Centers for Disease Control. In 2006, Missouri ranked 16th.

Percent of Population without Health Insurance - The percent of the population that does not have any form of health insurance. The data was provided by the Census Bureau. In 2007, Missouri ranked 31st.

Percent of Population that are Adult Smokers: 2008



Rank	State	Percent
1	West Virginia	26.5%
2	Indiana	26.0%
3	Kentucky	25.2%
4	Missouri	25.0%
5	Oklahoma	24.7%
6	Tennessee	23.1%
7	Mississippi	22.7%
8	Arkansas	22.3%
9	Nevada	22.2%
10	Alabama	22.1%
11	Alaska	21.5%
12	Illinois	21.3%
13	Pennsylvania	21.3%
14	North Carolina	20.9%
15	Louisiana	20.5%
16	Michigan	20.5%
17	Ohio	20.1%
18	South Carolina	20.0%
19	Wisconsin	19.9%

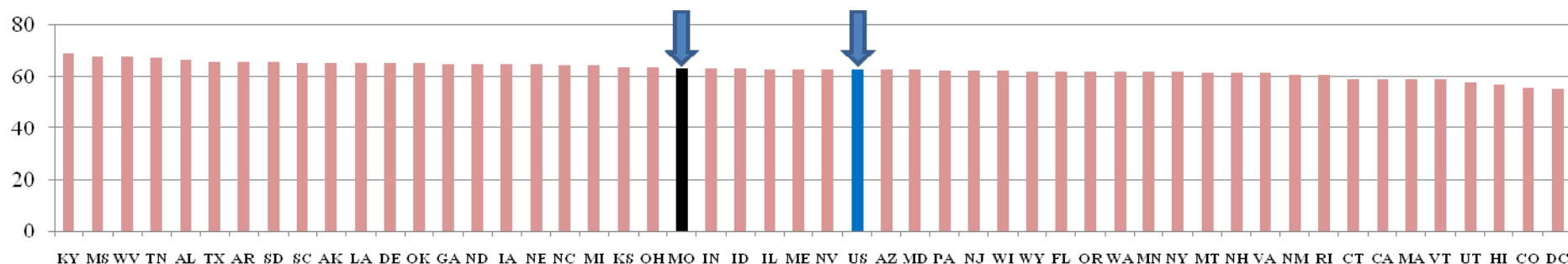
Rank	State	Percent
20	Georgia	19.5%
21	New Mexico	19.4%
22	Wyoming	19.4%
23	Iowa	18.8%
24	Montana	18.5%
25	Texas	18.5%
26	Nebraska	18.4%
	US	18.4%
27	Maine	18.2%
28	North Dakota	18.1%
29	Kansas	17.9%
30	Delaware	17.8%
31	Colorado	17.6%
32	Minnesota	17.6%
33	Florida	17.5%
34	South Dakota	17.5%
35	Rhode Island	17.4%
36	New Hampshire	17.1%
37	Idaho	16.9%

Rank	State	Percent
38	New York	16.8%
39	Vermont	16.8%
40	Virginia	16.4%
41	Oregon	16.3%
42	DC	16.2%
43	Massachusetts	16.1%
44	Arizona	15.9%
45	Connecticut	15.9%
46	Washington	15.7%
47	Hawaii	15.4%
48	Maryland	14.9%
49	New Jersey	14.8%
50	California	14.0%
51	Utah	9.3%

Year	MO Rank	Percent
2006	7	23.2%
2007	4	24.5%
2008	4	25.0%

Source: CDC.gov

Percent of Population Overweight or Obese: 2007



Rank	State	Percent
1	Kentucky	69.1%
2	Mississippi	68.1%
3	West Virginia	68.0%
4	Tennessee	67.4%
5	Alabama	66.6%
6	Texas	65.7%
7	Arkansas	65.6%
8	South Dakota	65.5%
9	South Carolina	65.3%
10	Alaska	65.2%
10	Louisiana	65.2%
12	Delaware	65.1%
12	Oklahoma	65.1%
14	Georgia	65.0%
15	North Dakota	64.9%
16	Iowa	64.7%
16	Nebraska	64.7%
18	North Carolina	64.6%
19	Michigan	64.3%

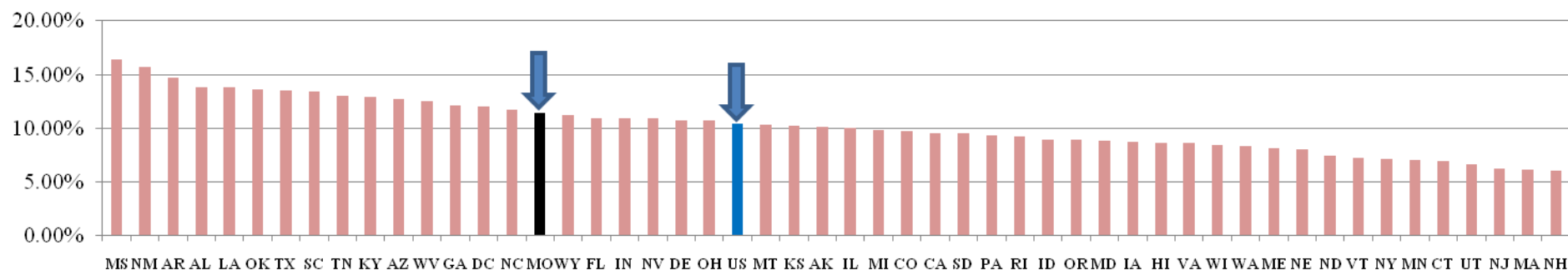
Rank	State	Percent
20	Kansas	63.8%
21	Ohio	63.5%
22	Missouri	63.3%
23	Indiana	63.2%
24	Idaho	63.1%
25	Illinois	63.0%
25	Maine	63.0%
25	Nevada	63.0%
	US	63.0%
28	Arizona	62.7%
28	Maryland	62.7%
30	Pennsylvania	62.6%
31	New Jersey	62.3%
31	Wisconsin	62.3%
33	Wyoming	62.2%
34	Florida	62.1%
34	Oregon	62.1%
34	Washington	62.1%
37	Minnesota	62.0%

Rank	State	Percent
37	New York	62.0%
39	Montana	61.8%
39	New Hampshire	61.8%
39	Virginia	61.8%
42	New Mexico	60.8%
42	Rhode Island	60.8%
44	Connecticut	59.2%
45	California	59.0%
46	Massachusetts	58.9%
47	Vermont	58.8%
48	Utah	57.9%
49	Hawaii	56.8%
50	Colorado	55.6%
51	DC	55.3%

Year	MO Rank	Percent
2005	11	63.9%
2006	20	62.9%
2007	22	63.3%

Source: CDC.gov

Percent of Live Births to Mothers Under 20 Years of Age: 2006



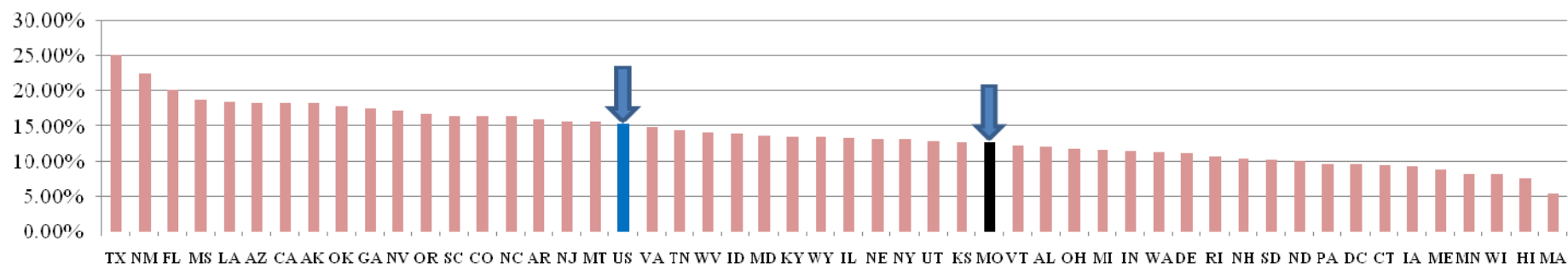
Rank	State	Percent
1	Mississippi	16.5%
2	New Mexico	15.7%
2	Arkansas	14.8%
4	Alabama	13.8%
4	Louisiana	13.9%
6	Oklahoma	13.6%
7	Texas	13.5%
8	South Carolina	13.4%
9	Tennessee	13.0%
10	Kentucky	12.9%
11	Arizona	12.7%
12	West Virginia	12.5%
13	Georgia	12.1%
14	DC	12.0%
15	North Carolina	11.7%
16	Missouri	11.4%
17	Wyoming	11.2%
18	Florida	10.9%
18	Indiana	10.9%

Rank	State	Percent
18	Nevada	10.9%
21	Delaware	10.7%
22	Ohio	10.7%
	US	10.4%
23	Montana	10.3%
24	Kansas	10.2%
25	Alaska	10.1%
26	Illinois	10.0%
27	Michigan	9.8%
28	Colorado	9.7%
29	California	9.5%
29	South Dakota	9.5%
31	Pennsylvania	9.3%
32	Rhode Island	9.2%
33	Idaho	8.9%
33	Oregon	8.9%
35	Maryland	8.8%
36	Iowa	8.7%
37	Hawaii	8.6%

Rank	State	Percent
37	Virginia	8.6%
39	Wisconsin	8.4%
40	Washington	8.3%
41	Maine	8.1%
42	Nebraska	8.0%
43	North Dakota	7.4%
44	Vermont	7.2%
45	New York	7.1%
46	Minnesota	7.0%
47	Connecticut	7.0%
48	Utah	6.6%
49	New Jersey	6.3%
50	Massachusetts	6.2%
51	New Hampshire	6.1%

Year	MO Rank	Percent
2004	26	13.5%
2005	16	11.1%
2006	16	11.4%

Percent of Population without Health Insurance: 2007



Rank	State	Percent
1	Texas	25.2%
2	New Mexico	22.5%
3	Florida	20.2%
4	Mississippi	18.8%
5	Louisiana	18.5%
6	Arizona	18.3%
7	California	18.2%
7	Alaska	18.2%
9	Oklahoma	17.8%
10	Georgia	17.5%
11	Nevada	17.2%
12	Oregon	16.8%
13	South Carolina	16.4%
13	Colorado	16.4%
15	North Carolina	16.4%
16	Arkansas	16.1%
17	New Jersey	15.8%
18	Montana	15.6%
	US	15.3%

Rank	State	Percent
19	Virginia	14.8%
20	Tennessee	14.4%
21	West Virginia	14.1%
22	Idaho	13.9%
23	Maryland	13.7%
24	Kentucky	13.6%
24	Wyoming	13.6%
26	Illinois	13.4%
26	Nebraska	13.2%
28	New York	13.2%
29	Utah	12.8%
30	Kansas	12.7%
31	Missouri	12.6%
32	Vermont	12.2%
33	Alabama	12.0%
34	Ohio	11.7%
35	Michigan	11.6%
36	Indiana	11.4%
37	Washington	11.3%

Rank	State	Percent
38	Delaware	11.2%
39	Rhode Island	10.8%
40	New Hampshire	10.5%
41	South Dakota	10.1%
42	North Dakota	10.0%
43	Pennsylvania	9.5%
44	DC	9.5%
45	Connecticut	9.4%
46	Iowa	9.3%
47	Maine	8.8%
48	Minnesota	8.3%
49	Wisconsin	8.2%
50	Hawaii	7.5%
51	Massachusetts	5.4%

Year	MO Rank	Percent
2005	32	11.7%
2006	29	13.3%
2007	31	12.6%

Source: CDC.gov



Missouri Statewide Performance Indicators: A National Comparison

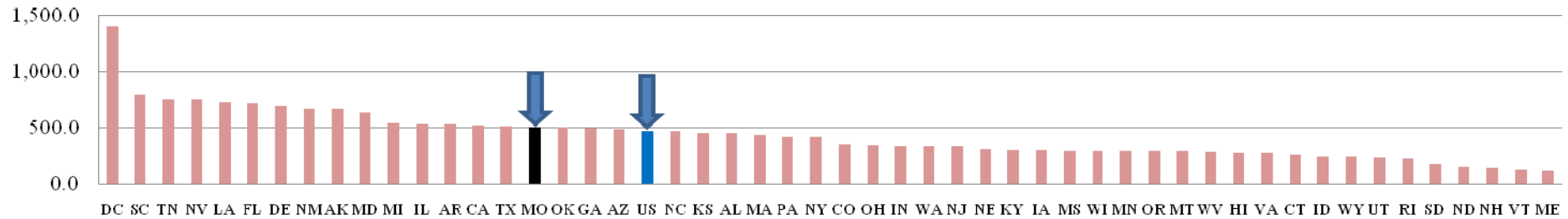
Crime

Violent Crime Rate - The violent crime rate is composed of four offenses: murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault. Violent crimes are defined as those offenses which involve force or threat of force. The rate is computed as the number of these violent crimes per 100,000 inhabitants. The data was provided by the Federal Bureau of Investigation. In 2007, Missouri ranked 16th.

Property Crime Rate - The property crime rate is composed of offenses such as burglary, larceny-theft, motor vehicle theft, and arson. There is no force or threat of force against the victims. The rate is computed as the number of these property crimes per 100,000 inhabitants. The data was provided by the Federal Bureau of Investigation. In 2007, Missouri ranked 15th.

Crime

Violent Crime Rate per 100,000 Inhabitants: 2007



Rank	State	Rate
1	DC	1,414.3
2	South Carolina	788.3
3	Tennessee	753.3
4	Nevada	750.6
5	Louisiana	729.5
6	Florida	722.6
7	Delaware	689.2
8	New Mexico	664.2
9	Alaska	661.2
10	Maryland	641.9
11	Michigan	536.0
12	Illinois	533.2
13	Arkansas	529.4
14	California	522.6
15	Texas	510.6
16	Missouri	504.9
17	Oklahoma	499.6
18	Georgia	493.2
19	Arizona	482.7

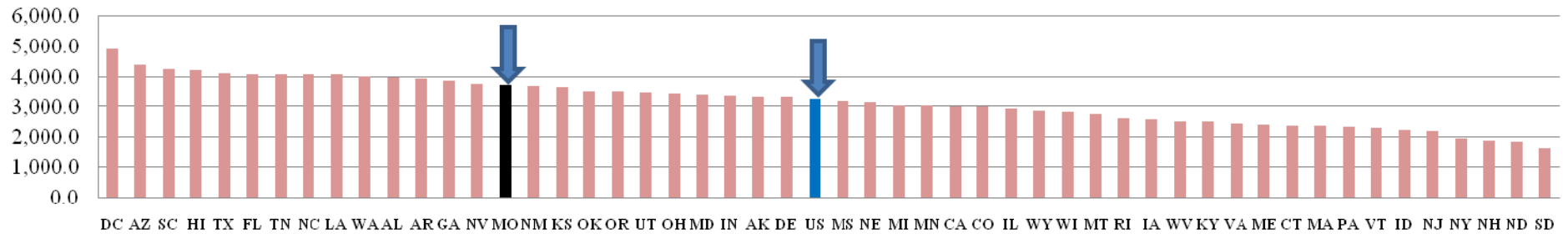
Rank	State	Rate
	US	466.9
20	North Carolina	466.4
21	Kansas	452.7
22	Alabama	448.0
23	Massachusetts	431.5
24	Pennsylvania	416.5
25	New York	414.1
26	Colorado	347.8
27	Ohio	343.2
28	Indiana	333.6
29	Washington	333.1
30	New Jersey	329.3
31	Nebraska	302.4
32	Kentucky	295.0
33	Iowa	294.7
34	Mississippi	291.3
35	Wisconsin	290.9
36	Minnesota	288.7
37	Oregon	287.6

Rank	State	Rate
38	Montana	287.5
39	West Virginia	275.2
40	Hawaii	272.8
41	Virginia	269.7
42	Connecticut	256.0
43	Idaho	239.4
44	Wyoming	239.3
45	Utah	234.8
46	Rhode Island	227.3
47	South Dakota	169.2
48	North Dakota	142.4
49	New Hampshire	137.3
50	Vermont	124.3
51	Maine	118.0

Year	MO Rank	Rate
2005	16	525.4
2006	13	545.6
2007	16	504.9

Source: FBI.gov

Property Crime Rate per 100,000 Inhabitants: 2007



Rank	State	Rate
1	DC	4,913.9
2	Arizona	4,414.0
3	South Carolina	4,271.7
4	Hawaii	4,225.4
5	Texas	4,121.2
6	Florida	4,089.3
7	Tennessee	4,088.6
8	North Carolina	4,087.3
9	Louisiana	4,076.0
10	Washington	4,030.8
11	Alabama	3,971.6
12	Arkansas	3,953.1
13	Georgia	3,901.0
14	Nevada	3,777.8
15	Missouri	3,738.4
16	New Mexico	3,725.7
17	Kansas	3,678.7
18	Oklahoma	3,526.4
19	Oregon	3,526.2

Rank	State	Rate
20	Utah	3,500.3
21	Ohio	3,455.2
22	Maryland	3,431.5
23	Indiana	3,396.6
24	Alaska	3,379.5
25	Delaware	3,370.1
	US	3,263.5
26	Mississippi	3,200.8
27	Nebraska	3,161.4
28	Michigan	3,065.7
29	Minnesota	3,036.6
30	California	3,033.0
31	Colorado	3,006.1
32	Illinois	2,935.8
33	Wyoming	2,865.9
34	Wisconsin	2,837.7
35	Montana	2,765.4
36	Rhode Island	2,622.6
37	Iowa	2,615.6

Rank	State	Rate
38	West Virginia	2,525.0
39	Kentucky	2,518.3
40	Virginia	2,466.4
41	Maine	2,428.8
42	Connecticut	2,399.9
43	Massachusetts	2,391.5
44	Pennsylvania	2,361.3
45	Vermont	2,322.7
46	Idaho	2,246.6
47	New Jersey	2,213.1
48	New York	1,978.6
49	New Hampshire	1,892.0
50	North Dakota	1,889.6
51	South Dakota	1,652.3

Year	MO Rank	Rate
2005	17	3,927.5
2006	16	3,826.5
2007	15	3,738.4

Source: FBI.gov



Missouri Statewide Performance Indicators: A National Comparison

Transportation

Average Travel Time to Work - The average time it takes, in minutes, for workers 16 and over, who did not work from home, to travel from home to their place of employment. The data was provided by the Census Bureau. In 2007, Missouri ranked 26th.

Percent of Population Using Seat Belts - The percent of the population who reported wearing seat belts while in a motor vehicle. The data was provided by the National Highway Traffic Safety Administration. In 2008, Missouri ranked 41st.

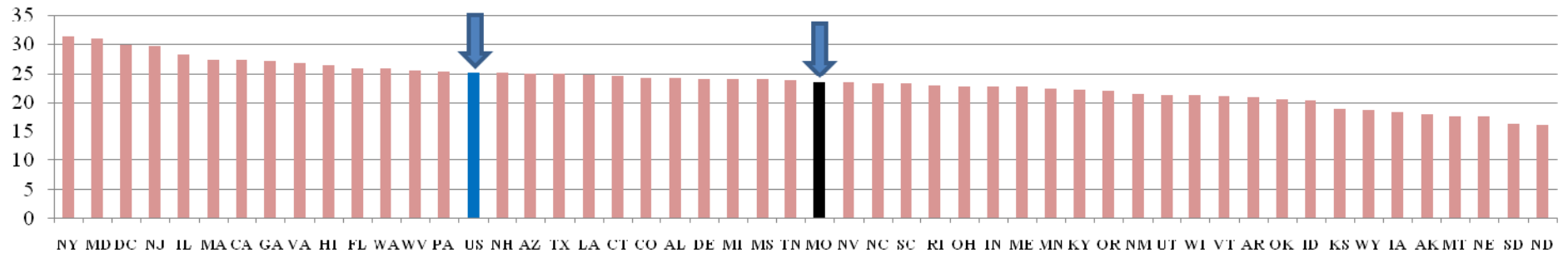
State Gas Tax - The amount of tax levied, in cents, by a state on the sale of one gallon of gasoline. The data was provided by the Federation of Tax Administrations and the Bureau of Transportation Statistics. In 2008, Missouri ranked 43rd.

Percent of Roads in Mediocre or Poor Condition - The percent of all roadways in a state that are in mediocre or poor condition as defined by the Bureau of Transportation Statistics. In 2006, Missouri ranked 18th.

Percent of Bridges that are Structurally Deficient or Functionally Obsolete - The percent of bridges that are structurally deficient or functionally obsolete as defined by the Federal Highway Administration (FHA). The FHA provided the data for this indicator. In 2008, Missouri ranked 15th.

Transportation

Average Travel Time to Work in Minutes: 2007



Rank	State	Minutes
1	New York	31.5
2	Maryland	31.1
3	DC	30.1
4	New Jersey	29.8
5	Illinois	28.2
6	Massachusetts	27.4
7	California	27.3
8	Georgia	27.1
9	Virginia	26.8
10	Hawaii	26.4
11	Florida	25.9
12	Washington	25.9
13	West Virginia	25.5
14	Pennsylvania	25.4
	US	25.3
15	New Hampshire	25.3
16	Arizona	25.1
17	Texas	25.0
18	Louisiana	24.9

Rank	State	Minutes
19	Connecticut	24.6
20	Colorado	24.2
21	Alabama	24.1
22	Delaware	24.0
23	Michigan	23.9
24	Mississippi	23.9
25	Tennessee	23.8
26	Missouri	23.5
27	Nevada	23.5
28	North Carolina	23.3
29	South Carolina	23.2
30	Rhode Island	23.0
31	Ohio	22.8
32	Indiana	22.7
33	Maine	22.7
34	Minnesota	22.3
35	Kentucky	22.2
36	Oregon	22.1
37	New Mexico	21.5

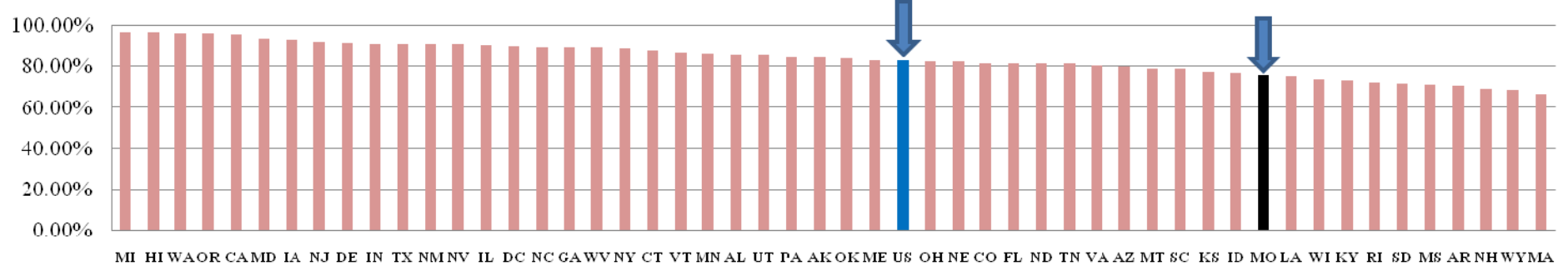
Rank	State	Minutes
38	Utah	21.4
39	Wisconsin	21.4
40	Vermont	21.2
41	Arkansas	21.0
42	Oklahoma	20.6
43	Idaho	20.5
44	Kansas	18.8
45	Wyoming	18.6
46	Iowa	18.3
47	Alaska	18.0
48	Montana	17.6
49	Nebraska	17.6
50	South Dakota	16.3
51	North Dakota	16.1

Year	MO Rank	Minutes
2005	30	23.0
2006	28	22.9
2007	26	23.5

Source: Census.gov

Transportation

Percent of Population Using Seat Belts: 2008



Rank	State	Percent
1	Michigan	97.2%
2	Hawaii	97.0%
3	Washington	96.5%
4	Oregon	96.3%
5	California	95.7%
6	Maryland	93.3%
7	Iowa	92.9%
8	New Jersey	91.8%
9	Delaware	91.3%
10	Indiana	91.2%
11	Texas	91.2%
12	New Mexico	91.1%
13	Nevada	90.9%
14	Illinois	90.5%
15	DC	90.0%
16	North Carolina	89.8%
17	Georgia	89.6%
18	West Virginia	89.5%
19	New York	89.1%

Rank	State	Percent
20	Connecticut	88.0%
21	Vermont	87.3%
22	Minnesota	86.7%
23	Alabama	86.1%
24	Utah	86.0%
25	Pennsylvania	85.1%
26	Alaska	84.9%
27	Oklahoma	84.3%
28	Maine	83.0%
	US	83.0%
29	Ohio	82.7%
30	Nebraska	82.6%
31	Colorado	81.7%
32	Florida	81.7%
33	North Dakota	81.6%
34	Tennessee	81.5%
35	Virginia	80.6%
36	Arizona	79.9%
37	Montana	79.3%

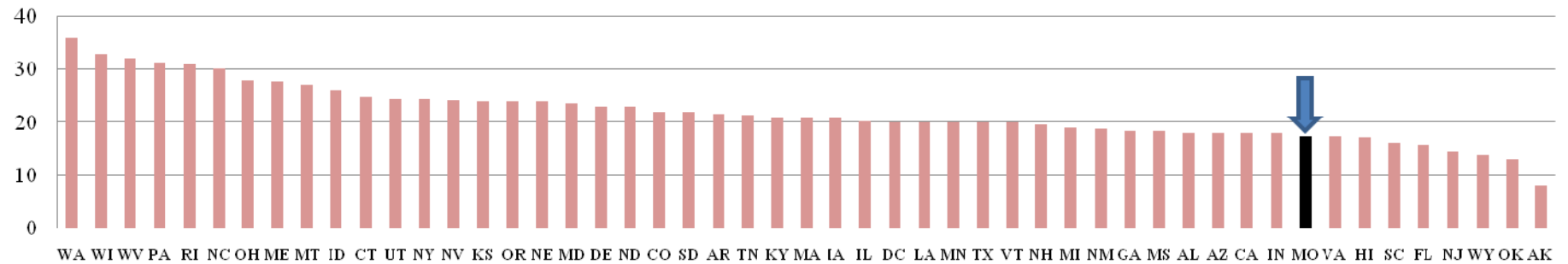
Rank	State	Percent
38	South Carolina	79.0%
39	Kansas	77.4%
40	Idaho	76.9%
41	Missouri	75.8%
42	Louisiana	75.5%
43	Wisconsin	74.2%
44	Kentucky	73.3%
45	Rhode Island	72.0%
46	South Dakota	71.8%
47	Mississippi	71.3%
48	Arkansas	70.4%
49	New Hampshire	69.2%
50	Wyoming	68.6%
51	Massachusetts	66.8%

Year	MO Rank	Percent
2006	40	75.2%
2007	41	77.2%
2008	41	75.8%

Source: nhtsa.dot.gov

Transportation

State Gas Taxes in Cents: 2008



Rank	State	Gas tax (cents)
1	Washington	36.0
2	Wisconsin	32.9
3	West Virginia	32.2
4	Pennsylvania	31.2
5	Rhode Island	31.0
6	North Carolina	30.1
7	Ohio	28.0
8	Maine	27.6
9	Montana	27.0
10	Idaho	26.0
11	Connecticut	25.0
12	Utah	24.5
13	New York	24.4
14	Nevada	24.0
15	Kansas	24.0
16	Oregon	24.0
17	Nebraska	23.9
18	Maryland	23.5
19	Delaware	23.0

Rank	State	Gas tax (cents)
20	North Dakota	23.0
21	Colorado	22.0
22	South Dakota	22.0
23	Arkansas	21.5
24	Tennessee	21.4
25	Kentucky	21.0
26	Massachusetts	21.0
27	Iowa	20.7
28	Illinois	20.1
29	DC	20.0
30	Louisiana	20.0
31	Minnesota	20.0
32	Texas	20.0
33	Vermont	20.0
34	New Hampshire	19.6
35	Michigan	19.0
36	New Mexico	18.8
37	Georgia	18.5
38	Mississippi	18.4

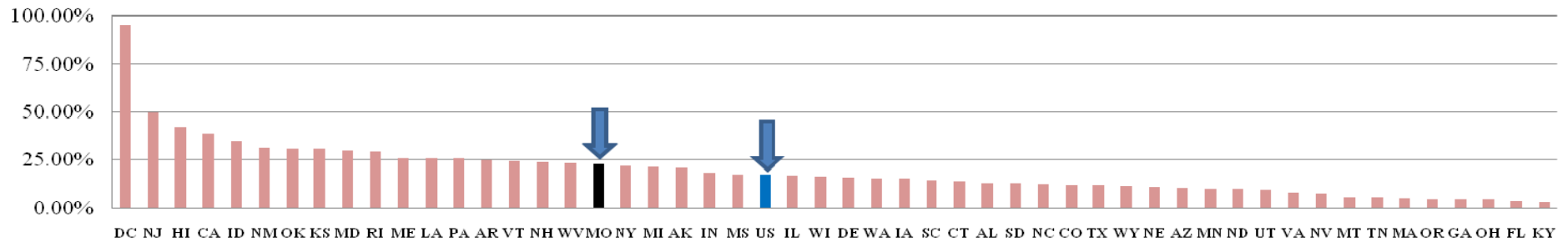
Rank	State	Gas tax (cents)
39	Alabama	18.0
40	Arizona	18.0
41	California	18.0
42	Indiana	18.0
43	Missouri	17.0
44	Virginia	17.5
45	Hawaii	17.0
46	South Carolina	16.0
47	Florida	15.6
48	New Jersey	14.5
49	Wyoming	14.0
50	Oklahoma	13.0
51	Alaska	8.0

Year	MO Rank	Gas tax (cents)
2006	48	17.0
2007	48	17.0
2008	43	17.0

Source: Taxadmin.org and BTS.gov

Transportation

Percent of Roads in Mediocre or Poor Condition: 2006



Rank	State	Percent
1	DC	95.3%
2	New Jersey	49.8%
3	Hawaii	42.3%
4	California	38.4%
5	Idaho	34.5%
6	New Mexico	31.6%
7	Oklahoma	31.1%
8	Kansas	31.0%
9	Maryland	30.0%
10	Rhode Island	29.6%
11	Maine	26.0%
12	Louisiana	25.9%
13	Pennsylvania	25.9%
14	Arkansas	25.1%
15	Vermont	24.3%
16	New Hampshire	23.9%
17	West Virginia	23.3%
18	Missouri	23.0%
19	New York	21.8%

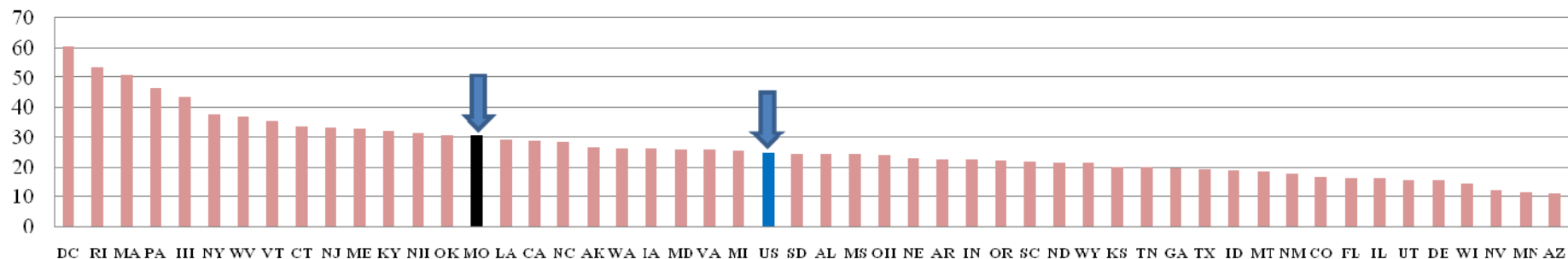
Rank	State	Percent
20	Michigan	21.3%
21	Alaska	20.8%
22	Indiana	18.3%
23	Mississippi	17.4%
	US	17.2%
24	Illinois	16.9%
25	Wisconsin	16.1%
26	Delaware	15.8%
27	Washington	15.1%
28	Iowa	15.1%
29	South Carolina	14.0%
30	Connecticut	13.9%
31	Alabama	12.9%
32	South Dakota	12.8%
33	North Carolina	12.3%
34	Colorado	11.9%
35	Texas	11.8%
36	Wyoming	11.1%
37	Nebraska	10.7%

Rank	State	Percent
38	Arizona	10.0%
39	Minnesota	9.7%
40	North Dakota	9.6%
41	Utah	9.0%
42	Virginia	7.7%
43	Nevada	7.1%
44	Montana	5.8%
45	Tennessee	5.5%
46	Massachusetts	5.3%
47	Oregon	4.7%
48	Georgia	4.7%
49	Ohio	4.4%
50	Florida	3.4%
51	Kentucky	3.1%

Year	MO Rank	Percent
2005	No data	No data
2006	18	23.0%

Source: BTS.gov

Percent of Bridges Structurally Deficient or Functionally Obsolete: 2008



Rank	State	Percent
1	DC	60.4%
2	Rhode Island	53.5%
3	Massachusetts	51.2%
4	Pennsylvania	46.5%
5	Hawaii	43.5%
6	New York	37.5%
7	West Virginia	36.8%
8	Vermont	35.7%
9	Connecticut	33.7%
10	New Jersey	33.4%
11	Maine	34.5%
12	Kentucky	32.3%
13	New Hampshire	31.6%
14	Oklahoma	30.6%
15	Missouri	30.5%
16	Louisiana	29.3%
17	California	29.0%
18	North Carolina	28.7%
19	Alaska	26.7%

Rank	State	Percent
20	Washington	26.4%
21	Iowa	26.4%
22	Maryland	26.2%
23	Virginia	26.0%
24	Michigan	25.8%
	US	25.1%
25	South Dakota	24.8%
26	Alabama	24.7%
27	Mississippi	24.6%
28	Ohio	24.1%
29	Nebraska	23.0%
30	Arkansas	22.7%
31	Indiana	22.5%
32	Oregon	22.4%
33	South Carolina	22.0%
34	North Dakota	21.7%
35	Wyoming	21.7%
36	Kansas	20.3%
37	Tennessee	20.1%

Rank	State	Percent
38	Georgia	19.7%
39	Texas	19.4%
40	Georgia	20.0%
41	Texas	20.0%
42	Idaho	19.2%
43	Montana	18.9%
44	New Mexico	18.1%
45	Colorado	16.8%
46	Florida	16.4%
47	Delaware	15.5%
48	Wisconsin	14.6%
49	Nevada	12.4%
50	Minnesota	11.9%
51	Arizona	11.2%

Year	MO Rank	Percent
2006	14	33.9%
2007	15	31.3%
2008	15	30.5%

Source: fhwa.dot.gov



Susan Montee, JD, CPA
Missouri State Auditor

City of Tracy, Missouri



September 2009

Report No. 2009-101

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

An audit was conducted by our office of the City of Tracy.

The city has not established sufficient records within its general accounting system to properly account for the financial activity of the various city funds. The city does not maintain separate records of receipts, disbursements, and fund balances for its General, Special Revenue, or Water and Sewer Funds. As a result, city officials are not able to adequately monitor the city's financial activity.

The city's budgets were not approved in a timely manner and were incomplete. In addition, the Board has not developed a process to monitor budget to actual disbursement activity. As a result, actual disbursements significantly exceeded budgeted amounts. Financial reports prepared by the city are incomplete and lack an appropriate level of detail. The city's published semi-annual financial statement for the 6 months ended December 31, 2008, reported a combined net income of all city operations, with receipts and disbursements of each fund co-mingled. Additionally, the published financial statements did not report a beginning or ending balance for any city funds. The city maintains four bank accounts that have minimal activity. In addition, the City Treasurer does not allocate interest received from bank deposits in the general account to the various city funds maintained in the account.

The Board of Aldermen does not provide adequate oversight of the accounting functions performed by the City Clerk and Treasurer and review procedures implemented do not always detect errors as intended. Additionally, receipting and reconciling procedures need improvement.

Water and sewer rates charged to customers have been insufficient to cover water and sewer operations. As a result, the city's General Fund has paid approximately \$42,700 on behalf of the Water and Sewer Fund through December 31, 2008, according to the city's financial statement audit report.

Other issues discussed in the audit include the lack of a formal bidding policy for purchases of goods and services, the lack of controls to ensure fuel purchases for law enforcement are reasonable, issues with closed meeting procedures, and concerns related to city ordinances and capital asset tracking.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF TRACY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-15
<u>Number</u>	<u>Description</u>
1.	Accounting System, Budgeting, and Financial Reporting5
2.	Accounting Procedures8
3.	Water and Sewer Operations.....10
4.	Disbursements.....12
5.	Closed Meeting Compliance and Ordinances13
6.	Capital Assets.....14
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	16-18

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Tracy, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Tracy. The city engaged Stephen Connelly, Certified Public Accountant (CPA), to audit the city's financial statements for the 2 years ended December 31, 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Tracy.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert E. Showers, CPA
In-Charge Auditor:	Candi Copley

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF TRACY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Accounting System, Budgeting, and Financial Reporting
-----------	--

A fund accounting system has not been established to properly account for the financial transactions of the city. The city's budget process is not adequate, and financial statements prepared and published by the city were insufficient and incorrect. Further, the Board of Aldermen should consider closing some unnecessary checking accounts and allocating interest among all city funds.

- A. The city has not established sufficient records within its general accounting system to properly account for the financial activity of the various city funds. The city does not maintain separate records of receipts, disbursements, and fund balances for its General, Special Revenue, or Water and Sewer Funds. As a result, city officials are not able to adequately monitor the city's financial activity. For example, the city's water and sewer activities are split between the general account and the water and sewer account, and no overall Water and Sewer Fund balance is maintained as required by bond covenants.

Receipts and disbursements associated with specific activities should be recorded in a fund established to account for the activities. Complete and organized accounting records are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made. In addition, the city's independent auditor recommended the city establish separate funds for the water and sewer transactions in his report on the financial statements for the years ended December 31, 2008 and 2007.

- B. The following weaknesses exist in the city's budget process:

- 1) The city's budgets were not approved in a timely manner and were incomplete. A budget for the year ended December 31, 2007, was not approved until June 25, 2007, and the 2008 budget was not approved until April 2008. Budgets were not prepared for all city funds and were not clearly approved by the Board.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provide a means to effectively monitor actual costs and receipts. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and a reasonable

estimate of the ending available resources. Additionally, the beginning cash balances of the funds should agree to the accounting records and summary totals should accurately reflect the detail amounts.

- 2) The Board has not developed a process to monitor budget to actual disbursement activity. As a result, actual disbursements significantly exceeded budgeted amounts. For the 2 years ended December 31, 2008, actual disbursements exceeded budgeted amounts for the city's funds as follows:

Fund	Year Ended December 31,	
	2008	2007
General	\$26,218	66,634
Water and Sewer	8,405	85,053
Street	43,037	N/A

The Board did not prepare an amended budget for these funds or document the reasons for exceeding the budget in meeting minutes.

Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursements from any fund, unless the governing body adopts a resolution setting forth the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the disbursements.

C. Significant weaknesses exist in the city's financial reporting process:

- 1) Financial reports prepared by the city are incomplete and lack an appropriate level of detail. The city's published semi-annual financial statement for the 6 months ended December 31, 2008, reported a combined net income of all city operations, with receipts and disbursements of each fund co-mingled. Additionally, the published financial statements did not report a beginning or ending balance for any city funds.

Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semiannually, a full and detailed account of the receipts, disbursements and indebtedness of the city. The publication of such financial statements is intended to provide complete and accurate information to citizens regarding the financial activity and condition of the city.

- 2) Fund balances reported to the State Auditor's office, as required by Section 105.145, RSMo, were significantly understated. At December 31, 2007, the city reported an aggregate balance for all city funds of approximately \$21,500. However, a 2007 financial statement audit

reported an aggregate balance of approximately \$135,600 for all funds at December 31, 2007. A contracted audit report was submitted in lieu of city prepared financial statements in 2008. The inadequate financial reporting is a result of the city's poor accounting system.

- D. The city maintains four bank accounts: the parks account, parks and recreation account, police training account, and police grant fund account that have minimal activity and appear unnecessary. When activity is necessary from one of these accounts, a transfer is made to the general account and disbursements are processed through the general account.

A large number of accounts requires additional record keeping and increases the likelihood that errors or misappropriation will occur. The Board should consider closing these accounts and consolidating any related activity into the general account. The monies can be tracked by maintaining separate funds if necessary.

- E. The City Treasurer does not allocate interest received from bank deposits in the general account to the various city funds maintained in the account. For example, receipts for water and sewer services, the Emergency Parks Fund, and the Emergency Road Fund are held within the general account; however, interest earned is allocated solely to the General Fund.

The city should ensure interest is allocated to the various funds in proportion to the fund balance.

WE RECOMMEND the Board of Aldermen:

- A. Ensure a complete financial accounting system is established, with specific activities accounted for in separate funds, as appropriate.
- B.1. Develop policies and procedures to ensure budgets are prepared in a timely manner, are prepared for all funds, and contain all information as required by state law. Additionally, the Board should document its approval of the annual budget.
- 2. Periodically compare year-to-date disbursements with budgeted amounts to monitor city finances and ensure actual disbursements do not exceed budgeted amounts. If it is necessary to exceed budgeted disbursements, the Board should ensure compliance with state law.
- C.1. Ensure published financial statements are accurate and contain the appropriate level of detail.
- 2. Ensure the accuracy of financial statements filed with the State Auditor's office.
- D. Close any unnecessary bank accounts.

- E. Ensure interest is properly allocated between funds.

AUDITEE'S RESPONSE

The city provided the following written responses:

- A. *The City generally concurs with this finding. The City has been working with Steve Connelly, CPA, to improve its accounting methods and records. Effective January 1, 2009, some changes to the accounting for the water and sewer funds were implemented, including establishment of a separate account for those revenues as directed by Missouri DNR. The City has purchased new accounting software, and plans to transfer the existing financial data to a system that adequately accounts for activity by fund.*
- B.1. *The Mayor and Board of Aldermen have implemented a budget process consistent with Section 67.010 RSMo. for the fiscal year 2009. The ordinance approving the budget was passed at the January 2009 meeting, before any 2009 Fiscal Year funds were expended. The City will continue to improve its compliance with §67.010 to §67.080 RSMo.*
2. *The new accounting software and greater compliance with the processes set forth in §67.010 to §67.080 RSMo. will enable the City to better monitor actual expenditures versus budgeted expenditures for periods going forward. The street repairs paid for in 2008 were needed as result of damage caused by flooding, and were largely paid for by federal flood relief funds.*
- C.1. *The Board of Aldermen published semi-annual statements containing all information required by Section 79.160 RSMo. for the period subject to the audit.*
2. *The City's fund balances have been corrected based upon information provided by Steve Connelly, CPA.*
- D. *The additional accounts were initially opened to receive grant funds. The terms of various grants received required that the grant funds be held separate from the other funds of the City. Since the need for the separate accounts has passed, those that are no longer necessary will be closed.*
- E. *The City concurs and interest will be properly allocated between the various funds.*

2. Accounting Procedures

The Board of Aldermen does not provide adequate oversight of the accounting functions performed by the City Clerk and Treasurer and review procedures implemented do not always detect errors as intended. Additionally, receipting and reconciling procedures need improvement.

- A. Accounting duties are not adequately segregated and there is no evidence the Board of Aldermen provides adequate supervision or review of the work performed by the City Clerk and Treasurer. Duties of the City Clerk include receiving and recording utility payments and various city receipts, and preparing utility bills. Duties of the Treasurer include performing bank reconciliations; preparing, signing, and distributing checks; and preparing monthly financial reports. Additionally, the Treasurer posts disbursement transactions and transfers to accounting records and maintains the supporting documentation for transactions. The city's checking accounts require only one signature.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Requiring two signatures on checks also provides additional control over disbursements. A timely supervisory review of the City Clerk's and Treasurer's work should be performed and documented by the Board of Aldermen. The city's independent audits for the years ended December 31, 2008 and 2007 also reported the segregation of duties weakness. In 2008, as a result of the recommendations of the independent auditor, review procedures were attempted by the Mayor. However, as noted below in part C, review procedures did not always detect errors.

- B. Procedures for recording and depositing monies received are in need of improvement. Receipt slips are only issued for monies received when requested by the payer, the method of payment received is not always documented, and receipts are not always deposited intact or in a timely manner. The city collected approximately \$402,500 and \$286,000 in water and sewer receipts and miscellaneous receipts, such as franchise taxes, business licenses, dog licenses, court receipts, and copy fees in 2008 and 2007, respectively.

To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt, the method of payment should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of deposits. To minimize the possibility of loss, theft, or misuse of funds, monies received should be deposited in a timely manner.

- C. Errors were noted on the monthly bank reconciliations performed by the Treasurer. For example, the computer accounting system reported a reconciled balance of (\$61) for the combined waterworks and sewerage system account at December 31, 2008. Based on our review, the account's reconciled balance at December 31, 2008, was actually \$7,338. The incorrect bank reconciliation, which was reviewed and approved by the Mayor, included checks that cleared the bank in 2007. Accurate monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.

WE RECOMMEND the Board of Aldermen:

- A. Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent reviews of the City Clerk's and Treasurer's work should be performed and documented. Additionally, the Board of Aldermen should ensure reviews are designed to detect any errors and misstatements. Further, the Board of Aldermen should consider requiring two signatures for all checks issued by the city.
- B. Require receipt slips be issued for all monies received with the method of payment indicated and reconciled to the composition of deposits. Further, the Board of Aldermen should require all receipts be deposited in a timely manner.
- C. Ensure monthly bank reconciliations are completed correctly.

AUDITEE'S RESPONSE

The city provided the following written responses:

- A. *The City has implemented additional oversight duties. More reports will be provided to the Board for review. The City will evaluate the feasibility of additional segregation and oversight.*
- B. *Receipts are always issued for receipt of cash.*
- C. *Each bank reconciliation will be reviewed by the Mayor.*

3. Water and Sewer Operations

Water and sewer fees have been insufficient to cover water and sewer operations. In addition, controls over utility bill adjustments could be improved.

- A. Water and sewer rates charged to customers have been insufficient to cover water and sewer operations. As a result, the city's General Fund has paid approximately \$42,700 on behalf of the Water and Sewer Fund through December 31, 2008, according to the city's 2008 audit report. The city has experienced numerous water and sewer infrastructure failures that have resulted in significant repair costs and water losses. In addition, as discussed in Management Advisory Report (MAR) finding number 1, the city has not maintained adequate accounting records to separately track the activity of the Water and Sewer Fund, making it difficult for city officials to adequately track water and sewer activity. In an effort to cover maintenance costs and repay the debt to the General Fund, the Board of Aldermen approved a \$15 residential and \$30 commercial meter fee charge for meters in use in October 2007. The Board approved an additional increase in water and sewer rates effective January 2009.

The Board indicated it intends to repay the General Fund from Water and Sewer Fund receipts and meter fees. The use of General Fund receipts for water and sewer operations is allowable; however, interfund borrowing is not an appropriate long-term funding solution. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs) and maintain reserves adequate to sustain the system. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service.

- B. The approval of adjustments made to individual utility bills is not documented. Additionally, the city's water ordinance does not address procedures regarding adjustments to utility bills for water leaks for the equitable treatment of all utility users. All adjustments made to the monthly utility bills are recorded on adjustment sheets. Although the Mayor stated adjustments made to the utility bills are verbally approved by the Mayor or Board of Aldermen, the adjustment sheets do not document the review or approval.

To ensure all adjustments to utility bills are appropriate and have been recorded properly, the utility adjustment sheets should be reviewed and approved by the Mayor. The review and approval should be documented.

WE RECOMMEND the Board of Aldermen:

- A. Review water and sewer rates periodically to ensure receipts are sufficient to cover all costs of providing this service, but not set at a level that results in excessive fund balances. The Board should also clarify how much, if any, it intends to repay to the General Fund from water and sewer receipts.
- B. Ensure an independent review and approval of any adjustments to utility bills is performed and documented.

AUDITEE'S RESPONSE

The city provided the following written responses:

- A. *The City has implemented a budgeting process as part of amending its water and sewer rate ordinances. Rate budgets have been used for the sewer rates since the sewer project was completed in 2006. A similar budgeting process was applied to the water rates beginning in 2009.*
- B. *The City will work to develop a policy for utility bill adjustments and implement a procedure for review and approval of adjustments to utility bills.*

4.**Disbursements**

Controls over disbursements are in need of improvement. The city does not have a bid policy and fuel use in city vehicles is not monitored.

- A. The city does not have a formal bidding policy for purchases of goods and services. For example, the city did not solicit bids for banking services, street repair work, and primary water line repair services. No documentation is retained of how particular vendors are selected.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. In addition, written documentation of bids should be maintained to provide evidence the city has complied with its purchasing policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

- B. The city does not have controls in place to ensure fuel purchases for law enforcement are reasonable. City officers purchase gasoline for the city-owned vehicle using a fuel card and review the fuel statement verifying charges are correct before the invoice is approved by the Mayor for payment. However, the city does not perform a reconciliation of fuel purchased to miles driven to determine the reasonableness of purchases.

To ensure the validity and propriety of fuel disbursements, the city should adopt procedures to ensure fuel use is reconciled to fuel purchased.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Adopt procedures to reconcile fuel purchased to fuel use.

AUDITEE'S RESPONSE

The city provided the following written responses:

- A. *The law does not require the solicitation of bids for all contracts. The City does solicit bids when required and in many other instances.*

- B. *The City has implemented a mileage log on the police car to ensure that the amount of fuel purchased for the police car is consistent with the amount of driving performed by City officers.*

5. Closed Meeting Compliance and Ordinances
--

Improvement is needed in the procedures and documentation related to closed meetings of the Board, and improvement is needed in the organization of the city's ordinances.

- A. The following issues were identified regarding the Board's use of closed session meetings:

- 1) The city was unable to demonstrate how some topics discussed in closed meeting sessions complied with state law. For example, the Board discussed and voted to change the public safety officer position from a part-time to a full-time position during a closed meeting session. The Board should restrict the discussion in closed sessions to the specific topics listed in the Sunshine Law, Chapter 610, RSMo. The Sunshine Law, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting. In addition, the Sunshine Law provides public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.
- 2) An instance was noted where the Board held a closed meeting without minutes being taken. The Sunshine Law, Section 610.020.7, RSMo, requires minutes be kept for all closed meeting sessions. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are followed.

- B. The city does not maintain a summary list of ordinances passed, rescinded, or superseded by a subsequent ordinance. As a result, it is not clear which city ordinances are currently in effect. Documents with the city's attorney suggest the city has over 900 ordinances.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important the city maintain ordinances in a complete, well-organized, and up-to-date manner. A record of all ordinances passed and repealed by the city could help keep track of additions and changes made to city ordinances.

WE REDCOMMEND the Board of Aldermen:

- A.1. Ensure discussions held in closed session are in compliance with the Sunshine Law.
- 2. Maintain meeting minutes for all closed sessions in compliance with the Sunshine Law.
- B. Ensure a complete and up-to-date set of ordinances is created and maintained.

AUDITEE'S RESPONSE

The city provided the following written responses:

- A.1. *The City will obtain advice of counsel concerning permissible topics of discussion during closed meetings.*
- 2. *The meeting in question occurred at the end of a regular meeting of the Board of Aldermen, was closed at the request of an employee for the purpose of discussing the employee's personnel issues. No vote or action of any kind was taken by the Board during the meeting or as a result of the discussion.*
- B. *The City does maintain an up-to-date set of ordinances. The ordinances passed by the Board are in the ordinance books numerically from 1 to 954. The ordinances are assigned a number upon passage and cover the period of 1933 to the present. There is an index to the ordinances. The City will endeavor to create a list of repealed or amended ordinances to supplement the existing index.*

6.

Capital Assets

The city does not maintain current, complete, and detailed records of capital assets, including land, buildings, infrastructure, and equipment. In addition, an annual physical inventory is not performed. The city's computerized asset list shows an asset balance of approximately \$407,000, and a manually prepared asset list contains an additional \$9,400 worth of assets. However, based on discussions with the Treasurer, the asset lists have not been updated for several years. Significant asset additions are needed, including park assets and the water and sewer system upgrades the city has made in recent years.

Adequate capital asset records are necessary to ensure accountability for all items owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting. Capital asset records should include a detailed description of the assets including the name, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the

city should conduct annual physical inventories and reconcile the results to the detailed records.

WE RECOMMEND the Board of Aldermen maintain complete and detailed capital asset records. These records should be updated for any property additions and dispositions as they occur. Further, all assets should be tagged or otherwise identified as city property, and the Board of Aldermen should ensure annual physical inventories are performed and documented and the results reconciled to the detailed list of assets.

AUDITEE'S RESPONSE

The city provided the following written response:

Steve Connelly, CPA, has been working with Mayor Rhoads to update the City's list of capital assets.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF TRACY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Tracy is located in Platte County. The city was incorporated in 1883 and is currently a fourth-class city. The population of the city in 2000 was 213.

The city government consists of a Mayor and four-member Board of Aldermen. The members are elected for 2-year terms. The Mayor is elected for a 2-year term, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the 2 years ended December 31, 2008, are identified below. The Mayor is paid \$50 per month and Board of Aldermen members \$20 per month. The compensation of these officials is established by ordinance.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the 2 Years Ended December 31, 2008</u>
Rita Rhoads, Mayor (1)	January 2007 to December 2008
Brenda Ferguson, Mayor (1)	January 2007 to April 2008
Robert Kaveler, Member	January 2007 to December 2008
Julie Thomas, Member	January 2007 to December 2008
Robert Roediger, Member (2)	October 2008 to December 2008
Larry Hill, Member (2) (3)	May 2007 to October 2008
Cheryl Cornett, Member (3)	January 2007 to April 2007
Aaron Bryant, Member (4)	May 2008 to December 2008

- (1) Rita Rhoads was elected Mayor in April 2008 to replace Brenda Ferguson. Ms. Rhoads was a member of the Board of Aldermen from January 2007 until her election as Mayor in April 2008.
- (2) Robert Roediger was appointed in October 2008 to fill the position vacated by Larry Hill.
- (3) Larry Hill was elected by a 3 way tie breaker held on May 1, 2007. Larry was elected to replace Cheryl Cornett, who resigned her position one year prior to her term expiring.
- (4) Aaron Bryant was appointed in May 2008 to fill the position vacated by the election of Rita Rhoads as Mayor.

Other Officials	Dates of Service During the 2 Years Ended December 31, 2008	Compensation Paid for the Year Ended December 31,	
		2008	2007
Jennifer Yeager, Treasurer	January 2007 to December 2008	\$ 1,800	1,800
Frank Thurman, Police Chief	January 2007 to December 2008	7,474	7,680
Laurie Molder, City Clerk/Collector (1)	January 2007 to April 2008	3,762	9,851
Deborah Payne, City Clerk/Collector (1)	May 2008 to December 2008	4,824	0

- (1) Laurie Molder resigned her position as City Clerk/Collector in April 2008. Deborah Payne was appointed City Clerk/Collector in May 2008.

In addition to the officials identified above, the city employed one full-time employee and two part-time employees on December 31, 2008.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 1,898,981	1,867,819
Personal property	536,105	265,499
Railroad and utility	26,861	29,812
Total	\$ 2,461,947	2,163,130

TAX RATE(S) PER \$100 ASSESSED VALUATION

	2008 Rate	2007 Rate
General	\$.6846	.6510
Debt service	.6814	.8470

TAX RATE(S) PER \$1 OF RETAIL SALES

	2008 Rate	2007 Rate
General	\$ 1.000	1.000
Transportation	.050	.050



Susan Montee, JD, CPA
Missouri State Auditor

Village of Truxton



September 2009

Report No. 2009-100

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Village of Truxton

Financial Reporting, Budgets, and Ordinances

The village has not published or posted semi-annual financial statements as required by state law. for at least a year. The village's budgets are not complete or in compliance with state law. Village ordinances are not sequentially numbered, thus hindering the village's ability to locate specific ordinances.

Bank Reconciliations

Procedures have not been established to routinely follow up on outstanding checks and other reconciling items noted on bank reconciliations. In addition, the manual checkbook ledger contains calculation errors.

Disbursements

Controls and procedures for disbursements are in need of improvement. The village does not have a formal bidding policy. Bids were not solicited for or documentation of bids received was not maintained for various purchases made by the village, including financial audit services (\$3,475) and ditch repair work (\$2,955) during the year ended April 30, 2009.

The village considers the Village Treasurer to be an independent contractor; however, the village did not clearly document why she qualified as an independent contractor.

Capital Assets

The village has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The village does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

All reports are available on our Web site: auditor.mo.gov

Village of Truxton

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Financial Reporting, Budgets, and Ordinances..... 4
	2. Bank Reconciliations..... 5
	3. Disbursements..... 5
	4. Capital Assets..... 7

Organization and Statistical Information	8
---	---



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Truxton, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Truxton. The village engaged Zigo & Associates, Certified Public Accountants (CPAs), to audit the village's financial statements for the years ended April 30, 2009 and April 30, 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended April 30, 2008, since the year ended April 30, 2009, audit report had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended April 30, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the village's internal controls over significant management and financial functions.
3. Evaluate the village's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Truxton.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Katie Twiehaus

Village of Truxton

Management Advisory Report

State Auditor's Findings

1. Financial Reporting, Budgets, and Ordinances

Financial statements are not published or posted within the village. Controls and procedures regarding budgets are in need of improvement. In addition, ordinances have not been sequentially numbered.

1.1 Financial statements

The village has not published or posted semi-annual financial statements as required by state law. The Village Clerk indicated financial statements are to be posted in three locations within the village (village hall, post office, and community vending machine); however, the village has not posted financial statements for at least a year.

Section 80.210, RSMo, requires the chairman of the board of trustees to prepare and publish semiannually, receipts and disbursements of the village or post the statements in the most public places in the village. Complete and accurate financial statements and reports are necessary to inform citizens of the financial activity and condition of the village.

1.2 Budgets

The village's budgets are not complete or in compliance with state law. The budget prepared for the year ended April 30, 2009, did not contain the beginning and ending fund balances for previous years or the estimated fund balances for 2009.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources.

1.3 Ordinances

Village ordinances are not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Since ordinances represent legislation passed by the board to govern the village and its residents, it is important ordinances be maintained in a complete, organized, and up-to-date manner.

Recommendations

The Board of Trustees:

- 1.1 Publish or post complete and accurate financial statements that provide the citizens an account of all financial activity of the village.
- 1.2 Ensure budgets include the beginning funds available and the estimated ending balance.
- 1.3 Assign sequential numbers to village ordinances and maintain copies of ordinances in sequence.



Village of Truxton
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

These recommendations will be implemented.

2. Bank Reconciliations

Procedures have not been established to routinely follow up on outstanding checks and other reconciling items noted on bank reconciliations. At April 30, 2009, the village's bank reconciliation included two outstanding checks totaling \$161, and six other reconciling items totaling \$1,984, that were older than one year. Several items were older than two years. In addition, the manual checkbook ledger contains calculation errors. It appears the Village Treasurer simply adjusts the manual checkbook balance to agree to the computer balance when differences occur. The book balance maintained on the computer does reconcile to the monthly bank statement.

The reconciling items create additional and unnecessary record keeping. Procedures should be established to routinely investigate any items remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo. All other reconciling items should be investigated and resolved timely.

Recommendation

The Board of Trustees establish procedures to routinely follow up on outstanding checks and other reconciling items on a timely basis. An attempt should be made to contact the payees of old outstanding checks. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions. In addition, the Board should ensure an accurate checkbook balance is maintained.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

This recommendation has already been implemented and reconciliation errors have been corrected.

3. Disbursements

Controls and procedures for disbursements are in need of improvement.

3.1 Formal bidding policy

The village does not have a formal bidding policy. The village has a general bidding requirement of \$2,500; however, this is not formally documented. Bids were not solicited for or documentation of bids received was not maintained for various purchases made by the village, including financial audit services (\$3,475) and ditch repair work (\$2,955) during the year ended April 30, 2009.



Village of Truxton
Management Advisory Report - State Auditor's Findings

Formal bidding procedures for purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

While professional services, such as attorneys, consultants, and accountants may not be subject to the standard bidding procedures, the village should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the village from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the village to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost.

3.2 Employment classification

The village considers the Village Treasurer to be an independent contractor; however, the village did not clearly document why she qualified as an independent contractor. Payroll taxes were not withheld from payments to the Village Treasurer, nor were the payments reported on an Internal Revenue Service (IRS) W-2 Form. She was paid on a monthly basis, for a total of \$2,450 during the year ended April 30, 2009. The village provided her with a place to work and village equipment, so it would appear she may be considered a village employee, meaning payments should be reported on Forms W-2 and payroll taxes withheld. The village did issue a Form 1099 for this service.

For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Additionally, Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes.



Village of Truxton
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Trustees:

- 3.1 Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. In addition, the Board should periodically solicit proposals for the selection of various professional service providers. All documentation regarding proposals solicited should be retained.
- 3.2 Ensure all persons hired by the village are clearly documented as employees or contract employees in compliance with IRS rules and regulations. In addition, the Board should ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following responses:

- 3.1 *This recommendation will be implemented.*
- 3.2 *This recommendation will be reviewed.*

4. Capital Assets

The village has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The village does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

Recommendation

The Board of Trustees should establish policies requiring capital asset records be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The Board should ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. The village should properly tag, number, or otherwise identify all applicable village property and conduct an annual inventory.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

This recommendation will be implemented.

Village of Truxton

Organization and Statistical Information

The Village of Truxton is located in Lincoln County. The village was incorporated in 1864.

Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman is appointed by the board from the members. The members of the Board of Trustees receive no compensation. The members of the Board of Trustees and other officials during the year ended April 30, 2009, are identified below.

Name and Title	Dates of Service During the Year Ended April 30, 2009
Glen Winter, Chairman	May 2008 - April 2009
Charles "Royce" Hunter, Trustee (1)	May 2008 - April 2009
Joanne Bruton, Trustee	May 2008 - April 2009
John Mills, Trustee	May 2008 - April 2009
Beverly Cole, Trustee	May 2008 - April 2009

(1) Royce Hunter was appointed Chairman in May 2009.

Other Officials

Name and Title	Dates of Service During the Year Ended April 30, 2009	Compensation Paid for the Year Ended April 30, 2009
Drewanna Schutte, Clerk/Treasurer (1)	May 2008 - April 2009	\$ 2,450

(1) Drewanna Schutte is considered a contracted employee.

The village did not have any employees during the year ended April 30, 2009.



Susan Montee, CPA
Missouri State Auditor

Caldwell County



September 2009
Report No. 2009-99

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report on Caldwell County.

The County Clerk and County Collector-Treasurer have not developed adequate procedures to ensure all financial activity involving county monies is properly recorded in the accounting records and accurately reported in the county budgets and financial statements. Problems were identified with the bank reconciliations performed by the County Collector-Treasurer and she was unable to explain various reconciling items. Receipt and disbursement amounts did not agree between the Collector-Treasurer and County Clerk for various major funds. These differences were not identified by county officials due to lack of controls over financial reporting. In addition, other compliance and internal control problems in the Collector-Treasurer office were identified.

Budgets prepared by the County Clerk's office are inaccurate, do not present a true picture of the financial activity of some county funds, and do not include all information required by state law. The county revised the 2008 budget changing most of the actual receipt and disbursement figures for 2007, but it is unclear how these new amounts were derived. In addition, actual receipts, disbursements, and cash balances for 2007 for some funds still do not agree to amounts reported by the County Collector-Treasurer for 2007. Furthermore, the County Clerk does not maintain adequate supporting documentation for numbers reported in the county's budget. Budget to actual reports are not regularly prepared and reviewed by county officials, resulting in disbursements in excess of approved budgeted amounts for several funds. The county's annual published financial statements did not include some information required by law, and two county funds were deficit budgeted, which violates state law.

The County Commission and County Clerk do not provide adequate oversight of the activities of the County Collector-Treasurer. As a result, errors were not identified and investigated. Various problems were identified with the County Collector-Treasurer's bank reconciliations and passwords for the county's tax system are not changed periodically or kept confidential.

The county has not developed adequate procedures for the review and approval of disbursements and adequate oversight of these processes is not in place. In December 2008, a former employee in the County Clerk's office increased the amount of a bank loan payment by \$2,500 and received the extra money back in cash. Some monetary awards and gifts purchased with county funds were given to employees of the Detention Center, Sheriff's Department, 911 Center, and Prosecuting Attorney's office. These items were not reported on the employees' W-2 forms nor subjected to tax withholdings, and included: four laptop computers and software (\$3,200); cash bonuses (\$1,000) to some employees; a rifle (\$1,100) given to a deputy sheriff; and \$50 gift vouchers to all Sheriff's

YELLOW SHEET

Department, detention center, and 911 employees. Spending from the Sheriff's Civil Fees Fund was excessive in 2008 compared to the previous years the former Sheriff was in office, and in particular spending escalated after August 2008, when the former Sheriff lost the primary election. Approximately \$2,500 worth of give away items were purchased in May 2008 on a county credit card by the former Sheriff to be distributed at various county functions. These items were eventually paid for from the Sheriff's Civil Fees Fund and included several items which bore the former Sheriff's name. The County Commission indicated these items were campaign related giveaways. The former Sheriff was paid a total of \$725 to attend a Sheriff's training in October 2008 which he did not attend. In addition, some concerns were identified with county bidding, lack of contracts for services, and insufficient documentation for some disbursements.

Documentation to support transfers totaling over \$3.4 million from the Law Enforcement Sales Tax (LEST) Fund to the General Revenue Fund was insufficient to ensure amounts paid were reasonable.

The County Commission failed to comply with the Sunshine Law regarding the handling of closed session meetings and procedures for documenting and approving meeting minutes should be addressed.

The county does not adequately monitor the County Aid Road Trust (CART) and sales tax balances available to the 12 townships in the county to ensure adequate funds are available to pay invoices. The County Clerk did not ensure township boards' financial statements were published as required by state law.

Annual settlements were not filed in a timely manner and monthly bank reconciliations are not performed in the Public Administrator's office. The Public Administrator inconsistently charged fees depending on the availability of funds in the wards' estates, and lacked documentation to support the fees that were charged. The Associate Circuit Judge does not require the Public Administrator to submit supporting documentation for all disbursements.

The County Commission has not maintained adequate oversight of the Little Otter Creek Watershed Project. The county has not maintained adequate records of the amounts received, disbursed, and cash on hand. The planning for this project began in 2001, and cost estimates were prepared during that time period, but the county has not taken steps to update those original cost estimates. While annual costs of the project are reported in the county budget, the county has not adequately tracked the progress and costs to date of the project, compared to the original estimates. As of December 31, 2008, approximately \$2.5 million has been spent on the project.

Other findings in the audit report relate to travel expenses, payroll policies and procedures, capital assets, and controls and procedures of planning and zoning, the Circuit Clerk, the Sheriff, and the detention center.

All reports are available on our Web site: www.auditor.mo.gov

CALDWELL COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-37
<u>Number</u>	<u>Description</u>
1.	Financial Reporting and Collector-Treasurer Controls.....5
2.	Budgetary Practices and Published Financial Statements8
3.	Property Tax Books and Procedures11
4.	Disbursements.....13
5.	Transfers19
6.	Payroll Policies and Procedures.....20
7.	Capital Assets.....22
8.	County Commission Meeting Minutes24
9.	Township Controls and Procedures25
10.	Public Administrator Controls and Procedures.....26
11.	Circuit Clerk Controls and Procedures28
12.	Planning and Zoning Office Controls and Procedures29
13.	Sheriff Controls and Procedures31
14.	Detention Center Controls and Procedures32
15.	Little Otter Creek Project36
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	38-40

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County

We have audited certain operations of Caldwell County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Kevin Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Caldwell County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Caldwell County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	David Gregg
Audit Staff:	Karla Swift, MBA
	Richard Stuck
	Tanisha Ursery

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CALDWELL COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1.	Financial Reporting and Collector-Treasurer Controls
-----------	---

The County Clerk and County Collector-Treasurer have not developed adequate procedures to ensure all financial activity involving county monies is properly recorded in the accounting records and accurately reported in the county budgets and financial statements. During 2007 and 2006, the county used two different financial accounting systems but had predominately the same procedures in place for entering the data and reconciling activity. The financial system was changed in June 2007, and the county has experienced significant difficulties with implementing the controls necessary to ensure all financial activity of the county is recorded accurately and timely.

Lack of adequate bank reconciliations by the County Collector-Treasurer and lack of reconciliations between the accounting records maintained by the County Collector-Treasurer and County Clerk have resulted in inaccurate budgetary information which is discussed more thoroughly in the Management Advisory Report (MAR) finding number 2.

Additionally, the Collector-Treasurer has not established procedures to routinely follow up on outstanding checks, semi-annual settlements are not prepared, and receipt slips are not issued immediately upon receipt of some monies.

- A. The County Collector-Treasurer does not reconcile the two pooled bank accounts to the cash balances of the applicable county funds. Additionally, several significant old items are part of the reconciliation and it is unclear why no follow up has been performed by the County Collector-Treasurer to clear them. Bank reconciliations were not performed at the end of 2006 and while reconciliations were performed monthly beginning in 2007, the December 31, 2007 and 2008, pooled cash reconciled balances did not agree to the County Collector-Treasurer's book balance for the funds maintained in the pooled cash accounts.

At December 31, 2008, the reconciled balance of both pooled cash accounts totaled \$1,518,208, while the book balances of the funds maintained in pooled cash totaled \$1,475,294. While the bank reconciliation report identified much of this difference related to wages and taxes payable, the County Collector-Treasurer was unable to explain how those amounts were determined and the County Clerk's office indicated there were no withholding taxes payable. The wages payable amount of \$66,284 is also used as an adjustment on the December 31, 2007, bank reconciliation, leading us to believe this adjustment is not accurate and should be investigated. Additionally, significant reconciling items were identified on the December 2008 reconciliation that the Collector-Treasurer could not explain. The amounts shown as outstanding deposits totaled over \$1.3 million,

and included numerous reconciling items dating back to 2007 which have not been investigated.

The County Collector-Treasurer should investigate the differences on the pooled cash bank reconciliations and take steps to review the various reconciling items and determine their propriety. Accurate bank reconciliations are necessary to ensure bank accounts properly reconcile with the accounting records and to detect errors on a timely basis.

- B. The County Clerk and County Collector-Treasurer do not reconcile the accounting records. Cash balances did not reconcile as a result of differences between receipts and disbursements recorded by each official. For example, the County Clerk's records showed transfers out of the Law Enforcement Sales Tax Fund (LEST) to the General Fund totaling \$1,698,577 for the year ended December 31, 2007, while the County Collector-Treasurer showed a LEST Fund transfer of \$1,774,334, the same amount approved by the County Commission. This error was not identified due to the lack of reconciliations between the Collector-Treasurer and County Clerk. The failure of these officials to reconcile their records has resulted in errors in actual amounts reported on the budgets prepared by the County Clerk going undetected. Some of the larger differences noted between the County Collector-Treasurer's and County Clerk's records are as follows:

Year Ended December 31,	Fund	County Collector- Treasurer's Actual per Fund Ledger	County Clerk's Actual per Budget	Difference
2007	General Revenue Receipts	\$ 3,033,170	2,486,323	546,847
2007	General Revenue Disbursements	2,996,464	2,786,342	210,122
2007	Special Road and Bridge Receipts	1,975,485	1,067,152	908,333
2007	Special Road and Bridge Disbursements	1,719,842	1,406,093	313,749
2007	Law Enforcement Sales Tax Receipts	2,868,421	2,777,321	91,100
2006	General Revenue Receipts	2,576,044	2,712,343	(136,299)
2006	General Revenue Disbursements	2,010,833	2,112,419	(101,586)
2006	Special Road and Bridge Disbursements	671,509	935,496	(263,987)
2006	Little Otter Creek Disbursements	601,807	1,096,914	(495,107)

We could not determine which numbers were accurate due to various weaknesses in the financial reporting system of the county.

Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Collector-Treasurer. To provide the type of check and balance system required by state law, ensure errors and omissions are detected on a timely basis, and provide accurate financial reporting, the County Clerk and the County Collector-Treasurer should regularly reconcile the accounting records.

- C. The County Collector-Treasurer has not established procedures to routinely follow up on outstanding checks. At December 31, 2007, 35 checks totaling \$24,711 had been outstanding for over 6 months, including some checks that had been outstanding for almost 2 years. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo, or other applicable statutes that allow for the disposition of unclaimed monies.
- D. The County Collector-Treasurer has not prepared semi-annual settlements since taking office in April 2005. Considering the lack of an adequate monthly bank reconciliation (discussed in part A above), preparation of semi-annual settlements would give the County Collector-Treasurer another opportunity to investigate and resolve errors identified during the reconciliation process. Section 54.150, RSMo, requires the County Collector-Treasurer to settle accounts with the County Commission semiannually.
- E. The County Collector-Treasurer does not issue receipt slips immediately upon receipt for monies transmitted from other offices. The County Collector-Treasurer indicated offices drop monies off and she will sometimes count the monies later and issue a receipt slip. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt of monies.

WE RECOMMEND the County Collector-Treasurer:

- A. Reconcile the pooled accounts and ensure they agree to the combined cash balances of the various county funds. In addition, reconciling items and adjustments to the pooled cash account should be investigated to determine their propriety.
- B. And the County Clerk periodically reconcile the accounting records and ensure all reconciling items are documented and fully investigated.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- D. Prepare settlements semiannually as required by state law.

- E. Issue receipt slips immediately upon receipt of monies.

AUDITEE'S RESPONSE

The County Collector-Treasurer provided the following responses:

- A. *I am investigating and working with the software provider to correct and resolve the reconciling items from the bank reconciliations. I am working to ensure the reconciled balance agrees to pooled cash.*
- B. *I agree and am working with the County Clerk to ensure all financial information posted to the system is documented and accurate.*
- C. *I am investigating these old outstanding checks and will dispose of them as soon as possible.*

D&E. I agree and will begin doing these procedures.

The County Clerk provided the following response:

- B. *I agree and am working with the County Collector-Treasurer to ensure all financial information posted to the system is documented and accurate.*

2. Budgetary Practices and Published Financial Statements
--

County budgetary practices are poor and weaknesses in accounting controls have resulted in reporting inaccurate actual numbers. Additionally, the county approved disbursements in excess of available monies, did not include some funds in the published financial statements, and budgeted deficit balances for some funds.

- A. Budgets prepared by the County Clerk's office are inaccurate, do not present a true picture of the financial activity of some county funds, and do not include all information required by state law. Actual amounts presented for 2007 in the 2008 budget were significantly revised in August 2008 through a budget amendment necessitated by a review of the 2007 receipt and disbursement detail records maintained by the County Clerk's and County Collector-Treasurer's offices. The 2007 actual receipts and disbursements of numerous county funds were changed after some information was re-entered into the county's new financial accounting system. However, it is unclear how these new amounts were derived and many amounts still appear to be inaccurate. For example, actual sales tax receipts for the General Fund in 2007 were originally reported in the 2008 budget as approximately \$268,000. This amount was revised down to approximately \$153,000 in the revision, but the county is unable to explain why the amount changes so dramatically or provide detail as to how the amount was derived. The

County Clerk, by her own admission, presented the original 2008 budget with incorrect actual numbers.

In addition, actual receipts, disbursements, and cash balances for 2007 for some funds still do not agree to amounts reported by the County Collector-Treasurer for 2007. For example, 2007 actual amounts presented for the General Fund and the Peace Officers Training Fund in the 2008 budget revision did not agree to amounts presented by the County Collector-Treasurer. Also, the county failed to record proceeds from issuing bonds for the construction of the Little Otter Creek Watershed Project, resulting in the understatement of receipts and the cash balance by approximately \$2.5 million. Long term debt associated with the detention center and Little Otter Creek Project, totaling approximately \$4.5 million, was not properly disclosed in the 2007 or 2008 budget, or the 2008 revision.

Furthermore, the County Clerk does not maintain adequate supporting documentation for numbers reported in the county's budget. The County Clerk indicated some amounts came from the county's computer system and some amounts came directly from the County Collector-Treasurer. When the County Clerk tried to reproduce some of the support, many errors were found.

The county has a fiduciary responsibility to the citizens of Caldwell County to present the budget as a complete financial plan that is appropriate, reasonable, and supported by adequate documentation. In addition, Chapter 50, RSMo, requires the budget present a complete financial plan for the ensuing year.

- B. Budget to actual reports are not regularly prepared and reviewed by county officials, resulting in disbursements made in excess of approved budgeted amounts. Based on our review of the county budgets, 13 funds in both 2006 and 2007 went over budget with the most significant differences being the General Revenue, Special Road and Bridge, Law Enforcement Sales Tax, and Little Otter Creek Funds.

The County Clerk indicated budget to actual reports are prepared only at the end of the year when the next year's budget information is compiled and no monitoring of budget to actual amounts is performed throughout the year.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons, which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional revenues), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed when making spending decisions throughout the year.

- C. The county's annual published financial statements did not include some information required by state law. Financial information for the Planning and Zoning Fund, Unclaimed Fees Fund, and ADA Chairlift Fund in 2006, along with Road and Bridge Sales Tax and Law Enforcement Sales Tax Funds in 2006 and 2007 were not published. Additionally, a statement at the end of the financial statement signed by the preparer declaring the information is complete and correct was not included.

Section 50.800, RSMo, provides details regarding the various information required to be included in the county's annual published financial statements, and requires receipts, disbursements, and beginning and ending balance information be presented for all county funds.

- D. Although Section 50.740, RSMo, requires balanced budgets, the County Commission budgeted a deficit of \$9,963 for the Election Fund for the year ended December 31, 2007, and a deficit of \$82,540 for the Road and Bridge Sales Tax Fund for the year ended December 31, 2006. In addition, Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting.

Conditions similar to B and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure the budget document contains complete and accurate information about the county's finances and available resources and agrees to the County Collector-Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's office and ensure adequate supporting documentation is maintained for amounts presented.
- B. Adopt procedures to compare budgeted and actual disbursements and ensure disbursements are not authorized in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budget properly amended and filed with the State Auditor's office.
- C. Ensure all required financial information for all county funds is properly reported in the annual financial statements in accordance with state law.
- D. Refrain from budgeting a deficit balance.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We agree and have already started to make significant changes in the controls over our financial reporting system. We will ensure all information in the budget is thoroughly*

reviewed before approval and submission to the State Auditor's office. Supporting documentation will be better maintained in the future.

- B. We will immediately begin reviewing budget to actual reports monthly for all county funds. We will discuss with other county officials as well the need to keep disbursements within budgetary limits.*
- C. We agree and will ensure all applicable information is included in the future.*
- D. We agree.*

3. Property Tax Books and Procedures

Concerns were noted with the County Clerk, County Collector-Treasurer, and County Commission review and approval during the processing of property taxes. In addition, confidential passwords to the property tax system are not maintained by various officials. The County Collector-Treasurer collected property taxes of approximately \$6.1 million and \$5.4 million during the years ended February 29, 2008 and February 28, 2007, respectively.

- A. Neither the County Commission nor the County Clerk performs a review of the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. As a result, errors contained in the annual settlements were not identified and investigated. Total distributions were over reported by approximately \$295,000 and exceeded collections by approximately \$129,000 for the year ended February 28, 2007.

Section 139.160, RSMo, requires the collector to ". . . settle his accounts of all moneys received by him on account of taxes and other sources of revenue" Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other record which summarizes all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector-Treasurer each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

B. During our review of the County Collector-Treasurer's bank reconciliation and list of liabilities for February 29, 2008, we noted the following concerns:

- The bank reconciliation showed no deposits in transit while the list of liabilities showed there was \$25,298 deposited on February 28 and 29, 2008. These monies were received in February and should have been reflected on the bank reconciliation as deposits in transit.
- The list of liabilities included \$5,292 in surtax for the year ended February 28, 2004. The County Collector-Treasurer indicated these monies were collected by the previous County Collector-Treasurer and never paid out.
- The list of liabilities included \$77 not identified.
- The list of liabilities included \$145 in outstanding checks not included on the bank reconciliation.

Complete and well documented bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved timely. The County Collector-Treasurer should investigate any differences and take appropriate action.

C. The County Assessor, County Clerk, and County Collector-Treasurer do not maintain confidential passwords to the property tax system nor do they change their passwords periodically. Unique passwords should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit unauthorized access to computer files.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND:

- A. The County Collector-Treasurer prepare accurate annual settlements and the County Clerk establish and maintain an account book with the County Collector-Treasurer. In addition, the County Commission should consider using the account book to verify the County Collector-Treasurer's annual settlements.
- B. County Collector-Treasurer ensure complete and accurate bank reconciliations and lists of liabilities are prepared on a monthly basis.
- C. The County Commission consult with the property tax system programmer and establish procedures including the use of unique passwords to restrict access to computer files to authorized individuals.

AUDITEE'S RESPONSE

The County Collector-Treasurer provided the following responses:

- A. I am working to ensure annual settlements are accurate.*
- B. I have resolved the outstanding surtax and it has been paid out. My account reconciles monthly and agrees to liabilities. I believe these other problems were timing issues and have now been resolved.*

The County Clerk provided the following response:

- A. I will begin to maintain an accounting record to verify the annual settlement.*

The County Commission provided the following response:

- C. This recommendation has been implemented.*

4. Disbursements

Improvement is needed in controls over disbursements and policies and procedures related to the procurement of goods and professional services.

- A. The county has not developed adequate procedures for the review and approval of disbursements and adequate oversight of these processes is not in place. Invoices are originally submitted to the County Clerk's office and approval documentation is prepared for the County Commission to sign, but it appears the prepared checks are not compared to the documentation and invoices by the County Commission. In addition, approval stamps are used by the County Commission to indicate its approval of disbursements, but controls over the use of these signature stamps are not in place.

In December 2008, a former employee in the County Clerk's office increased the amount of a bank loan payment by \$2,500 and received the extra money back in cash when making the payment. When this situation was discovered, the former employee was confronted by the County Clerk and Presiding Commissioner in January 2009, and the monies were repaid.

The county makes monthly payments to a local bank for loans associated with its detention center and a county vehicle. The request for payment was prepared for \$24,870, which is the normal monthly payment; however, the payment was processed by employees in the County Clerk's office for \$27,370, or \$2,500 more than required, and an accounts payable voucher was prepared for Commission approval, showing this increased amount as a miscellaneous charge posted to the Sheriff's Civil Fees Fund. The accounts payable voucher is stamped with

approval by one of the Commissioners and indicates it was approved by all three Commissioners. The County Commissioners indicated they often approve supporting documentation separate from approving and signing checks and were unclear how this payment was approved without anyone noticing the increased disbursement amount.

To reduce the risk of misuse of funds, the County Commission should ensure checks agree to supporting documentation and maintain control over signature stamps.

B. Some monetary awards and gifts purchased with county funds were given to employees of the detention center, Sheriff's department, 911 center, and Prosecuting Attorney's office. These gifts and awards totaled over \$8,000. The majority of these awards were funded by the Sheriff's Civil Fees Fund, which is under the control of the County Sheriff, but subject to approval by the County Commission. These items were not reported on the employees' W-2 forms or subjected to tax withholdings and included:

- Four laptop computers and software, with a total value of approximately \$3,200, were purchased by the former Sheriff in October 2008 through the Law Enforcement Sales Tax Fund. The County Commission and current Sheriff indicated these computers were given to county employees as gifts. They are not currently in the possession of the county and it is unclear who possesses them.
- The Detention Center Administrator was given a \$500 bonus from the Sheriff's Civil Fee Fund in December 2008.
- A rifle valued at \$1,100 was purchased with monies from the Sheriff's Civil Fees Fund in December 2008 and given to a deputy sheriff.
- Gift vouchers of \$50 were given to all Sheriff's department, detention center, and 911 center employees to buy personnel items from certain county vendors. The total amount spent on these vouchers was over \$2,600 funded by the Sheriff's Civil Fees Fund.
- The Prosecuting Attorney made extra payments totaling \$500 to three of his employees in November 2008 from the Prosecuting Attorney Bad Check Fund.

Since the monetary awards and gifts represent compensation, these payments should be subject to payroll tax withholding and reported on W-2 forms. In addition, the county should amend the applicable W-2 forms for payments not previously reported. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143,

RSMo, includes requirements for reporting wages and withholding state income taxes.

Gifts to employees are not a prudent use of county resources and do not appear necessary to the operation of the county. Extra payments given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states, ". . . a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

C. Spending from the Sheriff's Civil Fees Fund was excessive in 2008 compared to the previous years the former Sheriff was in office, and in particular spending escalated after August 2008, when the former Sheriff lost the primary election. The previous 3-year average of disbursements from the Sheriff's Civil Fees Fund was approximately \$10,500, while over \$37,000 was spent in 2008. Several disbursements made from the Sheriff's Civil Fees Fund in 2008 appeared unnecessary and/or inappropriate.

- Approximately \$6,700 was transferred to the General Fund in September 2008, to cover payments to deputies of the Sheriff's department for unused vacation time. The personnel policy for the Sheriff's department does not appear to authorize payment for unused vacation time and specifically says the hours cannot be carried forward from year to year and must be used or forfeited.
- Approximately \$2,500 worth of give away items were purchased in May 2008 on a county credit card by the former Sheriff to be distributed at various county functions. These items were eventually paid for from the Sheriff's Civil Fees Fund and included mini wallets, key rings, sports bottles and other similar items which bore the former Sheriff's name. The County Commission indicated these items were campaign related giveaways.
- The former Sheriff was paid a total of \$725 to attend a Sheriff's training in October 2008 which he did not attend. Of this amount, \$575 represented the registration fee and \$150 was for meals. The county confirmed with the Sheriff's Association that no one from Caldwell County attended the event and while repayment was requested, it was not received.
- In December 2008, \$800 was spent to cancel the contracts on four cellular phones used by the Sheriff's department. The county was unaware of this action until the new Sheriff took office in January 2009 and inquired where the cellular phones were located.

The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should ensure funds are spent only on items which are necessary and beneficial to county residents.

- D. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the County Commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns were noted related to the following purchases:

<u>Items or Services</u>	<u>Cost</u>
Transportation bus	\$ 70,472
Little Otter Creek	
legal services	37,500
Drilling	28,555
Bat cleanup	19,850
Asphalt	13,608
Prisoner food	12,585
Bar screen	8,500
Election supplies	7,932
Computer software	7,745
Prisoner health care	6,000

The county indicated the bar screen, election supplies, and computer software were only available through one source, but this information was not documented.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- E. The county did not enter into formal written agreements for housing inmates. The county paid \$102,854 and \$10,732 during the years ended December 31, 2007 and 2006, respectively, to house Caldwell County prisoners at a private jail without a contract. The county collected approximately \$49,400 and \$40,900 during 2007 and 2006, respectively, for boarding prisoners from other counties without written contracts.

Section 432.070, RSMo, requires all contracts be in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed.

- F. Internal Revenue Service (IRS) Forms 1099-MISC were not issued to four individual contractors, who received combined payments totaling approximately \$43,700, with each contractor receiving in excess of \$600 per year. Sections 6041 and 6051 of the Internal Revenue Code require non-employee payments of at least \$600 or more in one year to an individual or unincorporated business be reported to the federal government on Forms 1099-MISC.
- G. Supporting documentation related to some disbursements was insufficient or not available. Detailed credit card receipts were not retained to support some credit card charges. For two items, no registration or training agenda was provided and no vendor invoices were subsequently provided. The County Commission approved the payment of \$2,000 for 40 hours of mowing related to the Little Otter Creek Project and there was no indication of when the mowing occurred.

These monies represent public funds and officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the county cannot determine the validity and propriety of the disbursements. Proper reviews of bills by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end bills, and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

- H. Employees are not required to submit invoices or an itemized expense report to support uniform allowances, and the allowances are not reported on W-2 forms. Uniform allowances paid to Sheriff's department and detention center employees totaled \$3,850 during the year ended December 31, 2007.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and require payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income to the employees. Alternatively, the County Commission could require employees to submit documentation of actual uniform expenses as they are incurred.

- I. Costs associated with travel on county business were regularly paid to employees and officials in advance and an accounting of those funds after the trip is not performed.

During May 2007, the County Clerk was advanced \$976 for mileage, meals, and parking for herself and two Deputy County Clerk's to attend a conference in St.

Louis. The County Clerk indicated she cashed the check and distributed even portions of the money between each deputy and herself, but maintained no record of the transaction. While the County Clerk was paid mileage to drive her personal car totaling \$235, she actually drove a county car. Due to personal reasons, one deputy did not attend the conference and reimbursed the county \$90 for meals and parking on May 30, 2007, but it is unclear how much may still be due from the deputy who did not attend the conference because there is no record of the amount she was given. In addition, a Deputy County Clerk took a family member with her to the conference since the other deputy could not attend and a third room was already reserved. The county paid for all three rooms on this trip. The costs associated with the deputy's daughter's room (\$204) and the \$235 for mileage paid to the County Clerk were reimbursed to the county in August 2008 after we brought this matter to the attention of county officials.

The County Commission should develop travel policies which will ensure county monies are only used to reimburse valid travel costs incurred. Travel costs should be reimbursed by the county based on the presentation of valid documentation to support such costs.

Conditions similar to A, B, C, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Continue to work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover any missing funds. Additionally, the County Commissioners should improve oversight and review of all disbursements.
- B. Discontinue the practice of paying employee bonuses and awarding gifts and ensure all employee compensation is subject to payroll taxes and properly reported on W-2 forms.
- C. Ensure all disbursements are necessary and prudent uses of public funds.
- D. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- E. Ensure contracts are obtained and entered into for services received or provided.
- F. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.
- G. Ensure there is adequate documentation to support all disbursements from county funds and establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.

- H. Require the Sheriff's department and detention center employees submit reports of uniform expenses or report these allowances as other income on the employees' W-2 forms.
- I. Develop adequate policies and procedures related to travel expenses and cease paying travel costs in advance.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We are in the process of working with law enforcement officials regarding criminal prosecution and have already taken steps to improve our oversight of all disbursements.*
- B. *We will discuss these types of payments with the applicable elected officials. We do not condone payment of bonuses and will take steps to discontinue payments of bonuses in the future.*
- C. *These payments were done without the complete knowledge of the County Commission, and we have already implemented procedures to eliminate these types of payments in the future.*
- D. *We make every effort to bid purchases according to state law, and in the future, we will ensure variances from normal procedures are more adequately documented. The attorney for the Little Otter Creek Project has been working with the county since the inception of the project. Considering the long term nature of this project, we do not see the need to solicit proposals yearly.*
- E. *We agree and will ensure contracts are obtained in the future.*
- F. *We agree and will be more diligent in issuing Forms 1099-MISC as required by the Internal Revenue Code in the future.*
- G. *We will work with the County Clerk to ensure all documentation is maintained in the future and we have already implemented new disbursement approval procedures.*
- H. *We will discuss this issue with the Sheriff and make a determination by January 1, 2010.*
- I. *We have already changed travel policies, and reimbursements are made only with documentation and receipts.*

5.	Transfers
-----------	------------------

Documentation to support transfers totaling over \$3.4 million from the Law Enforcement Sales Tax (LEST) Fund to the General Revenue Fund was insufficient to ensure amounts

paid were reasonable. The County Commission approved transfers of \$1,774,334 and \$1,695,788 for the years ended December 31, 2007 and 2006, respectively, from the LEST Fund to the General Revenue Fund to reimburse the General Revenue Fund for salaries related to the LEST Fund. However, the County Commission did not document the salaries which were reimbursed to support the basis for the amount of the transfers.

The monies in the LEST Fund are restricted for law enforcement purposes only. Without adequate supporting documentation, the County Commission has less assurance these monies are spent for their intended purpose.

WE RECOMMEND the County Commission ensure there is adequate documentation to support the amount and allocation of all disbursements from county funds.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will restructure payroll and make future disbursements directly from the Law Enforcement Sales Tax Fund and if any transfers are necessary in the future, they will be adequately supported.

6. Payroll Policies and Procedures

Time sheets are not adequately reviewed by the County Commission or the County Clerk's office and payroll information is not always accurately posted to the payroll register. County Clerk employees receive extra pay for working elections which is not subject to withholdings and is not reported on the employees' W-2 forms. In addition, time sheets are not required for all county employees and time sheets are not always signed by the employee or the supervisor.

- A. A documented review of time sheets is not performed by the County Commission or the County Clerk's office and payroll information does not always agree between time sheets and the payroll register. A comparison of hours recorded on a Deputy County Clerk's time sheets to hours actually paid according to the payroll register for December 2007 identified discrepancies. The time sheet indicated the employee worked 193.50 hours while the payroll register indicated 233.32 hours, resulting in the Deputy Clerk being overpaid approximately \$480, which has not been repaid to the county. Payroll functions are primarily performed by this deputy and no review is performed by an independent person.

The lack of adequate review procedures increases the potential for errors and discrepancies to go undetected. County officials have a fiduciary responsibility to perform thorough reviews over disbursement of county funds. The discrepancy could have been readily identified and corrected had a formal review procedure been in place.

- B. Instead of receiving overtime pay, deputy county clerks who serve as election workers during off hours are paid \$100 from the County Clerk's Election Account. For the 2 years ended December 31, 2007, payments for these tasks totaled at least \$865. Because these payments are not processed through normal county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 forms.

Any full-time county employee serving as an election worker during off hours should be compensated under normal county payroll procedures, documenting hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all non-exempt employees working overtime are entitled to time and one-half in wages or in compensatory time.

- C. Time sheets are not always signed by the employee and the supervisor. Of four time sheets reviewed, only one was signed by the employee or the supervisor. In addition, time sheets are not prepared by the Prosecuting Attorney's clerk.

Time sheets are necessary to document hours actually worked, substantiate payroll disbursements, and provide the elected official and county with a method to monitor hours worked. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

WE RECOMMEND the County Commission:

- A. Ensure documented reviews of time sheets and the payroll register are performed. In addition, the County Commission should pursue restitution for the overpayment of the former Deputy County Clerk and review prior payroll disbursements to ensure additional overpayments did not occur.
- B. And the County Clerk review this situation. Employees who serve as election workers during off hours should be paid overtime and all payments should be included on W-2 forms. In addition, the county should issue amended W-2 forms.
- C. Require time sheets be prepared by all county employees and ensure time sheets are signed by employees and approved by a supervisor.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. The County Clerk's office has started a more detailed review of time sheets, and we are also reviewing every time sheet before approval. We will pursue restitution for any over payment.*
- B. The County Commission indicated extra hours by election workers will be accurately accounted for and paid through normal payroll.*
- C. Time sheets are now submitted by all employees. Employee signatures and approval of supervisors on time sheets have been implemented.*

The County Clerk provided the following response:

- B. This issue has been investigated and resolved.*

7. Capital Assets

Records accounting for county property need improvement. Vehicle usage logs are also not maintained.

- A. Records accounting for county property need improvement. We noted the following problems regarding various capital asset records:
 - Property tags are not affixed to newly purchased assets immediately upon receipt.
 - The acquisition fund and serial numbers are not recorded in the capital asset records.
 - Documentation of annual physical inventories is not maintained.
 - Written authorization is not obtained from the County Commission for the disposition of capital assets.
 - Physical inventory reports received by the County Clerk were not accurate or complete. The county purchased a server at a cost of approximately \$4,000 and a prisoner transport vehicle and a van for approximately \$70,000 and \$19,700, respectively, that were not included on the physical inventory reports.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining

proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure assets are properly identified as belonging to the county.

- B. The Sheriff's department, Road and Bridge department, and county do not maintain vehicle usage logs for any of the 21 vehicles to document how the vehicles are used. Without adequate vehicle logs, the county cannot effectively ensure vehicles are used for official business only. Logs should identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips. Logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Establish a written policy related to handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.
- B. Ensure the Sheriff's department, Road and Bridge department, and county maintain logs for vehicles that include the purpose and destination of each trip, the daily beginning and ending odometer readings for vehicles or hour readings for equipment, and the operation and maintenance costs. In addition, the County Commissioners should ensure these logs are reviewed by a supervisor to make certain vehicles are used only for county business.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will develop policies for handling of capital assets by October 1, 2009.*
- B. *We will discuss the need to maintain vehicle logs with the Sheriff and the Road and Bridge department.*

Reasons for closing meetings and the corresponding vote to close the meeting are not always documented and minutes of closed meetings held are not always taken. Meeting minutes did not always include sufficient detail of matters discussed, and minutes are not signed.

- A. The County Commission held several closed sessions during 2007 and 2006. Open session minutes typically indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented. In addition, minutes for the closed sessions are not maintained as required by state law. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

- B. Meeting minutes did not always include sufficient detail of matters discussed and actions taken in open sessions. For example, the County Commission approved raises for county employees; however, there was no documentation of this vote.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, and place; members present and absent; and a record of votes taken. In addition, documentation of detailed discussions are necessary to retain a record of the business conducted and actions taken by the County Commission.

- C. County Commission meeting minutes are not signed by the Presiding Commissioner or the County Clerk. The minutes should be signed by the County Clerk and then by the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the County Commission meetings.

WE RECOMMEND the County Commission:

- A. Ensure the vote to close a session is documented in open meeting minutes, along with the reason for closing the session, and minutes are maintained for all closed sessions.
- B. Ensure complete and accurate minutes of the County Commission's meetings are maintained; including, but not limited to, a record of any votes taken, and other information required by state law.
- C. Ensure the County Commission meeting minutes are signed by the County Clerk upon preparation and the County Commission upon approval.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We agree and will improve our handling of closed sessions.*
- B. *We are now keeping more detailed minutes and believe this issue is resolved.*
- C. *We will resolve this issue immediately.*

9. Township Controls and Procedures
--

The county does not adequately monitor township use of County Aid Road Trust (CART) monies and sales tax monies, and the county did not ensure township road boards' financial statements were prepared and published as required by law.

- A. The county does not adequately monitor the CART and sales tax balances available to the 12 townships in the county to ensure adequate funds are available to pay invoices. According to county ledgers, 2 of the 12 townships had negative CART balances totaling approximately \$5,600 and 4 of the 12 townships had negative sales tax balances totaling approximately \$26,400 on December 31, 2007. Each township is allocated a portion of the CART and sales tax monies based on the number of road miles. These monies are held by the County Collector-Treasurer until the townships submit invoices for gravel purchases to the county for payment. While the county tracks the balance of CART and sales tax funds available to each township, the county does not compare available balances to the invoices submitted for payment, which in some instances resulted in negative balances. In addition, the County Clerk indicated the townships are not periodically notified of their available balance. The County Commission should adequately monitor and refrain from paying invoices which exceed the townships' available CART and sales tax balances.

- B. The County Clerk did not ensure township boards' financial statements were published as required by state law. Section 231.290, RSMo, requires the County Clerk to ensure a detailed account of the financial activity, along with an inventory of the township's property, is published in a local newspaper and filed with the County Clerk.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Closely monitor the township allocations and periodically notify the townships of their available balance. The practice of issuing checks in excess of the townships allocation of CART and sales tax monies should cease.
- B. And the County Clerk ensure all townships publish financial statements in a local paper in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have changed our procedures for monitoring the allocation of CART monies and sales tax to the townships. These types of problems are now resolved.*
- B. *We will ensure township financial statements are published in the future.*

The County Clerk provided the following response:

- B. *I have started a log to track which townships financial statements are published and will ensure all township financial statements are published in the future.*

10. Public Administrator Controls and Procedures

Annual settlements were not filed in a timely manner, monthly bank reconciliation are not performed, fees are not charged consistently, check registers do not always include all receipts and disbursements, and supporting documentation is not submitted for all disbursements.

- A. Annual settlements were not filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held, as well as financial activity for the year. The court notifies the Public Administrator of approaching settlement due dates; however, settlements were still filed late. We reviewed annual settlements due in 2006 or 2007, and identified seven settlements filed anywhere from 2 to 12 months late and three settlements that were not filed as of May 2008.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

- B. Monthly bank reconciliations are not performed. In addition, a review of the check registers maintained for some estates indicate the check registers do not include all receipt and disbursement activity and the correct cash balances.

Periodic bank reconciliations are necessary to ensure accounting records are in agreement with the bank and errors are identified and corrected on a timely basis. Furthermore, to provide an appropriate record of activity and to facilitate the preparation of bank reconciliations and settlements, the Public Administrator should ensure check registers maintained for each case present all receipts, disbursements, and correct cash balances.

- C. The Public Administrator inconsistently charged fees on cases, depending on the availability of funds in the wards' estates. The Public Administrator indicated a fee equal to 5 percent of the value of the estate should be collected, but there was no documentation of how the fees actually charged were calculated or documentation of the decision not to charge the fee. The Public Administrator indicated a fee is not charged to some estates due to lack of funds. Fees charged are collected by the Public Administrator and turned over to the county General Revenue Fund. Of the 36 settlements filed in the 2 years ended December 31, 2007, fees totaling approximately \$10,350 were assessed on only 11 settlements.

Without a written policy identifying how fees are to be calculated and a consistent application of fees, there is no assurance estates are handled equitably or fees are properly calculated.

- D. The Associate Circuit Judge does not require the Public Administrator to submit supporting documentation for all disbursements. For one settlement reviewed, the client was issued monies 45 times for a total of approximately \$4,800. While supporting documentation was retained by the Public Administrator, no supporting documentation was filed with the Public Administrator's settlements and reviewed by the Associate Circuit Judge.

Section 473.543, RSMo, requires the Public Administrator to file supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without such documentation, it is difficult for the Associate Circuit Court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting

documentation be filed with the court. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

WE RECOMMEND the Public Administrator:

- A. Ensure annual settlements are filed in a timely manner.
- B. Maintain a complete check register for each estate and perform monthly bank reconciliations.
- C. Work with the Associate Circuit Judge to develop written guidelines that identify the process for charging fees on estates. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Associate Circuit Court for approval.
- D. Ensure adequate documentation is filed with the annual settlements as required by state law.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *Notices of annual settlements were not received for a short period of time. The situation has been resolved. Future settlements will be filed in a timely manner.*
- B. *Bank reconciliations have been performed, but will be better documented in the future.*
- C. *I will discuss this issue with the Associate Circuit Judge, and we will determine if a change in our fee structure is needed.*
- D. *I will work with the Associate Circuit Judge to see how supporting documentation is to be handled.*

11. Circuit Clerk Controls and Procedures
--

The Circuit Clerk has not established procedures to follow up on outstanding checks and manual receipts are not reconciled to the Justice Information System (JIS).

- A. The Circuit Clerk does not routinely follow up on outstanding checks. At December 31, 2007, five checks totaling \$571 had been outstanding for over a year.

Checks remaining outstanding over a specified period of time should be voided and reissued to those payees who can be readily located. If payees cannot be

located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo.

- B. Manual receipt slips are not reconciled to the JIS. Receipts are usually posted to the JIS as received. However, manual receipt slips may be issued when the computer system is not available. There is no independent review to ensure manual receipt slips are properly entered into the JIS and subsequently deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. In addition, official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

A condition similar to A was noted in our prior report.

WE RECOMMEND the Circuit Clerk:

- A. Routinely follow up on old outstanding checks.
- B. Ensure manual receipt slips are recorded on the JIS and accounted for properly.

AUDITEE'S REPOSE

The Circuit Clerk provided the following responses:

- A. *I agree and will investigate outstanding checks and either reissue to the payees or disburse the monies in accordance with Sections 447.500 through 447.595, RSMo. I will develop procedures annually to investigate outstanding checks in July of each year.*
- B. *This recommendation has been implemented.*

12. Planning and Zoning Office Controls and Procedures

The duties of cash custody and record keeping have not been adequately segregated in the Planning and Zoning Office. In addition, building permits issued are not accounted for and are not reconciled to the building permit receipt slips and monies transmitted to the County Collector-Treasurer. The petty cash fund is not maintained on an imprest basis. The county does not maintain adequate documentation to support the salary allocations of the Planning and Zoning Administrator/Janitor paid from the Special Road and Bridge Fund. The Planning and Zoning Office collects approximately \$17,000 annually.

- A. The duties of cash custody and record keeping have not been adequately segregated in the Planning and Zoning Office. The Planning and Zoning Administrator collects monies, records transactions, and prepares transmittals.

There are no documented reviews of the accounting records performed by a person independent of the receipting and accounting functions.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and transmitting receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The Planning and Zoning Administrator does not account for the numerical sequence of building permits issued and does not reconcile building permit receipt slips issued to the monies transmitted to the County Collector-Treasurer.

To provide additional assurance all monies are properly collected, recorded, and transmitted, the numerical sequence of building permits should be accounted for properly. In addition, building permits issued should be reconciled to the building permit receipt slips and building permit monies transmitted to the County Collector-Treasurer to ensure all building permit fees are received, recorded, and transmitted.

- C. The petty cash fund is not maintained on an imprest basis. The petty cash fund was established at \$100. A cash count on January 28, 2008, identified approximately \$31 in cash and \$91 of paid receipts totaling \$122 and resulting in a \$22 difference. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.
- D. The Planning and Zoning Administrator/Janitor was paid approximately \$26,000 annually from the Special Road and Bridge Fund although little of his work is related to roads and bridges. None of his salary was allocated to the General Revenue Fund, even though he performs various tasks related to general county government. While the employee completed time sheets, the time sheets do not contain detail to indicate the type of work performed to support the allocations.

To ensure restricted funds are used for the intended purpose and to support the allocation of salaries to the various county funds, detailed time sheets should be maintained to support the amount of salary charged to each county fund.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Adequately segregate cash custody and record keeping duties to the extent possible. At a minimum, the County Commission should ensure documented supervisory reviews of the accounting records are performed.

- B. Require the numerical sequence of building permits be accounted for properly. In addition, the building permits issued should be reconciled to the building permit receipt slips and fees collected for all building permits.
- C. Maintain the petty cash fund on an imprest basis and ensure the monies are accounted for properly.
- D. Require detailed time sheets from the Planning and Zoning Administrator/Janitor to ensure payments are made from the appropriate fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will establish procedures to provide a documented review of the Planning and Zoning accounting records.*
- B. *We are now receiving a monthly report of all building permits issued and will request the permit numbers to be included on these reports. We will ensure the numerical sequence is accounted for in the future.*
- C. *We will discuss this concern and ensure it is resolved as soon as possible.*
- D. *The Planning and Zoning Administrator spends some time related to roads and bridges that is now documented on his monthly time sheets. We will reexamine the allocation of his salary to ensure restricted funds are spent properly.*

13.	Sheriff Controls and Procedures
------------	--

Bank reconciliations are not always completed and compared to a liabilities list, and the composition of receipts is not reconciled to the composition of deposit slips. Additionally, checks are not restrictively endorsed immediately upon receipt. The Sheriff's department collects approximately \$25,000 per year for fees and other miscellaneous receipts.

- A. Monthly bank reconciliations are not always prepared and lists of liabilities are not prepared and compared to the reconciled bank balance. Bank reconciliations for July 2007 through November 2007 were not completed for the Sheriff's fee account. The February 2008 bank reconciliation for the fee account showed a reconciled balance of \$3,049. While a list of liabilities is not prepared, identified liabilities at that time totaled \$2,905, leaving an unidentified difference of \$144.

The preparation of monthly bank reconciliations is necessary to ensure all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. Lists of

liabilities should be prepared on a monthly basis and reconciled to the bank balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Any amounts which remain unclaimed or unidentified should be disposed of in accordance with state law.

- B. While receipt slips are issued for all monies received, the Sheriff's department does not periodically reconcile the composition of receipt slips issued to deposits. A periodic reconciliation of receipt slips to deposits is necessary to ensure all monies are properly accounted for and deposited.
- C. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

A condition similar to B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are prepared monthly and are compared to a list of liabilities.
- B. Ensure the composition of receipt slips issued is periodically compared to the composition of deposits.
- C. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I took office in January 2009. When these issues were brought to my attention, I took steps to ensure bank reconciliations were done monthly. I will ensure a comparison of the bank reconciliation to a liabilities list is performed monthly in the future.*
- B. *I will implement procedures for independent comparisons of receipts to deposits starting immediately.*
- C. *I agree and will begin doing this procedure.*

14. Detention Center Controls and Procedures

Accounting duties are not adequately segregated and monies held in the detention center's bank account should be disbursed in accordance with state law. The detention center does not prepare a list of liabilities, checks are signed in advance, and checks and money

orders are not restrictively endorsed immediately upon receipt. The Administrator is allowed to use a county vehicle to commute to and from work. Proceeds from the sale of commissary items are not turned over to the County Collector-Treasurer.

- A. The duties of cash custody and record keeping have not been adequately segregated in the detention center. The Detention Center Administrator receipts monies, writes and signs checks, prepares deposits, and prepares monthly bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff or someone independent of these functions.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Old outstanding checks are not distributed in accordance with state law. In February 2008, the detention center voided 197 checks, totaling approximately \$1,626, which had been outstanding for a long period of time, and added the amount back to the book balance. These checks have not been redistributed and no follow up has been performed to identify the proper payee of these monies. Old outstanding checks should be reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo, or other applicable statutes that allow for the disposition of unclaimed monies.

- C. While monthly bank reconciliations for the detention center detainee account are prepared, they are not compared to a list of liabilities. A list of monies held for inmates is available and at March 31, 2008, the reconciled balance of the account of \$14,846 exceeded identified liabilities of \$5,998 by over \$8,800. Some of this excess is attributable to the outstanding checks added back to the book balance mentioned in part B, but there still remains over \$7,200 that appears to be accumulated commissary profit (see part H).

Lists of liabilities should be prepared on a monthly basis and reconciled to the bank balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Any differences should be investigated and resolved.

- D. Detention Center checks require two signatures; however, checks were sometimes signed in advance by the Detention Center Administrator. The Detention Center Administrator indicated he signed checks in advance to allow payment to detainees who are removed from the custody of the Detention Center at night, when two of the designated signers may not be available.

Signing checks in advance does not allow for proper review of the documentation supporting the disbursement and diminishes the control intended by dual

signatures. To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved.

- E. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- F. The Sheriff's department does not periodically reconcile the composition of receipts to deposits. A periodic reconciliation of receipt slips to deposits by an independent person is necessary to ensure all monies are accounted for properly and deposited.
- G. The Detention Center Administrator is allowed to use a county vehicle to commute to and from work. Usage logs are not maintained or required for this vehicle. The Sheriff indicated this employee is on-call 24 hours a day for emergency situations.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. Procedures have not been established to ensure IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- H. Proceeds from the sale of commissary items are not turned over to the County Collector-Treasurer. On March 31, 2008, there was in excess of \$7,000 in the detention center account that should have been turned over to the County Collector-Treasurer.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balance should be transferred to the County Collector-Treasurer and future receipts should be transmitted to the County Collector-Treasurer.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Sheriff should ensure documented supervisory reviews of the accounting records are performed.

- B. Routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Prepare a list of liabilities and compare the list to the reconciled bank balance. Any differences should be investigated and resolved.
- D. Discontinue the practice of signing checks in advance.
- E. Restrictively endorse checks and money orders immediately upon receipt.
- F. Periodically reconcile the composition of receipts to the composition of deposits.
- G. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- H. Monitor the profits earned on commissary sales and ensure all profits are disbursed to the County Collector-Treasurer in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will ensure reviews of accounting records are done in the future.*
- B. *I will follow up on these checks and disburse the money according to state law.*
- C. *I will ensure lists of liabilities are prepared monthly, will begin comparing to the cash control balance monthly, and ensure any difference is investigated and disposed of properly.*
- D. *I will look into the necessity of signing checks in advance and will determine if a better procedure can be adopted for distributing prisoner money at odd hours.*
- E. *I agree and will do so immediately.*
- F. *I agree and will ensure these reconciliations are done.*
- G. *I will look into the need for employees to have commuter vehicles and will determine if any changes are to be made.*
- H. *I will develop procedures to track commissary profits and ensure those profits are deposited with the County Collector-Treasurer in the Law Enforcement Sales Tax Fund periodically.*

The County Commission has not maintained adequate oversight of the Little Otter Creek Watershed Project. The county has not maintained adequate records of the amounts received and disbursed, and cash on hand. The planning for this project began in 2001, and cost estimates were prepared during that time period, but the county has not taken steps to update those original cost estimates. While annual costs of the project are reported in the county budget, the county has not adequately tracked the progress and costs to date of the project, compared to the original estimates. As of December 31, 2008, approximately \$2.5 million has been spent on the project.

Little Otter Creek is a watershed lake planned for Caldwell County which will consist of one multiple-purpose reservoir and development of basic facilities for recreational use. The multi-purpose reservoir will provide locally controlled agricultural water management (rural water supply), fish and wildlife habitat enhancement, recreational development, and flood prevention. The lake will encompass 365 acres serving the 8,969 residents of Caldwell County. The total estimated cost of the project when planned was \$6,229,000.

Funding for the project is from two main sources. A federal grant was awarded totaling \$3,358,000, which requires the county to match from 45 to 90 percent, depending on the aspect of the project, along with certificates of participation (COP) for \$2.5 million. The COPs are being repaid with a 1/2 cent countywide sales tax voted on and passed August 6, 2002. The proceeds of the COPs are held by a trustee bank until valid disbursements are submitted and these monies are used by the county to provide the local match to draw down the federal grant funds. The county maintains no records of the balance of the funds held by the trustee bank. We were able to determine from annual reports from the bank that as of January 2009, the bank is holding approximately \$1.75 million related to this project. The county does not track the balance available and does not include these monies in the reported balance of the Little Otter Creek Fund.

Considering the amount of time that has passed since this project was originally planned and that cost estimates have not been updated, it is unclear whether the funding available to provide local match for the federal grant will be sufficient to complete the project. To determine if adequate funding will be available to complete the project, the county should update cost estimates, prepare better overall project financial reports, and periodically compare progress with the annual budget and overall project budget.

WE RECOMMEND the County Commission require monthly financial reports be prepared summarizing all activity of the project, which are periodically compared to the annual and overall project budget. In addition, cost estimates for the project should be updated and an evaluation of available funds should be made to ensure adequate funding will be available to complete the project.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will adopt procedures to receive monthly reports regarding the Little Otter Creek Project which will be compared to our budget. Due to increasing construction costs the new estimate is approximately \$7,500,000 and we are in the process of verifying that adequate funds will be available to complete the project.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CALDWELL COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Caldwell County is a township-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Kingston.

Caldwell County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 8,969 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	58,658,080
Personal property		24,613,167
Railroad and utilities		14,565,187
Total	\$	<u>97,836,434</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Caldwell County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and bridge	.0050	2009	None	
Law enforcement	.0050	None	None	
Local parks and storm water control	.0050	None	None	
Use tax	.0015	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:		
Raymond Hartley, Presiding Commissioner	\$	25,760
Gerald McBrayer, Associate Commissioner		23,284
Donnie Cox, Associate Commissioner		23,284
Julie Hill, Recorder of Deeds		36,000
Beverly Bryant, County Clerk		36,000
Brady Kopek, Prosecuting Attorney		43,000
Kirby Brelsford, Sheriff		39,200
Gary Brown, County Coroner		9,800
Richard Lee, Public Administrator		19,600
June Grooms, County Collector-Treasurer, year ended February 28 (29),	34,602	
Beverly Alden, County Assessor (1), year ended August 31,		35,968

(1) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Carrie Miller, Circuit Clerk	51,197
Jason Kanoy, Associate Circuit Judge	101,090

In 2003, Caldwell County contracted with Caldwell County Development Company to finance the building of a detention center. Caldwell County entered into a 16-year lease-purchase agreement for \$2.3 million with Caldwell County Development Company to pay for the building. At December 31, 2007, Caldwell County owed \$1,944,635 in principal.

In 2007, Caldwell County contracted with First Bank of Missouri to finance the building of Little Otter Creek Watershed project. Caldwell County entered into a 25-year lease-purchase agreement for \$2.5 million with First Bank of Missouri to pay for the watershed project. At December 31, 2007, Caldwell County owed \$2.5 million in principal.



Susan Montee, JD, CPA
Missouri State Auditor

City of Niangua



September 2009
Report No. 2009-98

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of the City of Niangua.

Between January 1, 2006, and February 29, 2008, at least \$25,606 was received but not deposited into city accounts. Cash is missing from city accounts in several different ways. Some cash payments of water and sewer bills were received and recorded by the former City Clerk but not deposited. Checks received were sometimes not recorded and substituted into deposits for recorded cash receipts that were not deposited. Late fees and reconnect fees paid by customers were not always recorded as charged or received, and remain unaccounted for. Additionally, instances were noted where cash receipts were posted as an adjustment to reduce the customer's water and sewer bill, but the cash receipt was not recorded or deposited. Other credit adjustments during this time period also appear questionable and some receipt records were not retained; therefore, additional funds may be missing.

Six checks totaling \$3,246 were issued to the former City Clerk's mother during 2007 with no documentation to support the purpose of these checks. Five checks totaling \$2,583, issued to the former City Clerk, appear to be unauthorized payroll checks written outside the normal payroll period. Additionally, checks totaling at least \$3,113 were issued to petty cash without supporting documentation. After an investigation by law enforcement, the former City Clerk pled guilty to four counts of forgery. No charges have been filed relating to the missing cash receipts.

The lack of adequate controls and the absence of proper oversight by the Board of Aldermen allowed missing funds to go undetected. Controls, such as adequately segregating the duties of the City Clerk or providing adequate supervision, are not in place. Additionally, controls over the recording of city receipts are poor, and adjustments posted to customer's water and sewer accounts are not always properly authorized or adequately documented.

Controls over city disbursements are also not adequate. Supporting documentation was not retained for most disbursements prior to February 2008, and the Board does not adequately document its review and approval of city disbursements. A facsimile stamp of the Mayor's signature was not adequately controlled and was used as a signature on some checks. The city does not have bond coverage for the two Board members authorized to sign checks. The city failed to pay some invoices timely resulting in interest and late charges assessed against the city. Additionally, the city has not established formal bidding or purchasing policies, and does not adequately track fuel purchases and mileage. Further, the city could not provide documentation of compliance with grant requirements related to the purchase of a police car.

YELLOW SHEET

City payroll transactions were not adequately reviewed by the Board of Aldermen. Federal payroll taxes totaling \$15,481 were not paid by the city during 2007 and 2006. As a result, the IRS froze the city's bank accounts in February 2008 until the taxes, plus \$1,404 in interest, were paid. Payroll tax reports and city payroll records were not properly reconciled to Forms W-2 and W-3 resulting in some wages not being reported for 2008. Additionally, the city does not maintain personnel files and should consult with legal counsel on the proper method of compensating reserve officers.

Monies received and disbursed by the city are not properly allocated to city funds. The method of allocating wages and benefits paid to city employees is not reasonable, and a number of restricted accounts appear to have been used for improper purposes.

The city's water deposit bank account is at least \$7,800 short when compared to the computer list of customers with paid water deposits on hand. Additionally, there is no documentation the Board of Aldermen investigated and resolved significant differences between total gallons of water billed to customers and total gallons of water pumped. Further, water and sewer rate increases are not supported by documentation of how the increases are calculated, some fees charged are not set by ordinance, and some customers are not properly charged some fees.

The audit identified several weaknesses regarding financial reporting and budgetary practices. In addition, the city maintains an excessive number of bank accounts and should consider reducing the number of accounts to simplify recordkeeping.

Improvement is needed in the procedures and documentation related to closed meetings. Additionally, board meeting minutes are not signed, and open board meeting minutes for 6 months during 2007 could not be located.

Other findings in the state audit report relate to capital assets and traffic ticket accountability.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF NIANGUA

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-26
<u>Number</u>	<u>Description</u>
1.	Missing Funds.....5
2.	Lack of Adequate Controls.....7
3.	City Disbursements.....11
4.	Payroll and Related Matters.....15
5.	Restricted Funds17
6.	Water and Sewer System19
7.	Financial Reporting, Bank Accounts, and Budgets21
8.	Board Meeting Minutes24
9.	Capital Asset Records.....25
10.	Ticket Accountability26
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	27-30
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS.....	31-34

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Niangua, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Niangua. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions.

Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Niangua.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Terese Summers, MSAS, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF NIANGUA
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Missing Funds
-----------	----------------------

Between January 1, 2006, and February 29, 2008, at least \$25,606 was received but not deposited into city accounts and is missing. Additionally, checks totaling \$3,246 were written to the former City Clerk's mother, five checks written to the former City Clerk totaling \$2,583 appear to be unauthorized, and checks written to petty cash totaling at least \$3,113 were not supported by documentation.

In February 2008, the Board of Aldermen was informed by the Internal Revenue Service (IRS) that the city's bank accounts had been frozen for failing to pay \$16,885 in payroll taxes and interest for 2007 and 2006. The Board indicated it was not previously aware of the payroll tax liability and this notification from the IRS caused the Board to be concerned about possible improprieties by the former City Clerk. The city hired a bookkeeper to review receipt and deposit records and became aware that some differences existed between amounts received and amounts deposited. After an investigation by the Niangua Police Department and the Missouri State Highway Patrol, the Webster County Prosecuting Attorney charged the former City Clerk with forgery. The former City Clerk pled guilty to four counts of forgery, and in January 2009 was sentenced to 5 years of probation, 15 days in the county jail, and 200 hours of community service, and was ordered to pay \$7,600 in restitution. No charges have been filed relating to the missing cash receipts.

A breakdown of the missing funds follows:

- A. Cash totaling at least \$25,606 for payment of water and sewer bills was received by the former City Clerk between January 1, 2006, and February 29, 2008, but not deposited. As shown in the Documentation of Missing Funds section of this report, cash totaling \$31,891 was recorded but only \$5,635 in cash was deposited, resulting in a total cash shortage of \$26,256. However, unidentified checks totaling \$650 were deposited into the city's account resulting in a net shortage of \$25,606.

Cash is missing from city accounts in several different ways.

- Deposits into the city's bank account were sometimes simply short cash receipts. For example, during October, November, and December 2007, cash receipts of \$4,404 were recorded in the city's computerized water and sewer accounting system or on manual receipt slips, but no cash was deposited into the city's water and sewer accounts during these 3 months.

- Checks received were not recorded and were substituted into deposits for recorded cash receipts that were not deposited and remain missing. For example, check number A2841291 from the Treasurer of the State of Missouri for \$4,769 representing grant funds from the Missouri State Emergency Management Agency was partially deposited in the city's sewer account (\$2,694) and in the city's general account (\$2,075) in July 2007. This check was not recorded as received in the city's accounting records, and a portion of the monies appear to have been placed into the sewer account to help conceal missing cash receipts. A total of at least \$13,180 in unrecorded checks were identified.
 - Numerous instances were noted where customers paid their water and sewer bill in cash, a billing stub was marked paid or a manual receipt slip was written by the former City Clerk, but instead of posting the cash receipt to the city's computerized water and sewer system, a credit adjustment was posted to reduce the customer's water and sewer bill by the amount of the cash receipt. The cash receipt was not deposited and is missing. Between January 1, 2006, and February 29, 2008, approximately \$1,500 was received in cash, not deposited, and a credit adjustment was posted to the customers' accounts to conceal the undeposited cash. Additionally, our review identified other credit adjustments totaling approximately \$3,700 during this time period that appear questionable, and manual receipt slips issued between April 20, 2006, and October 24, 2006, cannot be located. As a result, additional funds may be missing.
 - We identified one instance where a customer moved out of the city owing \$574 in delinquent water and sewer charges, but continued to make periodic payments to the city. The former City Clerk removed the account from the city's computerized water and sewer system and maintained a manual file that indicated \$210 was received. Manual receipt slips were written indicating the payments were made in cash. There is no evidence these cash payments were deposited.
 - There were numerous instances where late fees (\$5) and reconnect fees (\$30) were paid by customers but not recorded as charges and receipts in the city's computerized water and sewer system. These unrecorded fees remain missing.
- B. Six checks totaling \$3,246 were issued to the former City Clerk's mother during 2007. The memo line on the checks indicated "equipment reimbursement." There is no documentation to support the purpose of these checks, and these checks were among the checks turned over to the Webster County Prosecuting Attorney with forged signatures.
- C. Five checks totaling \$2,583 issued to the former City Clerk between December 2006 and December 2007, appear to be payroll checks written outside the normal

payroll period without documentation of additional work performed for the city. City employees are paid every 2 weeks; however, in one instance two payroll checks to the City Clerk were written within 3 days of each other with the same payroll period noted in the memo line of the checks. City officials questioned the legitimacy of these payroll checks and the signatures on the checks, and turned the checks over to the Webster County Prosecuting Attorney.

- D. Numerous checks were issued to petty cash with no documentation to support the amounts of the checks. Additionally, the number of checks issued to petty cash increased significantly. During 2006, 17 checks totaling \$675, and during 2007, 38 checks totaling \$2,182 were issued to petty cash. In addition, four checks totaling \$256 were issued to petty cash in January 2008 before the former City Clerk terminated employment. The city does not have any documentation to support disbursements to petty cash and city officials believe these funds are missing and some signatures were forged. These checks were also included in the unauthorized checks the city turned over to the Webster County Prosecuting Attorney.

Our review of city accounting records did not include periods prior to January 1, 2006, and additional funds may be missing that are not reflected in this report.

The city had \$25,000 in bond coverage on the former City Clerk and has received payment from the bonding company for the entire bond amount.

The lack of adequate controls and the absence of proper oversight by the Board of Aldermen, as further discussed in the remainder of this report, allowed these missing funds to go undetected. Given the varying methods in which funds are missing from the city, it is apparent no one adequately monitored the city's financial activity.

WE RECOMMEND the Board of Aldermen work with law enforcement officials regarding any criminal prosecution related to the missing cash receipts and take necessary actions to recover missing funds.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

We have worked with law enforcement officials and will continue to do so in the future. Upon the findings of missing cash receipts by the State Auditor's office, we encourage additional charges to be filed by the Prosecuting Attorney.

2. Lack of Adequate Controls

The Board of Aldermen has not established adequate segregation of duties or supervisory procedures over the position of City Clerk, and several significant internal control

weaknesses exist that have resulted in missing city receipts. While some changes have been made since the Board of Aldermen learned about the missing funds, many of the weaknesses have not been adequately addressed by the Board. During 2008, the city received and disbursed approximately \$175,000 and \$197,000, respectively.

- A. The duties of the City Clerk are not adequately segregated, and the Board of Aldermen does not provide adequate supervision or review of the work performed by the former and current City Clerks. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer and a City Collector. These duties include receiving, recording, and depositing monies; preparing utility bills; preparing invoices for payment; preparing checks; performing bank reconciliations; and preparing financial reports.

Had adequate controls and oversight procedures been in place, some of the missing funds noted in this report may have been prevented. Although the Board of Aldermen began reviewing city disbursements more closely after the former City Clerk terminated employment, no personnel independent of the cash custody and record keeping functions provide adequate supervision or review of the cash receipting and depositing duties.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city, the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these offices, by the same person at the same time would be incompatible. The current procedures jeopardize the system of independent checks and balances intended by state law. If segregating these offices is not possible, at a minimum, procedures for adequate independent review should be established.

- B. Controls over the recording of city receipts are poor and allowed the missing funds noted in Management Advisory Report (MAR) finding number 1 to go undetected.

The city collects receipts for water and sewer services, water deposits, business licenses, dog licenses and fees, court fines and property taxes from Webster County, and franchise fees from the local electric company. Utility billing stubs and computerized batch receipt reports are used to document monies received for payment of water and sewer services. The former City Clerk occasionally issued manual receipt slips for water and sewer payments if billing stubs were not retained. The current City Clerk began issuing manual receipt slips for all water and sewer payments. Manual receipt books are used to document receipt of water deposits, business licenses, and dog licenses and fees. The city deposits receipts into five main bank accounts (general, water, sewer, water deposit, and street).

- 1) Receipt slips are not issued for some monies received. Receipt slips are not issued for grant monies, court fines, property taxes, and franchise fees received by check. Additionally, receipt slips were not always issued for amounts received for water deposits. As noted in MAR finding number 1, several instances were noted where unrecorded monies were substituted into deposits and cash receipts are missing. To adequately account for all monies received and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received.
- 2) Receipt records are not reconciled to deposits. Our comparison of water and sewer batch reports prepared by the former City Clerk identified numerous instances where it was obvious all monies received were not deposited.

The current City Clerk began issuing manual receipt slips for all water and sewer payments as well as posting these payments to the computerized receipt batch reports. Our review of these new procedures identified some instances where monies were received and deposited several days before a receipt slip was issued and before the receipt was posted to the computer. To ensure all receipts are properly accounted for, monies should be recorded immediately upon receipt, and receipt records should be reconciled to deposits.

- 3) The method of payment (cash, check, or money order) is not reconciled to the composition of deposits. As noted in MAR finding number 1, we noted instances where checks for grant funds received by the former City Clerk were substituted into deposits of water and sewer collections and cash receipts were not deposited.

Additionally, some receipt slips written by the current City Clerk did not indicate the method of payment. To ensure all receipts are deposited, the method of payment should be indicated for all receipts, and the composition of receipt slips should be reconciled to deposits.

- 4) Deposits are not made timely and monies are not always held in a secure location until deposited. Receipts are deposited approximately weekly, and are kept in an unlocked cash drawer or desk drawer until deposited.

Monies should be held in a secure location and deposits should be made more frequently if significant amounts of cash are collected to ensure cash assets are protected from theft, fraud, or misuse of funds.

- 5) The current City Clerk uses cash receipts to make petty cash purchases. Items such as office supplies and small equipment or hardware for water and sewer repairs are purchased from cash receipts. Although a log of cash purchases is maintained, a petty cash fund (if considered necessary)

maintained on an imprest basis should be established by the city to provide better accountability over petty cash purchases and allow all receipts to be deposited intact.

Establishing a petty cash fund on an imprest basis means the cash and the invoices to support the purchases should always total the established balance. Checks issued to replenish the fund should equal the amount of the invoices. In addition, the city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are accounted for properly, to detect errors, and to prevent misuse.

- C. Some city records were not properly retained. Manual receipt books containing receipt slips issued between April 20, 2006, and October 24, 2006, cannot be located by the city, and some copies of voided receipt slips were not properly defaced and retained. Additionally, the city's computer crashed and the city's general ledger accounting software program could not be accessed for periods prior to 2008. City officials should ensure all city records are retained, all copies of voided receipt slips are kept in the receipt book, and back up disks are maintained of computerized accounting records to provide accountability of all city transactions.
- D. Adjustments made to customer water and sewer accounts are not always properly authorized or adequately documented. The former City Clerk had and current City Clerk has the ability to record adjustments to water and sewer accounts without any independent review or approval of the adjustment.

At our request, the current City Clerk provided reports of all adjustments made during 2008, 2007, and 2006. Most of the adjustments posted during 2007 and 2006 did not indicate the reason for making the adjustment even though the computer system has the capability of tracking the reason. As noted in MAR finding number 1, many of the credit adjustments posted during 2007 and 2006 appear to have been made to help conceal undeposited cash receipts.

Proper approval/authorization and adequate documentation, which fully explains the reason for the adjustments, are necessary to ensure only the proper account and amounts are adjusted and to reduce the risk of theft, fraud, or misuse of funds.

WE RECOMMEND the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer and/or segregate the duties of the City Clerk's office to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, there should be documented independent reviews of the cash custody and record keeping functions, including reconciliations of receipts to deposits and checks

issued to disbursement records, and reviews of bank statements and bank reconciliations.

- B. Establish controls over city receipts to ensure all receipts are recorded and deposited. The Board should ensure official prenumbered receipt slips are issued for all monies received, receipt slips indicate method of payment, and receipt records (including the composition of receipts) are reconciled to deposits. Additionally, the Board should take steps to ensure monies are stored in a secure location and deposited timely, and a petty cash fund (if considered necessary) is established on an imprest basis.
- C. Ensure city records are properly retained, including back up disks of computer records.
- D. Require independent approval of all credit adjustments and monitor the adjustments made to customer accounts. Additionally, the Board should utilize the computer system's capability to track reasons for making adjustments to customer accounts.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

We agree with the State Auditor's recommendations. While the city is not in a position to hire additional personnel, the Board is taking a more active role in reviewing and approving various financial records.

3. City Disbursements

Controls over city disbursements are not adequate. Documentation was not maintained for some disbursements, Board approval of city disbursements is not always documented, the Mayor's signature stamp is not adequately secured, and Board members authorized to sign checks are not bonded. Additionally, the city incurred late fees for not paying some bills on time, does not have formal bidding or purchasing policies, does not have adequate controls over city vehicles and fuel purchases, and did not comply with grant requirements.

- A. Supporting documentation was not retained for most disbursements prior to February 2008. Additionally, the Board does not adequately document its review and approval of all city disbursements, and acknowledgment of receipt of goods or services is not always documented on invoices. The lack of proper oversight or independent reviews over disbursements allowed the questionable disbursements noted in MAR finding number 1 to go undetected.

There was no supporting documentation or evidence of Board approval for disbursements for insurance (\$1,909) and professional license consultants (\$325). As noted in MAR finding number 1, numerous checks were issued to petty cash during the period of January 2006 through February 2008 without documentation to support the disbursement.

In addition, documentation was inadequate to support most purchases made on the city's Wal-Mart credit card during this time period, and some purchases appeared questionable, such as over-the-counter medication and a computer software program for income taxes. Further, city officials indicated some office supplies, such as printer cartridges, purchased with the credit card were not for city use. The total credit card purchases from this vender were approximately \$2,271 and \$2,719 in 2008 and 2007, respectively.

A supplemental list of bills to be paid is included in each month's Board meeting minutes; however, the list is not signed by a Board member to document approval, and some disbursements are not included on the list. The numerical sequence of check numbers is not accounted for on the list of bills to be paid.

All disbursements should be supported by detailed invoices, paid receipts, or contracts to ensure the obligations were actually incurred and the disbursements represent an appropriate use of public funds. To adequately document the Board's review and approval of all disbursements, a complete list of all bills to be paid should be prepared and reviewed, signed or initialed by the Board to denote its approval, and retained along with the official meeting minutes. The numerical sequence of the checks should be accounted for. In addition, invoices should have acknowledgment of receipt of goods or services to ensure all disbursements represent valid operating costs of the city.

- B. A facsimile stamp of the Mayor's signature was not adequately controlled. According to city officials, this stamp was used as a signature on some of the checks noted in MAR finding number 1. Access to signature stamps should be limited to authorized persons to ensure proper supervisory review and approval of all disbursements actually occurs.
- C. The city does not have bond coverage for the two Board members authorized to sign checks. Failure to properly bond all persons with access to assets exposes the city to risk of loss.
- D. The city failed to pay some invoices timely resulting in interest and late charges assessed against the city. The city periodically paid the electric and credit card bills late. Approximately \$255 in late fees were applied to the city's electric bill during 2008 because the city neglected to make two payments timely. Additionally, smaller amounts of finance charges were incurred on credit card purchases during 2008 because the statement was not paid in full each month.

Procedures should be in place to ensure bills are paid timely to avoid late charges and interest.

- E. The city has not established formal bidding or purchasing policies. Although the city makes mostly small or routine purchases, formal bidding and purchasing policies would help ensure the city obtains goods and services at a reasonable price.

For example, during 2008 and 2007, the city purchased property and liability insurance (\$9,276 and \$9,665, respectively), radios (\$1,718), a used dump truck (\$3,200), and a golf cart (\$1,200) without obtaining bids or maintaining documentation of bids obtained. City personnel indicated the dump truck and golf cart were purchases from private individuals and the cost appeared reasonable; however, documentation, such as price quotes, was not maintained to support the conclusion that the price paid was reasonable.

Additionally, items, such as parts for the city's water and sewer system (\$4,520 in 2008), are purchased mainly from one vendor without soliciting bids or maintaining documentation of price comparisons. City personnel indicated these items are specialized parts from a sole source vendor; however, this information was not documented in the Board minutes or the city vendor files.

While the city normally purchases only a few capital items each year, formal bidding and purchasing procedures would provide the framework for economical management of city resources and help ensure the city receives fair value for all purchases. For purchases in which soliciting bids may not be practical, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid. Additionally, if sole source procurement is necessary, the circumstances should be thoroughly documented.

- F. Fuel purchases are not adequately tracked and monitored, and mileage logs are not maintained for city vehicles. The city purchased over \$3,200 in fuel during 2008 for the city's five vehicles and gas powered golf cart. Fuel is purchased at the local gas station and charged to the city. Some of the fuel receipts did not indicate which city vehicle the fuel was for, and mileage logs are not maintained to determine if fuel costs are reasonable and city vehicles are used appropriately.

Mileage logs for city-owned vehicles are necessary to document the appropriate use of vehicles and to support fuel charges. Information on the logs should be periodically reconciled to fuel purchases, and fuel receipts should document which city-owned vehicle received the fuel.

- G. The city received a grant of \$11,000 from the United States Department of Agriculture in 2007 to aid the city in purchasing a police car and equipment for the car. According to the grant agreement, the total cost was estimated at \$20,500 with the city committing \$9,500 (46 percent) in local funding. The city could

only provide documentation that \$16,465 was spent on the vehicle and equipment. As a result, the city did not spend the amount required by the grant agreement and needs to contact the grantor agency to determine if some grant funds should be returned.

WE RECOMMEND the Board of Aldermen:

- A. Ensure supporting documentation is maintained for all disbursements, and acknowledgment of receipt of goods or services is documented on invoices. Additionally, the Board should review and approve all disbursements of city funds and document the process by signing the list of bills included in the meeting minutes.
- B. Control access to the signature stamp.
- C. Obtain bond coverage for all persons with access to city funds.
- D. Implement procedures to ensure bills are paid timely.
- E. Establish formal bidding and purchasing policies and maintain documentation to ensure the city receives fair value for all major purchases.
- F. Require mileage logs be maintained for city-owned vehicles, and periodically reconcile information on the logs to fuel purchases. Additionally, the Board should ensure fuel receipts adequately document which city-owned vehicle received fuel.
- G. Contact the grantor agency to determine if a portion of the grant funds should be returned.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *All documentation for all disbursements is now retained with acknowledgement that goods were received. In addition, the Board will begin signing the list of bills approved.*
- B. *The facsimile stamp has been destroyed.*
- C. *We plan to ensure adequate bond coverage for those who have access to city funds.*
- D. *This recommendation has been implemented.*
- E. *We are in the process of establishing a bidding and purchasing policy.*

- F. *We are now requiring mileage logs be maintained on city vehicles and will implement controls over fuel purchases.*
- G. *We will review grant information and will resolve this issue.*

4. Payroll and Related Matters

The Board of Aldermen does not adequately monitor city payroll activity resulting in delinquent payroll tax payments, unauthorized payroll checks, and inaccurate payroll reporting. Additionally, the city does not have a contract with reserve officers paid as independent contractors and personnel files are not maintained for city employees.

- A. City payroll transactions are not adequately reviewed by the Board resulting in delinquent payroll tax reporting and payments, unauthorized payroll checks written to the former City Clerk, and inaccurate payroll amounts reported to taxing authorities.
 - 1) Federal payroll taxes totaling \$15,481 were not paid by the city during 2007 and 2006. As a result, the IRS froze the city's bank accounts in February 2008 until the taxes, plus \$1,404 in interest, were paid and payroll tax reports were properly prepared and filed.
 - 2) As noted in MAR finding number 1, between December 8, 2006, and December 7, 2007, five unauthorized payroll checks totaling \$2,583 were issued to the former City Clerk. The Mayor and former Alderwoman Vasher provided signed statements that the signatures on these checks were not their own.
 - 3) Payroll tax reports and city payroll records were not properly reconciled to Forms W-2 and W-3 resulting in some wages not being reported for 2008. Employee wages reported on payroll tax reports and recorded in the city's payroll records exceeded wages reported on Forms W-2 and W-3 by approximately \$3,200. The current City Clerk indicated she failed to include wages paid in January and February 2008 (prior to her employment), when determining total earnings for employees' 2008 Forms W-2.

To adequately monitor payroll activity, the Board of Aldermen should review and approve all payroll disbursements, and ensure payroll tax reports are prepared, taxes are paid, and payroll records are properly reconciled to the various payroll reporting forms. In addition, the city should file amended W-2 forms for payments of wages not reported.

- B. It is questionable whether the city should be compensating the Police Chief and reserve officers as independent contractors or as city employees. During 2008

and 2007, the city paid the Police Chief and reserve officers as independent contractors without a written contract outlining each party's rights and responsibilities. The Police Chief was also provided leave benefits similar to an employee. After our inquiry, the city began paying the Police Chief as an employee and withholding payroll taxes from his salary. The city continues to pay reserve officers as independent contractors for a maximum of 16 hours per month and any hours worked over the 16 hours are considered to be uncompensated volunteer hours.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. In addition, the failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act.

- C. Personnel files are not maintained for city employees. Personnel files should be maintained for each employee to provide documentation of personnel actions and to provide readily accessible work histories. In addition, personnel files should contain documentation of the Board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate.

WE RECOMMEND the Board of Aldermen:

- A. Monitor all payroll activity to ensure payroll taxes are paid, employee payroll checks are authorized, and city payroll records and payroll reports are reconciled to Forms W-2 and W-3. The Board should file amended W-2 forms for the underreported wages.
- B. Consult with legal counsel concerning the proper method of compensating reserve officers.
- C. Ensure personnel files are maintained for all city employees, which include authorization for the employee's hiring, the initial pay rate and any subsequent increases, and any other personnel actions.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We are now reviewing payroll and ensuring the payroll and payroll taxes are accurate. Amended W-2 forms will be filed as necessary.*
- B. *We will consult with our legal counsel concerning the method of compensating reserve officers.*
- C. *This recommendation has been implemented.*

5.**Restricted Funds**

The city has not established procedures to ensure receipts and disbursements are properly allocated to the various city funds. In addition, it is unclear if funds in some city accounts were used appropriately.

A. Monies received and disbursed by the city are not properly allocated to city funds.

- The method of allocating wages and benefits paid to city employees is not reasonable and is not supported by documentation. During 2008, the current City Clerk's wages were paid from the General Fund even though she performs water and sewer billings and collection activities. Payroll disbursements for the city's maintenance employees during 2008 were paid from the Water and Sewer Funds and not allocated to the Street Fund. Further, payroll taxes for Social Security and Medicare are sometimes paid from the General Fund and sometimes allocated to the other funds. During 2007 and 2006, city employee wages were allocated to all of the city's major funds (General, Water, Sewer, and Street); however, there is no documentation to show how the allocations were calculated.

As a result of the varying allocations, salary expenses from the city's funds are not consistent from year to year. For example, during 2007 and 2006 the city disbursed more than \$14,000 from the Street Fund annually for payroll related expenses; however, only \$1,800 was disbursed in 2008.

- Amounts paid for insurance coverage on all city assets is not allocated to the various city funds. In 2008, the city paid \$9,276 for property and liability insurance coverage. While some of the coverage related to assets owned by the city's Water, Sewer, and Street Funds, all but \$100 was paid from the city's General Fund. In 2007, insurance costs of \$9,665 were divided almost evenly between the city's General, Water, Sewer, and Street Funds.
- Beginning in March 2008, the current City Clerk began dividing collections for water and sewer charges equally between the Water and Sewer Funds without consideration of the actual receipts associated with water sales or sewer use. Sales taxes charged on water sales are also split equally between the Water and Sewer Funds even though the entire tax is applicable to water sales.

To ensure restricted funds are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements, such as wages and benefits, should be allocated to the appropriate city funds using a reasonable basis.

B. A number of restricted accounts appear to have been used for improper purposes.

- A certificate of deposit (CD) the city refers to as the Repainting and Sanitation CD, totaling \$8,255, was cashed in and deposited into the Street Fund in May 2008, to help pay for costs of street repairs. The City Clerk and Mayor were unsure of the original purpose for which the CD was established; however, based upon the account's title, it does not appear these funds were originally intended for street related expenses.
- A bank account entitled Pipe and Sanitation Account, with a balance of \$7,915, was closed and deposited into the General Fund in March 2008. This account was originally opened in June 2000 with \$100 of Water Fund monies transferred to this account monthly. City personnel are unsure of the purpose of this account, but it appears to have been an account required under the city's bond covenant related to a 1978 bond issue. Revenues from the Water Fund should only be used for costs associated with the city's water system.
- CDs for the Water Fund (\$10,177) and General Fund (\$6,785) were cashed in and used to help pay the city's delinquent payroll taxes, interest, and penalties discussed in MAR finding number 4. There was no documentation to indicate how much of the liability was associated with these two funds.
- When the city received payment for the bond coverage of the former City Clerk, \$10,000 was placed in the General Fund and two CDs totaling \$15,000 were purchased with the balance. The city has not indicated what funds the two CDs belong to or whether the balance is restricted. Neither the current City Clerk or the Mayor could tell us exactly what funds these monies belong to.

The city should maintain documentation to clearly identify the purpose of each bank account/fund established and ensure the balance is used appropriately.

The funds of the city are established as separate accounting entities to account for specific activities. Reflecting receipts and disbursements in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Additionally, documentation should be maintained to support any expenses allocated to more than one fund, such as payroll related expenses.

WE RECOMMEND the Board of Aldermen properly allocate disbursements to the appropriate fund and maintain documentation to support the method of allocation. Additionally, the Board of Aldermen should ensure receipts and disbursements are reflected in the proper fund, and maintain documentation to clearly identify the purpose of each bank account/fund established.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

We agree with the recommendations and will take steps to implement them.

6. Water and Sewer System

The city does not maintain adequate records of customer water deposits and does not adequately monitor the amount of water billed each month. Additionally, a cost study has not been performed to justify water and sewer rates, and some water and sewer related fees are not established by city ordinance or consistently charged to customers.

- A. The city's water deposit bank account is at least \$7,800 short when compared to the computer list of customers with paid water deposits. The city does not reconcile refundable water deposits posted to customer accounts in the city's computer system to the water deposit bank account. At our request, the current City Clerk went through the computerized water deposit list at December 31, 2008, and determined there should be approximately \$9,900 in refundable water deposits from customers in the city's water deposit bank account. However, in June 2006, the former City Clerk incorrectly deposited approximately \$500 of water and sewer bill payments into the account, resulting in an adjusted account balance of only \$2,100 and a shortage of \$7,800.

Between January 1, 2006, and February 29, 2008, the average monthly deposit into the city's water deposit bank account was approximately \$120. After the former City Clerk terminated employment the average monthly deposit into this account between March 1 and December 31, 2008 increased to approximately \$210. Additionally, the Board of Aldermen became aware of a customer that paid a \$300 deposit in December 2007, but the amount was not posted to the city's computer system. The customer provided a canceled check as evidence of payment and the city refunded the deposit in April 2009. As a result, there may be other customer deposits that were not posted to the computer and the shortage in this account may be more.

The city should prepare a detailed list of all water deposits received and disbursed, and reconcile the deposits on hand to the water deposit bank account balance. The city should deposit adequate funds into the water deposit account to make up for the shortage.

- B. Although reconciliations are prepared by the current City Clerk comparing the total gallons of water billed to customers to the total gallons of water pumped, there is no documentation the Board investigated and resolved significant differences calculated in this comparison. During 2008, there were unexplained water losses and unbilled water services, which ranged between 9 to 48 percent of

total gallons pumped in a given month. For example, the city billed or used an average of approximately 900,000 gallons monthly during 2008, but had an average of approximately 400,000 gallons of water pumped each month that was unbilled and lost.

To help detect significant water loss on a timely basis and ensure all water usage is properly billed, the city should reconcile gallons of water pumped to the gallons of water billed on a monthly basis. The Board of Aldermen should document its review of the differences and efforts to resolve the differences.

- C. Water and sewer rate increases are not supported by documentation of how the increases are calculated, some fees charged are not set by ordinance, and some customers are not properly charged some fees.

In September 2006, the Board of Aldermen approved increasing water and sewer rates. There is no documentation to support or justify the increased rate amounts. Additionally, delinquent customers are assessed a \$5 late fee; however, the city's ordinance has not been updated and still reflects a late fee of \$3. The \$2 meter rental fee charged to customers is not set by ordinance. Further, some customers were not charged some fees. As a result of our review, the City Clerk corrected approximately 30 customer accounts.

Water and sewer fees are user charges which should cover the cost of providing the related services. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service. Without a cost study to support the rates charged for water and sewer services, it is unclear whether the rates assessed for these services are set at an appropriate level. To do this, the city needs to properly account for the receipts and disbursements associated with the water and sewer funds (see MAR finding number 5). In addition, the city should establish formal ordinances for all fees and ensure customers are properly charged in accordance with the fee structure.

WE RECOMMEND the Board of Aldermen:

- A. Ensure a complete list of water deposits is prepared and reconciled to the balance in the water deposit bank account monthly. Further, the Board should deposit adequate funds into the account to make up for any shortage computed.
- B. Review the monthly reconciliation of the total gallons of water billed and the total gallons of water pumped, and document the investigation and resolution of significant differences.
- C. Periodically perform and document a cost study of water and sewer services to ensure rates are sufficient to cover all costs of providing these services and to support any rate increases. Additionally, the Board of Aldermen should ensure all

fees are set by ordinance and all customers are charged in accordance with the fee structure.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. A complete list of water deposits has been prepared and deposits are now properly tracked. We have funds available in other accounts if we need them; however, we plan to begin reimbursing this account gradually.*
- B. This recommendation has been implemented. We are currently reviewing and reconciling water usage.*
- C. Documentation will be retained for any future rate increases, and we will update city ordinances accordingly.*

7. Financial Reporting, Bank Accounts, and Budgets

The city did not comply with state law regarding financial statement reporting and water and sewer system audit requirements. Additionally, the city should consider reducing the number of bank accounts maintained. Further, the city's budgets are not complete and actual disbursements exceeded budgeted amounts.

- A. The city did not maintain evidence to demonstrate compliance with state law regarding the preparation and posting of semi-annual financial statements. While city officials believe the former City Clerk posted financial statements, there is no documentation of the postings. The current City Clerk has not posted or published financial statements for 2008.

Section 79.160, RSMo, requires the city prepare semi-annual financial statements and publish them in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the city. The financial statements are to include a statement of receipts and disbursements and indebtedness of the city for the preceding 6-month period, and be published within 1 month of the end of the period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

- B. The city has not submitted annual financial reports to the State Auditor's office since 2003. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's office.

- C. The city does not obtain annual audits of its water and sewer system. The city's bond covenant and Section 250.150, RSMo, require the city to obtain annual audits of the water and sewer system. In addition to being required by state law, annual audits of city funds would help ensure city financial transactions have been properly recorded.
- D. The city maintains an excessive number of bank accounts and does not have a depository agreement or solicit bids for banking services. At December 31, 2008, the city maintained 8 checking accounts and 2 CDs at one bank, and at December 31, 2007, the city had 13 bank accounts and 3 CDs. Separate bank accounts are used to track each city fund. The current City Clerk did not maintain a list of all city accounts and we had to obtain information for 2 CDs from the bank. Additionally, during 2008 and 2007, the city incurred over \$600 in bank service charges because required minimum balances were not maintained in several of the city's bank accounts. In April 2006, a \$50 overdraft fee was charged to the city because adequate funds were not in the sewer account to pay checks written.

A large number of bank accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Except for separate accounts required by bond covenants, the remaining bank accounts and CDs could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. Additionally, to ensure the quality of banking services, maximize interest revenue, and reduce bank charges the city should procure its banking services through a competitive bid process. Further, the city should enter into a written agreement with its depository bank to ensure both the city and the bank understand and comply with the requirements of any banking arrangement.

- E. The city's procedures for preparing and monitoring the annual budget need improvement.
- The annual budget lacked some information required by state law and budgets were not prepared for all funds. Budgets for 2009 did not include a budget message, a comparative statements of receipts and disbursements for the two preceding years, the beginning cash balance, or an estimated ending cash balance. The city's 2008 budget also did not include cash balance information and a comparison statement of receipts and disbursements was not included for some of the smaller city funds. Additionally, budgets were not prepared for some of the small city funds and grant funds, such as the Police Training Fund and the Storm Siren Fund, for 2008 and 2009.
 - Budgets approved by the Board of Aldermen for some funds in 2009 reflected deficit budgeting, which is prohibited by Section 67.010, RSMo. Budgeted disbursements from the city's General Fund exceeded budgeted receipts and the beginning cash balance by approximately \$35,000. Both the city's Water

and Sewer Funds also anticipated an accumulated deficit of approximately \$36,000.

- Actual disbursements exceeded budgeted amounts for some city funds during 2008. For example, approximately \$25,000 more was disbursed from the city's General Fund than budgeted during 2008. Actual disbursements from the city's Sewer and Street Funds also exceeded budgeted amounts by approximately \$2,300 and \$7,500, respectively. While the Board of Aldermen receive monthly financial reports, budgetary monitoring procedures are not adequate.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and funding expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues. Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget, and prohibit deficit budgeting.

WE RECOMMEND the Board of Aldermen:

- A. Publish or post semi-annual financial statements as required by state law.
- B. Prepare and submit annual financial reports to the State Auditor's office as required by state law.
- C. Obtain annual audits of the combined water and sewer system as required by state law and the city's bond covenant.
- D. Review the number of bank accounts and consider consolidation of accounts. The Board should competitively procure banking services and obtain an agreement with the depository bank.
- E. Prepare annual budgets for all city funds which include all information required by state law and discontinue the practice of preparing budgets that reflect a deficit. In addition, the Board should monitor budgeted and actual receipts and disbursements, and ensure disbursements for individual funds do not exceed the amount approved in the budget, unless proper and timely amendments are made and approved.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented.*
- B. *We will submit annual financial reports in the future.*

- C. *We will solicit bids for annual audits.*
- D. *We will implement these recommendations and we have reduced checking accounts from 13 to 8 and plan on reducing further.*
- E. *We will implement these recommendations.*

8. Board Meeting Minutes

Improvement is needed in the procedures and documentation related to closed meetings. The meeting minutes are not signed by the Mayor to attest to their accuracy, and some meeting minutes were not retained.

- A. Open meeting minutes did not always document all items required by the Sunshine Law, including the related vote to close the meeting and the specific reasons for closing the meeting. Additionally, the city did not document how some items discussed in closed session complied with state law. For example, during closed session, the Board discussed such items as employee appreciation certificates, unpaid payroll taxes, and paying the Mayor's wife for filling in as City Clerk.

Additionally, the city uses a standard agenda for all meetings. The agenda indicates a closed session meeting will be held to discuss potential employee discipline and potential litigation matters regardless of whether a closed session is planned for the current meeting. As a result, it is not clear from the city's agenda whether or not the board will be meeting in closed session.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session. In addition, Section 610.022, RSMo, requires the board to vote in open session to close a meeting and to announce publicly the reasons for going into closed session. Further, to better inform the public, the tentative meeting agendas should more accurately reflect the matters to be discussed by the board.

- B. Board meeting minutes are not signed. Board meeting minutes should be signed by the preparer and Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings.
- C. Open meeting minutes for 6 months during 2007 could not be located. Minutes for the months of January and March through July 2007 were not retained and available for our review.

Minutes serve as the only official permanent record of decisions made by the Board. Section 610.020, RSMo, requires minutes of open and closed meetings be taken and retained by all governmental bodies.

WE RECOMMEND the Board of Aldermen:

- A. Refrain from discussing items in closed session which should otherwise be discussed during an open session, and ensure open meeting minutes include the specific reason for closing the meeting and a record of the related votes taken. Additionally, the Board of Aldermen should ensure the tentative meeting agendas more accurately reflect the matters to be discussed by the Board.
- B. Ensure meeting minutes are signed by the preparer and the Mayor to attest to the completeness and accuracy.
- C. Ensure a formal and complete record of all meetings is retained to show compliance with statutory provisions of the Sunshine Law.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&C. These recommendations have been implemented.

B. We will ensure minutes are reviewed for accuracy and signed.

9. Capital Asset Records

The city does not maintain adequate property records to account for capital assets, a physical inventory has not been conducted since 2005, and property is not tagged to identify it as owned by the city. Additionally, periodic reviews of the city insurance coverage is not conducted to ensure all city assets are adequately insured.

The city's only property record is a list documenting the assets counted during the physical inventory performed in 2005. The list documents a description of the item, a serial number, if applicable, and how many of a particular item the city owns.

Properly maintained capital asset records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. A detailed capital asset list should include all pertinent information for each asset, including description, cost, acquisition date, identification number, and location; date and method of disposition; and accumulated depreciation, if applicable. In addition, the city needs to maintain the property records on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and tag all assets as belonging to the

city. Periodically, the city should conduct physical inventories and compare to the capital asset records and to the city's insurance policies.

WE RECOMMEND the Board of Aldermen ensure adequate capital asset records are maintained, city assets are tagged as owned by the city, annual physical inventories are performed, and insurance coverage is periodically reviewed to ensure all assets are adequately insured.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

We are in the process of implementing these recommendations. Currently, we are conducting a physical inventory of city assets.

10. Ticket Accountability

Neither the police department nor the City Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued. The current City Clerk began maintaining a log of tickets submitted to the Webster County Associate Circuit Court in 2008; however, no record is maintained to account for the numerical sequence of all tickets. Additionally, voided tickets are not retained. Without a proper accounting for the numerical sequence and ultimate disposition of all tickets, the police department and the city cannot be assured all tickets are properly submitted for processing.

WE RECOMMEND the Board of Aldermen ensure the numerical sequence and ultimate disposition of all tickets are accounted for properly and voided tickets are retained.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

This recommendation has been implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF NIANGUA
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Niangua is located in Webster County. The city was incorporated in 1964 and is currently a fourth-class city. The population of the city in 2000 was 445.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen do not receive compensation. The Mayor, Board of Aldermen, and other officials during the year ended 2008, are identified below.

Board of Aldermen	Dates of Service During the Year Ended December 31, 2008	
Roger Mepham, Mayor	January 2008–December 2008	
Leonard Hart, West Ward Alderman	April 2008–December 2008	
Ray Root, West Ward Alderman	January 2008–March 2008	
Tim Petty, West Ward Alderman	January 2008–December 2008	
Brandon Cantrell, East Ward Alderman	June 2008–December 2008	
Cindy Vasher, East Ward Alderman (1)	January 2008–May 2008	
Mitch Sitton, East Ward Alderman	April 2008–December 2008	
Cecil Tannehill, East Ward Alderman	January 2008–March 2008	

Other Officials	Dates of Service During the Year Ended December 31, 2008		Compensation Paid for the Year Ended December 31, 2008	
Kylee Dudley, City Clerk	March 2008–December		\$	14,726
Joyce Thornhill, City Clerk (2)	2008			2,214
Scott Quinn, Chief of Police (3)	January 2008–February			1,184
Mark Blevins, Chief of Police (3)	2008			6,512
	October 2008–December			
	2008			
	January 2008–September			
	2008			

- (1) Resigned, replaced by Brandon Cantrell.
- (2) The last day Ms. Thornhill worked was February 13, 2008, and her employment was terminated on March 10, 2008.
- (3) Paid as an independent contractor.

In addition to the officials identified above, as of December 31, 2008, the city had two part-time employees and two reserve officers were paid as independent contractors.

Assessed valuations and tax rates for 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$	1,196,080
Personal property		397,570
Railroad and utility		208,564
Total	\$	<u>1,802,214</u>

TAX RATE PER \$100 ASSESSED VALUATION

		Rate
General	\$	<u>.2532</u>

TAX RATES PER \$1 OF RETAIL SALES

		Rate
General	\$	<u>0.0100</u>
Street		0.0050

A summary of the city's financial activity for the year ended December 31, 2008, is presented on the next page:

CITY OF NIANGUA
YEAR END DECEMBER 31, 2008

	General Fund	Water Fund	Sewer Funds	Street Fund	Pipe & Sanitation Fund	Repainting & Sanitation Fund	Police Funds	Meter Deposit Fund	Invested Funds	Payroll Funds	Total
RECEIPTS											
Property tax	\$ 4,061	0	0	0	0	0	0	0	0	0	4,061
Sales tax	13,941	0	0	6,921	0	0	0	0	0	0	20,862
Franchise tax	5,170	0	0	0	0	0	0	0	0	0	5,170
Motor fuel and vehicle fees	0	0	0	17,186	0	0	0	0	0	0	17,186
Water and sewer fees	0	37,346	41,312	0	0	0	0	2,190	0	0	80,848
Bond proceeds	10,000	0	0	0	0	0	0	0	15,000	0	25,000
Interest	81	110	248	29	0	194	4	0	120	1	787
Fines, fees, and other	15,412	0	253	2,686	0	0	3,037	0	0	0	21,388
Transfers in	20,894	0	0	8,255	200	0	0	0	0	24,762	54,111
Total Receipts	69,559	37,456	41,813	35,077	200	194	3,041	2,190	15,120	24,763	229,413
DISBURSEMENTS											
Wages and payroll taxes	32,179	11,642	10,432	0	0	0	0	0	0	25,913	80,166
Insurance	9,176	0	100	0	0	0	0	0	0	0	9,276
Professional services	5,040	126	126	0	0	0	0	0	0	0	5,292
Street repairs	0	0	0	25,973	0	0	0	0	0	0	25,973
Materials and supplies	582	7,083	10,267	972	0	0	0	0	0	0	18,904
Law enforcement	3,152	0	0	0	0	0	3,215	0	0	0	6,367
Fuel	1,528	1,359	1,359	359	0	0	0	0	0	0	4,605
Debt service	4,519	0	2,260	0	0	0	0	0	0	0	6,779
Refunds	0	0	0	0	0	0	0	2,255	0	0	2,255
Training	0	0	0	0	0	0	1,204	0	0	0	1,204
Utilities	2,348	3,373	9,032	4,770	0	0	0	0	0	0	19,523
Other	5,490	4,553	5,996	555	0	0	273	0	0	0	16,867
Transfers out	7,685	16,177	10,319	1,800	7,916	8,255	447	0	0	1,512	54,111
Total Disbursements	71,699	44,313	49,891	34,429	7,916	8,255	5,139	2,255	0	27,425	251,322
RECEIPTS OVER (UNDER)											
DISBURSEMENTS	(2,140)	(6,857)	(8,078)	648	(7,716)	(8,061)	(2,098)	(65)	15,120	(2,662)	(21,909)
CASH, JANUARY 1, 2008	7,057	15,137	23,446	7,318	7,716	8,061	2,683	2,659	0	2,662	76,739
CASH, DECEMBER 31, 2008	\$ 4,917	8,280	15,368	7,966	0	0	585	2,594	15,120	0	54,830

Note: The Sewer Funds includes the Sewer, Replacement and Extension, and Grant bank accounts. The Police Funds include the Police Training, Police General, Police Grant, and Storm Siren bank accounts. The Storm Siren bank account was used for police grant funds during 2008. The Invested Funds include two certificates of deposit account that are not titled as associated with any specific city fund.

DOCUMENTATION OF MISSING FUNDS
AND UNAUTHORIZED DISBURSEMENTS

CITY OF NIANGUA

DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

The following tables provide supporting information for the missing funds and unauthorized disbursements discussed in MAR finding number 1.

Missing Cash Receipts

		Recorded Cash Receipts*	Recorded Check Receipts*	Unrecorded Check Receipts**	Total Receipts	Cash Deposited	Checks Deposited	Total Deposited	Cash Received Over (Under) Cash Deposited	Checks Received Over (Under) Checks Deposited	Total Difference
2008											
January	\$	1,575	4,574	523	6,672	231	5,296	5,527	(1,344)	199	(1,145)
February		1,261	4,910	1,973	8,144	1,262	6,787	8,049	1	(96)	(95)
Total 2008		2,836	9,484	2,496	14,816	1,493	12,083	13,576	(1,343)	103	(1,240)
2007											
January		817	4,476	251	5,544	48	4,928	4,976	(769)	201	(568)
February		1,340	5,326	1,224	7,890	0	6,640	6,640	(1,340)	90	(1,250)
March		1,359	5,085	0	6,444	62	4,866	4,928	(1,297)	(219)	(1,516)
April		1,467	4,501	0	5,968	50	4,704	4,754	(1,417)	203	(1,214)
May		1,473	4,561	26	6,060	140	4,539	4,679	(1,333)	(48)	(1,381)
June		1,142	4,813	0	5,955	0	4,803	4,803	(1,142)	(10)	(1,152)
July		1,380	5,117	2,694	9,191	19	7,806	7,825	(1,361)	(5)	(1,366)
August		1,429	5,373	1,456	8,258	130	6,962	7,092	(1,299)	133	(1,166)
September		1,548	5,457	0	7,005	859	5,397	6,256	(689)	(60)	(749)
October		1,419	4,783	37	6,239	0	4,746	4,746	(1,419)	(74)	(1,493)
November		1,531	4,741	550	6,822	0	5,347	5,347	(1,531)	56	(1,475)
December		1,454	4,501	0	5,955	0	4,501	4,501	(1,454)	0	(1,454)
Total 2007		16,359	58,734	6,238	81,331	1,308	65,239	66,547	(15,051)	267	(14,784)
2006											
January		993	4,579	0	5,572	587	4,504	5,091	(406)	(75)	(481)
February		887	4,096	0	4,983	459	4,190	4,649	(428)	94	(334)
March		860	3,771	550	5,181	400	4,313	4,713	(460)	(8)	(468)
April		936	4,143	364	5,443	301	4,759	5,060	(635)	252	(383)
May		808	3,930	2,440	7,178	317	6,392	6,709	(491)	22	(469)
June ***		881	4,135	0	5,016	117	4,164	4,281	(764)	29	(735)
July		962	5,583	1,015	7,560	207	6,632	6,839	(755)	34	(721)
August		1,237	4,604	0	5,841	288	4,661	4,949	(949)	57	(892)
September		1,365	4,123	0	5,488	65	4,275	4,340	(1,300)	152	(1,148)
October		1,341	5,132	0	6,473	61	5,303	5,364	(1,280)	171	(1,109)
November		1,214	4,887	0	6,101	32	4,863	4,895	(1,182)	(24)	(1,206)
December		1,212	5,101	77	6,390	0	4,754	4,754	(1,212)	(424)	(1,636)
Total 2006		12,696	54,084	4,446	71,226	2,834	58,810	61,644	(9,862)	280	(9,582)
Totals	\$	31,891	122,302	13,180	167,373	5,635	136,132	141,767	(26,256)	650	(25,606)

* Recorded cash and check receipts include amounts recorded on computerized receipt records, manual receipt slips, and paid utility stubs. Adjustments were made for cash receipts recorded on more than one type of receipt record.

** Unrecorded check receipts for 2008 include \$523 franchise fees received in January, \$1,873 state grant funds, and \$100 water deposit in February. In addition, February cash and check receipts were adjusted for collections recorded twice. Unrecorded check receipts for 2007 include \$251 water and sewer receipts in January, \$1,224 franchise fees in March; \$26 water and sewer receipt in May; \$2,694 State Emergency Management Assistance payment in July; \$1,429 franchise fees, and \$27 water and sewer receipts in August; \$37 water and sewer receipt in October; and \$250 sewer tap receipt and \$300 water deposit in December. Unrecorded receipts for 2006 include \$550 tap fees in March; \$364 railroad and utility taxes from Webster County in April; \$300 tap fees, \$2,061 insurance check, and \$79 water and sewer payments in May; \$1,015 franchise fees in July; and \$77 water and sewer payments in December.

***June 2006 deposits include \$518 erroneously deposited in the city's water meter deposit account.

CITY OF NIANGUA
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

Checks written to former City Clerk's mother

Check Date	Check Number	Fund	Amount
May 4, 2007	3970	Sewer	\$ 250
May 4, 2007	1279	Street	450
May 8, 2007	3290	Water	200
August 2, 2007	3880	General	782
August 2, 2007	3314	Water	782
August 2, 2007	4018	Sewer	782
	Total		<u>\$ 3,246</u>

Questionable Payroll Checks written to former City Clerk

Check Date	Check Number	Fund	Amount
December 6, 2006	1619	Payroll	\$ 831
April 4, 2007	1651	Payroll	252
July 31, 2007	1686	Payroll	427
November 8, 2007	1714	Payroll	361
December 7, 2007	1722	Payroll	712
	Total		<u>\$ 2,583</u>

Questionable Checks Written to Petty Cash

Check Date	Check Number	Fund	Amount
February 2, 2006	3730	Sewer	\$ 52
February 2, 2006	3600	General	45
February 2, 2006	1143	Street	5
February 2, 2006	3152	Water	24
March 7, 2006	3613	General	51
March 7, 2006	1153	Street	17
April 6, 2006	3627	General	79
April 6, 2006	3175	Water	39
May 2, 2006	1170	Street	21
May 3, 2006	3644	General	59
May 22, 2006	3183	Water	24
October 16, 2006	3877	Sewer	43
October 16, 2006	3721	General	55
October 16, 2006	3230	Water	44
December 11, 2006	3903	Sewer	24
December 11, 2006	3753	General	69
December 11, 2006	3249	Water	24
2006 Total			<u>675</u>

CITY OF NIANGUA
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

Questionable Checks Written to Petty Cash (Continued)

Check Date	Check Number	Fund	Amount
January 11, 2007	3756	General	90
January 24, 2007	3258	Water	24
January 29, 2007	3772	General	69
February 12, 2007	3932	Sewer	24
February 12, 2007	3267	Water	24
February 15, 2007	1261	Street	97
February 20, 2007	3786	General	52
February 20, 2007	1261	Street	97
March 7, 2007	3795	General	99
March 21, 2007	3955	Sewer	48
March 21, 2007	3279	Water	48
March 23, 2007	3810	General	100
April 18, 2007	3963	Sewer	24
April 18, 2007	3281	Water	24
April 20, 2007	3828	General	69
April 25, 2007	3289	Water	48
April 26, 2007	3969	Sewer	48
April 28, 2007	1278	Street	156
June 11, 2007	3996	Sewer	87
June 11, 2007	3301	Water	47
June 13, 2007	3854	General	90
July 31, 2007	3312	Water	39
July 31, 2007	4016	Sewer	39
August 1, 2007	3879	General	77
September 10, 2007	3332	Water	26
September 17, 2007	3903	General	53
September 17, 2007	4045	Sewer	26
October 5, 2007	3912	General	98
October 8, 2007	3347	Water	26
October 18, 2007	3919	General	55
October 18, 2007	4059	Sewer	26
December 3, 2007	3353	Water	41
December 3, 2007	4074	Sewer	26
December 4, 2007	3942	General	32
December 10, 2007	4083	Sewer	26
December 10, 2007	3358	Water	26
December 12, 2007	1351	Street	156
December 20, 2007	3952	General	45
2007 Total			2,182
January 4, 2008	3956	General	66
January 30, 2008	4102	Sewer	52
January 31, 2008	3975	General	86
January 31, 2008	3371	Water	52
2008 Total			256
Grand Total Checks to Petty Cash			\$ 3,113



Susan Montee, JD, CPA
Missouri State Auditor

Scotland County



September 2009
Report No. 2009-97

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of Scotland County.

The County Clerk does not prepare minutes for closed session meetings of the County Commission and no notice or agenda was posted for one closed session meeting. As discussed in prior audits, the County Commission open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and it appears many motions passed are not included in the meeting minutes.

The county does not reconcile fuel use to fuel purchases, and records are not maintained of fuel used for some county vehicles. In addition, mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the road and bridge department to document the use of county-owned vehicles.

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books, which are prepared by the County Collector.

User identifications and passwords are not used in the County Clerk's and County Collector's offices, and passwords are not periodically changed in the County Assessor's office. Backup data is not always stored at a secure off-site location and is not always tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure.

In the Sheriff's office, monthly bank reconciliations are not performed and deposits are not made timely. The method of payment is not consistently indicated on receipt slips, and as a result, the composition of receipt slips issued cannot be reconciled to the composition of deposits. The costs for housing other counties' inmates at the county jail were not analyzed to determine if amounts charged adequately recover all costs. The Sheriff has verbal agreements with other counties for the boarding of inmates; however, Section 432.070, RSMo, requires all contracts be in writing. In addition, the Sheriff's office maintains a change fund of \$100 for bond receipts; however, the fund has not been used since at least 2001.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SCOTLAND COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	County Commission Minutes5
2.	County Vehicle/Fuel Use and Records6
3.	Property Tax Controls and Procedures7
4.	Computer Controls.....8
5.	Sheriff's Accounting Controls and Procedures9
ORGANIZATION AND STATISTICAL INFORMATION	12-14

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County

We have audited certain operations of Scotland County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Scotland County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such

an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Scotland County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Susan J. Beeler, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	Janielle Arens
	Nathaniel Fast, M.Acct., CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SCOTLAND COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Commission Minutes

Minutes are not prepared for closed session meetings, and one closed session meeting was not properly posted. The minutes maintained for open sessions do not always include sufficient detail of matters discussed or actions taken.

- A. The County Clerk does not prepare minutes for closed session meetings of the County Commission and no notice or agenda was posted for the August 2, 2007, closed session meeting. In addition, for two of the three closed session meetings held during the 2 years ended December 31, 2008, the open meeting minutes did not document the related vote for closing the meeting or cite the specific statute and subsection allowing the closure.

Section 610.021, RSMo, allows the commission to close meetings to the extent the meetings relate to specified subjects, including litigation, real estate transactions, and personnel issues, and Section 610.020, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, Section 610.022, RSMo, requires the county to give adequate notice of a closed meeting in addition to the specific reason for holding a closed meeting and that before any meeting may be closed, the question of holding the closed meeting and the reasons for the closed meeting including reference to a specific section of the chapter shall be voted on at an open session.

- B. As discussed in prior audits, the County Commission open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and it appears many motions passed are not included in the meeting minutes. For example, while the minutes state a public hearing is held each January before the county budget is approved, the actual approval of the budget is not documented in the minutes, nor is the approval of the County Collector's annual settlements.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not be limited to, the date, time, place, members present, members absent, and a record of voted taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

WE RECOMMEND the County Commission:

- A. Ensure minutes are prepared and notices and agendas are properly posted for all closed session meetings. In addition, the open meeting minutes should document the vote and state the reasons for going into closed session.
- B. Ensure the minutes provide adequate details to support votes taken and decisions made, including documentation of all motions in detail.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We plan to implement the recommendation. We will also have Sunshine Law training through the Attorney General's office in September 2009.*
- B. *We will work to include all motions in the minutes. The details of discussions could be marginally improved, which we will try to do.*

2. County Vehicle/Fuel Use and Records

The county does not reconcile fuel use to fuel purchases, and records are not maintained of mileage incurred and fuel used for some county vehicles.

- A. Controls over fuel use are not adequate. During the 2 years ended December 31, 2008, the road and bridge department spent approximately \$268,000 on fuel for 17 trucks and various equipment (such as graders, tractors, and loaders). The county purchases fuel for non-diesel vehicles by using fuel cards at a local gas station and it purchases diesel in bulk and maintains two tanks on county property.

The road and bridge department does not maintain any type of fuel logs in the vehicles or equipment, nor does it maintain fuel inventory records or logs of fuel dispensed at the county's bulk fuel tanks. By not maintaining inventory records and fuel logs, the road and bridge department cannot reconcile fuel purchases made during the month to fuel used and on hand.

Complete fuel inventory records and use logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel use and disbursements, fuel logs should be maintained and periodically reviewed. Recorded use should be reconciled to fuel purchased and on hand. Failure to account for fuel use could result in theft or misuse going undetected.

- B. Mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the road and bridge department to document the use of county-owned vehicles.

Complete and detailed mileage logs for all county owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all county-owned vehicles are used efficiently and appropriately.

WE RECOMMEND the County Commission:

- A. Ensure the road and bridge department maintains complete fuel use and inventory records, and fuel use logs are periodically reviewed for completeness and reasonableness of use and reconciled to fuel purchased and on hand.
- B. Require complete and detailed mileage logs be maintained for all county-owned vehicles and periodically analyze vehicle use to ensure county-owned vehicles are used efficiently and appropriately.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will put a log in every vehicle and piece of machinery to track fuel usage and mileage. We will also reconcile the logs to the fuel purchases made.

3. Property Tax Controls and Procedures
--

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector extends and prints the tax books and tax statements and verifies the accuracy of amounts to be collected. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to perform reviews of the tax books and test individual tax statement computations may result in errors or irregularities going undetected.

A similar condition was noted in our prior report.

WE RECOMMEND the County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I will start preparing the current and delinquent tax books.

4. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction. Password and backup procedures are not adequate in some county offices.

- A. User identifications and passwords are not used in the County Clerk's and County Collector's offices. In addition, while passwords are required to access the County Assessor's computers, the passwords are not periodically changed. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system. To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals through the use of user identifications and passwords. A unique user identification and password should be assigned to each user of a system. These should be kept confidential and passwords should be changed periodically to help limit unauthorized access to computer files.
- B. Backup data is not always tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure. In addition, backup disks are not always stored at a secure off-site location. While backups are prepared for county assessment data, financial data, and property tax data, only the County Clerk and County Treasurer test their backups and only the backups of the county assessment data are stored at an off-site location.

Failure to store computer backup disks at a secure off-site location results in the backup disks being susceptible to the same damage as the data on the computer. Preparation of backup disks, preferably on a daily or at least weekly basis, periodic testing to ensure they are adequate, and storing them off-site, would provide increased assurance that county data could be recreated if necessary.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Work with the County Clerk, County Collector, and County Assessor to require user identifications and passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
- B. Ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the other officials to establish user identifications and passwords and ensure passwords are changed every 30 days.*
- B. *We will work with the other officials to ensure backup data is tested and periodically taken off-site.*

The County Clerk provided the following responses:

- A. *I will work with the computer programmer to improve the password system.*
- B. *I will implement this recommendation.*

The County Treasurer provided the following response:

- B. *Backups are now taken to a bank lockbox weekly.*

5. Sheriff's Accounting Controls and Procedures
--

The Sheriff's office procedures related to bank reconciliations, receipts, deposits, inmate costs, contracts, and change funds are in need of improvement.

The Sheriff's office processes monies for conceal and carry permits, civil fees, bonds, trailer inspections, phone commissions, calendar sales, and receipts intended for inmates. Receipts totaled approximately \$56,000 and \$75,000 for the years ended December 31, 2008 and 2007, respectively.

- A. Monthly bank reconciliations are not performed. Our review of 4 months of activity in the Sheriff's bank account and the respective monthly transmittals made to the County Treasurer noted each month had an unidentified balance of approximately \$140. Monthly reconciliations would have revealed the

unidentified balance and allowed the necessary corrections to be made on a more timely basis.

Monthly bank reconciliations and comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists. Any amounts which remain unidentified should be disposed of in accordance with state law.

- B. The method of payment (cash, check, and money order) is not consistently indicated on receipt slips. As a result, the composition of receipt slips issued cannot be reconciled to the composition of deposits. To adequately account for receipts and reduce the risk of loss or misuse of funds, receipt slips should indicate the method of payment and the composition of receipt slips should be reconciled to the composition of deposits.
- C. Deposits are not made timely. During the 2 years ended December 31, 2008, deposits were made one to three times per month and averaged approximately \$2,900. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited on a timely basis.
- D. The Sheriff's office occasionally houses inmates for other counties and bills them for these services. The following concerns were noted:
 - 1) While the Sheriff indicated the rate of \$35 per day is based on the amount surrounding counties charge for housing inmates, there is no documentation to show this rate adequately recovers the related costs.

By establishing rates that are not based on the county's actual cost of housing inmates, it is possible the county is subsidizing the cost of this service. To ensure the county is billing at a rate that adequately recovers all costs, amounts charged for incarceration should be analyzed periodically and compared to billing rates.
 - 2) The Sheriff has verbal agreements with other counties for the boarding of inmates. Section 432.070, RSMo, requires all contracts be in writing. Written agreements should be prepared with all political subdivisions for services provided. The agreements should be updated periodically, clearly specify the arrangements between parties for the services provided, and be approved by the County Commission.
- E. The Sheriff's office maintains a change fund of \$100 for bond receipts; however, according to office personnel the fund has not been used since at least 2001. To reduce the risk of loss or misuse of the fund, the Sheriff should dissolve the fund and disburse the monies to the County Treasurer for deposit in the county's General Revenue Fund.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are prepared on a monthly basis. In addition, the unidentified balance in the account should be investigated and an attempt made to identify the balance. Any amounts that remain unidentified should be disposed of in accordance with state law.
- B. Ensure the method of payment is recorded on all receipt slips, and the composition of receipt slips is reconciled to the composition of deposits.
- C. Deposit all receipts on a timely basis.
- D. Periodically review the costs of housing inmates and establish billing rates sufficient to recover costs. In addition, the Sheriff and the County Commission should ensure written contracts are obtained for all services.
- E. Dissolve the change fund and disburse the monies to the County Treasurer for deposit into the county's General Revenue Fund.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Bank reconciliations are now performed monthly. The unidentified balance is currently being investigated.*
- B. *This recommendation has been implemented.*
- C. *Deposits are now made at least weekly. Cash bonds are deposited the same day they are received.*
- D.1. *I feel \$35 per day is reasonable. However, I will determine total costs at the end of the year to establish a daily rate.*
- 2. *I will check with the Sheriff's Association regarding housing contracts.*
- E. *The change fund is now being used and will continue to be maintained.*

The County Commission provided the following response:

- 5.D. *We will let the Sheriff negotiate contracts and we will support his decisions regarding contracts.*

ORGANIZATION AND
STATISTICAL INFORMATION

SCOTLAND COUNTY
ORGANIZATION AND
STATISTICAL INFORMATION

Scotland County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Memphis.

Scotland County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Mike Stephenson, Presiding Commissioner	\$	20,056
Paul Campbell, Associate Commissioner		16,738
Win Hill, Associate Commissioner		16,738
Dana Glasscock, Recorder of Deeds		27,600
Betty Lodewegen, County Clerk		27,600
Kimberly Nicoli, Prosecuting Attorney		34,960
Wayne Winn, Sheriff		31,145
LaMayra Brown, County Treasurer		27,600
Ginny Monroe, County Coroner		7,026
Ellen Aylward, Public Administrator		12,516
Kathy Becraft, County Collector (1), year ended February 28,	33,493	
James Ward, County Assessor (2), year ended August 31,		28,177

(1) Includes \$2,807 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Anita Watkins, Circuit Clerk	52,668
Karl DeMarce, Associate Circuit Judge	107,641

In June 2006, the county entered into a \$109,011 lease purchase agreement for a motor grader. Principal and interest payments totaling \$30,749 are due annually for 4 years with an interest rate of 4.95 percent. The remaining principal and interest due on the lease at December 31, 2008, was \$61,498.



Susan Montee, JD, CPA

Missouri State Auditor

Maries County



September 2009

Report No. 2009-96

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of Maries County.

Many of the findings contained in this audit report were identified in previous state audit reports of Maries County.

Cost of living adjustments (COLA) were given to all elected officials; however, an increase in pay equal to or greater than the COLA was not given to some employees. The elected officials received a 2.5 percent salary increase for each of the 2 years ended December 31, 2008, and the county employees received a 30 cents per hour pay increase. No calculations of the 30 cents per hour increase were performed to ensure all employees received at least a 2.5 percent increase. In addition, documentation was not retained for a \$3,000 reimbursement made to an Associate Commissioner for eligible medical deductible expenses.

The Sheriff's department controls over seized property and various accounting duties are in need of improvement. A complete log of evidence and seized property is not maintained, periodic physical inventories of seized property are not performed, and a court order on seized property was not followed. Procedures to identify month-end liabilities and reconcile to cash balances are not sufficient. Receipt slips for the regular and special civil accounts do not indicate the method of payment received, and the composition of receipts is not reconciled to the composition of deposits.

The county serves as the contract agent for the Missouri Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the county. The license office controls over inventory and monies collected need improvement. The license office does not follow up on missing inventory items, or take adequate action to prevent further losses. For the 2 years ended December 31, 2008, the license office paid a total of \$2,356 to the DOR for missing inventory items. Charges for bad checks, short deposits, and late deposits totaling \$475 were also paid to the DOR for the 2 years ended December 31, 2008. The method of payment is not always accurately recorded and deposit slips do not indicate the amount of cash and checks deposited. The license office does not always remit county fees to the County Treasurer on a timely basis. Due to poor procedures and unexplained discrepancies between receipts and deposits, there is less assurance all monies were handled and accounted for properly.

Also included in the report were recommendations related to county budgetary procedures, capital assets, the property tax system, and Associate and Probate Division accounting controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MARIES COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	County Compensation.....5
2.	Budgeting Procedures6
3.	Capital Assets.....7
4.	Property Tax System8
5.	Sheriff's Accounting Controls and Procedures9
6.	License Office's Accounting Controls and Procedures11
7.	Associate and Probate Division's Accounting Controls and Procedures...13
ORGANIZATION AND STATISTICAL INFORMATION	15-17

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Maries County

We have audited certain operations of Maries County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Devereux and Krauss, LLP, Certified Public Accountants, has been engaged to audit the financial statements of Maries County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Maries County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Kimberly Magner, M.Acct.
Audit Staff:	Denise Huddleston, MBA Kelli McBee

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MARIES COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County Compensation
-----------	----------------------------

The county did not perform calculations to ensure employees' increases in pay were proper, and documentation was not retained for a payment made to an Associate Commissioner.

- A. Cost of living adjustments (COLA) were given to all elected officials; however, an increase in pay equal to or greater than the COLA was not given to some employees. The elected officials received a 2.5 percent salary increase for each of the 2 years ended December 31, 2008, and the county employees received a 30 cents per hour pay increase. No calculations of the 30 cents per hour increase were performed to ensure all employees received at least a 2.5 percent increase. After reviewing the raises given to county employees, it appears the 30 cents per hour was at least a 2.5 percent increase for the majority of employees, but not all employees. Section 50.333.12, RSMo, allows a COLA that is the same percentage for all county officials but not to exceed the percentage increase given to all other county employees. To ensure and demonstrate compliance with state law, the county should document the method used to determine employee pay raises.
- B. Documentation was not retained for a payment made to an Associate Commissioner. A Health Reimbursement Agreement was established to reimburse eligible employees for medical deductible expenses incurred. A payment of \$3,000 was approved and paid in December 2008 to an Associate Commissioner without retaining adequate supporting documentation. The payment was approved based on a handwritten paper list the medical expenses. The County Clerk indicated all documentation to support the list was reviewed before approval of the payment, but the documentation was not retained.

All disbursements should be supported by paid receipts or vendor-provided invoices. Without adequate supporting documentation, the County Commission cannot determine the validity and propriety of the disbursements.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure that COLA increases for officials do not exceed COLA increases for county employees.

- B. Ensure adequate supporting documentation is obtained to support all disbursements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will perform a calculation to ensure all employees receive a COLA of at least as much as the COLA raise for officials.*
- B. *We will obtain and retain documentation for all disbursements before approval of payment. Documentation for this disbursement was reviewed, but we did not make copies of the documentation although we should have.*

2. Budgeting Procedures

The County Commissioner's procedures for monitoring budgets are not adequate. Actual disbursements reflected on the county's budget documents significantly exceeded budgeted amounts in several funds as follows:

Fund	Year Ended December 31,	
	2008	2007
Special Road and Bridge	\$ 111,155	112,168
Road and Bridge #2	101,141	N/A
Record Storage	N/A	21,257
Special Sheriff	29,851	N/A
Citizen's Safety	N/A	28,057
HAVA	N/A	23,579

In addition, actual disbursements exceeded the budgeted amounts by smaller amounts in several other funds.

On a monthly basis, the County Clerk provides the various county officials a written report on the current status for each fund the official is responsible to monitor. If a budget amendment is needed, the official notifies the County Clerk to present the suggested budget changes to the County Commission for approval. If no amendment is suggested, the budgeted amounts remain unchanged. The County Commission and various county officials did not amend the budgets for these funds to reflect unexpected receipts and increased disbursements made during the year. In addition, although the 2008 budget documents for the Prosecuting Attorney Training Fund and the 2007 budget documents for the Prosecuting Attorney Delinquent Tax Fund and HAVA Fund projected no disbursement activity, disbursements were made from these funds.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which necessitate excess disbursements (i.e., emergencies,

unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission not authorize disbursements in excess of the budget. In addition, if valid reasons necessitate excess disbursements, the budget should be amended timely following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's office.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The County Commission will attempt to amend the budget for unexpected receipts and disbursements using the same process as the original budget to ensure disbursements do not exceed the amount budgeted.

3.

Capital Assets

The County Clerk maintains an inventory list of capital assets held by county officials; however, the list is not complete and has not been updated for property acquired or disposed of since 2002. In addition, there are no formal written procedures in place for disposing of county owned property items. While some of the capital asset dispositions (a computer, truck, and tractor, etc.) were noted in the County Commission minutes, written documentation with the detail supporting the sale of the items was not retained. Also, there are no procedures in place to ensure an annual inventory is performed by each official and property items are not always properly numbered, tagged, or otherwise identified as County property.

The lack of complete property records and proper monitoring increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage. The County Clerk should develop procedures to track capital asset purchases and dispositions and use this information to ensure the accuracy of the overall capital asset list.

A similar condition was noted in our prior report.

WE RECOMMEND the County Clerk ensure complete and accurate inventory records are maintained and implement a procedure for tracking capital asset purchases and dispositions throughout the year.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

We are working on a new electronic system for capital assets. This system will flag a purchase as it is processed for payment so our records are more accurate.

4. Property Tax System

The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed. Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other record which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

The County Clerk and the County Commission provided the following response:

The County Clerk will try to set up an account book to verify amounts reported by the County Collector on the annual settlement. Also, the County Commission will use the account book to verify the annual settlements.

5.**Sheriff's Accounting Controls and Procedures**

The Sheriff's department controls over seized property and various accounting duties are in need of improvement. The Sheriff's department received monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately \$63,300 and \$39,800 during the years ended December 31, 2008 and 2007, respectively.

- A. A complete log of evidence and seized property is not maintained, periodic physical inventories of seized property are not performed, and a court order on seized property was not followed. On April 12, 1998, a 1985 automobile and \$2,979 cash were seized, and on October 6, 2004, a 1995 Nissan Maxima and \$25,000 cash were seized. A court order was issued October 27, 2004, stating the monies seized in 2004 should be transferred to the Federal Law Enforcement Agency; there was no judgment for the disposition of the other items. None of these items were recorded on the evidence log, and the monies from both traffic stops were held until November 2008, when the monies were deposited into the Sheriff's bond account. In December 2008, a check was written to the State Treasurer's Office Unclaimed Property Section for both amounts. The Sheriff's department could not locate or determine the disposition of the vehicles.

Considering the often sensitive nature of evidence and seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of items and monies confiscated and provide greater assurance assets are distributed in accordance with court orders and state law. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic physical inventories should be performed and results compared to the inventory records to ensure evidence and seized property are accounted for properly.

- B. Procedures to identify month-end liabilities and reconcile to cash balances are not sufficient. Liabilities related to the special civil account, which includes amounts for serving summons and subpoenas for other counties and fees for transporting prisoners to state facilities, are not identified. The reconciled cash balance for the special civil account totaled \$2,580 at December 31, 2008. In addition, while a list of liabilities is prepared for the bond account, it does not reconcile to the cash balance. At December 31, 2008, the bond account reconciled cash balance was \$545, while the identified liabilities totaled only \$478, leaving an unidentified balance of \$67.

Liabilities should be identified at each month-end and reconciled to the cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for timely detection of errors. Discrepancies should be investigated promptly and appropriate action taken.

- C. Receipt slips for the regular and special civil accounts do not indicate the method of payment received, and the composition of receipts is not reconciled to the composition of deposits. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the method of payment should be documented on the receipt slips and the composition of receipts should be reconciled to the composition of deposits. Any differences should be investigated and resolved.

Condition B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Maintain a complete inventory log of all seized property. A periodic inventory should be performed and compared to the list and any differences investigated. Court orders issued should be followed for disposition of seized property. The Sheriff should follow up on the disbursement of the \$25,000 to the State Treasurer's Office Unclaimed Property Section and rectify as appropriate.
- B. Identify month-end liabilities and reconcile with the bank account balances. Any unidentified differences should be investigated and resolved.
- C. Ensure the method of payment is recorded on receipt slips and the composition of monies received is reconciled to the composition of deposits. Any discrepancies should be investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff, who took office on January 1, 2009, provided the following responses:

- A. *We are now keeping an evidence log for all seized property, and we will perform periodic inventories and investigate any differences. Any court orders regarding seized property will be followed. We will follow up on the \$25,000 and handle as appropriate.*
- B. *We will start keeping a liabilities list for the special civil account and reconcile it to the bank account balances. We will investigate differences in the special civil account and the bond account and resolve as appropriate.*
- C. *We will ensure the method of payment is recorded on receipt slips and ensure the composition of receipts is reconciled to the composition of deposits. Differences will be investigated, resolved, and documented.*

6.**License Office's Accounting Controls and Procedures**

The county serves as the contract agent for the Missouri Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the county. The license office controls over inventory and monies collected need improvement. The license office collected county fees in 2008 and 2007 of approximately \$52,300 and \$53,800, respectively.

- A. As discussed in our prior report, the license office does not follow up on missing inventory items or take adequate action to prevent further losses. The license office performs a physical inventory twice a year and for any missing items such as handicapped tags, license plates, and stickers for various types of vehicles, the DOR charges the license office. These charges are paid from the county fees collected by the license office. For the 2 years ended December 31, 2008, the license office paid a total of \$2,356 to the DOR for missing inventory items.

Charges for bad checks, short (less deposited than receipted) deposits, and late deposits are also paid to the DOR. These charges, totaling \$475 for the 2 years ended December 31, 2008, are also paid from the county fees collected by the license office. Of this amount, \$230 was for bad checks, \$145 was for short deposits, and \$100 was for late deposits.

To prevent any further loss of inventory items and county fees, the license office and the County Commission should follow up on missing inventory items noted during the semi-annual inventory. Daily reconciliations of inventory to perpetual inventory records will also help prevent excessive missing inventory. The license office should ensure all sold items are recorded timely and accurately. In addition, the license office should ensure procedures set by the DOR are followed to eliminate additional charges and fees paid to the DOR for items such as bad checks, short deposits, or late deposits.

- B. The method of payment (cash, check and money order) is not always accurately recorded and deposit slips do not indicate the amount of cash and checks deposited. The composition of the deposits did not agree to the composition of the receipt records for the five deposits made during the period of November 3 through November 7, 2008, and two of the deposits appeared short. A closer review of these two deposits identified several concerns including, transactions marked as paid with cash when actually paid for by check, transactions paid by check with the customer receiving cash back without explanation in the records, and checks deposited which could not be traced specifically to the transaction summary report. Insufficient details in the records and discrepancies between receipt records and deposits result in less assurance of proper handling.

To ensure all receipts are accounted for properly and deposited, the method of payment received should be accurately recorded in the accounting records and the

composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of daily deposits to the transaction summary report and clearly demonstrate any cash refunds. Any discrepancies in composition or other details should be investigated and resolved.

- C. The license office does not always remit county fees to the County Treasurer on a timely basis. The license office only remitted monies to the County Treasurer on seven dates in 2008, and only monies collected for December 2008 were remitted timely. Some transmittals included receipts collected for more than one month. For example, receipts collected during July, August, and September 2008 were not remitted to the County Treasurer until November 2008.

Additionally, purchases for postage and advertising fees of \$114 were made using county fee account monies instead of through the General Revenue Fund and the transmittal to the county treasury was reduced by this amount. These monies are accountable fees and should be remitted to the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. Purchases should be made through the county's normal disbursement procedure.

Due to poor procedures and unexplained discrepancies between receipt records and deposits, there is less assurance all monies were handled and accounted for properly.

WE RECOMMEND the County Commission:

- A. Ensure the license office follows up on missing inventory items and takes necessary actions to prevent further losses. The County Commission should ensure the license office records inventory items timely and accurately and follows all DOR procedures to help eliminate additional fees paid to DOR.
- B. Ensure the license office accurately records method of payment in the accounting records and develops a procedure to reconcile daily deposits to the accounting records to ensure amounts, composition, and other details are in agreement. In addition, the County Commission should ensure any discrepancies are investigated and resolved by the license office.
- C. Ensure the license office remits monies to the County Treasurer on a monthly basis and the license office discontinues making purchases with fee monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We now have two full-time employees so administrative duties can be performed on a daily basis. This will also allow time to review to help eliminate additional fees paid.*

- B. *We will eliminate allowing checks to be written for more than the transaction in order to give cash back. We will record the method of payment accurately on receipts and ensure the composition of receipts agrees to the composition of deposits and any differences will be resolved.*
- C. *We will establish a deadline for turning over collections on a monthly basis and discontinue purchases outside the normal budget and county disbursement process.*

7. Associate and Probate Division's Accounting Controls and Procedures

Accounting controls and procedures need improvement. The Associate and Probate Division is responsible for processing receipts for criminal and civil cases, traffic tickets, garnishments, and bonds. Receipts for the Associate and Probate Division totaled approximately \$188,500 and \$189,000 during the years ended December 31, 2008 and 2007, respectively.

- A. As noted in our prior report, monies collected are not deposited on a timely basis. Deposits are made approximately once per week. Two months were reviewed and deposits averaged approximately \$5,000 for May 2008 and \$3,200 for April 2007.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis.

- B. Bank reconciliations are not prepared in a timely manner. The reconciliation for December 2007 was not performed until June 2008. In addition, the bank statement for January 2009 was still unopened in March 2009. The Office of State Courts Administrator (OSCA) assists the Associate and Probate Clerk with bank reconciliations most months. A copy of the monthly bank statement is faxed to OSCA, and an accountant at OSCA prepares the bank reconciliation and notifies the clerk that the reconciliation is complete. The clerk was unable to explain the reasons for various adjustments to the bank reconciliations and does not review what OSCA does to ensure agreement or understanding of the adjustments or the bank reconciliations.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. Discrepancies should be followed up on promptly and reasons for any adjustments documented.

- C. Monthly reports of liabilities are not generated from the computer system and compared to the cash balances. At our request, a list of liabilities was generated as of December 31, 2008. This list totaled \$19,124, which exceeded the reconciled cash balance of \$14,903 by \$4,221. No explanation was provided for this difference. We requested an additional list as of March 31, 2009, and

determined the March 31, 2009, reconciled cash balance of \$24,761 exceeded identified liabilities by approximately \$90.

Liabilities should be identified at each month-end and reconciled to the cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for timely detection of errors. Discrepancies should be investigated promptly and appropriate action taken.

WE RECOMMEND the Associate and Probate Division:

- A. Deposit receipts intact on a timely basis.
- B. Ensure bank reconciliations are performed in a timely manner, and any differences between the accounting records and reconciliations are investigated and resolved.
- C. Ensure liabilities are identified at each month-end and reconciled to the cash balances. Any discrepancies should be promptly investigated and resolved.

AUDITEE'S RESPONSE

The Associate Circuit Judge did not provide a response.

ORGANIZATION AND
STATISTICAL INFORMATION

MARIES COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Maries County is a county-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Vienna.

Maries County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Ray Schwartze, Presiding Commissioner	\$	25,705
Glenn Dressendofer, Associate Commissioner		23,807
Ed Fagre, Associate Commissioner		23,807
Rhonda Brewer, County Clerk		36,071
Terry D. Schwartze, Prosecuting Attorney		42,716
Douglas DiNatale, Sheriff		39,868
Rhonda Slone, County Treasurer		36,071
David H. Martin, County Coroner		10,442
Eugene (E.J.) Meyer, Public Administrator		21,518
Jayne Helton, County Collector (1), year ended February 28,	36,858	
Judy Logan, County Assessor (2), year ended August 31,		36,488

(1) Includes \$787 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Mark Buschmann, Circuit Clerk and Ex Officio Recorder of Deeds	52,668
John Clayton, Associate Circuit Judge	107,641

As of December 31, 2008, the county had nine outstanding loans for 13 road and bridge equipment items, (including tractors, graders, brush cutter, and other), 4 Sheriff's department vehicles, and 12 computers. Payment on these loans will be made from the General Revenue

Fund and the Road and Bridge funds. The remaining principal and interest due on the loans at December 31, 2008, was \$971,994.



Susan Montee, JD, CPA
Missouri State Auditor

Randolph County



September 2009
Report No. 2009-95

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of Randolph County.

The county's budget documents indicated actual disbursements of several funds exceeded amounts budgeted. The more significant examples include the Randolph County Road and Bridge Fund, the Sheriff Fund, the Justice Center Fund, and the Prosecuting Attorney Bad Check Fund. The prior audit report also indicated the county significantly overspent the budgets of several county funds. In addition, the Sheriff Revolving Fund was not established or budgeted as required by state law, and the fees collected for processing concealed weapon permit applications or renewals are maintained by the Sheriff outside the county treasury.

The County Commission pays county credit card statements without supporting documentation for some charges and proper review and approval by county officials. Vehicle usage logs are not prepared for county vehicles used by the County Clerk, a maintenance employee, or the Road and Bridge department. The county's written overtime and compensatory time policy, excluding the Sheriff's department, is not in compliance with the Fair Labor Standards Act. The Sheriff's department does not document the review and approval of deputies' timesheets, and timesheets are not prepared and submitted to the County Clerk for two assistant prosecuting attorneys. Physical inventories of capital assets are not performed by some county officials.

Property tax system procedures need improvement. The County Clerk does not verify the current or delinquent property taxes the County Collector is charged with collecting; and although the County Clerk maintains information regarding taxes charged and collected, and additions and abatements, the information is not summarized and used to review the County Collector's annual settlement.

Several concerns were noted with accounting controls and procedures in the Sheriff's department. One bookkeeper is primarily responsible for receipting, recording, and depositing all monies and for preparing all checks and bank reconciliations. In addition, receipt slips are not issued for fees received to process applications for concealed weapon permits or renewals.

Procedures are not in place in the Prosecuting Attorney's office to identify month-end liabilities and reconcile to the restitution bank account. As of December 31, 2008, the reconciled cash balance of \$2,092 exceeded the identified liabilities by \$1,007.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

RANDOLPH COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	Budgetary Practices5
2.	County Policies and Procedures.....7
3.	Property Tax System.....11
4.	Sheriff's Accounting Controls and Procedures13
5.	Prosecuting Attorney's Accounting Controls.....14
ORGANIZATION AND STATISTICAL INFORMATION	15-17

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Randolph County

We have audited certain operations of Randolph County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Randolph County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Randolph County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Matthew Schulenberg
	Emily Bias
	Ashley Lee

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

RANDOLPH COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Budgetary Practices
-----------	----------------------------

The county's budgeting practices are in need of improvement. We noted the following issues in regards to the county's budgets.

- A. The county's budget documents indicated actual disbursements of several funds exceeded amounts budgeted. Other county officials, including the Prosecuting Attorney and Sheriff, are involved in approving disbursements for some of these funds. Although monthly reports comparing budgeted and actual receipts and disbursements are available for these funds, the budgets were still exceeded and no budget amendments were made. The prior report also indicated the county significantly overspent the budgets of several county funds.

The more significant examples include:

Fund	Year Ended December 31,	
	2008	2007
Randolph County Road and Bridge	\$ 20,939	58,428
Sheriff	22,761	N/A
Justice Center	73,890	N/A
Prosecuting Attorney Bad Check	16,885	N/A

The County Commission stated the Randolph County Road and Bridge Fund budget was exceeded due to a disaster declaration in 2008 and unforeseen additional revenue in 2007. A review of the county's 2008 and 2007 published financial statements for the Sheriff Fund noted an additional \$28,694 was spent on patrol cars in 2008 over 2007; however, the 2008 budget was based on 2007 actual disbursements. A review of the county's 2009 Justice Center Fund budget document noted prisoner food costs were \$55,522 over budgeted amounts and repairs to the Justice Center were \$16,826 over budgeted amounts. In addition, the budgets of the Prosecuting Attorney Training Fund and the Prosecuting Attorney Grant Fund were exceeded by smaller amounts in 2008 and 2007.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which require excess disbursements (i.e., emergencies and unforeseen occurrences or revenues), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. The Sheriff Revolving Fund was not established or budgeted as required by state law, and the fees collected for processing concealed weapon permit applications or renewals are maintained by the Sheriff outside the county treasury. The Sheriff collected approximately \$9,200, \$5,000, and \$400 for concealed weapon permit applications for the years ending December 2008, 2007, and 2006, respectively.

Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff Revolving Fund. In addition, Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. By establishing the Sheriff Revolving Fund which is maintained by the county treasury and preparing a budget for the fund, the County Commission will be able to more effectively monitor overall financial resources and make budgetary decisions.

WE RECOMMEND the County Commission:

- A. Along with the Sheriff and the Prosecuting Attorney review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. In addition, procedures should be implemented to ensure budgets are properly amended, the amendments are made prior to incurring the actual disbursements, and valid reasons which necessitate excess disbursements are documented.
- B. And the Treasurer establish the Sheriff Revolving Fund as required by state law and ensure the appropriate fees are remitted to the county treasury from the Sheriff on a monthly basis. In addition, a budget should be prepared for this fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue to work with the Sheriff and Prosecuting Attorney to ensure their budgets are not exceeded. In addition, procedures will be considered to ensure budgets are properly amended in accordance with the audit recommendation.*
- B. *In accordance with the audit recommendation, the Sheriff Revolving Fund has been established and all appropriate fees have been remitted to the County Treasurer.*

The Sheriff provided the following responses:

- A. *I will do what I can to work with the Commission.*
- B. *The Sheriff Revolving Fund has been turned over to the County Treasurer.*

The Prosecuting Attorney provided the following written response:

- A. *The statutory provisions governing the budgeting process are directed specifically at certain revenues under the control and supervision of the County Commissioners. Other specific funding statutes that generate administrative fees, not tax revenues, for example, within the child support area, assessor's office, sheriff's department and the prosecutor's office are not covered under the definitions of those budgeting statutes and therefore are not subject to the same budgeting processes. Please note that the specific provisions of the bad check fund provide an independent process for the accounting of expenditures of administrative fees generated through the prosecution of bad checks. These fees are not tax dollars and are not generated through the general revenue tax of the county. However, by virtue of the bad check statute at 570.120 RSMo, specific authority for review of these funds is granted to the auditors. Had the legislators intended for these specific funds to be subject to the general provisions governing county budgets, the language would have provided this avenue. Instead, specifically, the statute offers an alternative method of review to the state auditor.*

AUDITOR'S COMMENT

While receipts of the Prosecuting Attorney Bad Check Fund are administrative fees, they are generated by the Prosecuting Attorney in his capacity as a county official. As authorized by Section 570.120, RSMo, the fees are to be used for office expenses, salaries, and other lawful expenses incurred by the Prosecuting Attorney in operation of his office, and any revenues not required for those purposes may be placed in the General Revenue Fund of the county. Budget documents are an essential tool for the efficient management of funds held by a county official; however, to be effective, budgeted and actual disbursements should be monitored and amendments prepared if valid reasons arise.

2. County Policies and Procedures
--

Controls over credit card, cellular telephone and pager, and vehicle usage; payroll records; and capital assets are in need of improvement. In addition, the county's written overtime and compensatory time policy is not in compliance with the Fair Labor Standards Act (FLSA).

- A. The County Commission pays county credit card statements without supporting documentation for some charges and proper review and approval by county officials. Each county department is provided two county credit cards (a VISA credit card and a store credit card) to be used for training fees, supplies, and fuel purchases. In addition, the County Clerk maintains another store credit card which can be used by any county official to purchase supplies. Total payments on these credit cards were approximately \$32,000 in 2008 and \$30,900 in 2007. The County Clerk receives monthly credit card statements from the vendors. He reviews each statement against receipts obtained from county officials for charges made; however, if receipts are missing for charges on the billing statement, the

County Clerk does not follow up with county officials responsible for the charges. Our review of 12 statements for these 3 credit cards noted 133 charges, totaling approximately \$8,000, which were not adequately supported by receipts. In addition, the statements were not reviewed and approved by the county officials who made the purchases; however, some county officials approved individual receipts.

To ensure the validity and propriety of disbursements and compliance with statutory provisions, adequate supporting documentation should be obtained for each charge and statement reviews should be performed by all county officials who make county credit card purchases.

- B. The County Commission pays cellular telephone and pager bills without requiring detailed reviews by county officials of actual calls and pages. Therefore, the County Commission has no assurance disbursements for cellular telephones and pagers are reasonable. In addition, some employees are assigned both cellular telephones and pagers, which may be unnecessary. The county spent approximately \$7,500 in 2008 and \$4,700 in 2007 for cellular telephone use and approximately \$1,400 in both 2008 and 2007 for pager use.

While cellular telephones and pagers can increase employee productivity, they are also costly. Detailed statements showing actual calls and pages should be reviewed for propriety and assurance calls are exclusively for county business. In addition, the County Commission should address the need for some employees to utilize both cellular telephones and pagers.

- C. Vehicle usage logs are not prepared for county vehicles used by the County Clerk, a maintenance employee, and the Road and Bridge department. The Road and Bridge supervisor records the odometer readings of each county road and bridge vehicle on a monthly basis and reviews the mileage driven each month for reasonableness; however, daily usage logs are not maintained. Adequate vehicle usage logs would allow the county to effectively monitor the use of vehicles and determine if maintenance and fuel costs for vehicles are reasonable and represent legitimate and appropriate expenses.
- D. The county's written overtime and compensatory time policy, excluding the Sheriff's department, is not in compliance with the FLSA. The policy allows each county official or department head to allow straight time off for overtime worked if the straight time is awarded within the month in which the excess time is earned. The FLSA requires the county to pay overtime or provide compensatory time at time and one half to any nonexempt employees who work more than 40 hours during a normal work week. In addition, the county's written policy does not address the maximum amount of compensatory time an employee may accumulate. The FLSA states an employee can accumulate a maximum of 240 hours of compensatory time (160 hours worked). Hours exceeding this threshold

must be paid in wages on the next pay date. The County Commission should clarify its policy to ensure compliance with the FLSA.

- E. The Sheriff's department does not document the review and approval of deputies' timesheets. In addition, timesheets are not prepared and submitted to the County Clerk for all employees of the Prosecuting Attorney's office.

Weekly timesheets for deputies in the Sheriff's department are reviewed by the office bookkeeper when they are entered into a monthly summary timesheet maintained for each employee. Neither the weekly nor monthly timesheets are signed by direct supervisors to document review and approval. The monthly summary timesheet is submitted to the County Clerk's office as support for payroll disbursements. The Sheriff stated he performs periodic reviews of the weekly timesheets and reviews each monthly summary timesheet; however, these reviews are not documented.

In addition, timesheets are not prepared and submitted to the County Clerk for two assistant prosecuting attorneys. As a result, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements totaling approximately \$77,400 in 2008 and \$30,700 in 2007.

To ensure the legitimacy of payroll disbursements and demonstrate compliance with the FLSA, the County Commission should require adequate documentation to support all payroll transactions.

- F. Physical inventories of capital assets are not performed by some county officials. The County Clerk maintains capital asset records for all county departments. To update these records, the County Clerk's office sends a memo each year to all county departments requesting they perform inspections and physical inventories and provide inventory worksheets to the County Clerk's office to document these efforts. However, weaknesses were noted with this procedure. For 2008, inventory reports were not on file in the County Clerk's office for the offices of the Prosecuting Attorney, Recorder, Assessor, and Sheriff. The County Clerk stated he did not follow up with any of these offices to ensure physical inventories were completed or to determine why an inventory report was not on file in his office.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining adequate insurance coverage on county property. Physical inventories of county property are necessary to ensure the capital asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. In addition, Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing periodic inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

Conditions similar to C, E, and F were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require a thorough review and approval of all county credit card statements prior to approving payment and ensure adequate supporting documentation is maintained.
- B. Require a thorough review of all cellular telephone and pager bills prior to approving payment. In addition, the County Commission should reconsider the need of some employees being assigned both cellular telephones and pagers.
- C. Require vehicle usage logs be maintained for all county vehicles. The logs should be used to monitor the use of county vehicles and determine if maintenance and fuel costs for county vehicles are reasonable and represent legitimate and appropriate expenses.
- D. Revise the county's written overtime and compensatory time policy to ensure compliance with the FLSA.
- E. Require timesheets submitted by the Sheriff's department be signed by the Sheriff or supervisor to document review and approval and require the two assistant prosecuting attorneys to submit timesheets to the County Clerk's office.
- F. And the County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted as required. In addition, the County Clerk should update the overall capital asset records for additions and deletions, and follow up on any discrepancies. Physical inventory records should be retained to support the overall capital asset records.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will establish a policy to address the submission of supporting documentation for credit card bills and will issue a memo to all county employees.*
- B. *When billing irregularities occur, we will confer with the applicable department to resolve the issue. The county's cellular telephone plan allows for unlimited calls on all cellular telephones at a flat rate. In addition, unnecessary pagers have been discontinued.*
- C. *A log is now maintained for the election vehicle. The county will develop procedures to address this recommendation for other county vehicles.*
- D. *We are in the process of addressing this recommendation.*

- E. *We acknowledge the ongoing inconsistencies and will continue to make every effort to address the problem.*

The Sheriff provided the following response:

- E. *This has been corrected. I now review the timesheets for each employee weekly and sign off on the timesheets.*

The Prosecuting Attorney provided the following written responses:

- E. *The two Assistant Prosecuting Attorneys are now submitting time sheets to the County Clerk's Office to document holidays, vacations, sick days and related matters.*
- F. *Historically, the County Clerk provides forms to the office holders to provide accurate inventory information for each office. Once provided with the appropriate forms from the County Clerk's Office we will submit the required information.*

The County Commission and County Clerk provided the following response:

- F. *We will continue to emphasize the importance of performing the annual physical inventory.*

3. Property Tax System

Property tax system procedures need improvement. For the year ended February 28, 2009, taxes charged to the County Collector totaled approximately \$24 million.

- A. The County Clerk does not verify the current or delinquent property taxes the County Collector is charged with collecting. Tax statement information is generated by the county's property tax system vendor based on assessed valuations and tax levies provided by the county. The vendor and the County Collector's office staff verify individual entries in the property tax system for mathematical accuracy; however, this verification is not documented. The County Clerk is statutorily required to extend tax books and charge the County Collector with the amount of taxes to be collected. Such procedures provide for a separation of duties and act as a form of checks and balances.

To ensure the property tax system information is accurate, provide for adequate oversight, and comply with state law, verification of individual entries and overall property tax charges should be performed and documented by the County Clerk. In the event the County Collector continues to verify individual entries in the property tax system, the verification should also be documented.

- B. Although the County Clerk maintains information regarding taxes charged and collected, and additions and abatements, the information is not summarized and

used to review the County Collector's annual settlement. The County Clerk indicated he reviews the monthly settlements for questionable amounts and mathematical accuracy; however, he does not document the reviews. In addition, the County Commissioners stated they review the annual settlement for accuracy by comparing it to the County Collector's monthly settlements and to the budget. However, the County Commission does not document approval of the annual settlements on the annual settlements or in the County Commission meeting minutes.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable in to the county treasury. Records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts, should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlement.

Similar conditions were noted in a prior audit report.

WE RECOMMEND:

- A. The County Clerk perform and document the verification of the tax statement information generated by the property tax system vendor. If the County Collector continues to verify individual entries, the entries verified should also be documented.
- B. The County Clerk summarize property tax information in a format that he and the County Commission could utilize to verify and document their review of the monthly and annual settlements of the County Collector.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

We will attempt to implement these recommendations.

The County Collector provided the following written response:

- A. *Taxing district levies calculated by the taxing district valuation is calculated on a spreadsheet in total and compared to the system totals, therefore documentation is maintained on the totals. Individual records were checked for accuracy of items charged, checked that all information fed correctly, and that levies and extensions are correct, by all three of us in the Collector's office, but none are logged for retention and that is not a problem to start doing, if required. I only documented the total, since that was what I was charged with, and I keep a copy of that with my charges.*

4.**Sheriff's Accounting Controls and Procedures**

Accounting controls and procedures in the Sheriff's department are in need of improvement. The Sheriff's department collected receipts totaling approximately \$388,700 and \$310,700, in 2008 and 2007, respectively.

- A. One bookkeeper is primarily responsible for receipting, recording, and depositing all monies and for preparing all checks and bank reconciliations. Because this bookkeeper is primarily responsible for all of the accounting functions of the department, routine and thorough supervisory reviews are essential. While the Sheriff performs reviews of checks and supporting documentation prior to signing the checks, he does not perform detailed reviews of other records, such as comparing receipts to deposits and reconciled cash balances to month-end liabilities. Such comparisons would improve the effectiveness of the supervisory review and reduce the possibility of errors and loss or misuse of funds.

Internal controls provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by the Sheriff expanding his supervisory reviews to include the receipting, recording, depositing and reconciling functions.

- B. Receipt slips are not issued for fees received to process applications for concealed weapon permits or renewals. To ensure proper accountability and adequately safeguard monies received, official prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded on the receipt slips, and the composition of the receipt slips issued should be reconciled to the composition of deposits.

WE RECOMMEND the Sheriff:

- A. Expand his supervisory reviews to include periodic documented reviews of the receipting, recording, depositing and reconciling functions performed by the bookkeeper.
- B. Issue prenumbered receipt slips for all monies received, record the method of payment, and reconcile the composition of receipts to the composition of deposits.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will review this recommendation and take it under advisement.*
- B. *Receipt slips are now issued for these monies.*

5.**Prosecuting Attorney's Accounting Procedures**

Procedures are not in place to identify month-end liabilities and reconcile to the restitution bank account. At our request, the office clerk who handles restitution determined liabilities as of December 31, 2008. However, the reconciled cash balance of \$2,092 exceeded the identified liabilities by \$1,007. Liabilities should be identified monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated and resolved.

WE RECOMMEND the Prosecuting Attorney identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

Around 2000, the prosecutor's office assumed responsibility for the restitution accounts for the county. However, certain unclaimed balances remained and the claimants could not be identified. Working with the Auditor's Office, the prosecutor's office has arrived at a process that will allow old claims to be turned over to the county treasurer's office for final disposition and allow the prosecutor accounts to be balanced going forward this year.

ORGANIZATION AND
STATISTICAL INFORMATION

RANDOLPH COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Randolph County is a county-organized, third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Huntsville.

Randolph County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Susan Carter, Presiding Commissioner	\$	30,380
Doug Galaske, Associate Commissioner		28,930
Randall C. Asbury, Associate Commissioner		28,380
Mark Price, Recorder of Deeds		44,857
Jim Sears, County Clerk		44,857
Michael Fusselman, Prosecuting Attorney		67,465
Mark Nichols, Sheriff		50,007
Rebecca Brown, County Treasurer		44,290
Gerald A. Luntsford, County Coroner		15,450
Glenda Winkler, Public Administrator		44,857
Shiela Miller, County Collector, year ended February 28, 2009	45,080	
Richard Tregnago, County Assessor (1), year ended August 31,		46,440

(1) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Peggy Boots, Circuit Clerk	57,566
Cynthia Suter-Crayne, Associate Circuit Judge	107,641

The county entered into a lease purchase agreement with the Randolph County, Missouri, Public Facilities Authority (the "Authority") on January 1, 2004. The terms of the agreement called for the Authority to provide funding for the construction of a justice center project and for the county to lease the justice center from the Authority for lease payments equal to the amount due

to retire the Authority's indebtedness. Leasehold revenue bonds totaling \$6.8 million were issued by the Authority on January 7, 2004, on behalf of the county, and the proceeds of those bonds were used to construct the justice center, which was completed in June 2005. The lease is scheduled to be paid off in 2020. The remaining principal and interest due at December 31, 2008, was \$5,600,000 and \$1,714,003, respectively. The bonds are paid with the revenue generated from the county's capital improvement sales tax which was passed on April 2, 2002, and is in effect until 2020. The Authority also established a trustee, Commerce Bank, N.A., (the "Trustee"). The Trustee receives and oversees disbursement of the bond proceeds, lease payments, sales tax proceeds, and other project income. The Trustee releases monies to the county for purposes of operating and maintaining the justice center if such amounts are not required for the repayment of the bonds issued by the Authority.



Susan Montee, JD, CPA
Missouri State Auditor

Crawford County



September 2009
Report No. 2009-94

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of Crawford County.

The county's financial condition has been declining in recent years, and cash balances are projected to decrease significantly for several county funds in the future. While receipts have generally increased, the county's spending has also increased, due in part to increases in maintenance and repair costs of county property, purchases of real estate and new equipment, increases in fuel costs, and increases in personnel costs. Concerns with the county's budgetary practices may also contribute to the county's financial condition. According to the county's budget document, disbursements have exceeded the budgeted amounts in numerous county funds for the past 2 years. In addition, the county budget documents contained numerous misclassifications for both budgeted and actual amounts. Considering the overspending and the various budgetary misclassifications, the county's budget document may not provide reliable information about the county's finances, thus making monitoring and subsequent budgeting more difficult.

As noted in our two prior reports, general revenue property tax revenues have not been sufficiently reduced by 50 percent of sales tax revenues as provided in the ballot issue passed by Crawford County voters under the provisions of state statute. At December 31, 2008, excess property tax collections totaled \$39,950.

Bids were not always solicited, or documentation was not retained of bids solicited for purchases made by various county officials. In addition, justification was not adequately documented for some bidding decisions. Examples of items purchased without bids include consulting services related to the implementation of a global imaging system (GIS) in the Assessor's office (\$80,000); server software and licenses for the GIS system (\$26,606); exercise equipment for the county jail (\$10,000) and three different bridge projects (\$6,000 each).

The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no procedures are performed by the County Clerk or the County Commission to review or verify the County Collector's monthly or annual settlements. State law requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

Vacation leave balances have accumulated in excess of maximum amounts allowed by the county's personnel policy for some county employees. The county's policy does not address whether employees are to be compensated for accumulated vacation leave balances which exceed maximum amounts or if the excess hours are to be forfeited.

In February 2007, the former County Collector authorized a transfer of \$30,000 from the

YELLOW SHEET

Tax Maintenance Fund to the GIS Fund to help cover the cost of the new GIS system. State law indicates the Tax Maintenance Fund is to be used for administration and operation costs of the office of County Collector.

The Emergency 911 (E911) Board's budgetary practices, as well as records and procedures related to payroll policies, are in need of improvement. Although actual receipt and disbursement detail presented on the board's budget is derived from information entered by the E911 Director on the computerized accounting records, several inaccuracies were noted in the actual information presented for 2008 and 2007. The budget detail pages included in the Board's budget documents indicated actual disbursements exceeded budgeted amounts for the year ended December 31, 2008, by \$14,210. Written authorization for employee salary and wage rate changes and written documentation of each employee's current position is not maintained. Time sheets are not prepared by the E911 Director. At December 2008, the E911 Director had an accumulated vacation leave balance of 497 hours, which could result in a liability of over \$7,600. In addition, capital asset records are not maintained, nor are physical inventories performed to account for all E911 property.

Formal bank reconciliations are not prepared for the Senior Citizens' Services Board bank account. Deposits are not always made in a timely manner and checks are not restrictively endorsed until the deposit is made.

Other findings in the audit report address procedures to follow up on outstanding checks; capital asset records and procedures; disbursement review procedures; and accounting controls and procedures in the County Clerk's office, the Sheriff's commissary account, the Prosecuting Attorney's office, and the Nursing Service.

All reports are available on our Web site: www.auditor.mo.gov

CRAWFORD COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-23
<u>Number</u>	<u>Description</u>
1.	Financial Condition and Budgetary Practices.....5
2.	Property Tax Reduction Due to Sales Tax.....7
3.	County Disbursements.....8
4.	Property Tax System.....10
5.	County Procedures.....11
6.	County Property Records and Procedures.....13
7.	Emergency 911 Board Accounting Controls and Procedures.....14
8.	County Clerk Accounting Controls and Procedures.....17
9.	Sheriff Commissary Accounting Controls and Procedures.....18
10.	Prosecuting Attorney Accounting Controls and Procedures.....20
11.	Nursing Service Accounting Controls and Procedures.....21
12.	Senior Citizens' Services Board Accounting Controls and Procedures.....22
ORGANIZATION AND STATISTICAL INFORMATION	24-26

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Crawford County

We have audited certain operations of Crawford County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Crawford County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Crawford County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct.
Audit Staff:	Tina Gildehaus, M.Acct.
	Albert Borde-Koufie, MBA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CRAWFORD COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition and Budgetary Practices
-----------	--

The county's financial condition has been declining in recent years, and cash balances are projected to decrease significantly for several county funds in the future. The following table reflects the ending cash balances of the county's primary funds per county budget documents over the last 4 years and the projected ending cash balance for 2009:

	Ending Cash Balance, Year Ended December 31,				
	2009 Projected	2008 Actual	2007 Actual	2006 Actual	2005 Actual
General Revenue Fund \$	124,375	278,127	280,874	327,636	234,395
Special Road and Bridge Fund	416,792	752,592	726,369	637,030	1,046,885
Courthouse and Jail Capital Improvement Fund	77,091	198,091	269,399	251,155	230,579
County Jail Project Fund	161,655	115,483	47,941	115,854	42,363

While receipts have generally increased, the county's spending has also increased. Spending has increased in recent years due in part to increases in maintenance and repair costs of county property, purchases of real estate and new equipment, increases in fuel costs, and increases in personnel costs. In addition, in April 2009, the County Commission transferred \$50,000 from the General Revenue Fund to the County Jail Project Fund to subsidize jail operations. The county's 2009 budget did not provide for transfers from the General Revenue Fund to the County Jail Project Fund. The 2009 projected ending cash balances are approximately 4.6 and 8.5 percent of projected 2009 disbursements for the General Revenue Fund and the County Jail Project Fund, respectively.

Concerns with the county's budgetary practices may also contribute to the county's financial condition. According to the county's budget document, disbursements have exceeded the budgeted amounts in numerous county funds for the past 2 years. For example, actual disbursements exceeded budgeted amounts for 2008 in the County Jail Project fund in the categories of salaries, utilities, fuel, jail supplies and repair, and prisoner transport costs, for a total excess of approximately \$70,000. For the Law Enforcement Equipment Fund, grant monies of \$51,000 were passed through to a local political subdivision in 2008. These grant monies were not budgeted resulting in overspending. Transfers of \$60,000 were made from the Assessment Fund to the Global Imaging System (GIS) Fund in 2007. These transfers were also not budgeted resulting in the overspending.

In addition, the county budget documents contained numerous misclassifications for both budgeted and actual amounts. For example, the transfer of \$50,000 from the General Revenue Fund to the County Jail Project Fund in 2007 was incorrectly classified as jail disbursements in the General Revenue Fund and intergovernmental revenues in the County Jail Project Fund. In addition, grant proceeds totaling approximately \$250,000 in 2008 were incorrectly classified in the Special Road and Bridge Fund as reimbursements and refunds instead of intergovernmental revenues.

Considering the overspending and the various budgetary misclassifications, the county's budget document may not provide reliable information about the county's finances, thus making monitoring and subsequent budgeting more difficult. Even though the County Commission indicated they monitor the county's financial condition through review of monthly budget reports, it appears additional action will be necessary to improve the financial condition of the county.

The county will also have to consider a reduced General Revenue Fund property tax levy. The county did not adequately roll back the General Revenue Fund property tax levy for sales taxes collected, and as a result, reductions will need to be made in future years to the property tax levy to fully adjust for the \$39,950 excess property taxes collected in prior years (see MAR finding number 2).

The County Commission indicated they are aware of the concern and are continuing to monitor the county's financial condition. To improve the county's financial condition, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of receipts.

In addition, complete and accurate budget documents are an essential tool for the efficient management of county finances. Failure to monitor budget to actual data may negatively affect the county's financial condition. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue, Special Road and Bridge, Courthouse and Jail Capital Improvement, and County Jail Project Funds. In addition, the County Commission and other county officials should review budget to actual reports carefully and refrain from approving disbursements in excess of budgeted amounts. If financial activities differ significantly from expectations, extenuating circumstances should be documented, and the original

budget should be formally amended. The County Commission should also ensure proper budget compilation and review procedures are in place.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will continue to monitor budgetary progress and we will do a better job of amending the budget when necessary. Sales tax receipts are down and we are continuing to consider ways to decrease disbursements. Tough decisions will have to be made.

The County Clerk provided the following response:

I will work with the County Treasurer to ensure all receipts and transfers are properly classified.

2.

Property Tax Reduction Due to Sales Tax

As noted in our two prior reports, general revenue property tax revenues have not been sufficiently reduced by 50 percent of sales tax revenues as provided in the ballot issue passed by Crawford County voters under the provisions of Section 67.505, RSMo. At December 31, 2008, excess property tax collections totaled \$39,950.

For 2005 through 2007, the County Clerk increased her estimate of property taxes collected by \$20,000 each year to offset the net excess indicated in the prior audit. While this adjustment helped reduce the prior excess amount noted, the resulting effect has not been as much as estimated due to an error in the County Clerk's 2005 calculation. When determining the 2005 tax levy reduction, the County Clerk used an assessed valuation of \$274,793,801, which was \$38,816,112 more than the correct 2005 assessed valuation. This error resulted in an increase of \$69,187 in excess property tax revenue collections for 2005. Additional reductions will need to be made in future years to the property tax levy to fully adjust for the \$39,950 excess property taxes collected in prior years.

Section 67.505.3, RSMo, provides budgeted property taxes are to be reduced by voter-approved percentages of sales tax revenue. This section also provides for actual sales tax revenue of the preceding year that is over or under that year's estimated sales tax revenue to be reflected in the subsequent year's property tax revenue roll back calculation.

WE AGAIN RECOMMEND the County Commission ensure appropriate adjustments are made to the levy in the future to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will continue to make adjustments to correct excess property taxes collected. At the end of the year, we will compare actual sales tax collections to estimated amounts to determine if adjustments are needed.

3. County Disbursements

Bidding procedures are not adequate and errors were noted in the processing of some disbursements.

- A. Bids were not always solicited or documentation was not retained of bids solicited for purchases made by various county officials. In addition, justification was not adequately documented for some bidding decisions. Examples of items purchased without bids or for which bid documentation was not maintained include the following:
- The County Commission contracted with a vendor to provide consulting services related to the implementation of a global imaging system (GIS) in the Assessor's office. The county paid \$80,000 in 2007 relating to this contract. No documentation was found to support that bids were advertised or solicited. The County Commission indicated other vendors were considered and the County Clerk's bid files did contain information on systems available from two other vendors. However, no price quotes were maintained and documentation of the reasons one vendor was chosen over the others was not maintained.
 - The county paid \$26,606 towards the purchase of server software and licenses for the GIS system in July 2007. No documentation could be provided to support that bids were advertised or solicited for the software vendor.
 - The County Commission purchased a new vehicle for the Road and Bridge department in July 2008. Two bids were received for \$12,295 and \$23,598, and the higher bid was accepted. The County Commission indicated the differences between the bids were because one bid was for a used vehicle while the other bid was for a new vehicle. The County Commission determined the new vehicle was a better buy for the county and purchased it. However, no documentation was maintained in the county's bid file or in the County Commission meeting minutes to support the County Commission's evaluation or decision.

- No bids were obtained by the Sheriff for the purchase of \$10,000 in exercise equipment for the county jail in May 2007. The Sheriff indicated there were no local vendors providing the equipment; therefore, bids were not advertised or solicited. No documentation was maintained to support the Sheriff's justification for not obtaining bids.
- No bids were obtained for three different bridge projects completed by the same vendor during 2008. Each of these projects had a cost of \$6,000 which was paid from the Special Road and Bridge Fund. These projects may not have been bid due to confusion over changes in the bidding requirements. In addition, detailed invoices were not obtained to document the specific repairs made to the bridges.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement and emergency purchases) should be retained to demonstrate compliance with the law and support decisions made. The county should also ensure adequate documentation is received and retained to support all disbursements made.

A similar condition was noted in the prior report.

- B. Disbursement review procedures do not appear adequate as errors were noted in the processing of two disbursements.

A duplicate payment of \$4,273 was made on an invoice received by the Sheriff's department. We identified this error while performing a review of disbursements. Two identical invoices with the same invoice number appear to have been received from the vendor and submitted to the County Clerk's office for processing. Both invoices were approved by Sheriff's department personnel and the County Commission. The County Clerk and Sheriff are attempting to receive a refund or credit from the vendor.

In addition, the county paid \$3,200 for renovations made to the circuit courtroom and judges' chambers in December 2007. Payment was to be made from the County Law Enforcement Restitution Fund as noted by approval on the invoice; however, payment was incorrectly coded to the County Jail Project Fund. The county should transfer \$3,200 from the County Law Enforcement Restitution Fund to the County Jail Project Fund.

To ensure the validity and propriety of disbursements, and to avoid duplicate payments, disbursement review procedures should be implemented. Such

procedures may include ensuring all invoices are clearly marked paid or otherwise canceled, ensuring duplicate vendor invoices are not paid twice, and ensuring all disbursements are paid from the proper fund.

WE RECOMMEND the County Commission:

- A. Ensure bids are solicited in accordance with state law. Documentation of bids solicited, including advertisements, and justification for bid awards should be retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, the County Commission should ensure adequate documentation is received and retained to support all disbursements made.
- B. Establish effective disbursement review procedures to prevent duplicate payments and to ensure all payments are processed correctly. In addition, the County Commission should transfer \$3,200 from the County Law Enforcement Restitution Fund to the County Jail Project Fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The current County Commission has done everything they can to comply with bidding laws. We plan to develop a written policy regarding bidding procedures and give this to all officeholders.*
- B. *We have received a refund from the vendor for the duplicate payment and the \$3,200 correction has been made. We believe current procedures are adequate and these examples are exceptions which have been corrected.*

4. Property Tax System

The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no procedures are performed by the County Clerk or the County Commission to review or verify the County Collector's monthly or annual settlements. Although a significant amount of missing monies was noted in the audit of the County Collector (Report No. 2005-49, *County Collector, Crawford County, Missouri*, issued in July 2005), neither the County Clerk nor the County Commission has made sufficient efforts to implement the prior audit recommendations.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure

the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

WE AGAIN RECOMMEND the County Commission and the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's settlements. In addition, the County Clerk should maintain a complete and accurate account book with the County Collector in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will review the County Collector's annual settlement and the County Clerk's account book annually.

The County Clerk provided the following response:

I am in the process of setting up an account book with the County Collector.

5. County Procedures

Vacation leave balances exceed maximum amounts allowed by the county's personnel policy. In addition, a \$30,000 disbursement from the Tax Maintenance Fund appears questionable, and the County Treasurer has not established procedures to routinely follow up on outstanding checks.

- A. Vacation leave balances have accumulated in excess of maximum amounts allowed by the county's personnel policy for some county employees. Our review of December 2008 time sheets identified six Sheriff's department employees had accumulated vacation leave balances at year end in excess of maximum amounts provided for in the county's policy. The accumulated leave balances ranged from 48 hours to 193 hours in excess of the maximum. The county's policy does not address whether employees are to be compensated for accumulated vacation leave balances which exceed maximum amounts or if the excess hours are to be forfeited.

The County Commission should revise the personnel policy to address the disposition of excess vacation leave balances. Clear and concise written policies are necessary to provide guidance to employees and to provide a basis for proper compensation. In addition, such policies should be uniformly applied to ensure each employee is treated equitably.

- B. In February 2007, the former County Collector authorized a transfer of \$30,000 from the Tax Maintenance Fund to the GIS Fund to help cover the cost of the new GIS system. Section 52.315, RSMo, indicates the Tax Maintenance Fund is to be used for administration and operation costs of the office of County Collector. The current County Collector indicated her office does not receive any benefit from the GIS system. Therefore, it appears questionable the \$30,000 disbursement to the GIS Fund was an appropriate use of Tax Maintenance Fund monies.
- C. The County Treasurer does not routinely follow up on outstanding checks. At December 31, 2008, the county's bank account had 49 checks totaling \$4,366 outstanding for more than one year.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Checks remaining outstanding over a specified period of time should be routinely investigated. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

WE RECOMMEND:

- A. The County Commission revise the county's personnel policy to address the disposition of excess vacation leave balances.
- B. The County Commission and County Collector ensure all disbursements from the Tax Maintenance Fund are reasonable and in accordance with state law.
- C. The County Treasurer routinely investigate checks outstanding for a considerable time. If the payees cannot be located, these monies should be disbursed in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We are implementing an entire new policy and procedure manual for the county and this issue will be addressed.*
- B. *We have no way to control the disbursements of the Tax Maintenance Fund, but we will review the annual budget.*

The current County Collector provided the following response:

- B. *This disbursement was made by the former County Collector. In the future, all large disbursements will be discussed with the County Commission and I will ensure all payments made from the Tax Maintenance Fund are in accordance with state law.*

The County Treasurer provided the following response:

- C. *I am in the process of contacting the payees and issuing new checks. For any payees that cannot be located, the monies will be turned over to the state's Unclaimed Property Section. Procedures have been implemented to monitor this routinely.*

6. County Property Records and Procedures
--

As noted in our prior report, procedures and records to account for county property and vehicle use are not adequate.

- A. The County Clerk maintains computerized spreadsheets identifying the capital assets held by each county official and department. Purchases of capital assets are identified by the County Clerk's office through the accounts payable process or through notifications from other county officials. Our review of the capital asset records indicated the following areas where improvements are needed:

- Capital asset records do not always include complete information applicable to the item. Information such as serial number, purchase price, purchase date, disposal method, and disposal date were not recorded for some items.
- Additions are not always properly tagged and recorded in the property records as they occur. For example, purchases of a motor grader costing \$92,073 by the Road and Bridge department and a passenger van costing \$25,971 by the Sheriff's department were not added to the capital asset records until our review.
- Written authorization for property disposal is not obtained from the County Commission.

Adequate general capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Proper tagging of county property items is necessary to deter and detect theft.

- B. The Road and Bridge department does not maintain vehicle logs for any of its vehicles. Without adequate logs, the county cannot effectively monitor that vehicles are used for official business only, maintenance and fuel costs for vehicles are reasonable, and fuel and maintenance billings represent legitimate and appropriate charges.

WE AGAIN RECOMMEND the County Commission:

- A. And the County Clerk work with other county officials and departments to implement a procedure for tagging and tracking property purchases as they occur throughout the year. In addition, the County Clerk should ensure all capital asset records are complete and all disposals of county property are approved by the County Commission.
- B. Require the preparation of logs for all county vehicles and ensure proper reviews and reconciliations are performed. Vehicle logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating cost information (fuel and maintenance). These logs should be reviewed by a supervisor and reconciled to fuel and maintenance billings.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

- A. *We will continue to improve our capital asset records and the County Commission will approve all disposals of county property.*

The County Commission provided the following response:

- B. *This has been implemented and each Road and Bridge department vehicle now has a log.*

7. Emergency 911 Board Accounting Controls and Procedures
--

The Emergency 911 (E911) Board's budgetary practices, as well as records and procedures related to payroll policies, are in need of improvement. In addition, capital asset records are not maintained. The Board collected sales taxes, interest, and miscellaneous receipts averaging \$424,000 annually for the 2 years ended December 31, 2008.

- A. Although actual receipt and disbursement detail presented on the board's budget is derived from information entered by the E911 Director on the computerized accounting records, several inaccuracies were noted in the actual information presented for 2008 and 2007. For example, total 2008 actual receipts and actual disbursements per the budget detail pages in the 2009 budget differed from total receipts and total disbursements reported on the cash reconciliation page of the budget. Additional problems noted were unexplained discrepancies between year end cash balances and an understatement of 2007 actual sales tax receipts.

In addition, the budget detail pages included in the board's budget documents indicated actual disbursements exceeded budgeted amounts for the year ended

December 31, 2008, by \$14,210. Although an explanation for the overspending was documented in a budget analysis prepared in January 2009, no formal budget amendments were prepared and filed with the State Auditor's office.

Complete and accurate budget documents are an essential tool for the efficient management of county finances. A thorough review process should be implemented to ensure budget documents are accurate and complete prior to approval. In addition, if there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional revenues), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

B. The following issues regarding payroll policies and procedures were noted:

- 1) Written authorization for employee salary and wage rate changes is not maintained. In addition, written documentation of each employee's current position is not maintained. Although board meeting minutes included discussion and approval of pay raises, changes in salary and wage rates made for each employee are not documented.

Good internal controls require proper documentation be maintained to support the compensation paid to all employees as well as any changes made to employee position and compensation levels. Such documentation could include a list of personnel with current salary and wage amounts. This list could be included in board meeting minutes or employee personnel files and should be updated as changes are made to salary and wage amounts.

- 2) Time sheets are not prepared by the E911 Director. Detailed time sheets would document hours worked and provide information necessary to monitor leave, and are beneficial in demonstrating compliance with board policy and Fair Labor Standards Act requirements.
- 3) At December 2008, the E911 Director had an accumulated vacation leave balance of 497 hours, which could result in a liability of over \$7,600. The Board has written personnel policies regarding the accrual of vacation leave; however, the policy does not document a maximum number of vacation hours employees are allowed to accumulate. Instead, the policy indicates that "in the event of termination, employees will be reimbursed for accrued vacation as required by law."

The Board should revise the personnel policies to include a maximum number of vacation hours an employee is allowed to accumulate. Clear and concise written policies are necessary to provide guidance to employees and to provide a basis for proper compensation. In addition, such policies should be uniformly applied to ensure each employee is treated equitably.

- C. Capital asset records are not maintained nor are physical inventories performed to account for all E911 property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers; asset identification number; the physical location of the assets; and the date and method of disposition of the assets when disposed of. The lack of adequate capital asset records and monitoring increases the possibility of theft occurring without detection.

Adequate capital asset records and monitoring procedures by the E911 Board are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over E911 capital assets. The comparison of periodic inventories to overall E911 capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, record, and insure new capital assets are necessary to properly protect E911 assets.

Conditions similar to A, B.1, and C were noted in the prior report.

WE RECOMMEND the E911 Board:

- A. Ensure proper compilation and review procedures are in place to ensure the budget document presents accurate and complete financial information. Also, the E911 Board should refrain from authorizing disbursements in excess of budgeted amounts. If financial activities differ significantly from expectations, extenuating circumstances should be documented and the original budget should be formally amended and filed with the State Auditor's office.
- B.1. Ensure written authorization is maintained to support the salary or wages paid to each employee as well as any changes made. In addition, written documentation of each employee's current position should be included in the employee's personnel file or board meeting minutes.
2. Require all employees prepare a time sheet.
3. Revise the personnel policies to include a maximum number of vacation hours an employee is allowed to accumulate.

- C. Establish property records for all capital assets and require annual physical inventories of the capital assets.

AUDITEE'S RESPONSE

The E911 Director provided the following responses:

- A. *We will be implementing a new bookkeeping system which should help with the budgetary problems. In the future, we will try to anticipate budgetary needs and amend the budget if needed.*
- B.1. *I agree to develop documentation regarding each employee's position and any changes in salary.*
2. *I will try to do a better job of keeping track of hours worked for myself and all employees and will try to use some of my accumulated leave.*
3. *I will work with the board to revise the policy.*
- C. *The new bookkeeping system has a better program for tracking capital assets which we plan to use. Physical inventories of capital assets will then be conducted annually, beginning in the next month or two.*

8. County Clerk Accounting Controls and Procedures

Our prior report discussed discrepancies between receipts and amounts transmitted to the County Treasurer and noted weaknesses in the County Clerk's procedures for receipts. The County Clerk responded that improvements would be made in these areas. However, we continue to note weaknesses in the County Clerk's receipting and transmittal procedures. Receipts are not always transmitted to the County Treasurer intact or in a timely manner and the composition of receipt slips issued is not reconciled to the composition of transmittals.

The County Clerk's office accepts cash and checks for payment of various fees, including notary fees, all-terrain vehicle permits, voter lists, and other miscellaneous receipts, and then transmits the fees to the County Treasurer. Fees collected by the County Clerk's office during the years ended December 31, 2008 and 2007, totaled approximately \$5,100 and \$6,600, respectively.

Monies are normally collected throughout the month, but transmittals to the County Treasurer are generally made only once a month. In some instances, receipts were held for more than a month before being transmitted. For example, receipts collected during July 2008 were not transmitted until September 18, 2008, and receipts collected during September 2008 were not transmitted until November 14, 2008.

Receipt records for the transmittal made for February 2009 collections indicated \$5 more in cash and \$5 less in checks compared to the composition of monies recorded as received by the County Treasurer.

A cash count performed on March 9, 2009, identified monies on hand totaling \$107 and recorded receipts totaling \$112, resulting in a shortage of \$5. The County Clerk explained the shortage was due to an error when making change and the difference was resolved by the County Clerk.

To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of receipts should be reconciled to the composition of transmittals and monies should be transmitted to the County Treasurer intact on a timely basis. Transmittals should be made more frequently if significant amounts of cash are collected.

WE AGAIN RECOMMEND the County Clerk reconcile the composition of receipt slips to transmittals and ensure all monies are transmitted to the County Treasurer intact on a timely basis.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

Reconciliation procedures have been improved. Transmittals were delayed in 2008 because of the elections. I will make transmittals more timely in the future.

9. Sheriff Commissary Accounting Controls and Procedures

Although our prior audit report identified several weaknesses related to the handling of the commissary account, little improvement was noted during our current audit. Commissary receipts are not always deposited timely, and bank reconciliations are not adequate.

The Sheriff's department maintains a commissary account for the receipt and disbursement of inmate monies and the purchase of commissary items. Monies received, commissary purchases made, and available cash balance for each inmate are recorded on a computer system. Any remaining monies are paid to the inmate upon release.

- A. Receipts are not always deposited in a timely manner. For example, receipts totaling \$2,025 collected between October 2 and October 5, 2008, were not deposited until October 7, 2008, even though one cash receipt for \$800 was received on October 2, 2008.

To ensure all monies are properly accounted for and to adequately safeguard cash receipts, deposits should be made on a timely basis.

B. Monthly bank reconciliation procedures can be improved as follows:

- 1) A running balance is not maintained in the checkbook register. In addition, no report of the cash balance is generated from the computer system which could be reconciled to the cash balance in the bank account.

Without maintaining a cumulative book balance or a checkbook register balance, there is less assurance cash receipts and disbursements are properly handled and recorded or bank or book errors will be detected and corrected in a timely manner.

- 2) Procedures do not exist to identify month-end liabilities and reconcile liabilities to the commissary bank account. The reconciled bank balance should agree to the total of the individual inmate balances; however, such a reconciliation is not performed.

At March 31, 2009, the reconciled bank balance was \$5,607 and a report of inmate balances generated from the commissary computer system identified liabilities totaling \$2,706, resulting in unidentified monies of \$2,901. The unidentified balance has increased from the \$2,041 unidentified balance noted in our prior report.

Monthly reconciliations of liabilities and individual inmate balances to the reconciled bank balance are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. The Sheriff's department should attempt to determine the reasons for the difference and if proper disposition of the unidentified monies cannot be determined, these monies should be disbursed in accordance with state law.

- 3) The Sheriff does not routinely follow up on outstanding checks. At March 31, 2009, 244 checks totaling \$3,194 had been outstanding for over one year, including 200 checks issued during 2005 and 2006.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Checks remaining outstanding over a specified period of time should be routinely investigated. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

WE AGAIN RECOMMEND the Sheriff:

A. Deposit all monies intact and on a timely basis.

- B.1. Maintain a cumulative book balance and reconcile to the bank balance on a monthly basis.
- 2. Identify liabilities, including individual inmate balances, and reconcile to cash balances on a monthly basis. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- 3. Routinely investigate checks outstanding for a considerable time. If the payees cannot be located, these monies should be disbursed in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We try to deposit as often as possible. Monies are secured in locked safes which are monitored by camera until deposits are made.*
- B.1. *We are looking into implementing a software program which will track a running checkbook balance and will be used for monthly bank reconciliations.*
- 2. *We have tried to reconcile liabilities with cash balances and will continue to do so. Electronic payments to the commissary vendor are a timing issue which we will look into.*
- 3. *We are in the process of investigating these old outstanding checks. Monies relating to payees that were not located for checks written in 2005, 2006, and 2007, have been disbursed in accordance with state law, and we are working on checks issued in 2008.*

10. Prosecuting Attorney Accounting Controls and Procedures
--

Our prior report discussed concerns with the timeliness of processing bad check restitution payments and weaknesses with monthly bank reconciliation procedures. The Prosecuting Attorney indicated corrective actions would be taken and although some improvement was noted in the processing of restitution payments, concerns with the timeliness of transmitting restitution payments continue to exist. In addition, liabilities are still not reconciled with cash balances.

- A. Bad check restitution payments are not transmitted to merchants in a timely manner. Restitution is generally paid by money orders which are not deposited, and instead are held by the Prosecuting Attorney's office until the payments are forwarded to the merchants. Examples of untimely restitution transmittals include: monies received on January 2, 2007, were not transmitted to the merchant until February 6, 2007; monies received on August 5, 2008, were not transmitted until August 26, 2008; and monies received on September 2, 2008, were not transmitted until September 30, 2008. Since restitution payments are

usually not deposited into the bank account, monies should be transmitted to the merchant as soon as possible in order to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

- B. Procedures do not exist to identify month-end liabilities and reconcile liabilities to the bank account. At March 31, 2009, the reconciled bank balance was \$1,557 and identified liabilities and adjustments totaled \$747, resulting in unidentified monies of \$810. The unidentified balance has decreased from the \$1,692 unidentified balance reported in the prior audit.

Monthly reconciliations of liabilities to the reconciled bank balance are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. The Prosecuting Attorney should attempt to determine the reasons for the difference and if proper disposition of the unidentified monies cannot be determined, these monies should be disbursed in accordance with state law.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Ensure bad check restitution payments are transmitted to merchants in a timely manner.
- B. Identify liabilities and reconcile to cash balances on a monthly basis. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *We will try to transmit once a week and no later than every two weeks.*
- B. *We will try to reconcile monthly so the unidentified balance does not change. We will then disburse the unidentified monies to the state's Unclaimed Property Section.*

11. Nursing Service Accounting Controls and Procedures

As noted in our prior report, receipt procedures of the Nursing Service are in need of improvement. The Nursing Service accepts cash, checks, and money orders for payment of various fees, including flu shots, vital records, sanitation permits, fees for stop smoking classes, and other miscellaneous receipts, and transmits the fees to the County Treasurer.

The Nursing Service collected monies from various state and federal grants, totaling approximately \$243,200 and \$261,600, as well as miscellaneous fees and donations

totaling approximately \$82,900 and \$87,800, for the years ended December 31, 2008 and 2007, respectively.

Receipts are not always transmitted to the County Treasurer intact or in a timely manner. A cash count performed on March 2, 2009, identified monies on hand in a cash box totaled \$1,010 while recorded receipts relating to this cash box totaled \$1,015, resulting in a shortage of \$5. The records indicated \$610 was collected on February 19, 2009, for a stop smoking class and \$405 was collected during the period February 25, 2009 to March 2, 2009 for vital records. A February 25, 2009, transmittal to the County Treasurer did not include the stop smoking fees, because a discrepancy had been identified. The monies on hand during the cash count were not transmitted to the County Treasurer for deposit until March 5, 2009, at which time the transmittal differed from recorded receipts by \$30. According to the Nursing Service Administrator, an employee personally paid \$30 to resolve this difference.

In addition, checks are not always restrictively endorsed immediately upon receipt. The cash count on March 2, 2009, identified eight checks totaling \$300 which had not been restrictively endorsed. These checks were received on February 19, 2009.

To adequately account for collections and reduce the risk of loss or misuse of funds, monies should be transmitted to the County Treasurer intact on a timely basis. Transmittals should be made more frequently if significant amounts of cash are collected. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Nursing Service transmit fees to the County Treasurer intact on a timely basis and restrictively endorse all checks and money orders received immediately upon receipt.

AUDITEE'S RESPONSE

The Nursing Service Administrator provided the following response:

Due to lack of space, we did not have a secure location to count cash and prepare transmittals. Recent renovations will now allow us to prepare transmittals more timely. We also now ensure all checks are restrictively endorsed immediately upon receipt.

12. Senior Citizens' Services Board Accounting Controls and Procedures

Bank reconciliations are not documented, receipts are not always deposited in a timely manner, and checks are not restrictively endorsed immediately upon receipt. The Senior Citizens' Services Board receives approximately \$115,000 annually from a property tax levy. The tax receipts are used to fund programs for senior citizens.

- A. Formal bank reconciliations are not prepared for the Board's bank account. Comparison between the bank and checkbook register balances noted a difference of \$186 as of December 31, 2008.

Formal bank reconciliations should be prepared and documented to ensure accounting records agree with bank records and to detect errors in a timely manner.

- B. Property tax monies are disbursed by the County Treasurer to the Board Treasurer on a monthly basis. These checks are maintained at the home of the Board Treasurer until deposited. However, deposits are not always made in a timely manner. For example, a check for \$1,995 issued by the County Treasurer on April 7, 2008, was not deposited until May 7, 2008. In addition, the checks are not restrictively endorsed until the deposit is made.

To adequately safeguard monies and reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt and monies should be deposited in a timely manner.

WE RECOMMEND Senior Citizens' Services Board:

- A. Perform and document monthly bank reconciliations and investigate any unreconciled differences.
- B. Restrictively endorse checks immediately upon receipt and deposit all monies in a timely manner.

AUDITEE'S RESPONSE

The Senior Citizens' Services Board Chairman and Board Treasurer provided the following responses:

- A. *We agree and will begin performing and documenting monthly bank reconciliations. Any differences will be investigated.*
- B. *Checks will be restrictively endorsed immediately upon receipt and deposits will be made more timely.*

ORGANIZATION AND
STATISTICAL INFORMATION

CRAWFORD COUNTY ORGANIZATION AND STATISTICAL INFORMATION

Crawford County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Steelville.

Crawford County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Ed Worley, Presiding Commissioner	\$	30,380
John Hewkin, Associate Commissioner		25,837
Neil Swyers, Associate Commissioner		25,837
Sandra Cook, Recorder of Deeds		43,000
Connie Smith, County Clerk		43,000
Sid Pearson, Prosecuting Attorney		107,773
Randy Martin, Sheriff		43,200
Jessica Vincent-Easler, County Treasurer		43,000
Paul K. Hutson, County Coroner		13,500
Franky Todd, Public Administrator		39,148
Linda Branson, County Collector, year ended February 28,	43,000	
Kerry Summers, Sr., County Assessor (1), year ended August 31,		39,836
Mark Mueller, County Surveyor (2)		

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Rhonda Jurgens, Circuit Clerk	52,668
Scott Bernstein, Associate Circuit Judge	107,641

Leasehold Revenue Bonds, dated 2001 and 2002, were issued in the original amount of \$4,535,000 and \$725,000, respectively, for the purpose of constructing a new jail. Bond principal is due annually on November 1, and interest is due semi annually on May 1 and

November 1. At December 31, 2008, bonds outstanding were \$3,375,000 for the 2001 bonds and \$575,000 for the 2002 bonds.



Susan Montee, JD, CPA
Missouri State Auditor

City of Iron Mountain Lake
and
Twenty-Fourth Judicial Circuit
City of Iron Mountain Lake
Municipal Division



September 2009
Report No. 2009-93

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of the City of Iron Mountain Lake and the Twenty-Fourth Judicial Circuit, City of Iron Mountain Lake Municipal Division.

At least \$12,968 received for sewer payments, fees, and court fines and costs, was not deposited and appears to be missing, and additional monies could be missing.

Poor controls, records, and procedures allowed the missing cash receipts to go undetected. Cash custody and recordkeeping duties are not adequately segregated. Receipt slips are not issued for some monies received, no one accounts for the numerical sequence of receipt slips issued, and the composition of receipts is not reconciled to the composition of deposits. Formal bank reconciliations are not performed. Some receipts and disbursements are not properly recorded in the check register, and as a result, an accurate balance is not maintained. Some monies received are not deposited intact or in a timely manner and the change fund is not maintained at a constant amount.

The city does not have a formal bidding policy and does not solicit bids for city purchases. Some invoices are not marked paid or otherwise canceled upon payment. Invoices did not include documentation of receipt of goods and/or services, and some disbursements did not appear to be prudent uses of taxpayer monies.

Payroll records and procedures are not adequate and are in need of improvement. Payroll duties are not adequately segregated and a supervisory review of the payroll ledger and payroll checks is not performed. It is unclear whether two individuals paid by the city were employees of the city or contract employees. The city did not withhold payroll taxes from payments to the two individuals hired, nor were the payments reported to the IRS. The Police Chief purchased a computer with city monies to perform city work at home. This disbursement was to be reimbursed to the city through payroll deductions, resulting in the city providing an interest-free loan on the personal purchase. In addition, when the Police Chief resigned in July 2008, he did not return the computer to the city and approximately \$1,000 remained due to the city as of March 31, 2009, per the former Police Chief. Timesheets prepared by employees are not consistently signed by a supervisor, and employee withholding forms (W-4s) were not on file for some employees.

The city has not established procedures to ensure restricted revenues are expended only for the intended purpose and disbursements are properly allocated among funds.

The Board of Aldermen meeting minutes are prepared by the City Clerk and approved by the Board at the following meeting; however, the minutes are not signed. In addition, the city ordinance regarding public access to records needs to be updated.

YELLOW SHEET

The city has not submitted annual financial reports to the State Auditor's office since 2005, and an annual audit of the sewer system has not been performed for the past several years. The former City Clerk prepared separate financial reports for the City Operations Account and the Sewer Account for the Board of Aldermen; however, these reports were not complete or accurate.

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The city does not maintain complete and current records for its capital assets including land, buildings, vehicles, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated. The City Clerk/Court Clerk does not file a monthly report with the city of all cases heard in court, as required by state law. Crime Victim's Compensation and Peace Officer Standards and Training Commission fees are not turned over to the state monthly in accordance with state law, and the city has not established ordinances authorizing the fees. The posted schedule of fines and court costs to be assessed and collected at the Violation Bureau has not been updated to indicate the current amount of fines and court costs. A bond ledger is not maintained and a monthly list of liabilities is not prepared and reconciled with bonds held in the City Operations Account. Neither the police department nor the municipal division maintain adequate records to account for tickets assigned and issued, and their ultimate disposition.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF IRON MOUNTAIN LAKE

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-18
<u>Number</u>	<u>Description</u>
1.	Missing Monies.....5
2.	Accounting Controls and Procedures6
3.	Disbursements.....8
4.	Payroll Controls and Procedures.....10
5.	Restricted Revenues.....12
6.	Meeting Minutes and Public Records Policy.....12
7.	Financial and Audit Reports13
8.	Capital Assets14
9.	Municipal Court Controls and Procedures.....15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	19-22
SCHEDULE OF MISSING MONIES.....	23-24

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Mayor
and
Members of the Board of Aldermen
and
Presiding Judge
and
Municipal Judge
Twenty-Fourth Judicial Circuit
Iron Mountain Lake, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Iron Mountain Lake and we have audited certain operations of the City of Iron Mountain Lake Municipal Division of the Twenty-Fourth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's and municipal division's internal controls over significant management and financial functions.
3. Evaluate the city's and municipal division's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city and municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's and municipal division's management and was not subjected to the procedures applied in our audit of the city and municipal division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Iron Mountain Lake and the City of Iron Mountain Lake Municipal Division of the Twenty-Fourth Judicial Circuit.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Katie Twiehaus

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF IRON MOUNTAIN LAKE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Missing Monies
-----------	-----------------------

At least \$12,968 received for sewer payments, fees, and court fines and costs, was not deposited and appears to be missing, and additional monies could be missing. No cash was deposited in the City Operations Account or the Sewer Account between January 1 and September 30, 2008.

Per receipt slips issued, cash was received for court fines and costs totaling at least \$671 between June 1 and September 30, 2008, but was not deposited to the City Operations Account and appears to be missing. Receipt slips from January 1 through May 31, 2008, could not be located and receipt slips are not issued for some monies received (see MAR number 2); therefore, additional monies could be missing. A police report was filed by the former City Clerk on June 4, 2008, indicating some receipt books were missing from city hall. The Schedule of Missing Monies included in this report documents the missing court receipts.

In addition, sewer receipt reports do not agree to monies deposited to the Sewer Account. The following amounts were recorded as received and were deposited to the Sewer Account from January 1 through September 30, 2008:

		Cash	Check	Total
Received	\$	3,699	43,331	47,030
Deposited		0	34,733	34,733
Missing	\$	3,699	8,598	12,297

The sewer receipt reports included payments on accounts that were not deposited. All payments marked as cash and some marked as check could not be traced to a deposit. For two payments reviewed which could not be traced to a deposit, the customer indicated they paid their bill with cash; however, the sewer receipt report reflected the bill was paid by check. The Schedule of Missing Monies included in this report documents the missing sewer receipts.

Poor controls, records, and procedures allowed the missing cash receipts to go undetected. Implementation of our recommendations will help the city improve controls and detect any future problems. The Board of Aldermen should further investigate the missing monies and contact law enforcement.

WE RECOMMEND the Board of Aldermen investigate the missing monies and take appropriate action to recover the monies including working with law enforcement officials regarding criminal prosecution and restitution of the missing funds.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following response:

This recommendation will be implemented. The city will investigate the missing monies and work with law enforcement.

2. Accounting Controls and Procedures
--

Controls over monies received are in need of improvement. Duties are not adequately segregated, receipt slips are not issued for some monies received, bank reconciliations are not performed monthly, monies are not deposited intact or in a timely manner, and the change fund is not maintained at a constant amount.

- A. Cash custody and recordkeeping duties are not adequately segregated. The Treasurer receives monies, records transactions, prepares deposits, and issues and signs checks (formerly the City Clerk performed these duties). While two signatures are required on checks, this requirement was not always followed. The Mayor, Board President, and City Treasurer are authorized to sign checks. Several checks issued had only one signature or included the signature of the official who was the check payee. The board approves a list of disbursements; however, no one independent of the disbursement process agrees the list of disbursements approved to checks issued.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic independent reconciliations of receipt slips issued to the amount and composition of bank deposits should be performed and documented. In addition, someone independent of the disbursement process should agree the approved list of disbursements to checks issued.

- B. Receipt slips are not issued for payments made by check or received through the mail. No one accounts for the numerical sequence of receipt slips issued, and the composition of receipts is not reconciled to the composition of deposits. In addition, the City Clerk posts sewer payments to the city's computerized sewer accounting system and a receipt report is generated; however, this report is not reconciled to amounts deposited.

Without issuing and accounting for prenumbered receipt slips for non-utility monies collected and reconciling the composition of receipts issued and sewer receipt reports to the composition of deposits, the city cannot ensure all monies collected are ultimately recorded and deposited.

- C. Formal bank reconciliations are not performed. Some receipts and disbursements are not properly recorded in the check register, and as a result, an accurate balance is not maintained by the current City Treasurer. The City Treasurer's records were not up to date, thus a current bank reconciliation could not be prepared.

Maintaining accurate book balances and recording receipts and disbursements promptly to the check register helps ensure accurate records and provides balances to reconcile to bank amounts. Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

- D. Some monies received are not deposited intact or in a timely manner. Monies are normally collected each business day, but deposits are normally made only once per week. The average deposit during March and December 2008, was approximately \$2,800 and \$3,400, respectively. In addition, some monies were withheld and deposited on separate days.

In addition, the change fund is not maintained at a constant amount. The City Clerk maintains the change fund for sewer monies only. When a sewer bill is paid with cash, the City Clerk does not deposit the one dollar bills, instead she places them in the change fund. In addition, she does not document the amount of the change fund. During the cash count on March 3, 2009, the amount in the change fund was \$27.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. In addition, change funds should be maintained at a constant amount.

WE RECOMMEND the Board of Aldermen:

- A. Adequately segregate the duties of receiving and depositing monies from recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits. In addition, the Board of Aldermen should ensure proper controls are established over disbursements and two signatures are included on checks issued. Any unusual items or discrepancies noted should be investigated promptly.
- B. Require prenumbered receipt slips be issued for all non-utility monies received and the numerical sequence of those receipt slips be accounted for properly. The composition of monies collected should be reconciled to receipt slips issued, the receipt report generated from the city's sewer accounting system, and deposits.

- C. Ensure bank reconciliations are prepared monthly. Any differences should be investigated and resolved. In addition, the Board should ensure all transactions are recorded and an accurate balance is maintained in the check register.
- D. Require all monies received be deposited intact on a timely basis. In addition, the change fund should be maintained at a constant amount.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following responses:

A&D. These recommendations will be implemented.

B. This recommendation has been partially implemented. Receipt slips are issued for all monies received. The remainder of the recommendation will be implemented.

C. This recommendation has been implemented. The city is currently preparing monthly bank reconciliations.

3.	Disbursements
-----------	----------------------

The city does not have a formal bidding policy. Some invoices are not marked paid and receipt of goods and/or services is not documented prior to payment. In addition, a city disbursement did not have adequate supporting documentation to ensure the purchase was a prudent and necessary use of city funds, and some items purchased did not appear to be for city business.

- A. The city does not have a formal bidding policy and does not solicit bids for city purchases. Bids were not solicited for various purchases made by the city, including building insurance (\$3,811), fuel (\$2,968), and sewer plant maintenance (\$2,550) during the 14 months ended February 28, 2009.

Formal bidding procedures for purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. Some invoices are not marked paid or otherwise canceled upon payment. In addition, invoices did not include documentation of receipt of goods and/or services. Canceling invoices and all other supporting documentation reduces the

likelihood of duplicate payments and requiring acknowledgement of receipt of goods and/or services prior to payment will ensure the city actually received all items.

- C. Some disbursements did not appear or could not be determined to be prudent uses of city funds or for city business.
- Due to lack of supporting documentation, we could not determine if a \$155 prepaid bank card purchased in September 2008, was a prudent use of city monies. Former city officials could not be contacted and current city officials could not recall the purchase.
 - At least \$60 was spent on items such as fragrance, soda, cookies, donuts, etc., which do not appear to be for city business. The former city clerk was dismissed for using city funds to purchase these personal items.

All disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. In addition, supporting documentation should be reviewed by someone independent of the person making the purchase to ensure disbursements are for city business and are an appropriate use of funds.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure all paid invoices are marked as such in order to prevent reuse and require documentation of receipt of goods and/or services prior to payment of invoices.
- C. Require all disbursements be properly supported by vendor invoices and ensure they are independently reviewed to ensure the disbursements are proper and prudent uses of taxpayer monies.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following responses.

A&C. These recommendations will be implemented.

- B. This recommendation has been implemented. The City Clerk is marking all paid invoices as such.*

4.**Payroll Controls and Procedures**

Payroll records and procedures are not adequate and are in need of improvement.

- A. Payroll duties are not adequately segregated and a supervisory review of the payroll ledger and payroll checks is not performed. Currently, the City Treasurer handles all payroll duties. This includes record keeping, disbursing payroll checks, and distributing employee W-2 forms. Prior to October 2008, the former City Clerk handled all payroll duties. The Board does not approve payroll.

A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of error. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employee timesheets by an independent individual would provide supervisory review and minimize the risk of errors going undetected.

- B. It is unclear whether two individuals paid by the city were employees of the city or contract employees. The city did not withhold payroll taxes from payments to the two individuals hired, nor were the payments reported on IRS W-2 or 1099 MISC Forms. Between January and July 2008, the city paid the two individuals a total of \$1,106, for trash pickup and data entry. City personnel indicated these individuals were the wife and daughter of the former City Administrator and considered independent contractors; however, the city did not clearly document why the individuals qualified as independent contractors. They were paid on an hourly basis and the city provided the computer and other equipment used.

For employees, the Internal Revenue Service (IRS) requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Additionally, Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. The city should clearly document why individuals are considered city employees or contract employees, and verify the classification with the IRS.

- C. The Police Chief purchased a computer with city monies to perform city work at home. This disbursement was to be reimbursed to the city through payroll deductions, resulting in the city providing an interest-free loan on the personal purchase. The city did not enter into a written agreement with the Police Chief. In addition, when the Police Chief resigned in July 2008 (reappointed April 16, 2009), he did not return the computer to the city. The city paid the remaining balance on the computer and attempted to obtain reimbursement from the Police Chief; however, per the former police chief approximately \$1,000 remained due

as of March 31, 2009. No documentation could be located indicating the total purchase price, amounts paid, or the amount due. The city should continue to attempt to collect the remaining amount due from the Police Chief.

This transaction appears to be a loan and violates Article VI, Section 23, Missouri Constitution, which prohibits any political subdivision of the state from granting or lending money to an individual.

- D. Timesheets prepared by employees are not consistently signed by a supervisor. Adequate control over payroll disbursements requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence of time worked.
- E. Employee withholding forms (W-4s) were not on file for some employees. The IRS requires employers to ensure a Form W-4 is completed by each employee to support withholdings and taxes.

WE RECOMMEND the Board of Aldermen:

- A. Require duties of recording, calculating, and disbursing payroll to be adequately segregated. At a minimum, there should be documented supervisory reviews of the payroll system.
- B. Ensure all persons hired by the city are clearly documented as employees or contract employees in compliance with IRS rules and regulations. In addition, the Board should ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms and amounts paid to contractors are properly reported on Forms 1099.
- C. Prohibit the purchase of personal items with city funds. The Board of Aldermen should continue to pursue reimbursement for any city monies used towards the purchase of the computer.
- D. Ensure all timesheets are signed by the employee and the supervisor to document approval.
- E. Ensure all individuals receiving wages from the city have a properly completed Form W-4 on file.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following responses:

- A. *This recommendation has been implemented.*

- B. *This recommendation will be implemented. The city has already begun withholding payroll taxes.*
- C. *This recommendation will be implemented. The city will work with the Police Chief regarding this issue.*
- D. *This recommendation will be implemented.*
- E. *This recommendation has been implemented. All W-4 forms are maintained in employee files.*

5.	Restricted Revenues
-----------	----------------------------

The city has not established procedures to ensure restricted revenues are expended only for the intended purposes and disbursements are properly allocated among funds. The city transferred approximately \$13,700, during the year ended December 31, 2008, from the Sewer Account to the City Operations Account to cover various salaries paid from the City Operations Account. The City Clerk and maintenance employees, who perform sewer related functions, are paid from the City Operations Account; however, the city did not have documentation to support the amounts transferred or to show how salaries were allocated.

To ensure restricted revenues are spent for the intended purposes, the city should properly allocate expenses to the various funds. Documentation and proper allocation of expenses is useful for both management and compliance purposes.

WE RECOMMEND the Board of Aldermen ensure all disbursement and payroll allocations between funds are supported by adequate documentation.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following response:

This recommendation will be implemented.

6.	Meeting Minutes and Public Records Policy
-----------	--

The Board of Aldermen meeting minutes are not signed. The city's policy regarding public access to records needs to be updated.

- A. The Board of Aldermen meeting minutes are prepared by the City Clerk and approved by the Board at the following meeting; however, the minutes are not signed. The minutes should be signed by both the City Clerk and the Mayor upon

approval to show the minutes have been reviewed and accurately reflect the discussions held and actions taken in the meeting.

- B. The city ordinance regarding public access to records needs to be updated. Currently, City Ordinance 39 indicates 25 cents a page is charged for copies of city records and \$15 an hour for document searches, with a minimum fee of \$10. The city does not have support to show how the \$15 per hour was determined. The City Clerk is paid \$8 per hour per city ordinance.

Chapter 610, RSMo, lists requirements for making city records available to the public and includes provisions related to charging fees for providing public records. The Board should update the city ordinance to comply with state law.

WE RECOMMEND the Board of Aldermen:

- A. Ensure meeting minutes are signed by the preparer and the Mayor to attest to their completeness and accuracy.
- B. Update the city ordinance regarding procedures to obtain public access to, or copies of, public city records, and ensure fees charged are in compliance with state law.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following responses:

- A. *This recommendation has been implemented. The board minutes are signed by both the City Clerk and the Mayor.*
- B. *This recommendation will be implemented.*

7. Financial and Audit Reports

The city does not submit annual financial reports to the State Auditor's office or obtain annual audits as required by state law. In addition, the monthly financial reports prepared by the former City Clerk did not include all financial activity of the city.

- A. The city has not submitted annual financial reports to the State Auditor's office since 2005. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's office within the time prescribed by the State Auditor (currently within 4 months of the end of the fiscal year for un-audited financial statements and within 6 months of the end of the fiscal year for audited financial statements).

- B. An annual audit of the sewer system has not been performed for the past several years. Section 250.150, RSMo, requires the city to obtain annual audits of the sewer system, and provides the cost of the audit is to be paid from the monies received from the system. In addition to being required by state law, annual audits of the funds would help ensure financial transactions have been properly recorded.
- C. The former City Clerk prepared separate financial reports for the City Operations Account and the Sewer Account for the Board of Aldermen; however, these reports were not complete or accurate. The City Operations reports did not include some deposits and the Sewer reports indicated more monies received than deposited. Currently, the City Treasurer prepares the monthly reports; however, the reports do not classify receipts and disbursements. Accurate and timely information about the city's finances is essential for the Board of Aldermen to make informed decisions while managing the resources of the city.

WE RECOMMEND the Board of Aldermen:

- A. Submit annual reports of financial transactions to the State Auditor's office as required by state law.
- B. Obtain annual audits of the sewer system as required by state law.
- C. Ensure the City Clerk and/or City Treasurer prepare complete and accurate monthly financial reports.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following responses:

A&C. These recommendations will be implemented.

B. This recommendation has been implemented. The city is currently working with the CPA firm to complete the audit of the city's sewer system.

8.	Capital Assets
-----------	-----------------------

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The city does not maintain complete and current records for its capital assets including land, buildings, vehicles, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

The city should maintain capital asset records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, and asset identification numbers; the physical location of the assets; the date and method of disposition of the assets; insurance coverage; and vehicle titles. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare the inventories to capital asset records. All capital assets should be recorded at historical costs or estimated historical cost, if actual cost is not available.

WE RECOMMEND the Board of Aldermen ensure property records are maintained which include all pertinent information. The Board should ensure all city property is properly tagged, numbered, or otherwise identified and an annual inventory is conducted.

AUDITEE'S RESPONSE

The Mayor, Board of Aldermen, and City Clerk provided the following response:

This recommendation has been partially implemented. The police department has completed an inventory and the city is working on completing inventories for the remaining city departments.

9. Municipal Court Controls and Procedures

Controls and procedures for the handling of court monies are in need of improvement.

- A. Cash custody and recordkeeping duties have not been adequately segregated. The City Clerk/Court Clerk receives monies and records transactions. There is no evidence of any independent or supervisory review of court records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The City Clerk/Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080, RSMo, requires the Court Clerk to prepare and file with the city a monthly list of all cases heard in court, including fines and court costs collected. This list should indicate information such as the defendant's name, fines imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).
- C. The controls and procedures for court costs need improvement.

- 1) Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly in accordance with state law. CVC fees were not remitted to the state for several months. In addition, POSTC fees were not remitted for the year ended December 31, 2008. Due to the lack of adequate records, the municipal division has no estimate of the amounts owed to the state for CVC and POSTC fees.

Section 595.045, RSMo, requires 95 percent of CVC fees collected be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly. To ensure the proper amount is remitted to the state, records should clearly document the amount of CVC and POSTC fees collected each month.

- 2) The city has not established ordinances authorizing the fees assessed for CVC and POSTC. Court costs assessed should be established by city ordinance to ensure compliance with state law.
- 3) The posted schedule of fines and court costs to be assessed and collected at the Violation Bureau (VB) has not been updated to indicate the current amount of fines and court costs. In addition, the schedule indicates one amount of \$25 that should only represent court costs; however, the City Clerk/Court Clerk could not provide statutory authority for this amount or identify which court costs were included. The court should take appropriate action to ensure the schedule of fines and court costs is updated, and clearly indicates the amount of court costs and the types of costs included.

- D. A bond ledger is not maintained and a monthly list of liabilities is not prepared and reconciled with bonds held in the City Operations Account. The city does not account for bond monies separately from city monies, thus lists of liabilities cannot be reconciled to bond monies held. Upon our request, the Court Clerk prepared a list of outstanding bonds as of April 8, 2009, totaling \$1,311.

A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. Monthly lists of outstanding bonds should be prepared and reconciled to the bonds held in the city's account to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow differences to be investigated and errors corrected on a timely basis. In addition, the municipal division should request the city maintain a separate accounting of bond monies.

- E. Neither the police department nor the municipal division maintain adequate records to account for tickets assigned and issued, and their ultimate disposition. As a result, there is no assurance all tickets are accounted for properly. A ticket

book is assigned to each officer; however, a log of ticket books assigned is not maintained. No log is maintained by the police department or the municipal division of tickets issued and submitted to the division for processing.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date each ticket is issued, and the violator's name would ensure all tickets issued are submitted to the municipal division for processing or properly voided. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the City of Iron Mountain Lake Municipal Division:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare and file monthly reports of cases heard in the court with the city in accordance with state law.
- C.1. Remit CVC and POSTC fees to the state monthly in accordance with state law. In addition, the division should maintain records in a manner to ensure all fees collected are properly distributed.
 - 2. Request the city establish ordinances authorizing the fees assessed and collected per case.
 - 3. Ensure the VB schedule is updated and clearly indicates court costs by type of cost.
- D. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled to the bonds held in trust on a monthly basis. In addition, the division should request the city to account for the bond monies separately from city monies.
- E. Work with the police department to implement the necessary procedures and establish records to account for the numerical sequence of all tickets assigned to officers and tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

- A. *This recommendation will be implemented. The Judge will discuss establishing supervisory reviews.*

B. This recommendation will be implemented. The Court Clerk will develop a summary report to submit to the city.

C.1. This recommendation will be implemented. The Court Clerk will investigate and remit to the state any unpaid fees.

2. This recommendation will be implemented. The Judge will request the city pass the necessary ordinances.

C.3.

&D. These recommendations will be implemented.

The Police Chief provided the following response:

E. This recommendation will be implemented. The police department will account for tickets assigned to and issued by officers.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF IRON MOUNTAIN LAKE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The city of Iron Mountain Lake is located in St. Francois County. The city was incorporated in 1983 and is currently a fourth-class city. The population of the city in 2000 was 693.

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year and 1-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen receive no compensation. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2008, are identified below.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2008		
Jody Niccum, Mayor (1)	July 2008 – December 2008		
Michael Juenger, Mayor	April 2008 – June 2008		
Bill Skaggs, Mayor	January 2008 – April 2008		
Don May, Alderman (2)	May 2008 – December 2008		
Nancy Anderson, Alderman	January 2008 – April 2008		
Glen Smith, Alderman (3)	August 2008 – December 2008		
Jody Niccum, Alderman	January 2008 – July 2008		
Phil Fox, Alderman (4)	January 2008 – December 2008		
Jack Watson, Alderman (5)	August 2008 – November 2008		
Allen Atkins, Alderman	May 2008 – June 2008		
Louie Nichols, Alderman	January 2008 – April 2008		
Brian Schmaltz, Alderman (6)	May 2008 – December 2008		
Connie Beard, Alderman	January 2008 – April 2008		
Becky Leija, Alderman (7)	May 2008 – December 2008		
Elmer Loucks, Alderman	January 2008 – April 2008		
Other Officials	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008	
Julie Bennett, City/Court Clerk	November 2008 – December 2008	\$	1,280
Christina Lincoln, City/Court Clerk	January 2008 – November 2008		14,470
Feron Henson, City Administrator (8)	March 2008 – October 2008		0
Paul Powell, City Treasurer (9)	October 2008 – December 2008		0
Scott Killen, City Attorney	January 2008 – December 2008		1,968
Edward Pultz, Municipal Judge	January 2008 – December 2008		2,500

- (1) Jody Niccum was appointed to this position in July 2008 until a special election could be held to fill the position left by Michael Juenger who resigned. Eugene Henson was elected Mayor in April 2009.
- (2) Nancy Anderson was elected to this position in April 2009.
- (3) Glen Smith was appointed to this position in August 2008 to complete the term of Jody Niccum, who was appointed mayor. Josh Skaggs was elected to this position in April 2009.
- (4) Brian Goodman was elected to this position in April 2009.
- (5) This position was vacant for both July and December 2008 due to the resignations of Allen Atkins and Jack Watson, respectively. Linda Dicus was elected to this position in April 2009.
- (6) This position was vacant for May 2008 due to the resignation of Connie Beard. Connie Beard was elected to this position in April 2009.
- (7) Todd Loucks was elected to this position in April 2009.
- (8) No one served in this position prior or subsequent to this appointment.
- (9) No one served in this position prior to this appointment.

In addition to the officials identified above, the city employed one full-time employee and three part-time employees on December 31, 2008.

Assessed valuations and tax rates for 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 2,221,646
Personal property	612,532
Total	<u>\$ 2,834,178</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General Fund	<u>\$ 0.7166</u>
Debt Service	1.5131

TAX RATES PER \$1 OF RETAIL SALES

	Rate
General	<u>\$ 0.0100</u>

At December 31, 2008, the city had bonds payable of \$281,000, dated March 2002, to finance the costs to repair and restore the city's roads. Revenue collected from property taxes are used to fund the bond payments.

A statement showing receipts, disbursements, and changes in cash by each bank account for the year ended December 31, 2008 follows. This was the only financial information available for the city due to the inaccuracy of the prior City Clerk's monthly reports and insufficient detail in the current Treasurer's monthly reports.

CITY OF IRON MOUNTAIN LAKE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH – BY BANK ACCOUNT

	City Operations Account	Sewer Account	Road Bond Account	Public Funds Account	Early Warning Signal Equipment Account	Total
Receipts	\$ 156,847	51,232	24	26	3,604	211,733
Disbursements	158,856	58,643	227	0	3,908	221,634
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,009)	(7,411)	(203)	26	(304)	(9,901)
CASH, JANUARY 1	9,978	14,303	17,665	3,838	304	46,088
CASH, DECEMBER 31	\$ 7,969	6,892	17,462	3,864	0	36,187

SCHEDULE OF MISSING MONIES

CITY OF IRON MOUNTAIN LAKE
SCHEDULE OF MISSING MONIES

The following tables provide supporting information for the missing monies discussed in MAR finding number 1.

The following schedule compares the sewer receipt report to deposits for January through September 2008.

		Amount Received Per Report	Amount Deposited	Difference
January	\$	5,420	4,500	920
February		5,484	4,080	1,404
March		4,763	3,327	1,436
April		5,234	3,744	1,490
May		4,893	3,543	1,350
June		5,137	4,035	1,102
July		5,458	3,840	1,618
August		5,509	4,097	1,412
September		5,132	3,567	1,565
Total	\$	<u>47,030</u>	<u>34,733</u>	<u>12,297</u>

The following is a list of court receipt slips issued for cash that were not deposited from June through September 2008.

	Receipt Number		Amount
7/11/08	4758	\$	60
7/11/08	4760		40
7/11/08	4762		30
7/11/08	4764		40
7/16/08	4765		45
9/3/08	4766		110
9/10/08	4767		166
9/12/08	4769		180
Total		\$	<u>671</u>



Susan Montee, JD, CPA
Missouri State Auditor

Polk County



September 2009
Report No. 2009-92

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of Polk County.

The amount of General Revenue (GR) Fund monies needed to support the Law Enforcement Sales Tax (LEST) Fund has increased significantly since 2005. The county's 2009 budget projects a transfer of \$755,760 from the GR Fund to the LEST Fund which is more than 10 times the amount transferred 4 years earlier. Law enforcement sales tax receipts have generally remained constant, but the county's spending has continued to increase. The increased spending is primarily due to increasing salary and fringe benefit costs and funding provided to the county Emergency 911 Board. If the LEST Fund continues to rely on increased funding from the General Revenue Fund, the County Commission could be faced with a deteriorating General Revenue Fund.

The Emergency 911 Board's dependency on funding from the Polk County LEST Fund, the City of Bolivar, and Citizens Memorial Hospital District has significantly increased in recent years. Telephone tax receipts used to fund the Emergency 911 Board have remained stagnant while salary and fringe benefit costs have increased. The Emergency 911 Board needs to consider alternative revenue sources and properly manage costs to prevent this trend from continuing. Weaknesses involving budgets, documentation of disbursements, banking services, meeting minutes, and capital asset records also need to be addressed by the Emergency 911 Board.

The county did not always solicit bids, maintain documentation of price comparison procedures, or adequately document why the lowest bid for road rock was not awarded. The county provides financial assistance to various organizations and political subdivisions within Polk County; however, the specific services to be provided are not defined through a written agreement. The County does not adequately monitor the use of some cellular phones, and a written policy regarding cellular phone usage is needed. Additionally, the County Commission distributed approximately \$120,000 in county aid road trust and capital improvement sales tax monies without obtaining and reviewing any financial information from the Southwest and Bolivar Special Road Districts during the 2 years ending December 31, 2008. Also, vehicle usage logs are not maintained on county vehicles driven by the Emergency Management Director and four Sheriff Department employees.

The Juvenile Detention Center (JDC) has a substantial cash balance with no documented plans for its use. Our prior audit report recommended a formal plan be developed for accumulated funds; however, a plan was not prepared and the JDC's cash balance has since doubled. The 2009 budget reflects an estimated cash balance of \$2.2 million at December 31, 2009.

YELLOW SHEET

The Senate Bill 40 Board does not adequately monitor disbursements to not-for profit (NFP) organizations it funds. Additionally, bids were not solicited for liability insurance costing approximately \$1,300 annually paid to an insurance company owned by the Board President. Finally, meeting minutes were not always retained.

The County Clerk's procedure for reviewing tax book additions and abatements needs improvement, and one password to the county's property tax system is shared between all employees of the Assessor's Office.

Duties of the Sheriff's bookkeeper are not adequately segregated and reconciliation procedures for the jail commissary/inmate bank account need improvement. Additionally, meals served at the county jail are not tracked and the average meal costs are not periodically calculated.

Bank reconciliations have not been properly performed for the Prosecuting Attorney's bank account. Receipts and disbursements are entered into the bad check computerized accounting system; however, an accurate bank reconciliation is not generated from the system and manual reconciliations are not performed. Monies received are not deposited in a timely manner, and the numerical sequence of receipt/transaction numbers in the Prosecuting Attorney's computerized accounting system is not accounted for properly.

In the Public Administrator's office, receipts are not always deposited in a timely manner. A check for \$6,075 was placed in a file and not deposited until we found the check, nine months after it was issued. Additionally, IRS reporting requirements were not complied with on payments made to a home health care provider.

The Juvenile Office contracts with an employee's spouse paying \$26,000 annually for juvenile transportation services without soliciting bids or entering into a written agreement.

Other findings in the audit report relate to road and bridge employee timesheets, meeting minutes, Circuit Clerk's accounting controls and procedures, and capital asset records.

All reports are available on our Web site: www.auditor.mo.gov

POLK COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-27
<u>Number</u>	<u>Description</u>
1.	Law Enforcement Sales Tax Fund.....5
2.	Emergency 911 Board.....6
3.	County Disbursements.....10
4.	Thirtieth Judicial Circuit Juvenile Detention Center14
5.	Senate Bill 40 Board.....16
6.	Property Tax System.....18
7.	Payroll and Personnel Procedures.....19
8.	Commission Meeting Minutes.....19
9.	Sheriff's Accounting Controls and Procedures20
10.	Prosecuting Attorney's Accounting Controls and Procedures22
11.	Public Administrator's Accounting Controls and Procedures.....24
12.	Circuit Clerk's Accounting Controls and Procedures25
13.	Juvenile Office Transportation Services.....26
14.	Capital Asset Records.....27
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	28-30

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Polk County

We have audited certain operations of Polk County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Officer CPA Firm LLC, Certified Public Accountants, has been engaged to audit the financial statements of Polk County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Polk County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	David Olson
	Toni Wade
	Ashley LeCuru

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

POLK COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Law Enforcement Sales Tax Fund
-----------	---------------------------------------

The amount of General Revenue (GR) Fund monies needed to support the Law Enforcement Sales Tax (LEST) Fund has increased significantly since 2005. The county's 2009 budget projects a transfer of \$755,760 from the GR Fund to the LEST Fund, which is more than 10 times the amount transferred 4 years earlier. Although receipts into the LEST Fund have generally remained constant and are estimated to decrease during 2009, the county's spending has continued to increase. The following table reflects the financial activity of the LEST Fund over the last four years and the projected activity for 2009:

		Year Ended December 31,				
		2009 Budgeted	2008 Actual	2007 Actual	2006 Actual	2005 Actual
Cash Balance, January 1	\$	99,022	0	31,463	50,233	98,887
Receipts		1,576,282	1,991,545	1,789,364	1,822,768	1,759,985
Transfers from General Revenue		755,760	364,574	160,909	0	72,100
Disbursements		(2,431,063)	(2,257,097)	(1,981,736)	(1,841,538)	(1,880,739)
Cash Balance, December 31	\$	1	99,022	0	31,463	50,233

The 2009 and 2008 amounts were obtained from the county budget document. The 2007, 2006, and 2005 information was obtained from the county's audited financial statements.

The increases in disbursements are primarily due to increasing salary and fringe benefit costs and funding provided to the county Emergency 911 Board (See MAR finding number 2). Between 2005 and 2009 salaries and fringe benefit costs have increased by more than \$250,000. In 2005 funding to the county Emergency 911 Board was paid from the GR Fund, and in 2006 the county began providing funding from the LEST Fund. This change, along with increased funding to the Emergency 911 Board, accounts for approximately \$120,000 of the increase in disbursements noted in the chart above.

Receipts from the county's law enforcement sales tax have remained fairly constant at approximately \$1.3 million annually, but are anticipated to decline to \$1.2 million according to the county's 2009 budget. The increase in receipts and disbursements for 2008 is primarily due to grant funds totaling \$185,000 which are not expected to be received again in 2009.

The County Commission is aware of the increasing transfer amounts from the GR Fund to the LEST Fund. Although the budget process provides annual financial planning, the

County Commission needs to plan for the future and consider various alternatives for stabilizing spending from the LEST Fund when receipts into the fund are not increasing. While the county's GR Fund continues to maintain an adequate cash balance, the balance has been decreasing as the burden of providing funding to the LEST Fund increases. At December 31, 2007, the county's GR Fund had a balance of approximately \$1.9 million. The 2009 county budget reflects an estimated ending GR Fund balance of approximately \$988,000. If the LEST Fund continues to rely on increased funding from the GR Fund, the County Commission could be faced with a deteriorating financial condition of the county's GR Fund.

In 2007 the county attempted to pass a 1/2 cent sales tax levy to provide funds to construct and operate a judicial center, but this tax was rejected by voters. The County Commission, along with other county officials, should take steps to reduce or at least stabilize the transfers from the GR Fund to the LEST Fund. Long-term financial planning, including reducing discretionary spending where possible, evaluating management practices to ensure efficient use of resources, and attempting to maximize receipts from all sources should be performed.

WE RECOMMEND the County Commission work with other county officials to closely monitor the receipts and disbursements of the LEST Fund, and perform financial long-term planning to evaluate spending, management practices, and maximization of receipts.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We are aware of the financial condition of the LEST Fund. The State of Missouri paying only \$22.50 per diem for boarding prisoners instead of the statutory \$38 puts additional financial strain on the county's LEST Fund. We will talk with the Sheriff about the possibility of applying for additional grant funding, and we have discussed the need to stabilize funding of the Emergency 911 Fund. As of June 30, 2009, county sales tax revenues were not as low as our budget projected. If sales tax revenues remain higher than expected, the transfer from the GR Fund to the LEST Fund will not be as high as we anticipated. We will continue to monitor the LEST Fund and discuss with applicable county officials long-term suggestions for increasing receipts and decreasing costs.

2.

Emergency 911 Board

The Emergency 911 Board's dependency on funding from the Polk County LEST Fund, the City of Bolivar, and the Citizens Memorial Hospital District has significantly increased. Additionally, weaknesses involving budgets, documentation of disbursements, banking services, board meeting minutes, and capital assets also need to be addressed. The Emergency 911 Board received and disbursed a total of approximately \$1.1 million during the 2 years ended December 31, 2007 and 2006.

- A. With increasing costs and stagnant tax receipts, the Emergency 911 Board's dependency on funding from Polk County, the City of Bolivar, and Citizens Memorial Hospital District has significantly increased in recent years. The following table reflects the increase in amounts charged to these three political subdivisions (PSDs) since 2006 and the projected funding for 2009:

	Year Ended December 31,			
	2009 Budgeted	2008 Actual	2007 Actual	2006 Actual**
Cash Balance, January 1	\$ 42,277	16,212	1,268	17,115
Amounts from Political Subdivisions*	367,439	360,234	322,513	189,583
Other Receipts	232,160	238,145	244,546	353,728
Disbursements	(592,902)	(572,314)	(552,115)	(559,158)
Cash Balance, December 31	\$ 48,974	42,277	16,212	1,268

*Polk County, City of Bolivar, and Citizens Memorial Hospital District each provide one-third of the amounts listed above.

**2006 receipts include loan proceeds (\$51,000) and insurance claim proceeds (\$63,638).

In addition to the funding received from the PSDs, the Emergency 911 Board receives telephone tax receipts which have remained stagnant at approximately \$230,000 annually.

While funding provided by the PSDs has increased, instances of negative cash balances were still noted several times during 2008, 2007, and 2006. For example, in January 2007, accounting records reflected a negative cash balance of approximately \$24,000. Further, the Board signed an agreement for a \$25,000 bank line of credit and the line of credit is often used to pay payroll, payroll taxes, and other disbursements throughout the year when the receipts are not adequate to cover these disbursements.

During 2007 and 2006, the Emergency 911 Board spent almost all funds received and did not have funds in reserve. In 2008, the Board established a contingency fund and reserved \$10,000 for credit to this fund during 2008 and \$6,000 during 2009.

Salaries and fringe benefits totaled approximately \$400,000 during 2008, and have increased by approximately \$150,000 since 2006. These costs represent approximately 70 percent of total operating costs. Although discretionary spending is minimal, some disbursements were not prudent or necessary to achieve the board's function. For example, food is provided at monthly board meetings (\$700 annually), Christmas and anniversary parties are held annually (the December 2008 Christmas party cost approximately \$550 with \$66 spent on alcoholic beverages), and service charges are incurred on bank accounts (\$835 for

2007 and 2006). Our audit also identified poor budgeting procedures and weak disbursement controls as described below.

The Emergency 911 Board needs to develop a plan to reduce costs or increase receipts to improve the financial condition of the Emergency 911 Fund and reduce the Board's dependence on the PSDs. By not considering alternative revenue sources and properly managing costs by reducing unnecessary disbursements, this trend may continue.

A similar condition was noted in our prior audit report.

- B. The Emergency 911 Board budget documents did not present complete financial information for the 2 years ended December 31, 2007. The budget documents did not include the beginning and ending cash balances and only presented one prior year of actual receipts and disbursements. In addition, the budget documents indicate actual disbursements exceeded budgeted amounts by approximately \$27,500 for 2006. Finally, the approved budget documents were not filed with the State Auditor's office.

To be of maximum assistance and adequately inform county citizens of the board's operations and current financial position, the budget documents should be complete and accurate. Section 50.590, RSMo, requires budgets to include accurate receipt and disbursement figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. Preparing complete and accurate budget documents and complying with state budget laws are imperative to properly monitoring the board's financial condition.

A similar condition were noted in our prior audit report.

- C. Adequate supporting documentation was not obtained for some disbursements. For example, the Board obtained an advance on its line of credit from the bank for \$14,000 to cover payroll and paid the loan back the next day because a monthly payment was received from the county; however, the Director did not have a statement or any other supporting documentation for this payment other than the canceled check. In addition, original receipts are not retained or reconciled to monthly credit card billing statements.

Without obtaining and properly reviewing adequate supporting documentation, the Emergency 911 Board cannot determine the validity and propriety of disbursements.

- D. The Board has not solicited bids for its banking services or entered into a written agreement with its depository bank.

A depository agreement is necessary to ensure both the bank and the Board understand and comply with the agreement. Such an agreement may cover issues such as service charges; safe deposit boxes; interest charges for borrowed funds; interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts; and should include collateral securities required to be pledged.

A similar condition was noted in our prior audit report.

- E. Minutes were not maintained for some closed sessions and open meeting minutes did not always document the specific reasons for closing the meetings or the actions taken by the Board while in closed session. For example, the Board closed the board meetings on June 8, 2007, and January 9, 2009; however, the reasons for closing the meetings were not documented and no minutes were taken during the closed session to document the issues discussed or actions taken.

The Sunshine Law, Chapter 610, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, the Sunshine Law allows the Board to discuss certain subjects in closed meetings including litigation, real estate transactions, personnel issues, some competitive bidding issues, and confidential or privileged communications with auditors and requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

A similar condition was noted in our prior audit report.

- F. Current capital asset records are not maintained, property tags are not affixed to all assets, and physical inventories are not conducted. To improve accountability over capital assets, records should be maintained, property control tags should be affixed to all capital asset items, and an annual physical inventory should be performed.

WE RECOMMEND the Emergency 911 Board:

- A. Consider alternative funding sources, and closely monitor and manage operating costs.
- B. Ensure budget documents present complete financial information and are filed with the State Auditor's office. In addition, the Board should refrain from approving disbursements in excess of budgeted amounts.
- C. Ensure adequate supporting documentation is obtained for all disbursements.

- D. Solicit bids for banking services and enter into a written agreement with the depository bank.
- E. Ensure minutes are prepared and retained for all closed meetings. In addition, the Emergency 911 Board should ensure full compliance with all provisions of Chapter 610, RSMo, regarding public votes and closed meetings.
- F. Establish records to account for capital assets, identify capital assets with a number, tag, or similar identifying device, and conduct annual physical inventories.

AUDITEE'S RESPONSE

The Emergency 911 Board provided the following written responses:

- A. *The 911 Board is aware of the funding situation. The Board and the Executive Director will continue regular discussions regarding alternative funding sources. In addition, all expenses will continue to be reviewed including departmental scheduling as compared to 911 call volumes and other related work tasks. In addition, all other non salary expenses will be reviewed.*
- B. *The Director will contact the County Clerk to obtain a budget template to aid in preparing a budget that includes all required information. This information then will be submitted to the State Auditor's office.*
- C. *The Director will retain all supporting documentation of all expenses.*
- D. *The Director is currently working with the current bank on a depository agreement. In addition, consideration will be given for soliciting bids for banking services in the future.*
- E. *This recommendation has been implemented.*
- F. *The Director will start the process of maintaining a capital asset inventory to ensure all assets are properly tagged.*

3.	County Disbursements
-----------	-----------------------------

The county's bid procedures and documentation are not adequate. Some disbursements were made without benefit of written agreements or without ensuring compliance with written agreements. In addition, procedures for monitoring cellular phones and vehicle usage need improvement.

- A. The county did not always solicit bids, maintain documentation of price comparison procedures for some major purchases, or adequately document why the lowest bid for road rock was not awarded. Neither the County Commission

meeting minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

The county purchased road rock totaling \$456,450 and \$504,280 during 2007 and 2006, respectively, without adequately documenting why the lowest bid was not awarded. According to the County Commission several meetings were held with rock vendors and the bid was awarded based upon the quality of the rock; however, these factors were not documented in the meeting minutes.

Examples for which bids were not solicited include:

<u>Item or Service</u>	<u>Cost</u>
Sheriff patrol vehicle (includes trade-in and extended warranty)	\$ 15,000
Law enforcement video surveillance	12,115
Law enforcement tasers	8,590

Further, the county has not solicited bids for the county's property and liability insurance since March 1996. The county disbursed approximately \$79,500 and \$74,100 for property and liability insurance for the years ended December 31, 2007 and 2006, respectively.

The County Commission or a county official indicated items such as the video surveillance were only available from one vendor; however, sole source procurement situations were not documented in the meeting minutes or other supporting documentation.

Section 50.660, RSMo, requires bids for all purchases of \$4,500 or more and advertised bids for any purchases over \$6,000 from any one person, firm, or corporation during any period of 90 days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made an effort to receive the best and lowest price and interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- B. The county provided financial assistance to various organizations and political subdivisions within Polk County; however, the specific services to be provided were not defined through a written agreement. The county disbursed approximately \$20,112 and \$14,228 to these various organizations during 2007 and 2006, respectively.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution, and without a written agreement that clearly indicates the

governmental purpose, it is unclear if the services represent a governmental purpose. Written agreements are necessary to quantify the services to be performed and the consideration to be paid for the services, provide a means for the county to monitor compliance with the contract terms, and protect the county in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo, requires all contracts be in writing.

- C. The county does not adequately monitor the use of some cellular phones. Additionally, a written policy regarding cellular phone usage or guidelines to determine whether the cellular phone is needed or of benefit to the county has not been developed. Cellular phone disbursements totaled approximately \$11,200 and \$11,000 for 2007 and 2006, respectively.

We noted some cellular phones with little or no usage, and one phone with a significant amount of personal usage. While charges for additional usage were not incurred, over 900 minutes were used in 1 month by an employee for personal calls, with one of the calls lasting 122 minutes.

While cellular phones can help increase employee productivity, they can also be costly. Cellular phone usage should be periodically monitored to ensure phones are properly used for business purposes. Additionally, a formal written policy should be developed establishing a monitoring system for the assignment and usage of cellular phones, and establishing guidelines to evaluate the appropriateness of the cellular phone plan.

- D. The county distributed county aid road trust (CART) and capital improvement sales tax (CIST) monies totaling approximately \$600,000 to six special road districts during 2007 and 2006. While the County Commission has written contracts with the special road districts requiring annual budgets and financial statement reports be submitted to the county for review, no reports were submitted by two of the special road districts. The County Commission distributed approximately \$120,000 in CART and CIST monies without obtaining and reviewing any financial information from the Southwest and Bolivar Special Road Districts during the 2 years ended December 31, 2008.

To ensure CART and CIST monies are used only for road-related purposes, the County Commission should obtain and review budgets and financial statement reports as required by contract terms prior to distributing monies. If special road districts do not comply with contract terms the County Commission should consider other alternatives.

- E. Vehicle usage logs are not maintained for some county vehicles. Mileage records and maintenance logs are not maintained for four sheriff's department vehicles assigned to the Under-Sheriff, two detectives, and one lieutenant. In addition, the Emergency Management Director drives a county vehicle and mileage and maintenance logs are not maintained for this vehicle.

Vehicle logs should be maintained for all county vehicles and should include the employee, dates used, beginning and ending odometer readings, destination, purpose, fuel and maintenance. These logs should be reviewed by the appropriate county official to ensure vehicles are used only for county business and to evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain adequate documentation of decisions made.
- B. Maintain written agreements for all funding provided to other entities and ensure the agreements indicate the governmental benefit to the county.
- C. Ensure cellular phone usage is adequately monitored, and develop a formal written policy establishing a monitoring system for the assignment and usage of cellular phones, and guidelines to evaluate the appropriateness of the cellular phone plan.
- D. Ensure special road districts comply with contract requirements by submitting budgets and financial reports for review or consider other alternatives in the case of noncompliance.
- E. Work with other county officials to ensure proper vehicle usage logs are maintained for all county owned vehicles. In addition, logs should be reviewed by appropriate individuals and information reconciled to fuel and maintenance billings.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We met with the different rock vendors to review and discuss the different rock prices and quality of rock; however, this was not documented in the commission meeting minutes. We bid insurance services for 2009 and only received one bid which was from the county's current insurance carrier. We will ensure major purchases are bid and the process is adequately documented.*
- B. *We usually receive documentation for expenses paid with these monies; however, we will draft a written contract to specify how the funds are to be used and the required documentation to be furnished.*
- C. *We will develop and implement a county-wide cellular phone policy.*

- D. *We will withhold CART funding from any special road district that does not comply with contractual terms or turn in financial statement reports. We believe CIST monies have to be distributed to the districts based upon the ballot language.*
- E. *We will require the Emergency Management Director and Sheriff Department employees to maintain a vehicle log for their vehicles.*

The Sheriff provided the following written responses:

- A. *The law enforcement video surveillance system (\$12,115) we chose to use in the patrol vehicles was manufactured specific without other like products. The law enforcement tasers (\$8,590) was manufactured specific without other like products. In the future these specific type items will be noted in the minutes of the County Commission.*
- C. *The issue of county cellular phone usage by the employees will be addressed to the Commission by the Sheriff for written policy. This will be done immediately.*
- E. *The vehicle usage logs currently not maintained in 4 department vehicles will be placed there and utilized immediately.*

4. Thirtieth Judicial Circuit Juvenile Detention Center
--

The Juvenile Detention Center (JDC) has a substantial cash balance with no documented plans for its use, and checks are sometimes signed in advance.

- A. Our prior audit report recommended a formal plan be developed for accumulated JDC funds; however, a plan was not prepared and the JDC's cash balance has since doubled. The JDC's unrestricted cash balance at December 31, 2008, 2007, and 2006 totaled approximately \$2 million, \$1.8 million, and \$1.7 million, respectively, while disbursements for the center total approximately \$150,000 annually. (The majority of all personnel costs are paid by the state.) The 2009 JDC budget, reflects an estimated cash balance of approximately \$2.2 million at December 31, 2009.

The JDC Administrator indicated some of these monies will be utilized for expansion of the facility; however, according to JDC records, the center's occupation rate of juveniles has decreased from 53 percent in 2002 to 50 percent in 2006, and down to 43 percent in 2008. There are no documented plans to support how much expansion is planned, or the amount of funds needed.

The JDC's records indicate receipts from other sources (federal and state funding as well as board bills) are sufficient to cover the operating and maintenance costs of the center. In 2006, the JDC discontinued billing the five counties in the circuit for maintenance costs, but continues to receive a \$10 surcharge on all criminal cases in the circuit. Section 488.2205, RSMo, allows counties in the Thirtieth

Judicial Circuit to charge up to \$10 on all criminal cases for the purpose of, "construction, maintenance and operation of the county judicial facility and the circuit juvenile detention center" It further indicates monies not needed for the operating costs shall be transmitted quarterly to the general revenue fund of the county. The JDC receives approximately \$130,000 annually from this surcharge. Unless extended by the state legislature, Section 488.2205 expires January 1, 2010.

Although a member of the County Commission from each county sits on the JDC Board and is aware of the JDC's accumulated balance, there is no documentation in the JDC meeting minutes to indicate the Board has made a formal decision to utilize the large accumulated cash balance. The JDC Board should review the cash balance and prepare a formal documented plan of how the balance will be utilized.

- B. Incomplete checks are sometimes signed in advance by board members. For example, a check with the amount left blank was signed on November 1, 2006; however, the check was not used until December 14, 2006. To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved by the board.

WE RECOMMEND the Juvenile Detention Center Board:

- A. Review the cash balance and prepare a formal documented plan indicating how the balance will be utilized.
- B. Discontinue the practice of signing checks in advance.

AUDITEE'S RESPONSE

The Juvenile Detention Center Administrator provided the following written responses:

- A. *As mentioned in the draft, a member of each County Commission sits on the Board of Directors. Board minutes indicate a periodic discussion (at least annually) of the accumulated fund balances including Board direction as to how the funds are to be invested. Further, a meeting is held with each County Commission annually to present the Juvenile Division Budget along with fund balances and their earmarks. Finally, the Presiding Circuit Judge (with the advice of the Board) is vested with the sole authority to make determinations regarding the use of the accumulated funds.*

As mentioned in the Report, the Facility Administrator discussed the intention of the Court to utilize accumulated funds for the future expansion of the Center. The occupation records referred to in the Report indicate decreasing occupation rates for the Center. These decreases are largely attributable to the Children's Shelter operation and are a result in a change in State licensing requirements for emergency residential care

facilities. The Juvenile Detention Operation, which is housed in another part of the Facility, has not been affected and continues to keep available beds strongly utilized. Discussions concerning expansion have involved the Detention Operation.

- B. *The practice of carrying a check remitted to a vendor, signed by the Board, without the amount filled in is a procedure used one time per month for only Sam's Club purchases. The purchase receipt and the return check are reconciled each month. No deficiency or clerical error has resulted from such practice. The Court has granted permission to acquire a charge account or adopt an alternative process.*

5. Senate Bill 40 Board

The Senate Bill 40 Board does not adequately monitor disbursements to not-for-profit (NFP) organizations. Insurance coverage was purchased from a company owned by the Board President without bidding. In addition, some board meeting minutes could not be located.

In accordance with Section 205.971, RSMo, the Senate Bill 40 Board provides funding from the proceeds of a property tax levy for goods and services to individuals whom are developmentally disabled. The board receives approximately \$50,000 annually in property taxes and interest.

- A. Procedures for monitoring disbursements to NFP organizations need improvement. Formal written contracts have not been entered into with the NFP organizations funded by the board. In addition, adequate supporting documentation was not obtained for some disbursements. For example, \$8,357 was paid for forklift repairs for a NFP without any supporting documentation. Disbursements totaling \$12,500 were paid to another NFP organization without documentation of how the funds were used. During 2007 and 2006, the Board provided funds to NFPs totaling approximating \$39,500 and \$33,400, respectively.

Written contracts are necessary to specify the services to be performed, provide a means for the board to monitor compliance with the contract terms, and protect the board in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo, requires all contracts to be in writing. Further, without entering into formal written contracts or obtaining and properly reviewing adequate supporting documentation, the Board cannot determine the validity and propriety of the disbursements made to the NFP organizations.

- B. No bids were solicited or obtained for liability insurance coverage totaling approximately \$1,300 annually paid to an insurance company owned by the Board President. Board minutes indicate the yearly insurance renewal was approved unanimously, and the Board President signed the check.

Section 105.454, RSMo, prohibits financial transactions between the SB40 Board and an officer (or spouse, dependent child, or business and corporate interest of the officer) of the SB40 Board that involves more than \$5,000 per year or \$500 per transaction unless there has been public notice to solicit proposals and competitive bidding, provided that the bid or offer is the lowest received.

Since the Board President approves and signs checks for all board disbursements and board meeting minutes do not indicate she abstained from voting, the transaction may give the appearance of a conflict of interest.

- C. Board meeting minutes were not always retained, and some minutes were not signed by the Board Secretary and the Board President. Minutes serve as the official permanent record of decisions made by the board and should be retained. Board minutes should be signed by the Board Secretary as preparer and by the Board President or another board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

A similar condition was noted in our prior audit report.

WE RECOMMEND the Senate Bill 40 Board:

- A. Enter into formal written contracts with organizations that receive funding from the board. These contracts should specifically address the goods and services to be provided and provide the board a means to monitor compliance with the contract terms. In addition, the Board should ensure adequate supporting documentation is obtained for all disbursements.
- B. Refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law.
- C. Ensure board minutes are signed by both the Board President and Board Secretary to attest to their accuracy and ensure all minutes are retained.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. *We now have written contracts and supporting documentation for disbursements to NFPs.*
- B. *This will be bid in the future.*
- C. *All minutes are now signed and retained as recommended.*

The County Clerk's procedures for reviewing tax book additions and abatements needs improvement and password procedures for the county's property tax system are not adequate in the Assessor's Office.

- A. There is no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax records or to amounts reflected on the County Collector's annual settlement. The County Clerk has established a procedure to record the amount of taxes the County Collector is charged with at the beginning of the year and adjusts for the collections, additions and abatements; however, the adjustments for property tax additions and abatements are based on the monthly reports received from the County Collector and not on reports received from the County Assessor's office and approved by the County Commission. As a result, the review of additions and abatements recorded on the County Collector's annual settlements is not adequate, and errors could go undetected. The county processed additions and abatements totaling approximately \$911,000 for the 2 years ended February 29, 2008.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. In addition, to ensure additions and abatements reported on the County Collector's annual settlement are accurate, the County Clerk should take steps to ensure a proper reconciliation is performed. Such procedures are intended to establish checks and balances related to the collection of property taxes.

A similar condition was noted in our prior audit report.

- B. One password to the county's property tax system is shared between all employees of the Assessor's Office. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files needed to accomplish their jobs.

WE RECOMMEND:

- A. The County Clerk periodically reconcile approved additions and abatements to changes made to the property tax records and amounts reflected on the County Collector's annual settlement.
- B. The Assessor require passwords for all employees be kept confidential and periodically changed to prevent unauthorized access to the county's computerized property tax system and data.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

- A. *We are going to start a new system for reconciling tax book charges, additions, and abatements with the County Collector's monthly reports beginning with the 2009 tax season.*

The County Assessor provided the following written response:

- B. *We bought new computers and our computer technician put everyone's password the same. I will contact him and have him to give everyone a private password.*

7. Payroll and Personnel Procedures
--

Road and bridge employee timesheets are prepared by the road and bridge supervisor and are not signed by the employees. Timesheets should be prepared and signed by the employee and signed by the employee's supervisor to indicate their agreement to the actual time worked each month.

Detailed timesheets, signed by the employee, provide information necessary to monitor overtime and leave and compensatory time usage and balances, and are essential in demonstrating compliance with county policy and Fair Labor Standards Act requirements.

WE RECOMMEND the County Commission ensure all timesheets are prepared and signed by the employee, then signed by the employee's supervisor to document approval.

AUDITEE'S RESPONSE

The County Commission provided the following response:

Employees are now signing their timesheets along with the supervisor.

8. Commission Meeting Minutes

Minutes were not prepared for closed meetings, and open meeting minutes do not always include sufficient detail of matters discussed or actions taken.

- A. The County Commission held several closed sessions over the past several years. Open session minutes typically will indicate that the meeting is being closed; however, minutes for the closed sessions are not prepared. Without minutes of closed sessions, there is no record of the discussions held or support for the

decisions made, and less assurance to the public that the various statutory provisions are being followed.

- B. The meeting minutes do not always include sufficient details of matters discussed or actions taken. For example, meeting minutes do not clearly indicate bids for road rock were received and why the low bid was not selected. Documentation of such decisions are important due to the significance of road rock purchases and the potential need to justify County Commission actions should questions arise. Additionally, the minutes sometimes indicate the County Commission met with another county official or a county resident, but do not indicate what was discussed.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, and place; members present and absent; and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Documentation of meeting discussions, such as why a low bid was not selected, is important to adequately justify decisions made and to provide a record of the business conducted and actions taken by the commission.

WE RECOMMEND the County Commission:

- A. Ensure minutes are maintained for all closed sessions.
- B. Ensure open meeting minutes contain adequate detail of discussions and actions taken.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

- A. *We will ensure closed session minutes are maintained.*
- B. *We will ensure sufficient detail of all issues discussed are documented in the meeting minutes.*

9. Sheriff's Accounting Controls and Procedures
--

The Sheriff's procedures related to accounting duties, the jail commissary/inmate bank account, and prisoner meal costs are in need of improvement. The Sheriff processes approximately \$288,000 annually in civil fees, gun permits, trailer inspections, and bonds.

- A. Accounting duties are not adequately segregated, and the Sheriff's review of the records is not documented. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording, disbursing, and reconciling. However, if proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the receipt and disbursement records should be performed and documented.

A similar condition was noted in our prior audit report.

- B. The reconciliation of the jail commissary/inmate bank account to liabilities is not documented. A list of liabilities related to the jail commissary/inmate bank account is maintained on the computer system. Jail personnel indicated the bank account balance is periodically reconciled to these computerized records; however, there is no documentation of this reconciliation. At our request, the Sheriff's department generated a liabilities list as of March 2009 which totaled approximately \$3,300 in commissary profits and inmate monies and agreed to the account balance.

Reconciling the accounting records to the bank account and a liabilities list ensures the records are in balance and sufficient funds are available for the payment of all liabilities. Documentation should be maintained to support reconciliation procedures.

- C. Meals served at the county jail are not tracked and the average meal costs are not periodically calculated. Although the Sheriff's department maintains attendance records of prisoners housed in the county jail and retains documentation of the related food purchases from local vendors, the Sheriff's department does not calculate the average cost of meals served to prisoners to determine if meal costs are reasonable. In addition, employee costs related to meal preparation are not tracked. The Sheriff's department disbursed approximately \$49,500 and \$45,900 for prisoner meals during 2007 and 2006, respectively.

To adequately monitor the costs of feeding prisoners and ensure disbursements for prisoner meals are reasonable, the Sheriff should track the number of meals served and the costs of providing the meals, including employee costs. In addition, the Sheriff should periodically review the average meal costs for prisoners. Such procedures are needed to monitor overall costs and ensure the county is utilizing the most cost effective method of providing prisoner meals.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews of receipts and checks are performed and documented.

- B. Ensure the liabilities list for the commissary/inmate account is reconciled to the account balance monthly. In addition, documentation should be maintained to support reconciliation procedures.
- C. Monitor the cost of providing prisoner meals by tracking the number of meals served and all costs associated with providing prisoner meals, and periodically calculating the average cost for prisoner meals.

AUDITEE'S RESPONSE

The County Sheriff provided the following written responses:

- A. *We will put forth a better effort to see that all deposits and bank statements be reviewed.*
- B. *The new procedure of account balancing and reconciliation of the jail Commissary/Inmate Account is now being done as was required by the State Auditors.*
- C. *In regards to the issue of meal cost in the jail a new procedure is now being utilized that will enable us to calculate and track the average cost per meal per inmate.*

10. Prosecuting Attorney's Accounting Controls and Procedures
--

Reconciling, depositing, and receipting procedures need improvement. The Prosecuting Attorney's office collected and processed court ordered restitution, bad check restitution and fees, and delinquent sales taxes totaling approximately \$140,000 and \$185,000 during the years ended December 31, 2007 and 2006, respectively. The office maintains one bank account for bad check restitution and fees and court ordered restitution.

- A. Bank reconciliations have not been properly performed for the Prosecuting Attorney's bank account. Receipts and disbursements are entered into the bad check computerized accounting system; however, an accurate bank reconciliation is not generated from the system and manual reconciliations are not performed. Based upon reports printed from the system, the reconciled bank balances were negative (\$1,060) and negative (\$7) at December 31, 2006 and 2007, respectively, and \$396 at March 2, 2009. In addition, a running book balance is not maintained for this account and without this information the accuracy of these reconciled bank balances cannot be determined.

Monthly bank reconciliations and running book balances are necessary to ensure bank activity and accounting records are in agreement, reconciling items are properly monitored, and any errors or discrepancies are corrected on a timely basis.

A similar condition was noted in our prior audit report.

- B. Monies received are not deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only once a week. A cash count performed on January 13, 2009, showed over nine days of undeposited collections, totaling approximately \$5,400. Additionally, only two deposits were made during December 2007 for \$3,118 and \$1,173. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited timely.
- C. The numerical sequence of receipt/transaction numbers in the Prosecuting Attorney's computerized accounting system is not accounted for properly. During our review of the Prosecuting Attorney's collection reports, we noted several blocks of missing receipt/transaction numbers. Personnel were unable to determine why all receipt/transaction numbers were not accounted for on reports generated from the system.

To ensure all monies received are properly recorded and deposited, the numerical sequence of receipt/transaction numbers should be accounted for properly.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure bank reconciliations are performed monthly and any differences between the reconciled bank balance and book balance are investigated and corrected.
- B. Ensure receipts are deposited timely.
- C. Ensure the numerical sequence of receipt/transaction numbers are accounted for properly.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *Being done.*
- B. *Being done.*
- C. *Not possible, we don't generate numbers. The software used does this.*

AUDITOR'S COMMENT

- C. The software provider should be consulted to assist the Prosecuting Attorney's office in accounting for the numerical sequence of receipt/transaction numbers.

11. Public Administrator's Accounting Controls and Procedures
--

Improvement is needed by the Public Administrator in the areas of depositing timely and complying with Internal Revenue Service (IRS) reporting requirements. The Public Administrator is the court appointed personal representative for wards of the court and is responsible for properly receiving, disbursing, and accounting for the assets of those individuals. During the 2 years ended December 31, 2007, the Public Administrator had responsibilities for approximately 69 wards with 3 of these wards having assets valued at over \$190,000 and the remaining wards having assets valued from \$5 to \$45,000.

- A. Receipts are not always deposited in a timely manner. The Public Administrator had an estate sale for a ward on May 23, 2008. Two checks were issued to the Public Administrator from the auction company, one check for the real estate and another check for the household items. During our review on February 23, 2009 (nine months after the auction), we found the \$6,075 check for the sale of the household items in the Public Administrator's file. After we brought this to the Public Administrator's attention, she indicated she did not realize it was there and deposited it the next day. To reduce the risk of loss or misuse of funds, the Public Administrator should account for the sale of all assets properly by ensuring all sale proceeds are recorded and deposited timely.
- B. The Public Administrator paid an individual for home health care for one of her wards. No payroll taxes were withheld from the caregiver's compensation; however, upon court order, the Public Administrator did pay this individual for one-half of the estimated amount for Social Security and Medicare taxes. In addition, vacation time was paid to the caregiver. Because there was no formal written contract and some employee fringe benefits were provided, it is questionable whether this individual should be treated as an independent contractor or a household employee. In addition, neither an IRS Form 1099-MISC nor a Form W-2 was issued. This individual was paid \$8,018 and \$34,043 in 2008 and 2007, respectively, for her services until the ward was placed in a care facility in March 2008.

The IRS Code and IRS Publication 926 contains specific instructions regarding the treatment of a household employee versus an independent contractor. The Public Administrator should comply with IRS regulations.

WE RECOMMEND the Public Administrator:

- A. Ensure all receipts are deposited timely and account for the sale of all assets.
- B. Comply with IRS regulations regarding independent contractors and/or household employees.

AUDITEE'S RESPONSE

The Public Administrator provided the following written responses:

- A. *All other receipts are filed in a timely manner and the receipt in question was paper clipped to the inside back of a file from an estate sale. Checks are usually clipped to the front inside of the sales receipts and therefore, I missed it. It was deposited as SOON as I realized the mistake.*
- B. *I consulted with 2 different tax professionals and both indicated that the individual in question would be an independent contractor worker and that yes we should pay one half of the estimated amount of Social Security and Medicare taxes. I then took that information to my attorney for the estate, who drew up the petition and order and after the Court reviewed both the petition and order to pay, the Judge signed the order, therefore, becoming an order of the Court to pay ½ of the estimated amount of Social Security and Medicare taxes.*

12. Circuit Clerk's Accounting Controls and Procedures

The Circuit Clerk does not adequately monitor accrued case costs to ensure all methods of debt collections are pursued in a timely manner.

Although the Circuit Clerk utilizes the state's debt collection and tax offset programs, procedures are not in place to ensure all cases with outstanding balances are enrolled in these programs. Approximately 450 cases totaling \$135,560 have not been enrolled in these collection programs. We identified one case with a balance due of approximately \$2,300 that had a disposition date of October 18, 2002. This case balance was outstanding for over 6 years before it was followed up on properly. As of January 15, 2009, the Justice Information System reflected approximately \$2.4 million was due to the court.

The Circuit Clerk should periodically review accrued case costs to ensure all applicable cases are enrolled in the state's collection programs.

WE RECOMMEND the Circuit Clerk develop procedures to periodically review accrued case costs to ensure all applicable cases are enrolled in the state's collection programs.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following written response:

I immediately took advantage of the Debt Collection and Tax Offset programs when they became available. I am now aware of a report that shows cases with costs due but not on the debt

collection program. I will run that report periodically to ensure all applicable cases are on the Debt Collection and Tax Offset programs.

13. Juvenile Office Transportation Services

Bids were not solicited, a written agreement was not obtained, and transportation information was not adequately reported for juvenile office transportation services.

In January 2009, the Juvenile Office entered into an agreement with an employee's spouse for juvenile transportation services without soliciting bids and obtaining a written contract. The Juvenile Office pays \$26,000 annually for this service in equal monthly installments. Upon bringing this to the attention of the Juvenile Officer, a written contract was executed in March 2009; however, the contract does not clearly outline reporting requirements or how services will be monitored. Prior to 2009, the Polk County Sheriff's Department performed these services.

Section 432.070, RSMo, requires contracts to be in writing, and Section 50.660, RSMo, requires bids to be obtained for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. The use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) and retention of documentation of the various proposals received and the selection process (including sole source procurement) provides assurance and demonstrates that the juvenile office has complied with state law and made every effort to receive the best and lowest price. Additionally, written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

WE RECOMMEND the Juvenile Officer ensure bids are solicited for all major purchases. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, written agreements which clearly detail the services to be performed and reporting requirements should be entered into as appropriate.

AUDITEE'S RESPONSE

The Juvenile Officer provided the following written response:

The Juvenile Officer will advertise for bids and continue to obtain a written contract to include outlining reporting requirements and how services will be monitored.

14.

Capital Asset Records

Procedures and records to account for county property are not adequate. The county's capital asset records have not been updated since 2006.

Currently, each county official prepares and submits an inventory list of capital assets to the County Clerk annually, and the County Clerk maintains a capital asset list for all other assets owned by the county. The capital asset list maintained by the County Clerk has not been updated since 2006. The list does not include county assets purchased after 2006, and does not include some necessary information, such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage.

A similar condition was noted in our prior audit report.

WE RECOMMEND the County Clerk implement procedures to ensure capital asset records are properly updated and include all necessary information.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

The capital asset list is now updated and is being adjusted on a monthly basis.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

POLK COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Polk County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Bolivar.

Polk County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 26,992 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 189,889,710
Personal property	58,226,850
Railroad and utilities	19,817,347
Total	<u>\$ 267,933,907</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Polk County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
Law enforcement	\$.0050	None	None	%
Road capital improvements	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:		
Denzil Roberts, Presiding Commissioner	\$	29,390
Billy Dryer, Associate Commissioner		27,390
Stuart Hosiner, Associate Commissioner		27,390
Carol Poindexter, Recorder of Deeds		41,500
Sue Entlicher, County Clerk		41,500
Paul Davolt, Prosecuting Attorney		101,091
Steven Bruce, Sheriff (1)		46,720
Judy Mackey, County Treasurer		41,500
Nathan Hoffer, County Coroner		14,000
Barbara Davolt, Public Administrator		41,500
Debbi McGinnis, County Collector, year ended February 29,	42,740	
Carolyn Page, County Assessor (2), year ended August 31,		42,188
John Nelson, County Surveyor (3)		

(1) Includes \$720 uniform allowance.

(2) Includes \$688 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Vesta Seiner, Circuit Clerk	51,197
John Porter, Associate Circuit Judge	101,090



Susan Montee, JD, CPA
Missouri State Auditor

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

House of Representatives



September 2009

Report No. 2009-91

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following report is our audit of the General Assembly and Supporting Functions - House of Representatives.

No documentation was maintained by the House to support the decision to privatize print shop and copy center activities, or of the procurement process to select a vendor to provide these services. Costs related to this contract totaled nearly \$2.5 million during the first 3 years of the contract period. In June 2005, the House entered into a 5-year contract with a private vendor to operate the print shop and copy center. The initial contract period is through June 30, 2010, with the contract to be renewed after that on a monthly basis unless terminated by either party. Prior to June 2005, the House operated the print shop and copy center with its own employees and leased printing and copying equipment from a different vendor.

Current House officials could not locate a formal request for proposals (RFP) or any competitive proposals/bids that were obtained and evaluated prior to the award of this contract. In addition, the House could provide no documentation which indicated an internal cost benefit analysis was performed to support the decision to out-source this operation. The circumstances surrounding the decision to privatize this operation and the selection of the service contractor are troubling and do not provide assurance this decision was made in a proper competitive environment. The audit recommended the House perform an internal cost benefit analysis to determine the most cost effective method to obtain print shop and copy center services when the contract expires in June 2010. If the decision is made to continue to out-source this operation, the House should solicit proposals through a formal RFP process and ensure complete documentation of the bid comparison and selection process is maintained.

Donations are solicited from lobbyists by House members and/or staff for various costs, including staff Christmas parties, retirement receptions, and food for late work sessions. The House did not maintain records of the expenses paid by lobbyists, therefore, the extent of such payments and the lobbyists who paid them could not be readily determined; however, the amounts could be substantial as our audit of the Senate noted over \$49,000 was donated by lobbyists during the 3 years ended June 30, 2008, to pay similar expenses of the Senate and its staff. In addition, the House did not notify or remind the lobbyists of the need to report the expenses paid on behalf of the House to the Missouri Ethics Commission.

Actively soliciting donations from lobbyists could give the appearance of, and may result in, a conflict of interest. To promote compliance with laws related to lobbyist activities, the House should notify lobbyists of the reporting requirement when soliciting and receiving donations, and of the need to amend expenditure reports filed with the Ethics

YELLOW SHEET

Commission for any donations not previously reported.

The House does not require employees to work a minimum of 40 hours per week as is required of employees of most other state agencies. House employees are only required to work a 35-hour work week. In addition, House policy provides annual leave benefits that are more generous than those allowed to most other state employees.

The House reimbursed out-going members for out-of-state travel expenses incurred after their final legislative session, and currently has no policy regarding this situation. The audit noted that three out-going members attended out-of-state conferences after the close of the 2006 legislative session and incurred travel costs totaling \$4,560. Another out-going member also attended an out-of-state conference and incurred travel expenses of \$909, though records indicate the member participated in a swearing-in ceremony for a national organization's new officer. Travel expenses incurred by House members to attend out-of-state conferences after the close of their final legislative session do not appear to be necessary or reasonable. In contrast, the Senate does not allow out-of-state travel in similar instances and has established a formal policy which prohibits term limited senators from being reimbursed for out-of-state travel following the close of their final regular session in the legislature.

The House paid \$15,149 in January 2007 for lapel pins and charms as gifts for each member of the 2007/2008 legislative class, at a cost of \$73 per item. Similarly, in January 2009, the House paid \$19,442 for lapel pins and charms for each member of the most current legislative class at an approximate cost of \$93 per item. These gifts do not appear to be a necessary or prudent use of state funds.

Property control duties are not adequately segregated, with the employee who is primarily responsible for maintaining the capital asset records also performing the physical inventories. Efforts to investigate items not located during physical inventories are not adequately documented and missing items that still cannot be located after being investigated are not written off in a timely manner. As of November 2008, the records listed 330 items (with a total acquisition cost of approximately \$283,000) as missing. In addition, the capital asset records have not always been properly updated to accurately reflect property transactions.

Receipts are not always remitted to the state treasury for deposit on a timely basis. During the 3 years ended June 30, 2008, a total 29 deposits totaling \$82,460 were made, or an average \$2,843 per deposit.

All reports are available on our Web site: auditor.mo.gov

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-16

<u>Number</u>	<u>Description</u>	
1.	Privatization of Print Shop and Copy Center.....	5
2.	Expenses Paid by Lobbyists	7
3.	Personnel Matters	10
4.	Expenditures	11
5.	Capital Asset Records and Procedures	13
6.	Untimely Deposits	16
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		17-24

Appendix

A	Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments House of Representatives Revolving Fund Three Years Ended June 30, 2008	21
B	Comparative Statement of Appropriations and Expenditures Three Years Ended June 30, 2008	22
C	Comparative Statement of Expenditures (from Appropriations) Five Years Ended June 30, 2008	23
D	Statement of Changes in General Capital Assets Three Years Ended June 30, 2008	24

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Members of the General Assembly - House of Representatives
Jefferson City, Missouri

We have audited the General Assembly and Supporting Functions - House of Representatives. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the House of Representatives' internal controls over significant management and financial functions.
2. Evaluate the House of Representatives' compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the House of Representatives, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the House of Representatives' management and was not subjected to the procedures applied in our audit of the House of Representatives.

The accompanying Management Advisory Report presents our findings arising from our audit of the General Assembly and Supporting Functions - House of Representatives.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Jennifer L. Carter
	Matthew Goans

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Privatization of Print Shop and Copy Center
-----------	--

No documentation was maintained by the House to support the decision to privatize print shop and copy center activities or of the procurement process to select a vendor to provide these services. Costs related to this contract totaled nearly \$2.5 million during the first 3 years of the contract period.

In June 2005, the Chairman of the House Administration and Accounts Committee executed a 5-year contract with a vendor (Vendor A) to out-source the operations of the print shop and copy center. This contract required Vendor A to provide equipment and personnel to run the center from June 29, 2005, through June 30, 2010, with the contract to be renewed after that on a monthly basis unless terminated by either party. Prior to June 2005, the House operated the print shop and copy center with House employees and leased printing and copying equipment from a different vendor (Vendor B). Approximately 2 1/2 years remained on this equipment lease at June 2005.

The contract provided Vendor A minimum monthly fees of \$62,020 for printing and copying services during the first year of the agreement, with Vendor A being allowed to increase the fees by up to 5 percent annually in subsequent years. The contract also provided that Vendor A would be entitled to other fees, including a specified charge for impressions over an established maximum. Also as part of the contract agreement, Vendor A agreed to pay almost \$1 million to Vendor B to acquire equipment and release the House from its liability under the existing equipment lease contract. After the June 2005 agreement was finalized, the House terminated the print shop and copy center employees. According to a House official, those employees were given the option to work for Vendor A in the print shop and copy center or be transferred to another department within the House. During the 3 years ended June 30, 2008, the House paid Vendor A almost \$2.5 million pursuant to this contract.

The House maintained no documentation to support the decision to out-source this operation or the subsequent procurement of the service contractor. Current House officials could not locate a formal request for proposals (RFP) or any competitive proposals/bids that were obtained and evaluated prior to the award of this contract. In addition, the House could provide no documentation which indicated an internal cost benefit analysis was performed to support the decision to out-source this operation. A current House employee indicated it was his understanding that before the decision was made to out-source the services, Vendor A submitted a proposal/cost benefit analysis to the House which indicated a cost savings could be realized if the House privatized this operation. In addition, this employee indicated he believed Vendor B was given the opportunity to submit a proposal related to these services.

During the audit, representatives of the two vendors were contacted and copies of the proposals submitted were obtained. Our analysis of this information indicated Vendor B's proposal had a lower monthly minimum fee rate and a higher established quantity of maximum impressions. However, since no documentation was maintained by the House, the reason(s) why Vendor A's proposal was selected could not be determined. In addition, while each vendor projected the House would realize a cost savings if their proposal was selected, it appears neither proposal considered any equity the House might lose if the equipment lease was paid off or terminated early.

A representative of Vendor B told us the House did not formally solicit proposals for these services, but she had learned of the House's plans to possibly privatize the print shop and copy center operation through a conversation with a House employee. According to that individual, after contacting the former Committee Chairman, Vendor B was told it could submit a proposal for these services. If this information is accurate, it is apparent the House did not procure these services through a competitive procurement process.

The circumstances surrounding the decision to privatize this operation and the selection of the service contractor are troubling and do not provide assurance this decision was made in a proper competitive environment. A competitive procurement process for major purchases, involving a written RFP and formal evaluation of the proposals received, helps assure appropriate efforts are made to obtain the lowest and best price for goods or services and ensures any interested parties are given an equal opportunity to participate in House business. In addition, the House procurement policy, established in January 2006, requires the solicitation of competitive bids for major purchases. Documentation of the various proposals received, and the selection process and criteria should be retained to support any decisions made.

WE RECOMMEND the House of Representatives maintain complete documentation to support all major future procurement decisions in accordance with current House policy. In addition, when the contract expires in June 2010, the House should perform an internal cost benefit analysis to determine the most cost effective method to obtain print shop and copy center services. If the decision is made to continue to out-source this operation, the House should solicit proposals through a formal RFP process and ensure complete documentation of the bid comparison and selection process is maintained.

AUDITEE'S RESPONSE

The decision to privatize the print shop and copy center services was conceived, executed, implemented, and documented in 2005 under leadership and management of the House of Representatives which is no longer with the organization. As noted in the State Auditor's Audit Finding 3.A. of 2003, the House did not have in place a written procurement policy. Consistent with the Auditor's recommendation of 2003, House policy H-02 relating to the procurement of goods and services was adopted in January 2006. As such, the House did not violate terms of any existing policy during the awarding of the contract under review in this finding.

Additionally, Rules of the House of Representatives for the 93rd General Assembly adopted on January 18, 2005, vest in the House Standing Committee on Administration and Accounts "sole and complete control of all financial and business obligations of the House." The decision to execute the current print shop and copy center vendor contract was made in an open committee forum with prior public notice of the committee meeting given on June 2, 2005. During the hearing of June 7, 2005, the House Standing Committee on Administration and Accounts received public testimony, discussed and debated details of the contract, and awarded the contract to the current vendor by a vote of 6 in favor, 2 against. As such, the House met all policy and legal obligations necessary for adopting and executing said contract.

Further, the House of Representatives agrees that efforts should be made to ensure complete documentation for major procurement decisions. The House would also note the current vendor contract has exceeded expectations with regard to the quality and cost-effectiveness of the vendor's provision of services. The House will continue to review compliance efforts relating to procurement policies adopted by the Committee on Administration and Accounts and augment such efforts as necessary.

2.

Expenses Paid by Lobbyists

Donations are solicited from lobbyists by House members and/or staff for various costs, including food for late work sessions, staff Christmas parties, and retirement receptions. This situation could give the appearance of, and may result in, a conflict of interest. In addition, the House did not notify lobbyists of the need to report the expenses paid on behalf of the House to the Missouri Ethics Commission.

According to House officials, during the 3 years ended June 30, 2008, lobbyists paid Jefferson City restaurants or similar service establishments for the cost of food and beverages served to House members when working late during the legislative sessions and for other purposes. House officials told us that when monies are needed, House members and/or staff will contact lobbyists and inquire whether they are interested in helping to pay the related costs. Any checks provided by lobbyists as donations/contributions are made payable to the vendor and are either remitted directly to the vendor by the lobbyist or forwarded to the restaurant/establishment by the House.

- A. The House did not maintain records of food and beverage expenses paid by lobbyists, therefore, the extent of such payments and the lobbyists who paid them could not be readily determined. However, the amounts could be substantial. In a recent audit of the Senate, we noted that legislative body also solicited and accepted monies from lobbyists to pay similar expenses. In that audit, we noted that over \$49,000 was donated by lobbyists during the 3 years ended June 30, 2008, to pay for similar costs for the Senate and its staff. Actively soliciting donations from lobbyists could give the appearance of, and may result in, a conflict of interest. As a result, House officials should reconsider the practice of soliciting donations from lobbyists.

- B. According to House officials, lobbyists have not been notified or reminded of the requirement to report any expenses made on behalf of House members or staff to the Missouri Ethics Commission. Because the House did not maintain records of those lobbyists who paid the food and beverage costs, we were unable to determine whether the applicable lobbyists properly reported those expenses to the Ethics Commission. However, the recent audit of the Senate disclosed that similar donations made on behalf of that legislative body were not properly reported by lobbyists in a number of instances.

Section 105.473, RSMo, requires that all expenditures made by a lobbyist or his/her lobbyist principals on behalf of state officials and their staffs be reported monthly by the lobbyist to the Missouri Ethics Commission.

To promote compliance with state laws related to lobbyist activities, the House should notify the lobbyists of the reporting requirement when soliciting and upon the receipt of the donations. In addition, the House should consider contacting those lobbyists who donated monies in the past, if they can be identified, and suggest they amend the expenditure reports filed with the Ethics Commission for any applicable donations not reported previously.

- C. In addition to paying food and beverage costs of House members during late work sessions, various other expenses were paid by lobbyists. These costs included Christmas parties for House staff and retirement receptions for outgoing representatives.

During audit fieldwork the House provided no records of the expenses paid by lobbyists, therefore, the extent and nature of the expenses paid could not be determined. However, during the recent audit of the Senate, approximately \$10,000 was spent on lobbyist-funded food and beverage costs provided to senators and Senate staff related to late work sessions during the 3 years ended June 30, 2008. In addition, lobbyists paid for food and beverage costs for the annual Christmas parties for Senate staff (the Senate Christmas party was held at the same restaurant where the House staff party was held in fiscal year 2008) at a cost of about \$2,000 annually. Further, expenditures incurred for a retirement reception held in fiscal year 2007 for outgoing senators totaled approximately \$10,400.

The expenditures noted above are not allowable for most state agencies. The State of Missouri Administrative Policy SP-5, issued in January 2002 by the Office of Administration, appears to prohibit or restrict food and beverage expenditures by state agencies for Christmas parties or retirement receptions.

Subsequent to audit fieldwork, the House provided documentation that suggested the estimated cost of the December 2006 holiday party may have been between \$1,300 and \$1,600. Other documentation provided included a listing of eight sponsors of the event, information indicating related expenditures of \$400 were reported to the Missouri Ethics

Commission by four sponsor lobbyists, and evidence the Chief Clerk paid \$929 from personal funds to cover the unpaid balance of the event. Documentation of the 2007 holiday party (actually held in early January 2008) included an invoice from the restaurant totaling \$707, and information indicating expenditures of \$1,000 were reported to the Ethics Commission by various lobbyists related to this event.

WE RECOMMEND the House of Representatives reconsider the practice of soliciting donations from lobbyists, and notify lobbyists of the reporting requirements and the need to amend expenditure reports filed with the Ethics Commission for any donations not previously reported. In addition, the House should ensure any future expenditures made on behalf of House members and staff are necessary.

AUDITEE'S RESPONSE

The House of Representatives agrees that all donations or gifts provided to reportable entities should be fully and correctly reported to the Missouri Ethics Commission (MEC). However, the House has neither the jurisdiction to enforce the MEC reporting requirements nor the legal obligation to notify lobbying entities regarding reportable events or reporting methods associated with lobbyist donations or gifts; this comports with the same level of jurisdiction and legal obligation as each state-wide office holder in Missouri. Such jurisdiction and obligations are placed within the Missouri Ethics Commission to be independent of and outside the immediate reach of individuals that may benefit from such lobbyist gifts or donations.

In its audit of the Missouri Ethics Commission of August 2006, the State Auditor's Office acknowledged the MEC's purview over such issues as authorized in 105.955, RSMo, and noted the following:

"The MEC does not perform adequate reviews and audits of reports received. The MEC is required by law to maintain files of lobbyist reports, campaign finance disclosure reports, and personal financial disclosure reports for public inspection. The law requires the MEC to review and audit these reports for timeliness, accuracy, and completeness. However, the MEC does not audit these reports by performing random independent verification of the data contained in them unless a complaint is filed under Section 105.472, RSMo."

The Auditor's Office is recommending an inappropriate violation of the segregation of duties by asserting that as a matter of policy the beneficiary of a donation or gift should also be in a role of directing a lobbyist to report a donation or gift or directing the means by which the gift should be reported. This is incongruent with the notion of segregating responsibilities to avoid the appearance of impropriety as recommended in finding number 5 of this audit.

While state funds were not used to provide for the events described in this audit finding, the House finds wholly objectionable and disagrees with the inclusion of confidential material from an audit of an organization outside of our purview that has not, as of this writing, yet been made public. Such information should not have been presented to the House of Representatives, nor should such information be utilized to draw comparisons against the House, when the provision of such information by the State Auditor's Office may be a violation of 29.070, RSMo. If the Auditor asserts such information is not a violation of 29.070, RSMo, then access to the full report from which the inappropriately disclosed information was drawn should have been made

available to the House of Representatives for purposes of providing adequate context for review and response. As such, the House intends to follow an appropriate course of due process for further investigation, determination, and resolution of this matter by the appropriate authorities.

AUDITOR'S COMMENT

Our finding does not suggest the House has primary responsibility for ensuring lobbyist expenditures are properly reported; that responsibility lies with the lobbyists themselves. However, considering lobbyists have incurred expenditures supporting House events/functions, it seems House officials would have an interest in promoting compliance with the Missouri Ethics Law regarding the reporting of those expenditures. In addition, we reject the House's allegation that a violation of Section 29.070, RSMo, occurred. During our audit of the General Assembly, that included separate reports of the Senate and House, limited information related to the Senate was included in the draft House report to better and more fully present the potential magnitude of this audit finding.

3.

Personnel Matters

The House of Representatives does not require its employees to work a minimum of 40 hours per week and provides annual leave benefits that are more generous than that allowed most other state employees.

Attorney General's Opinion No. 46, 1980 to Bradford, concluded legislative employees are exempt from the requirements of Section 36.350, RSMo, regarding hours of work, sick and annual leave accruals, and other personnel matters. However, our review of House personnel policies disclosed the following concerns:

- A. The House does not require employees to work a minimum of 40 hours per week as is required of employees of most other state agencies. The House handbook defines the standard workweek for House employees as a five-day week, but specifies that flexibility is allowed in employees' work schedules provided the employee meets the minimum hours required for the month. The minimum number of hours is not defined in the handbook; however, based on discussions with Human Resources staff and reviews of employee timesheets, the minimum number of work hours per month is calculated by multiplying seven times the number of working days in the month. As a result, House employees are only required to work a 35-hour work week.

Pay for other state employees is generally based on an eight hour day/forty hour work week. It appears inequitable for employees of the House to be required to work fewer hours per week than is required of most other state employees.

- B. House policy provides annual leave benefits that are more generous than those allowed to most other state employees. House policy provides that its employees earn 10 hours of annual leave benefits per month during the first 5 years of

service. After 5 years, the employees earn annual leave at a rate of 14 hours per month. Most state employees earn 10 hours of annual leave per month during the first 10 years of service, with that rate increasing to 12 hours per month after 10 years of service, and to 14 hours per month after 15 years of service.

There appears to be no basis for the House to provide annual leave benefits to its employees that are more generous than those provided to most other state employees. In addition, the additional annual leave benefits provided to House employees results in increased costs to the state.

Similar conditions were reported in previous audits of the House of Representatives. It is our understanding that changes that would have impacted these policies were considered after the previous audit, but those changes were not adopted.

WE RECOMMEND the House of Representatives:

- A. Require its employees to work 40 hours per week as is required of most other state employees.
- B. Reduce the annual leave benefits provided to its employees to an amount equal to those provided to most other state employees.

AUDITEE'S RESPONSE

- A. *For years, the House of Representatives has allowed its hours of work policy to be flexible in not requiring a strict, 40-hour workweek due to the unique workload demands of the legislative session on its employees. Since compensatory time is not awarded to many House employees, a lower hourly workweek requirement allows employees to offset some of the extra hours worked during the session in the interim. As in our response to the 2003 audit, however, the House Administration and Accounts Committee will again review this policy in light of this recommendation.*
- B. *For years, the House of Representatives has allowed its employees to accrue annual leave at the higher state rate with less years of state service due to the nature of session driven work and the high staff turnover caused by 2-year election cycles. As stated in our response to the 2003 audit, however, the House Administration and Accounts Committee will again review this policy in light of the current recommendation.*

4. Expenditures

Out-going House members were reimbursed for out-of-state travel expenses incurred after their final legislative session. In addition, gifts were provided to incoming House members which did not appear to be a necessary or prudent use of state funds.

- A. The House reimbursed out-going members for out-of-state travel expenses incurred after their final legislative session, and currently has no policy regarding

this situation. We noted three out-going members attended out-of-state conferences after the close of the 2006 legislative session and incurred travel costs totaling \$4,560. Another out-going member also attended an out-of-state conference and incurred travel expenses of \$909. House records indicated the member participated in a swearing-in ceremony for a national organization's new officer.

House policy defines members' allowable expenses as reasonable expenses directly related to those individuals' legislative duties. Travel expenses incurred by House members to attend out-of-state conferences after the close of their final legislative session do not appear to be necessary or reasonable. In contrast, the Senate does not allow out-of-state travel in similar instances and has established a formal policy which prohibits term limited senators from being reimbursed for out-of-state travel following the close of their final regular session in the legislature.

- B. The House paid \$15,149 in January 2007 for lapel pins and charms as gifts for each member of the 2007/2008 legislative class. Each of the 163 members of the House was provided one pin or charm, depending on their preference, with these items costing approximately \$73 a piece. Similarly, in January 2009, the House paid \$19,442 for lapel pins and charms for each member of the most current legislative class at an approximate cost of \$93 per item. According to a House official, these gifts have traditionally been given to each member of a legislative class.

We also noted that approximately 40 extra lapel pins/charms were purchased in both of these instances and the costs presented above include these extra items. According to a House official, every year members lose their pins and need replacements. That official indicated that in those instances, the members must purchase the replacement pin with personal funds that are deposited to the credit of the House Revolving Fund.

These gifts do not appear to be a necessary or prudent use of state funds. The House should ensure state funds are used only for items that are necessary and beneficial to the House's functions.

WE RECOMMEND the House of Representatives:

- A. Establish a policy to prohibit or restrict out-of-state travel expenses of out-going members after their final legislative session.
- B. Refrain from providing gifts to House members.

AUDITEE'S RESPONSE

- A. *State Representatives are officials that are elected to serve the constituents they represent. Their terms of office as well as their responsibilities as a duly-elected official*

are established by the Missouri Constitution. Accordingly, House policies have been enacted consistent with terms of office established by the Missouri Constitution.

Any State Representative submitting requests for travel authorization does so based upon his or her own discretion as determined by the value of the information to be obtained and its relevance to the Representative's duties.

Further, the Auditor's staff stated during audit review discussions that this finding is based on the concern that members not returning to the legislature do not benefit from travel in situations where the travel does not provide additional value to Missouri taxpayers. Since State Representatives are required to stand for public election every two years, the House cannot determine which members will or will not be returning until an election occurs. Further, many State Representatives facing their final eligible term of office with the House choose to seek election to other state positions. In such situations, the House believes State Representatives seeking travel authorization may prove beneficial to the state and Missouri's taxpayers.

- B. It has been, for several years prior, the practice to provide State Representatives with one member lapel pin at no charge to the Representative at the beginning of a new General Assembly. This pin serves as a unique identification for the Representative both within the State Capitol, at other state-sponsored meetings and events, and is a designation in recognition of the elected service of the State Representative. Should the Representative lose his or her pin, they may replace it at cost from his or her own personal funds. While the Auditor considers these items to be gifts, the House of Representatives utilizes the pins to provide a recognizable form of identification for State Representatives at state meetings and events.*

It is the understanding of the House of Representatives that executive agencies utilize state funds to purchase service pins for employees upon reaching milestones of tenure within the employing organization, as authorized by 1 CSR 10-3.010. In audit review discussions with the auditors, the concern focuses on the individual cost of such pins, not the purchase of pins itself. Accordingly, the House of Representatives will continue to seek alternative materials and bids for production of the pins at a lower per-unit cost to more closely match similar purchases made by executive agencies.

5.

Capital Asset Records and Procedures

The House of Representatives has not adequately segregated property control duties, documented follow-up efforts to locate missing items, or accurately updated the capital asset records for some property transactions.

The House of Representatives accounts for its capital assets using two separate systems, the fixed asset subsystem of the state's accounting system (SAMII) and a computerized system (Fassetrack), which has bar coding capabilities. The Fassetrack system includes assets costing \$250 or more, while the SAMII system includes assets costing \$1,000 or

more. At June 30, 2008, the House owned approximately \$1.8 million in furniture and equipment items and vehicles according to the SAMII system.

- A. Property control duties are not adequately segregated. The employee who is primarily responsible for maintaining the capital asset records also performs the physical inventories.

To ensure property records are accurate and to safeguard assets from theft or misuse, physical inventories should be performed by someone independent of the custodial and recordkeeping functions.

- B. Efforts to investigate items not located during physical inventories are not adequately documented and missing items that still cannot be located after being investigated are not written off in a timely manner. As of November 2008, the Fassetrack system listed 330 items (with a total acquisition cost of approximately \$283,000) as missing and an additional 8 items (with a total acquisition cost of over \$13,000) as stolen.

Many of the items listed as missing were purchased more than 10 years ago and have been missing for a number of years. House employees indicated the missing items could not be located during physical inventories and most of the stolen items were also items not located in previous physical inventories and the former inventory control clerk presumed the items stolen. While House employees indicated they generally follow-up on items not located during physical inventories by reviewing records of disposed items or by contacting the individual last assigned or responsible for the item, these follow-up actions are not documented. In addition, the House does not write-off such items after reasonable efforts have been made to investigate or locate the missing or stolen items, but continues to maintain these items on its property records (classified as missing or stolen) in the event the items are subsequently found.

To ensure its capital assets are properly accounted for, the House should maintain adequate documentation of its efforts to investigate items that cannot be located during the periodic physical inventories. That documentation should include the person(s) contacted, dates, and explanations/results of the investigation to help ensure adequate follow-up efforts have been performed. In addition, the House should consider writing-off any items not located after all reasonable efforts have been made to locate the items or reclassify those items in a manner which distinguishes them from missing items still being investigated.

- C. The capital asset records have not always been properly updated to accurately reflect property transactions. We reviewed 49 items that were either acquired or disposed of during the audit period and noted the following instances where the applicable property items were not accurately reflected in the property records:

- Three items had an incorrect disposal date on the SAMII listing.

- Two acquired items were not added to the property records.
- One surplus item had not been recorded on the property records.
- One item was listed as still in use after it had been surplus.

To ensure the capital asset records accurately reflect current property items, the House should properly update its records when property acquisitions and dispositions occur.

WE RECOMMEND the House of Representatives:

- Ensure an individual who is independent of the capital assets custodial and recordkeeping functions performs periodic physical inventories.
- Document the follow-up actions taken to investigate missing items not located during the physical inventories. In addition, items that cannot be located should be written-off after all reasonable efforts have been made to locate the items or reclassify those items in a manner which distinguishes them from missing items which are still being investigated.
- Ensure the capital asset records are properly updated for all property acquisitions and dispositions.

AUDITEE'S RESPONSE

- As has been previously indicated by House officials, much of the physical inventory is completed in the presence of individuals other than the House Inventory Control Specialist responsible for custodial and recordkeeping functions to provide a method of oversight in the inventory process. The House of Representatives agrees with the audit finding, however, that periodic inspections of capital assets by an individual independent of the custodial and recordkeeping functions will enhance the effectiveness of internal controls in this area. The House will formalize existing protocols for periodic sample inspections separate and apart from the individual responsible for custodial and recordkeeping functions.*
- The House agrees that additional documentation for follow-up actions will enhance physical inventory internal controls and will develop and implement additional protocols where practical. House officials have discussed with the auditors the development of write-off procedures and are gathering information and auditor recommendations relating to the best-practices for proper execution of write-offs.*
- The House agrees that capital asset records must be properly updated for property acquisitions and disposition in a timely fashion. Previous actions by House administration have significantly improved compliance and timeliness of asset control.*

The House will continue to monitor and assess the updating of acquisition and disposition records to determine whether further action is necessary.

6.

Untimely Deposits

The House of Representatives does not always remit receipts timely to the state treasury for deposit to the House of Representatives Revolving Fund. During the 3 years ended June 30, 2008, we noted a total 29 deposits totaling \$82,460, or an average \$2,843 per deposit, were made to this fund. Only eight deposits were made during fiscal year 2008. We noted one \$6,560 deposit made on February 13, 2008, which appeared to include all monies received in January 2008 as well as those monies received in February 2008 through the date of the deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be remitted for deposit on a timely basis.

WE RECOMMEND the House of Representatives remit monies received to the state treasury in a timely manner.

AUDITEE'S RESPONSE

The House of Representatives agrees with this recommendation and is initiating procedures to ensure deposits are made on a more frequent and regularly occurring basis.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Legislative power in Missouri is vested by Article III, Section 1, Constitution of Missouri, in the General Assembly, more commonly known as the legislature. The legislature is composed of the Senate and the House of Representatives.

The House of Representatives consists of 163 members elected for 2-year terms at each general election. A member generally may serve up to 8 years as a representative based upon re-election. The House of Representatives convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30, with no consideration of bills after 6:00 P.M. on the first Friday after the second Monday in May.

Each representative must be at least 24 years of age, a qualified voter of the state for 2 years, and of the district he/she represents for 1 year. The speaker of the House of Representatives is the presiding officer.

Representatives received salaries as follows:

<u>Positions</u>	<u>Year Ended June 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Speaker of the house	\$ 33,851	\$ 33,851	\$ 33,851
Speaker pro tem and floor leaders	32,851	32,851	32,851
All remaining representatives	31,351	31,351	31,351

Representatives were authorized to receive per diems, mileage allowances, and mileage reimbursement as follows:

<u>Effective Dates</u>	<u>Per Diem</u>	<u>Mileage Rate</u>
July 1, 2005 – September 30, 2005	\$76.80	
October 1, 2005 – September 30, 2007	79.20	
October 1, 2007 – June 30, 2008	87.20	
July1, 2005 - June 30, 2006		\$0.375
July 1, 2006 - June 30, 2007		0.415
July 1, 2007 – June 30, 2008		0.455

Each representative is paid a per diem each day the representative is in attendance at the legislative session. In addition, representatives are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session. Members do not receive per diems or statutory mileage allowances during technical sessions; however, mileage expenses are reimbursed from the House of Representatives' contingency funds. Each

member is also credited with \$800 a month to cover the cost of office supplies, district staff salaries, postage, mileage incurred and not paid for by statute, and other incidental expenses. In July 2007, each member received an additional \$1,227 one time credit for postage.

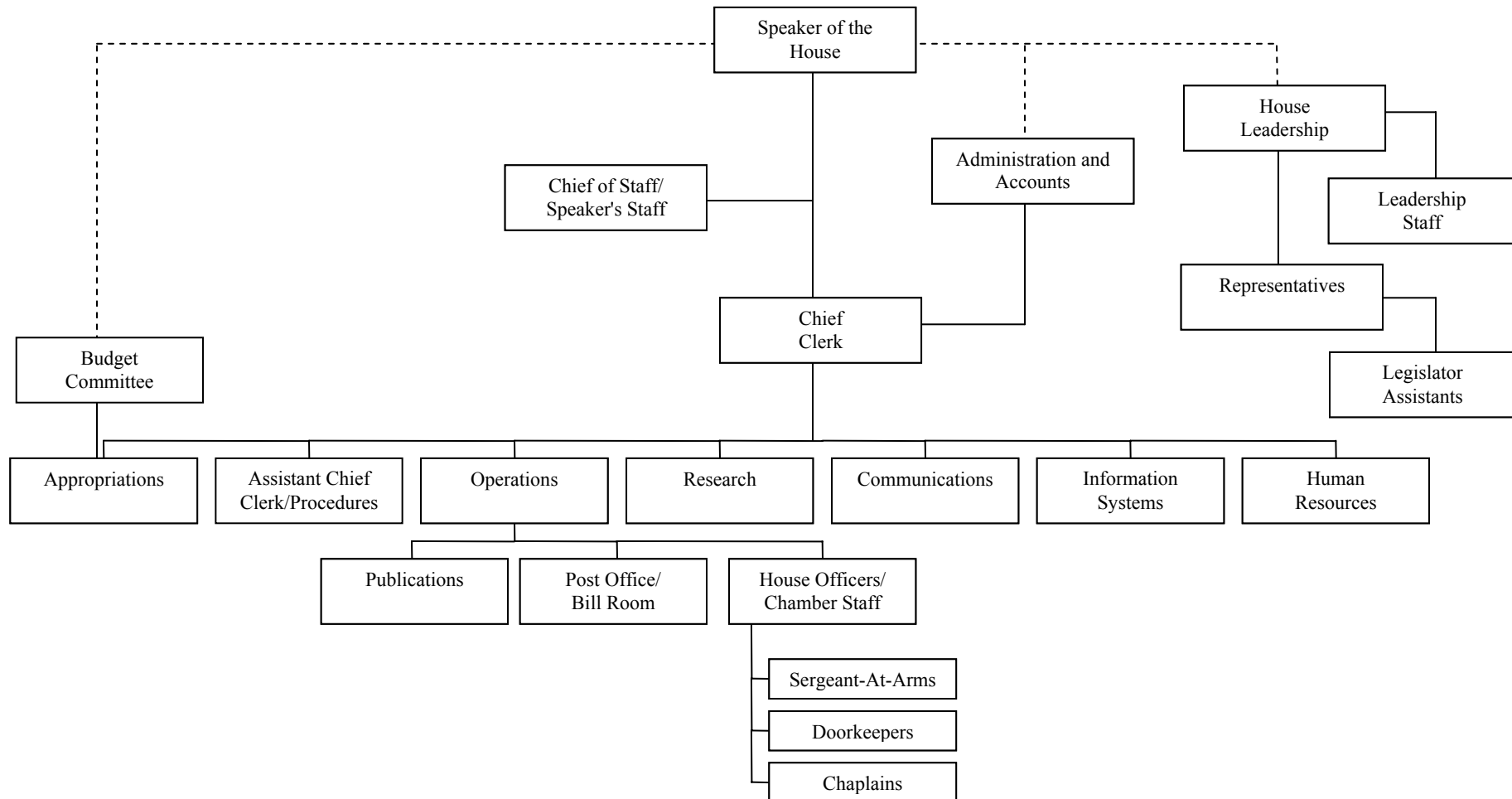
The Speaker of the House appoints and approves members to the Administration and Accounts Committee which has control of the financial obligations and business affairs of the House. The committee also prescribes rules governing the expenditure of funds allotted to individual members for the operation of their offices. Former Representative Mark Wright served as Chairman of the Administration and Accounts Committee from January 2005 until January 2007. Representative Kenny Jones has served as Chairman of the committee since January 2007.

The Chief Clerk is elected by the House members and is responsible for maintaining the financial records of the House and overseeing its operations. Stephen Davis served as Chief Clerk from January 2003 until July 2006. Adam Crumbliss has served as Chief Clerk since July 2006.

The House of Representatives is organized into seven divisions consisting of: appropriations, information systems, research, human resources, communications, operations, and assistant chief clerk/procedures. At June 30, 2008, the House of Representatives had 94 full-time employees, 154 legislative assistants, and 21 part-time and session employees.

An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
ORGANIZATION CHART
JUNE 30, 2008



Appendix A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

HOUSE OF REPRESENTATIVES

HOUSE OF REPRESENTATIVES REVOLVING FUND

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
AND INVESTMENTS

		Year Ended June 30,		
		2008	2007	2006
RECEIPTS				
Sales and reimbursements	\$	25,676	33,569	31,522
Total Receipts		<u>25,676</u>	<u>33,569</u>	<u>31,522</u>
DISBURSEMENTS				
Transfers to General Revenue Fund - State		31,868	276	47,554
Expense and equipment		14,786	18,926	13,657
Total Disbursements		<u>46,654</u>	<u>19,202</u>	<u>61,211</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		<u>(20,978)</u>	<u>14,367</u>	<u>(29,689)</u>
CASH AND INVESTMENTS, JULY 1		<u>36,200</u>	<u>21,833</u>	<u>51,522</u>
CASH AND INVESTMENTS, JUNE 30	\$	<u><u>15,222</u></u>	<u><u>36,200</u></u>	<u><u>21,833</u></u>

Appendix B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

				Year Ended June 30,					
2008				2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE									
House contingent expenses	\$ 11,051,904	10,977,666	74,238	10,784,796	10,784,318	478	10,326,956	10,311,346	15,610
Representatives' expense vouchers	1,566,009	1,117,760	448,249	1,565,479	1,564,859	620	1,564,800	1,564,799	1
Representatives' salaries	5,117,283	5,021,237	96,046	5,117,283	5,076,864	40,419	5,117,283	5,043,914	73,369
Representatives' mileage	440,491	427,653	12,838	400,491	373,253	27,238	342,660	328,554	14,106
Representatives' per diem	1,290,960	998,942	292,018	1,290,960	941,292	349,668	1,083,950	929,121	154,829
Total General Revenue Fund-State	19,466,647	18,543,258	923,389	19,159,009	18,740,586	418,423	18,435,649	18,177,734	257,915
HOUSE OF REPRESENTATIVES REVOLVING FUND									
Contingent expenses	45,000	14,786	30,214	45,000	18,926	26,074	45,000	13,657	31,343
Total All Funds	\$ 19,511,647	18,558,044	953,603	19,204,009	18,759,512	444,497	18,480,649	18,191,391	289,258

Appendix C

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

HOUSE OF REPRESENTATIVES

COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

		Year Ended June 30,				
		2008	2007	2006	2005	2004
Salaries and wages	\$	13,870,507	13,616,700	13,451,889	13,461,304	13,451,694
Travel, in-state		1,729,101	1,628,582	1,512,845	1,406,437	1,438,643
Travel, out-of-state		78,359	82,987	48,262	23,881	39,593
Supplies		775,694	1,292,956	1,141,273	975,243	890,951
Professional development		86,476	62,445	57,311	64,544	36,405
Communication services and supplies		329,656	332,356	378,060	387,050	426,840
Services:						
Professional services		952,564	946,551	125,126	171,715	112,779
Housekeeping and janitorial		120,164	110,860	103,181	117,098	87,609
Maintenance and repair		89,282	161,179	990,745	857,546	691,360
Computer equipment		376,969	324,258	211,526	183,338	109,111
Office and other equipment		53,249	87,629	73,702	107,549	30,286
Property and improvements		18,703	15,439	12,469	15,620	5,450
Building and equipment leases		11,292	11,292	12,292	11,332	11,332
Miscellaneous		66,028	86,278	72,710	98,261	81,947
Total	\$	<u>18,558,044</u>	<u>18,759,512</u>	<u>18,191,391</u>	<u>17,880,918</u>	<u>17,414,000</u>

Appendix D

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS HOUSE OF REPRESENTATIVES STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

All Funds	Furniture and Equipment	Vehicles	Total
Balance, July 1, 2005	\$ 2,160,624	18,928	2,179,552
Additions	52,963	0	52,963
Dispositions	(246,106)	0	(246,106)
Balance, June 30, 2006	1,967,481	18,928	1,986,409
Additions	131,393	0	131,393
Dispositions	(122,342)	0	(122,342)
Balance, June 30, 2007	1,976,532	18,928	1,995,460
Additions	99,385	0	99,385
Dispositions	(263,879)	0	(263,879)
Balance, June 30, 2008	\$ 1,812,038	18,928	1,830,966



Susan Montee, JD, CPA
Missouri State Auditor

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

Senate



September 2009
Report No. 2009-90

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

September 2009

The following report is our audit of the General Assembly and Supporting Functions - Senate.

Donations are solicited from lobbyists by senators or Senate officials and used to pay various costs, including Christmas parties and gift cards for Senate staff, retirement receptions and gifts for outgoing senators, and food and beverage costs of senators and Senate staff when working late during legislative sessions. These donations have been deposited into a separate bank account maintained outside the state treasury, although it is not clear there is authority to do so. Since the establishment of the account in December 2003, donations totaling \$76,070 have been deposited into this account, with \$60,945 being disbursed from this account. Donations have been received from over 100 different lobbyists or lobbyist principals. Some of these donations (9 of 15 tested) were not properly reported by the lobbyists to the Missouri Ethics Commission, as required by law. Also, some control weaknesses were noted over the receipt and handling of these monies.

Actively soliciting donations from lobbyists could give the appearance of, and may result in, a conflict of interest. In addition, constitutional and statutory provisions indicate that state funds are to be held and disbursed by the state treasurer. To promote compliance with laws related to lobbyist activities, the Senate should notify lobbyists of the reporting requirement when soliciting and receiving donations, and the need to amend expenditure reports filed with the Ethic Commission for any donations not previously reported.

Support staff employees are not required to sign their timesheets to document the hours worked and any leave taken. In addition, the employees' supervisors do not routinely review and approve the timesheets of their subordinates or related data in the time management system. For senators' personal staff, detailed timesheets and records of compensatory time earned and accumulated are not always prepared or centrally maintained. The Senate does not require the time management system used for support staff to be used by senators' personal staff and senators are allowed to decide how the time worked by their personal staff is to be documented.

The Senate accounts for its capital assets using two separate systems, an internal computerized system with bar coding capabilities and the fixed asset subsystem of the state's accounting system. The Senate does not periodically reconcile the information on these two capital asset systems. In addition, property control duties are not adequately segregated, with the employee who maintains the records also performing the physical inventories.

The Senate did not always comply with bidding and documentation requirements of its procurement policy. Instances were noted in which competitive bids or proposals were

YELLOW SHEET

either not obtained or the procurement methods and circumstances were not properly documented. Instances noted included a digital recording system costing \$9,775, computers and related equipment costing \$21,707, and legal services costing \$13,202. In addition, gifts were provided to outgoing senators which were paid from the state's General Revenue Fund. In June 2006, the Senate paid \$2,240 for eight framed and engraved silver trays which were provided as gifts to the senators leaving office in 2006. Similarly, in early fiscal 2009, \$1,947 was spent on seven framed silver trays given to outgoing senators in 2008. These gifts do not appear to be a necessary or prudent use of state funds.

The Senate does not have a formal disaster recovery plan for its computer system/data and does not store copies of backup data at an off-site location.

All reports are available on our Web site: auditor.mo.gov

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
SENATE

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-15

<u>Number</u>	<u>Description</u>	
1.	Senate Administrator's Fund	5
2.	Employee Time and Leave Records	9
3.	Capital Asset Records and Procedures	11
4.	Expenditures	12
5.	Computer Security	14
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		16-26

Appendix

	Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments	
A-1	Year Ended June 30, 2008	21
A-2	Year Ended June 30, 2007	22
A-3	Year Ended June 30, 2006	23
B	Comparative Statement of Appropriations and Expenditures Three Years Ended June 30, 2008	24
C	Comparative Statement of Expenditures (from Appropriations) Five Years Ended June 30, 2008	25
D	Statement of Changes in General Capital Assets Years Ended June 30, 2008, 2007, and 2006	26

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Members of the General Assembly - Senate
Jefferson City, Missouri

We have audited the General Assembly and Supporting Functions - Senate. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the Senate's internal controls over significant management and financial functions.
2. Evaluate the Senate's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Senate, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Senate's management and was not subjected to the procedures applied in our audit of the Senate.

The accompanying Management Advisory Report presents our findings arising from our audit of the General Assembly and Supporting Functions - Senate.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditors:	Gayle A. Garrison John Lieser, CPA
Audit Staff:	Jennifer L. Carter Robert H. Graham

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
SENATE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Senate Administrator's Fund
-----------	------------------------------------

Donations are solicited from lobbyists by senators or Senate officials and used to pay various costs, including Christmas parties and gift cards for Senate staff and retirement receptions and gifts for outgoing senators. This situation could give the appearance of, and may result in, a conflict of interest. These donations have been deposited into a bank account maintained outside the state treasury, although it is not clear there is authority to do so. Some donations were not properly reported by the lobbyists to the Missouri Ethics Commission, as required by law. Also, adequate controls have not been established over the receipt and handling of these donations.

In December 2003, a former Senate Administrator established the Senate Administrator's Fund Bank Account to receive and deposit donations from lobbyists to pay for food and beverage costs of senators and Senate staff when working late during legislative sessions and to pay the costs of the annual staff Christmas parties. According to Senate officials, lobbyists had made donations for meals and the annual Christmas party prior to establishment of the bank account, but it was believed that establishing the account would be more convenient and efficient by allowing lobbyists to donate throughout the year instead of shortly before the monies were needed.

- A. Since the establishment of the account in December 2003, through June 30, 2008, donations totaling \$76,070 have been deposited into this account, with donations from over 100 different lobbyists or lobbyist principals. Also during that period, a total of \$60,945 has been disbursed from the account. Actively soliciting donations from lobbyists and could give the appearance of, and may result in, a conflict of interest. As a result, Senate officials should reconsider the practice of soliciting donations from lobbyists.
- B. In an April 2003 letter to the former Senate Administrator, the Missouri Ethics Commission accepted the establishment of the fund with the understanding that any donations received would be reported on the lobbyists' monthly expenditure reports. However, it appears many donations received from lobbyists were not reported on the lobbyists' expenditure reports as required by state law. We reviewed 15 donations, totaling \$10,365, from lobbyists received between April and August 2008 and noted that at least 9 of the donations, totaling \$8,035, were not properly reported by the lobbyists on the monthly expenditure reports filed with the Missouri Ethics Commission.

Section 105.473.3, RSMo, requires that all expenditures made by a lobbyist or his/her lobbyist principals on behalf of state officials and their staffs be reported

monthly by the lobbyists to the Missouri Ethics Commission. There was no documentation to indicate that lobbyists were notified or reminded of the requirement to report any donations to the Senate to the Missouri Ethics Commission. To promote compliance with state laws related to lobbyist activities, the Senate should notify the lobbyists of the reporting requirement when soliciting and upon receipt of donations. In addition, the Senate should consider contacting those lobbyists who donated monies in the past and suggest they amend the expenditure reports filed with the Ethics Commission for any applicable donations not reported previously.

- C. During the three years ended June 30, 2008, approximately \$10,000 was spent from the bank account on food and beverage costs of senators and Senate staff when working late during the legislative sessions. In addition, various other expenses were paid from this account. These costs included Christmas parties for Senate staff, gift cards provided to Senate employees, and retirement receptions and gifts for outgoing/retiring senators. Since its inception and through June 30, 2008, the Senate expended the following amounts for these purposes:

Purpose	Amount
Retirement receptions for outgoing senators	\$ 19,951
Gift cards/certificates given to Senate employees	10,700
Senate staff Christmas parties	9,150
Gifts for outgoing/retiring senators	2,500
Total	<u>\$42,301</u>

- The retirement reception costs relate to receptions held every two years for outgoing senators at a Jefferson City country club. The total expenditures for the retirement reception held in fiscal year 2007 totaled approximately \$10,400, and included food and beverages (including alcohol) for approximately 200 people and \$300 for a musician.
- The gift card/certificate costs relate to \$25 gift cards/certificates purchased during the year from local stores and restaurants which were given to Senate employees at the annual Christmas parties through various drawings. The amounts spent on these gift cards/certificates totaled \$2,175 in both fiscal years 2006 and 2007, and \$2,000 in fiscal year 2008.
- The Christmas party expenses relate to annual parties held each year for all Senate staff at a restaurant in Jefferson City. During the three years ended June 30, 2008, Senate officials set a limit of \$2,000 on the annual party costs to be paid from the Senate Administrator's Fund. The restaurant provided food and beverages (including alcohol) for the party until the limit was reached. In addition to party expenses paid from the Senate Administrator's Fund, records indicated that an additional \$450 was paid directly to the restaurant by lobbyists for the 2006 Christmas party.

- The gifts to senators were for lapel pins given to outgoing senators in fiscal year 2007. These retirement pins were engraved with the senator's name and years of service. Eight of these pins were purchased and given to senators in fiscal year 2007 at a total cost of \$2,500, or \$313 each. In addition, we noted that seven retirement pins were purchased for outgoing senators in fiscal year 2009 at a total cost of \$2,861, or \$409 each.

The expenditures noted above are not allowable for most state agencies. The State of Missouri Administrative Policy SP-5, issued in January 2002 by the Office of Administration, appears to prohibit or restrict food and beverage expenditures by state agencies for Christmas parties or retirement receptions. Also, gifts to employees of state agencies are not allowable. Article III, Section 38(a), of the Missouri Constitution, prohibits the granting of public monies or property to any private person, association, or corporation.

While it appears the Senate is not subject to some policies and restrictions that apply to other state agencies, these expenditures do not appear to be a necessary use of funds.

- D. The Senate Administrator's Fund bank account is controlled and administered exclusively by Senate officials. We could locate no statutory or other authority for Senate officials to open a bank account outside the state treasury. In addition, there was no indication the former Senate Administrator communicated with the State Treasurer's Office (STO) prior to establishing this account.

Article IV, Section 15, Missouri Constitution, and Section 30.240, RSMo, require state funds to be held and disbursed by the state treasurer.

Senate officials should close the account and communicate with the STO regarding the proper disposition of the monies remaining in the account.

- E. Internal controls surrounding the handling of the Senate Administrator Fund monies are not adequate. Donations are initially received in the Senate Administrator's office and subsequently remitted to Senate Accounting to be recorded and deposited. The following concerns were noted related to the handling of these monies:

- 1) No records are maintained to account for all donations when they are initially received. The Senate Administrator's office does not issue receipt slips or maintain a receipts ledger of the donations received. That office only maintained a list of donations received for the 2006 Christmas party and the 2008 retirement reception. While the donations received are later listed on a deposit log, those monies are not posted to this record until shortly before the monies are deposited.

To adequately account for donations received and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all

monies received or the monies should be recorded in a detailed receipts ledger immediately upon receipt.

- 2) Some donations received are not deposited in a timely manner. We compared the date of receipt of 16 donations on the 2008 retirement reception listing to the deposit date and noted 8 donations totaling \$7,455 were not deposited until 10 to 20 days after receipt and another \$300 donation was not deposited until 37 days after receipt.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made on a timely basis.

- 3) The duties of preparing and making deposits and subsequently preparing bank reconciliations are not adequately segregated. These duties are all performed by the Chief Financial Officer in Senate accounting.

To safeguard against possible loss or misuse of funds, proper internal controls require segregating the duties of preparing and making the deposits, and reconciling the bank account.

WE RECOMMEND the Senate:

- A&B. Reconsider the practice of soliciting donations from lobbyists, and notify lobbyists of the reporting requirements and the need to amend expenditure reports filed with the Ethics Commission for donations not previously reported.
- C&D. Ensure any future expenditures be made for necessary purposes and direct the current Senate Administrator to close the account and communicate with the STO regarding the proper disposition of the monies remaining in the account.
- E. Ensure adequate internal controls are established, if it continues to receive donations from lobbyists or other outside parties. These controls should include:
 1. Issuing prenumbered receipt slips for any monies received or recording the receipts in a ledger immediately upon receipt.
 2. Depositing or transmitting monies on a timely basis.
 3. Segregating the duties of preparing and making the deposits and transmittals, and performing the monthly bank reconciliations.

AUDITEE'S RESPONSE

Although the Administrator's Fund does not involve tax payers' funds in any way and may provide more convenience and efficiency in the handling of certain expenditures, its creation was also part of an on-going effort by the Senate to lower costs to the state. Previously, depending upon the expenditure, items would either be paid using the Senate contingent appropriation

(general revenue), or via payment from a donor to a third party. Since its creation, relevant expenses are simply paid from this account (which is comprised solely of donations for the designated purposes) resulting in the saving of state resources.

The most important benefit the use of this account has afforded is transparency and accountability in the reporting of funds received and expenditures made. Each dollar received and expenditure incurred has been clearly detailed and documented.

A&B. Pursuant to the statutory reference cited, expenditures by lobbyists or principals are to be reported to the Missouri Ethics Commission, **by the lobbyists**. To better ensure statutory compliance, a notification of said requirement will be provided to any future donor.

C&D. As pointed out to audit staff, food & beverage expenditures incurred while working late sessions could be paid from the senate contingent appropriation, as had been done on occasion previously.

E. Internal controls have been enhanced as noted, along with clarifications of some of the issues raised by the auditors.

1. The issuance of pre-numbered receipt slips for all funds received for this account was implemented in December 2008.
2. Efforts have been made to assure that all receipts are deposited expeditiously. The auditor's sample compared the date of receipt (based on a partial log utilizing check date) of 16 checks with the actual deposit date. However, there may be little correlation between the check date and the received date.

For comparison, a review of all receipted payments to the Senate Revolving Fund for deposits during the same period (March to June 2008) compared the check date and the receipt date. Checks are to be receipted when received. The average difference between the check dates and receipt dates was 6.6 days. Out of the 44 items tested there were a total of 7 items with receipt dates which were more than 10 days after the check date (including 3 receipted items with check dates at least 20 days old).

3. As noted during the audit, while the CFO was responsible for the maintenance and reconciliation of the account's records, the Senate Administrator actually possessed and maintained the checkbook. A further segregation of duties by those responsible for the account was instituted in December 2008.

2.

Employee Time and Leave Records

Senate support staff employees do not sign off on their timesheets and supervisory employees do not review and approve timesheets of their subordinates. In addition,

detailed timesheets and compensatory time records are not always prepared and centrally maintained.

The Senate has two groups of employees. Senate support staff, such as research analysts, print shop employees, accounting staff, and maintenance employees, work for the Senate overall; and senators' personal staff, such as attorneys and secretaries, work exclusively for a senator. In response to issues reported in prior audits of the Senate, a time-keeping system was established for recording time worked and leave earned, taken, and accumulated. This system has been used for support staff employees, but not for senators' personal staff. A review of the current procedures to account for the time worked and leave taken and accumulated by Senate employees disclosed the following concerns:

- A. Support staff employees are not required to sign their timesheets to document the hours worked and any leave taken. In addition, the employees' supervisors do not routinely review and approve the timesheets of their subordinates or related data in the time management system.

To ensure proper control over payroll, support staff employees should be required to sign their timesheets and supervisory employees should be required to review and approve the timesheets of those employees they are responsible for supervising.

- B. For senators' personal staff, detailed timesheets and records of compensatory time earned and accumulated are not always prepared or centrally maintained. The Senate does not require the time management system to be used by senators' personal staff and senators are allowed to decide how the time worked by their personal staff is to be documented. While some senators require personal staff to prepare detailed timesheets and remit those timesheets to Senate Accounting, other senators only submit information to Senate Accounting which summarizes the compensation to be received for that pay period, the total hours worked and pay rate if part-time, and summarized annual leave and sick leave activity. This information submitted generally does not include any detail regarding the employees' hours worked or leave taken for each day nor any information regarding any compensatory time earned, taken, or accumulated by their employees.

Timesheets detailing the daily hours worked and leave taken are necessary to provide support for the payroll costs of the senators' personal staff. In addition, the compensatory time records for the senators' personal staff should be maintained centrally to provide assurance the balances are maintained accurately.

A similar condition was noted in previous audits of the Senate.

WE RECOMMEND the Senate:

- A. Require support staff employees to sign their timesheets. In addition, supervisory employees should be required to review and approve timesheets of their subordinates or related data in the time management system.
- B. Require senators' personal staff to use the same time-keeping system which is currently used by Senate support staff to account for their time worked, leave taken, and any compensatory time earned and taken.

AUDITEE'S RESPONSE

- A. *Support staff is required to verify their respective accrued leave balances as shown on the time management system annually. To enhance control, effective immediately we will require all support staff and their respective supervisor to regularly review and approve timesheets.*
- B. *We are currently in the process of moving all staff to the SAM II time and leave system.*

3. Capital Asset Records and Procedures
--

The two systems currently used to account for property items are not reconciled on a periodic basis and the property control duties are not adequately segregated.

At June 30, 2008, the Senate owned approximately \$2.3 million in furniture and equipment items. A review of the records and controls over these property items disclosed the following concerns:

- A. The Senate accounts for its capital assets using two separate systems. In 2002, the Senate acquired and began using a computerized system (Fassetrack) with bar coding capabilities. In 2004, the Senate also began using the fixed asset subsystem of the state's accounting system (SAMII). The Fassetrack system accounts for all property items costing \$250 or more, while the SAMII system accounts for property items costing \$1,000 or more.

The Senate does not periodically reconcile the information on these two capital asset systems. The Senate reconciled the two systems in November 2008 upon our request. In doing so, Senate employees discovered a number of inaccuracies in the SAMII and Fassetrack data and subsequently made adjustments to correct the records. For example, net adjustments totaling approximately \$145,000 were made to the records to more accurately reflect the acquisition of a computer network in 2006.

The Senate should annually reconcile the Fassetrack and SAMII capital asset systems to ensure the information presented on these systems is presented accurately.

- B. Property control duties are not adequately segregated. The employee who maintains the Fassetrack records also performs the physical inventories. To ensure property records are accurate and to safeguard assets from theft or misuse, physical inventories should be performed by someone independent of the custodial and recordkeeping functions.

This condition was noted in our previous audit of the Senate.

WE RECOMMEND the Senate:

- A. Perform annual reconciliations of the Fassetrack and SAMII property control systems.
- B. Require an individual independent of the capital assets custodial or recordkeeping function perform the annual physical inventory or, at a minimum, be involved in the physical inventory procedures.

AUDITEE'S RESPONSE

Annual reconciliations are presently being performed between the Fassetrack and SAM II property control systems. One employee has had primary responsibility for the maintenance of the internal property control records and performance of the annual physical inventory. However, as pointed out during the audit this person typically is assisted in the physical inventory by other employees. Furthermore, the maintenance of the SAM II property control system and the reconciliation of the two systems is performed by a separate employee.

4. Expenditures

The Senate did not always comply with bidding and documentation requirements of its procurement policy. In addition, gifts costing almost \$4,200 were provided to retiring senators in recent years which did not appear to be a necessary or prudent use of state funds.

- A. The Senate manages its own purchasing functions. While Section 34.010, RSMo, exempts the legislature from the procurement and bidding requirements which apply to most state agencies, past audits of the Senate have reported that a written procurement policy had not been established and recommended that such a policy be developed. In November 2004, the Senate established a written procurement policy requiring that bids or proposals be formally solicited (through a request for proposals (RFPs) or other similar means) for purchases of \$10,000 or more and documentation be maintained of the procurement process. In January 2008, the

policy was revised and the threshold for the solicitation of formal bids or proposals was raised to \$25,000. The policy also provides that if the cost of the procurement is less than the established threshold, informal procurement methods (i.e. telephone quotes, internet quotes or comparisons, etc.) are acceptable. All such informal procurement efforts are to be documented.

During our review of Senate expenditures, we noted competitive bids were properly obtained for a number of purchases. However, we noted the following instances in which competitive bids or proposals were either not obtained or the informal procurements methods and the circumstances related to purchases were not properly documented:

- In fiscal year 2008, a digital recording hardware and software system was purchased at a cost of \$9,775. The limited documentation available indicated that three vendors were contacted and only one vendor could provide the desired equipment. In addition, there was indication that an internet search for the equipment was conducted. However, the dates of the vendor contacts and the results of the internet search were not documented.
- In June 2008, the Senate purchased computers and related equipment directly from a computer supplier at cost totaling \$21,707. A Senate official indicated that bids were not solicited because the vendor also provides computers to the state under a statewide contract. However, the Senate did not maintain documentation to show that the prices paid were equivalent to or better than those which were obtainable under state contract.
- In January 2007, \$13,202 was paid to a law firm for legal services provided for a Senate committee. A Senate official indicated several law firms were considered when obtaining these services; however, no documentation was maintained of the law firms considered or why the law firm was selected.

To ensure and demonstrate compliance with its procurement policy, the Senate should maintain adequate documentation to support all significant purchases, including those procurements handled through informal methods. If competitive bids cannot be obtained because of sole source or emergency situations, the circumstances should be thoroughly documented.

- B. In June 2006, the Senate paid \$2,240 for eight framed and engraved silver trays which were provided as gifts to the senators leaving office in 2006. Similarly, in early fiscal 2009, an additional \$1,947 was spent on seven framed silver trays given to outgoing senators in 2008. The cost of these gifts was paid from the state's General Revenue Fund. According to a Senate official, these gifts have traditionally been given to retiring senators.

These gifts do not appear to be a necessary or prudent use of state funds. The Senate should ensure state funds are used only for items that are necessary and beneficial to the Senate's functions.

WE RECOMMEND the Senate:

- A. Obtain competitive bids or proposals on significant purchases in accordance with its current procurement policy and maintain adequate documentation to support the procurement methods (whether formal or informal) and the factors considered in making the procurement decisions.
- B. Refrain from providing gifts to outgoing senators.

AUDITEE'S RESPONSE

- A. *The Senate will continue to adhere to its procurement policy while ensuring that appropriate documentation of purchase decisions is maintained.*
- B. *The practice of providing engraved trays to outgoing senators has been standard for many years. A review of this practice will be done.*

5. Computer Security

The Senate does not have a formal disaster recovery plan for its computer systems/data and does not store copies of backup data at an off-site location.

The Senate relies heavily on computer systems for various applications, including databases related to pending legislation, voters and constituents, fixed assets, and employee time and leave records. A review of the controls and security over this information disclosed the following concerns:

- A. The Senate has not developed a formal disaster recovery plan to help the Senate resume normal business operations and promptly restore computer operations in the event of a disaster or other disruptive occurrence. Because of the Senate's degree of reliance on the computer systems, the need for contingency planning is evident.

A formal written disaster recovery plan should specify recovery actions required to reestablish critical computer operations and include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. In the case of a disaster, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations. Once a disaster recovery plan has been developed and approved, it should be periodically tested and reviewed.

- B. The Senate backs up all database and website information nightly to tapes and a server backup hard drive; however, a copy of this information is not stored at an off-site location. Storing backup data offsite provides protection for important electronic data.

A minimal level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at a secure off-site location on a regular and timely basis. These procedures would help allow the Senate to maintain business operations or to recover rapidly from most disruptions to or failure of the Senate's computer systems.

WE RECOMMEND the Senate:

- A. Develop a formal written disaster recovery plan. The plan should then be periodically tested and evaluated to ensure business operations can continue in the event of a disruption to normal operations.
- B. Ensure backups of the Senate's electronic data are stored at a secure off-site location on a regular and timely basis.

AUDITEE'S RESPONSE

Agency personnel have been in discussions with representatives from the Office of Administration and emergency planning groups in the development of a coordinated comprehensive disaster recovery plan. An evaluation of the requirements necessary to install a back-up system in our remote parking facility is ongoing.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
SENATE
HISTORY, ORGANIZATION AND STATISTICAL INFORMATION

Legislative power in Missouri is vested by Article III, Section 1, Constitution of Missouri, in the General Assembly, more commonly known as the legislature, composed of the Senate and the House of Representatives.

The Senate consists of 34 members who are elected for 4-year terms. Senators from odd-numbered districts are elected in Presidential election years. Senators from even-numbered districts are chosen in the "off-year" elections. Each senator must be at least 30 years of age, and a qualified voter of the state for 3 years and the district he represents for 1 year. The lieutenant governor is president and presiding officer of the Senate. In his absence, the president pro tem, who is elected by the Senate members, presides. The Senate convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30, with no consideration of bills after 6:00 P.M., on the first Friday after the second Monday in May.

Senate leadership positions are classified as either a leadership or committee chairman. Senators in leadership positions include the president pro tem and the majority and minority floor leaders. Senators occupying the positions of assistant minority floor leader, vice-chairman of the Appropriations Committee, and ranking minority member of the Appropriations Committee receive the same allowance as a committee chairman position. In addition to their normal clerical hires, the president pro tem, majority floor leader, minority floor leader, senior member of each party, and chairman of the Appropriations Committee are allowed to hire an administrative assistant. The president pro tem is authorized to hire a secretary for his administrative assistant.

Senators received salaries as follows:

<u>Positions</u>	<u>Year Ended June 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
President pro tem	\$ 33,851	33,851	33,851
Floor leaders	32,851	32,851	32,851
All remaining senators	31,351	31,351	31,351

Senators were authorized per diems and mileage reimbursement as follows:

<u>Effective Dates</u>	<u>Per Diem</u>	<u>Mileage Rate</u>
July 1, 2005-September 30, 2005	\$76.80	
October 1, 2005-September 30, 2007	79.20	
October 1, 2007-June 30, 2008	87.20	
July 1, 2005-June 30, 2006		\$0.375
July 1, 2006-June 30, 2007		0.415
July 1, 2007-June 30, 2008		0.455

Each senator is paid a per diem each day the senator is in attendance at the legislative session. In addition, senators are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session.

Senators receive various annual allowances to be utilized in the performance of their official duties. These allowances are established by the Administration Committee and are subject to the limitations imposed by the appropriation authorizing these expenditures. Maximum allowances have been set by category of expense with the provision that total expenditures for each senator do not exceed the maximum total allowance. In addition, with approval of the Administration Committee, senators may spend over the maximum allowance by category or in total and carry unused allowances not exceeding 20 percent of the total allowance to subsequent years. The annual allowances for the year ended December 31, 2008, were as follows:

<u>Allowance</u>	<u>Leadership Positions</u>	<u>Committee Chairman Positions</u>	<u>All Remaining Senators</u>
Maximum allowance by category:			
Personal service	\$ 119,382	107,544	98,910
District office	7,200	7,200	7,200
Postage	27,500	27,500	27,500
Travel, average	4,800	4,800	4,800
Office expense	2,000	2,000	2,000
Maximum Total Allowance	<u>\$ 160,882</u>	<u>149,044</u>	<u>140,410</u>

The personal service allowance is used to pay the salaries of the senators' capitol and district staff. Expenses to maintain a district office, such as rent, telephone charges, and answering services are charged against the district office allowance. The postage allowance is primarily used to pay the cost of mailing newsletters. Travel expenses incurred in connection with the duties of a state senator are reimbursable from the travel allowance. The travel allowance is determined at the beginning of each biennial assembly utilizing a formula which considers a senator's round-trip mileage between their residence and the Capitol and the size of their district in square miles. Each senator is allowed to make office purchases of \$2,000 per year without being cleared through the Administration Committee. Each senator has a credit card for telephone calls regarding Senate business when not at their capitol office.

The Senate determines its own rules and procedures and rules may not be dispensed without at least one day's notice and only by a vote of at least a majority of the Senate. However, a rule may be suspended for a special purpose by a vote of two-thirds majority of the members. This suspension shall remain only until the Senate proceeds to the consideration of business other than that for which the rule was suspended. The Senate is required to keep a daily journal (or record) of its proceedings. At the end of the session, the journals are bound by the Office of the Secretary of State.

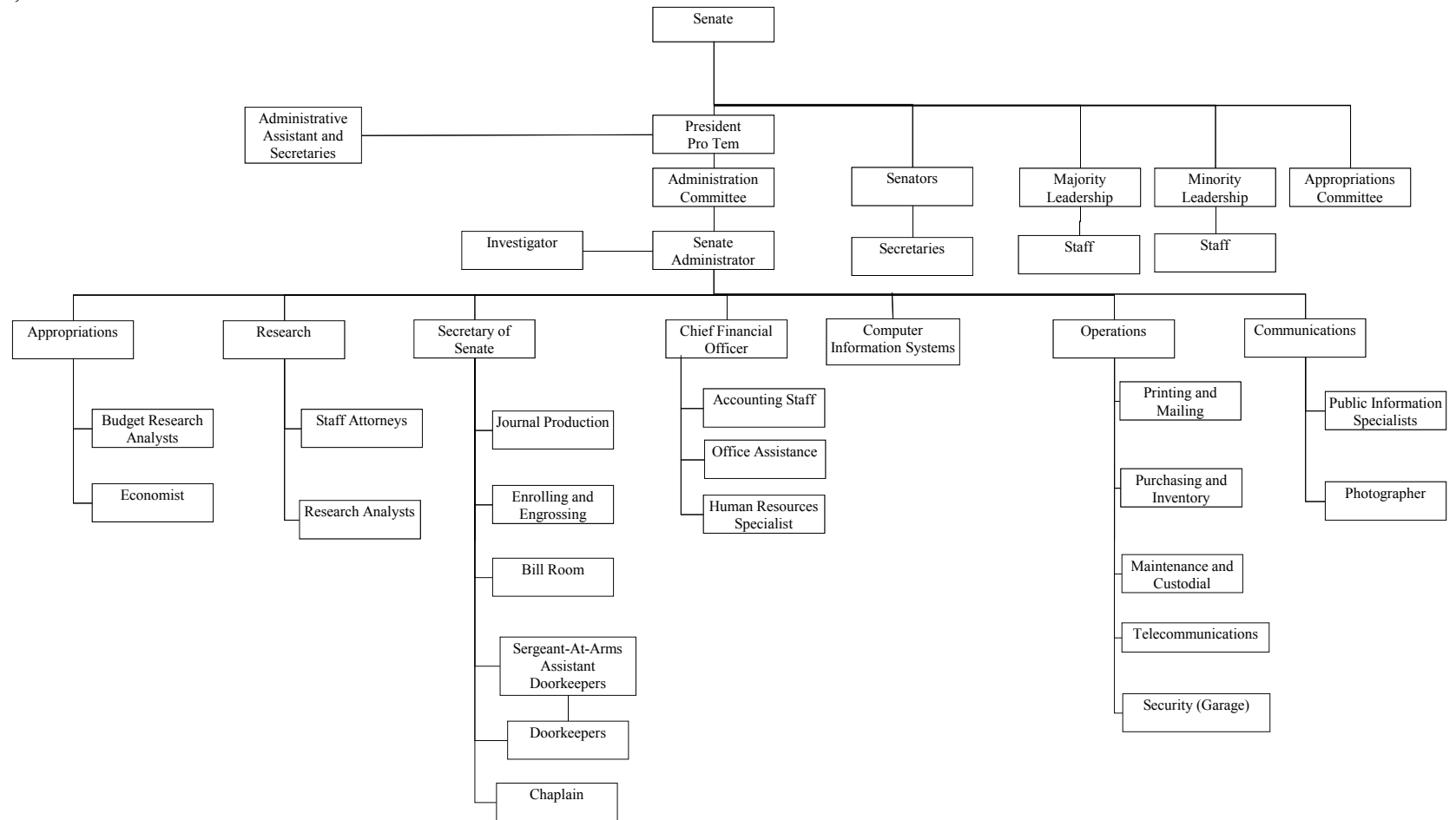
Five members of the Senate are appointed by the president pro tem to serve on the Administration Committee. This committee has sole control of all financial obligations and

business affairs of the Senate. Then Senator Michael Gibbons served as Chairman of the Administration Committee from January 2005 until January 2009. Senator Charlie Shields has served as Chairman of the committee since January 2009. The committee employs an administrator. The administrator has general supervisory responsibilities over employees who prepare the Senate budget, maintain the accounting records, acquire equipment and supplies, control inventory, maintain the physical plant, prepare the payroll, coordinate renovation projects, pay bills, and provide objective, nonpartisan research to all members of the Senate. Jim Howerton has served as Senate Administrator since January 2005 and continues in that position.

At June 30, 2008, the Senate had approximately 180 full-time employees.

An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
SENATE
ORGANIZATION CHART
JUNE 30, 2008



Appendix A-1

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
AND INVESTMENTS

YEAR ENDED JUNE 30, 2008

	Senate Revolving Fund	Senate Administrator's Fund
RECEIPTS		
Sales	\$ 14,129	0
Refunds and reimbursements	1,384	0
Donations	0	19,200
Miscellaneous	3,571	0
Total Receipts	<u>19,084</u>	<u>19,200</u>
DISBURSEMENTS		
Transfers to General Revenue Fund - State	9,415	0
Expense and equipment	<u>0</u>	<u>5,072</u>
Total Disbursements	<u>9,415</u>	<u>5,072</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,669	14,128
CASH AND INVESTMENTS, JULY 1	<u>13,671</u>	<u>997</u>
CASH AND INVESTMENTS, JUNE 30	<u><u>\$ 23,340</u></u>	<u><u>15,125</u></u>

Note - The monies of the Senate Administrator's Fund are maintained in a separate bank account in the custody of Senate officials.

Appendix A-2

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
AND INVESTMENTS

YEAR ENDED JUNE 30, 2007

	Senate Revolving Fund	Senate Administrator's Fund
RECEIPTS		
Sales	\$ 15,599	0
Refunds and reimbursements	389	0
Donations	0	18,280
Miscellaneous	4,816	0
Total Receipts	<u>20,804</u>	<u>18,280</u>
DISBURSEMENTS		
Transfers to General Revenue Fund - State	134	0
Expense and equipment	20,000	22,710
Total Disbursements	<u>20,134</u>	<u>22,710</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	670	(4,430)
CASH AND INVESTMENTS, JULY 1	13,001	5,427
CASH AND INVESTMENTS, JUNE 30	<u>\$ 13,671</u>	<u>997</u>

Note - The monies of the Senate Administrator's Fund are maintained in a separate bank account in the custody of Senate officials.

Appendix A-3

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
AND INVESTMENTS
YEAR ENDED JUNE 30, 2006

	Senate Revolving Fund	Senate Administrator's Fund
RECEIPTS		
Sales	\$ 18,955	0
Refunds and reimbursements	26,778	0
Donations	0	12,000
Miscellaneous	2,859	0
Total Receipts	<u>48,592</u>	<u>12,000</u>
DISBURSEMENTS		
Transfers to General Revenue Fund - State	20,538	0
Expense and equipment	<u>40,000</u>	<u>7,757</u>
Total Disbursements	<u>60,538</u>	<u>7,757</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,946)	4,243
CASH AND INVESTMENTS, JULY 1	<u>24,947</u>	<u>1,184</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 13,001</u>	<u>5,427</u>

Note - The monies of the Senate Administrator's Fund are maintained in a separate bank account in the custody of Senate officials.

Appendix B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
SENATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2008			2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE									
Senate contingent expenses	\$ 9,002,266	8,662,497	339,769	8,780,305	8,777,443	2,862	8,495,738	8,287,727	208,011
Salaries of members	1,071,448	1,062,093	9,355	1,071,448	1,070,143	1,305	1,071,448	1,044,056	27,392
Members' mileage	96,435	91,638	4,797	56,435	56,165	270	56,435	56,092	343
Members' per diems	226,100	206,665	19,435	226,100	220,913	5,187	226,100	213,110	12,990
General Assembly:									
Joint contingent equipment and expenses	125,000	38,921	86,079	100,000	87,457	12,543	100,000	59,325	40,675
Legislators' dues for professional organizations -									
National Conference of State Legislatures	169,850	169,850	0	155,042	155,042	0	40,000	40,000	0
National Conference of Commissioners on									
Uniform State Laws	36,000	36,000	0	36,000	36,000	0	0	0	0
Council of State Governments	128,897	128,897	0	0	0	0	0	0	0
Joint committee on Tax Policy -									
Personal service	51,500	44,233	7,267	50,000	42,458	7,542	0	0	0
Expense and equipment	25,000	13,359	11,641	25,000	5,660	19,340	0	0	0
Joint Committee on Administrative Rules	126,095	110,288	15,807	123,296	103,276	20,020	119,707	96,762	22,945
Joint Committee on Public Employee Retirement	164,835	152,265	12,570	160,525	147,571	12,954	155,000	129,164	25,836
Joint Committee on Capital Improvements									
and Lease Oversight	126,086	65,230	60,856	122,965	70,516	52,449	118,964	96,574	22,390
Joint Committee on Transportation									
Oversight	107,524	23,370	84,154	104,601	15,771	88,830	100,853	30,814	70,039
Joint Committee on Education -									
Expense and equipment	80,000	1,153	78,847	0	0	0	0	0	0
Total General Revenue Fund - State	11,537,036	10,806,460	730,576	11,011,717	10,788,415	223,302	10,484,245	10,053,626	430,619
SENATE REVOLVING FUND									
Contingent expenses	40,000	0	40,000	40,000	20,000	20,000	40,000	40,000	0
Total All Funds	\$ 11,577,036	10,806,460	770,576	11,051,717	10,808,415	243,302	10,524,245	10,093,626	430,619

Appendix C

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

		Year Ended June 30,				
		2008	2007	2006	2005	2004
Salaries and wages	\$	8,640,511	8,522,439	8,222,764	8,292,016	8,576,051
Travel, in-state		446,877	400,959	421,169	350,309	362,763
Travel, out-of-state		27,243	16,800	13,843	220	287
Supplies		605,971	546,397	543,526	445,593	568,861
Professional development		363,466	206,082	53,444	65,664	105,562
Communication services and supplies		135,362	145,393	167,177	166,378	219,810
Services:						
Business and professional		80,197	59,008	30,666	94,286	104,642
Housekeeping and janitorial		73,077	73,801	73,249	74,094	50,720
Maintenance and repair		65,358	44,077	106,765	139,391	137,133
Computer equipment		81,485	84,690	320,333	117,444	75,420
Office equipment		114,920	599,767	34,718	35,594	11,860
Other equipment		32,204	1,013	5,304	7,153	23,225
Building lease payments		50,364	35,541	35,348	50,503	60,140
Equipment rental and leases		77,788	58,368	54,492	5,105	5,490
Miscellaneous expenses		11,637	14,080	10,828	31,161	22,684
Total	\$	<u>10,806,460</u>	<u>10,808,415</u>	<u>10,093,626</u>	<u>9,874,910</u>	<u>10,324,648</u>

Appendix D

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS SENATE STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

All Funds	Furniture and Equipment	Vehicles	Total
Balance, July 1, 2005	\$ 1,788,066	22,042	1,810,108
Additions	164,745	0	164,745
Dispositions	(231,189)	0	(231,189)
Balance, June 30, 2006	1,721,622	22,042	1,743,664
Additions	619,505	2,000	621,505
Dispositions	(77,281)	0	(77,281)
Balance, June 30, 2007	2,263,846	24,042	2,287,888
Additions	159,002	0	159,002
Dispositions	(111,123)	0	(111,123)
Balance, June 30, 2008	\$ 2,311,725	24,042	2,335,767



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Texas County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Texas County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-89

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis.....	3
Statement of Activities – Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	27
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	28-29
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	30

**THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Cash Basis - Special Revenue – Special Tax Maintenance Fund – Unaudited	31
Schedule of Revenues, Expenditures and Changes In Fund Balances - Cash Basis - Special Revenue – Capital Improvement Project Fund – Unaudited	32
Schedule of Revenues, Expenditures and Changes In Fund Balances - Cash Basis - Special Revenue – Capital Improvement Bond Fund – Unaudited	33
Schedule of Revenues, Expenditures and Changes In Fund Balances - Cash Basis - Special Revenue – Justice Center Funds – Unaudited	34
Notes to Required Supplementary Information	35
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	36-37
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	38-39
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	40-41
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	42-43
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2008	44-45
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007	46-47

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

STATE COMPLIANCE SECTION

Schedule of State Findings.....48

FEDERAL COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements of the County of
Texas, Missouri (the Primary Government) Performed in Accordance With
Government Auditing Standards.....49-50

Schedule of Findings.....51-55

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Texas, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Texas (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary Government's basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Texas County, and the Texas County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Texas County Health Department and the Texas County Agency for Developmental Disabilities.

As described in Note I, the basic financial statements of the Primary Government were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2009 on our consideration for the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Cash Basis – Non GAAP Budget Basis and Actual and related notes on pages 27 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 36 through 43 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 48 through 52 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 15, 2009

FINANCIAL STATEMENTS

	December 31, 2008 Total Governmental Activities	December 31, 2007 Total Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$ 6,080,258.62	\$ 12,778,157.24
Investments	-	-
TOTAL ASSETS	6,080,258.62	12,778,157.24
NET ASSETS		
Unrestricted	244,276.15	243,668.08
Restricted for Specific Purpose	5,835,982.47	12,534,489.16
TOTAL NET ASSETS	6,080,258.62	12,778,157.24
TOTAL FUND BALANCE	\$ 6,080,258.62	\$ 12,778,157.24

3

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 2,126,190.55	\$ 437,695.34	\$ 452,998.40	\$ 1,371,935.60	\$ 136,438.79
Road and Bridge	23,627.57	89,816.98	-	-	66,189.41
Financial Administration	104,144.93	-	-	-	(104,144.93)
Other Offices and Grants	77,635.89	-	-	-	(77,635.89)
Administration of Justice and Law Enforcement	1,305,223.22	-	-	-	(1,305,223.22)
Consulting	49,472.82	-	-	-	(49,472.82)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	375,000.00	-	-	-	(375,000.00)
Interest and Fiscal Charges	626,103.63	-	-	-	(626,103.63)
Capital Outlay:					
Construction	834,018.56	-	-	-	(834,018.56)
Property, Equipment and Buildings	14,992,580.27	-	-	-	(14,992,580.27)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 20,513,997.44	\$ 527,512.32	\$ 452,998.40	\$ 1,371,935.60	(18,161,551.12)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	5,168.80
Sales Tax	3,612,510.73
Investment Income	466,859.06
Bond Revenue	7,375,385.34
Miscellaneous	3,728.57
TOTAL GENERAL REVENUES	11,463,652.50
CHANGE IN NET ASSETS	(6,697,898.62)
NET ASSETS, BEGINNING OF YEAR	12,778,157.24
NET ASSETS, END OF YEAR	\$ 6,080,258.62

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 1,897,757.50	\$ 297,633.09	\$ 766,063.05	\$ 812,608.26	\$ (21,453.10)
Road and Bridge	856,797.02	107,168.29	-	-	(749,628.73)
Financial Administration	107,332.87	-	-	-	(107,332.87)
Other Offices and Grants	89,509.14	-	-	-	(89,509.14)
Administration of Justice and Law Enforcement	963,887.27	-	-	-	(963,887.27)
Consulting	46,847.00	-	-	-	(46,847.00)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	2,720.20	-	-	-	(2,720.20)
Debt Service:					
Principal	350,000.00	-	-	-	(350,000.00)
Interest and Fiscal Charges	640,712.39	-	-	-	(640,712.39)
Capital Outlay:					
Construction of Hospital	-	-	-	-	-
Property, Equipment and Buildings	8,522,520.85	-	-	-	(8,522,520.85)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 13,478,084.24</u>	<u>\$ 404,801.38</u>	<u>\$ 766,063.05</u>	<u>\$ 812,608.26</u>	(11,494,611.55)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	4,509.53
Sales Tax	3,708,173.28
Investment Income	812,090.38
Bond Revenue	4,160,884.54
Miscellaneous	1,190.00
TOTAL GENERAL REVENUES	<u>8,686,847.73</u>
CHANGE IN NET ASSETS	(2,807,763.82)
NET ASSETS, BEGINNING OF YEAR	<u>15,585,921.06</u>
NET ASSETS, END OF YEAR	<u>\$ 12,778,157.24</u>

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008								DECEMBER 31, 2007							
	General	Special Road and Bridge	Special Tax Maintenance Fund	Capital Improvement Project Fund	Capital Improvement Bond Fund	Justice Center Funds	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Special Tax Maintenance Fund	Capital Improvement Project Fund	Capital Improvement Bond Fund	Justice Center Funds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS																
Cash and Cash Equivalents	\$ 244,276.15	\$ 78,970.63	\$ 2,019,697.87	\$ 112,338.20	\$ -	\$ 2,855,179.05	\$ 769,796.72	\$ 6,080,258.62	\$ 243,668.08	\$ 86,246.87	\$ 1,514,921.25	\$ 158,346.15	\$ -	\$ 10,009,322.98	\$ 765,651.91	\$ 12,778,157.24
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>244,276.15</u>	<u>78,970.63</u>	<u>2,019,697.87</u>	<u>112,338.20</u>	<u>-</u>	<u>2,855,179.05</u>	<u>769,796.72</u>	<u>6,080,258.62</u>	<u>243,668.08</u>	<u>86,246.87</u>	<u>1,514,921.25</u>	<u>158,346.15</u>	<u>-</u>	<u>10,009,322.98</u>	<u>765,651.91</u>	<u>12,778,157.24</u>
FUND BALANCES																
Unreserved:																
General Fund	244,276.15	-	-	-	-	-	-	244,276.15	243,668.08	-	-	-	-	-	-	243,668.08
Special Revenue Funds	-	78,970.63	2,019,697.87	112,338.20	-	2,855,179.05	769,796.72	5,835,982.47	-	86,246.87	1,514,921.25	158,346.15	-	10,009,322.98	765,651.91	12,534,489.16
TOTAL FUND BALANCES	<u>244,276.15</u>	<u>78,970.63</u>	<u>2,019,697.87</u>	<u>112,338.20</u>	<u>-</u>	<u>2,855,179.05</u>	<u>769,796.72</u>	<u>6,080,258.62</u>	<u>243,668.08</u>	<u>86,246.87</u>	<u>1,514,921.25</u>	<u>158,346.15</u>	<u>-</u>	<u>10,009,322.98</u>	<u>765,651.91</u>	<u>12,778,157.24</u>
TOTAL FUND BALANCES	<u>\$ 244,276.15</u>	<u>\$ 78,970.63</u>	<u>\$ 2,019,697.87</u>	<u>\$ 112,338.20</u>	<u>\$ -</u>	<u>\$ 2,855,179.05</u>	<u>\$ 769,796.72</u>	<u>\$ 6,080,258.62</u>	<u>\$ 243,668.08</u>	<u>\$ 86,246.87</u>	<u>\$ 1,514,921.25</u>	<u>\$ 158,346.15</u>	<u>\$ -</u>	<u>\$ 10,009,322.98</u>	<u>\$ 765,651.91</u>	<u>\$ 12,778,157.24</u>

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008								DECEMBER 31, 2007							
	General	Special Road and Bridge	Special Tax Maintenance Fund	Capital Improvement Project Fund	Capital Improvement Bond Fund	Justice Center Funds	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Special Tax Maintenance Fund	Capital Improvement Project Fund	Capital Improvement Bond Fund	Justice Center Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES																
Property Tax	\$ 5,168.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,168.80	\$ 4,509.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,509.53
Sales Tax	937,889.38	801,129.33	936,743.30	936,748.72	-	-	-	3,612,510.73	948,449.17	867,020.77	946,355.96	946,347.38	-	-	-	3,708,173.28
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	431,901.34	200.00	-	-	-	-	5,594.00	437,695.34	287,256.19	333.00	-	-	-	-	10,043.90	297,633.09
Grants, Distributions and Reimbursements	430,412.75	199.89	-	-	-	-	941,322.96	1,371,935.60	331,145.87	-	-	-	-	-	812,608.26	1,143,754.13
Fees, Licenses and Permits	-	89,816.98	-	-	-	-	452,998.40	542,815.38	-	-	-	-	-	-	434,917.18	542,085.47
Interest	16,279.46	3,938.57	90,533.05	15,774.46	-	299,820.93	40,512.59	466,859.06	20,279.33	107,168.29	43,276.38	16,943.21	15.22	687,979.25	39,792.56	812,090.38
Other	-	-	-	2,572.50	-	-	1,156.07	3,728.57	-	-	-	-	-	-	1,190.00	1,190.00
TOTAL REVENUES	1,821,651.73	895,284.77	1,027,276.35	955,095.68	-	299,820.93	1,441,584.02	6,440,713.48	1,591,640.09	978,326.49	989,632.34	963,290.59	15.22	687,979.25	1,298,551.90	6,509,435.88
EXPENDITURES																
Current:																
General County Government	737,831.87	-	-	-	-	-	1,388,358.68	2,126,190.55	638,813.74	-	-	-	-	-	1,258,943.76	1,897,757.50
Road and Bridge	-	23,627.57	-	-	-	-	-	23,627.57	-	856,797.02	-	-	-	-	-	856,797.02
Financial Administration	104,144.93	-	-	-	-	-	-	104,144.93	107,332.87	-	-	-	-	-	-	107,332.87
Other Offices and Grants	77,635.89	-	-	-	-	-	-	77,635.89	89,509.14	-	-	-	-	-	-	89,509.14
Property Valuation and Recording	49,472.82	-	-	-	-	-	-	49,472.82	46,847.00	-	-	-	-	-	-	46,847.00
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	1,305,223.22	-	-	-	-	-	-	1,305,223.22	963,887.27	-	-	-	-	-	-	963,887.27
Continued Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:																
Construction	-	834,018.56	-	-	-	-	-	834,018.56	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	19,308.95	-	116,441.16	-	7,375,385.34	7,453,964.86	27,479.96	14,992,580.27	18,907.78	-	-	-	4,160,899.76	4,242,712.60	100,000.71	8,522,520.85
TOTAL EXPENDITURES	2,293,617.68	857,646.13	116,441.16	-	7,375,385.34	7,453,964.86	1,415,838.64	19,512,893.81	1,865,297.80	856,797.02	-	-	4,160,899.76	4,242,712.60	1,358,944.47	12,484,651.65
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(471,965.95)	37,638.64	910,835.19	955,095.68	(7,375,385.34)	(7,154,143.93)	25,745.38	(13,072,180.33)	(273,657.71)	121,529.47	989,632.34	963,290.59	(4,160,884.54)	(3,554,733.35)	(60,392.57)	(5,975,215.77)
OTHER FINANCING SOURCES (USES)																
Transfers In	554,029.11	-	-	-	-	1,001,103.63	8,290.34	1,563,423.08	65,942.16	-	-	-	-	990,712.39	21,271.27	1,077,925.82
Transfers Out	(81,455.09)	(44,914.88)	(406,058.57)	(1,001,103.63)	-	-	(29,890.91)	(1,563,423.08)	(21,271.27)	(44,795.17)	-	(990,712.39)	-	-	(21,146.99)	(1,077,925.82)
Bond Revenue	-	-	-	-	7,375,385.34	-	-	7,375,385.34	-	-	-	-	4,160,884.54	-	-	4,160,884.54
Emergency Fund	-	-	-	-	-	-	-	-	(2,720.20)	-	-	-	-	-	-	(2,720.20)
Debt Service:																
Principal Payment	-	-	-	-	-	(375,000.00)	-	(375,000.00)	-	-	-	-	-	(350,000.00)	-	(350,000.00)
Interest and Fiscal Charges	-	-	-	-	-	(626,103.63)	-	(626,103.63)	-	-	-	-	-	(640,712.39)	-	(640,712.39)
TOTAL OTHER FINANCING SOURCES (USES)	472,574.02	(44,914.88)	(406,058.57)	(1,001,103.63)	7,375,385.34	-	(21,600.57)	6,374,281.71	41,950.69	(44,795.17)	-	(990,712.39)	4,160,884.54	-	124.28	3,167,451.95
NET CHANGE IN FUND BALANCE	608.07	(7,276.24)	504,776.62	(46,007.95)	-	(7,154,143.93)	4,144.81	(6,697,898.62)	(231,707.02)	76,734.30	989,632.34	(27,421.80)	-	(3,554,733.35)	(60,268.29)	(2,807,763.82)
FUND BALANCE - BEGINNING OF YEAR	243,668.08	86,246.87	1,514,921.25	158,346.15	-	10,009,322.98	765,651.91	12,778,157.24	475,375.10	9,512.57	525,288.91	185,767.95	-	13,564,056.33	825,920.20	15,585,921.06
FUND BALANCE - END OF YEAR	\$ 244,276.15	\$ 78,970.63	\$ 2,019,697.87	\$ 112,338.20	\$ -	\$ 2,855,179.05	\$ 769,796.72	\$ 6,080,258.62	\$ 243,668.08	\$ 86,246.87	\$ 1,514,921.25	\$ 158,346.15	\$ -	\$ 10,009,322.98	\$ 765,651.91	\$ 12,778,157.24

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 6,080,258.62
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 6,080,258.62</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 12,778,157.24
---	------------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 12,778,157.24</u></u>
--	--------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (6,697,898.62)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (6,697,898.62)</u>

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ (2,807,763.82)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (2,807,763.82)</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,635,441.16</u>	<u>\$ 4,846,746.06</u>
TOTAL ASSETS	<u> 1,635,441.16</u>	<u> 4,846,746.06</u>
LIABILITIES		
Due to Other Funds	<u> 1,635,441.16</u>	<u> 4,846,746.06</u>
TOTAL LIABILITIES	<u>\$ 1,635,441.16</u>	<u>\$ 4,846,746.06</u>

See accompanying notes to the financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Texas, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Texas County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Texas County, Missouri and the Texas County Agency for Developmental Disabilities have issued separate reporting entity financial statements. For information on these component units, please contact the Texas County Health Department at (417) 967-4131 (or write to 402 S. First Houston, Houston, MO 65483) and the Texas County Agency for Developmental Disabilities at (417)967-6960 (or write to P.O. Box 107 Houston, MO 65483).

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund and the Law Enforcement Complex Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Special Tax Maintenance Fund – The Special Tax Maintenance Fund is a Special Revenue Fund used to account for receipts of the Primary Government sales tax levy and related expenditures for the county.

Capital Improvement Project Fund – The Capital Improvement Project Fund is a Special Revenue Fund used to account for the funds received and disbursed to pay for Capital Improvements Projects of the County.

Capital Improvement Bond Fund – The Capital Improvement Bond Fund is a Special Revenue Fund used to account for the funds received from bond proceeds and disbursed to pay for the Justice Center project of the County.

Justice Center Funds – The Justice Center Funds are Special Revenue Funds used to account for the funds received from interest earned on bond proceeds and bond proceeds and disbursed to pay for the Justice Center project debt payments of the County.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 127,777,589	\$ 110,694,919
Personal Property	51,576,043	49,511,369
Railroad and Utilities	9,193,466	9,335,236
	<u>\$ 188,547,098</u>	<u>\$ 169,541,524</u>

D. Property Taxes (concluded)

During 2008 and 2007, the County Commission did not approve a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007.

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental Fund.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$6,080,258.62 and \$12,778,157.24, the bank balance was \$6,758,944.99 and \$13,560,628.59 respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's cash and cash equivalents were guaranteed by the U. S. Government.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 6,080,258.62
Investments	-
	<hr/>
Total Governmental Funds	6,080,258.62
<u>Balance Sheet – Agency Funds</u>	
Deposits	1,728,574.61
Investments	-
	<hr/>
Total Deposits as of December 31, 2008	\$ <u>7,808,833.23</u>

The carrying values of deposits at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 12,778,157.24
Investments	-
	<hr/>
Total Governmental Funds	12,778,157.24
<u>Balance Sheet – Agency Funds</u>	
Deposits	4,920,570.46
Investments	-
	<hr/>
Total Deposits as of December 31, 2007	\$ <u>17,698,727.70</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 554,029.11	\$ 81,455.09	\$ 65,942.16	\$ 21,271.27
Special Road and Bridge Fund	-	44,914.88	-	44,795.17
Special Tax Maintenance Fund	-	406,058.57	-	-
Capital Improvement Project Fund	-	1,001,103.63	-	990,712.39
Justice Center Funds	1,001,103.63	-	990,712.39	-
NON-MAJOR FUNDS	8,290.34	29,890.91	21,271.27	21,146.99
TOTAL	\$ 1,563,423.08	\$ 1,563,423.08	\$ 1,077,925.82	\$ 1,077,925.82

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$34,688.40 and \$29,402.60, respectively, for the years then ended.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Texas County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Texas County's full time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2008 are 10.6% (general) and 10.1% (police), for 2007 they are 11.1% (general) and 9.8% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$117,793 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and /or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial valuation using the entry age actuarial cost method. For 2007, the political subdivision's annual pension cost of \$105,884 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2005 and/or February 29, 2006 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using the techniques that smooth the effects of short-term volatility in the market value of the investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for 2007 and a closed basis for 2008. The amortization period at 2/28/07 and at 2/29/08 was 15 years.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 97,667	100%	\$ 0
6/30/2007	105,884	100%	0
6/30/2008	117,793	100%	0

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	\$1,537,716	\$ 1,523,842	\$ (13,874)	101%	\$ 886,203	0%
2/28/2007	1,586,240	1,556,547	(29,693)	102%	974,077	0%
2/29/2008	1,820,856	1,732,652	(88,204)	105%	1,104,121	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contract the LAGERS office in Jefferson City.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government is tracking a lawsuit against this unfunded mandate with the state, the lawsuit has not yet been resolved, but the county has tracked amounts due as \$7,752 and \$7,752, respectively, for the years ended December 31, 2008 and 2007.

VII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is involved in pending litigation at December 31, 2008, The County is vigorously defending a case in which the Plaintiff seeks \$1,000,000 in damages, the county, without offering a counter proposal rejected the offer. At this time is impossible to put an exact figure on the potential liability according to the Counties legal council.

B. Compensated Absences

The County provides employees with annual leave time based upon the number of years of continuous service. Upon termination from County employment, an employee is paid for overtime, if applicable. This has not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. LONG-TERM DEBT

Series 2006 COPS – These are Certificates of Participation that are for the Criminal Justice Center. The maturity date of the Certificates are 12/1/25 and the interest rate is variable from 4.15% to 4.50%. First Bank is the paying agent of this bond.

DEBT	BALANCE AT 12/31/2007	2008		BALANCE AT 12/31/2008	INTEREST PD DURING YEAR
		AMOUNT BORROWED	AMOUNT REPAID		
2006 COPS	\$ 14,445,000.00	\$ -	\$ 375,000.00	\$ 14,070,000.00	\$ 626,287.50
TOTAL	<u>\$ 14,445,000.00</u>	<u>\$ -</u>	<u>\$ 375,000.00</u>	<u>\$ 14,070,000.00</u>	<u>\$ 626,287.50</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IX. LONG-TERM DEBT (CONCLUDED)

2008 Amortizations

YEAR	PRINCIPLE	INTEREST	TOTAL
2009	400,000.00	610,350.00	1,010,350.00
2010	450,000.00	593,350.00	1,043,350.00
2011	475,000.00	574,225.00	1,049,225.00
2012-2016	3,030,000.00	2,537,700.00	5,567,700.00
2014-2021	4,150,000.00	1,797,837.50	5,947,837.50
2022-2025	5,565,000.00	739,125.00	6,304,125.00
TOTAL	<u>14,070,000.00</u>	<u>6,852,587.50</u>	<u>20,922,587.50</u>

DEBT	2007				
	BALANCE AT 12/31/2006	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2007	INTEREST PD DURING YEAR
2006 COPS	\$ 14,795,000.00	\$ -	\$ 350,000.00	\$ 14,445,000.00	\$ 641,162.50
TOTAL	<u>\$ 14,795,000.00</u>	<u>\$ -</u>	<u>\$ 350,000.00</u>	<u>\$ 14,445,000.00</u>	<u>\$ 641,162.50</u>

2007 Amortizations

YEAR	PRINCIPLE	INTEREST	TOTAL
2008	375,000.00	626,287.50	1,001,287.50
2009	400,000.00	610,350.00	1,010,350.00
2010	450,000.00	593,350.00	1,043,350.00
2011	475,000.00	574,225.00	1,049,225.00
2012-2016	3,030,000.00	2,537,700.00	5,567,700.00
2014-2021	4,150,000.00	1,797,837.50	5,947,837.50
2022-2025	5,565,000.00	739,125.00	6,304,125.00
TOTAL	<u>14,445,000.00</u>	<u>7,478,875.00</u>	<u>21,923,875.00</u>

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT (Concluded)

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 4,500.00	\$ 4,500.00	\$ 5,168.80	\$ 668.80	\$ 3,400.00	\$ 3,400.00	\$ 4,509.53	\$ 1,109.53
Sales Tax	970,000.00	970,000.00	937,889.38	(32,110.62)	1,011,000.00	1,011,000.00	948,449.17	(62,550.83)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	398,500.00	398,500.00	431,901.34	33,401.34	333,900.00	333,900.00	287,256.19	(46,643.81)
Grants, Distributions and Reimbursements	450,117.00	450,117.00	430,412.75	(19,704.25)	303,537.52	303,537.52	331,145.87	27,608.35
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	12,000.00	12,000.00	16,279.46	4,279.46	11,000.00	11,000.00	20,279.33	9,279.33
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,835,117.00	1,835,117.00	1,821,651.73	(13,465.27)	1,662,837.52	1,662,837.52	1,591,640.09	(71,197.43)
EXPENDITURES								
Current:								
General County Government	930,573.00	930,573.00	737,831.87	(192,741.13)	723,406.75	723,406.75	638,813.74	(84,593.01)
Financial Administration	134,695.00	134,695.00	104,144.93	(30,550.07)	119,744.00	119,744.00	107,332.87	(12,411.13)
Other Offices and Grants	95,800.00	95,800.00	77,635.89	(18,164.11)	97,000.00	97,000.00	89,509.14	(7,490.86)
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	50,760.00	50,760.00	49,472.82	(1,287.18)	47,080.00	47,080.00	46,847.00	(233.00)
Administration of Justice and Law	1,773,008.32	1,773,008.32	1,305,223.22	(467,785.10)	1,061,398.29	1,061,398.29	963,887.27	(97,511.02)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	21,500.00	21,500.00	19,308.95	(2,191.05)	20,500.00	20,500.00	18,907.78	(1,592.22)
TOTAL EXPENDITURES	3,006,336.32	3,006,336.32	2,293,617.68	(712,718.64)	2,069,129.04	2,069,129.04	1,865,297.80	(203,831.24)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,171,219.32)	(1,171,219.32)	(471,965.95)	699,253.37	(406,291.52)	(406,291.52)	(273,657.71)	132,633.81
OTHER FINANCING SOURCES (USES)								
Transfers In	1,056,632.34	1,056,632.34	554,029.11	(502,603.23)	67,600.00	67,600.00	65,942.16	(1,657.84)
Transfers Out	(38,410.00)	(38,410.00)	(81,455.09)	(43,045.09)	(22,731.00)	(22,731.00)	(21,271.27)	1,459.73
Emergency Fund	(83,600.00)	(83,600.00)	-	83,600.00	(39,200.00)	(39,200.00)	(2,720.20)	36,479.80
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	934,622.34	934,622.34	472,574.02	(462,048.32)	5,669.00	5,669.00	41,950.69	36,281.69
NET CHANGE IN FUND BALANCE	(236,596.98)	(236,596.98)	608.07	237,205.05	(400,622.52)	(400,622.52)	(231,707.02)	168,915.50
FUND BALANCE - BEGINNING OF YEAR	243,668.08	243,668.08	243,668.08	-	475,375.10	475,375.10	475,375.10	-
FUND BALANCE - END OF YEAR	\$ 7,071.10	\$ 7,071.10	\$ 244,276.15	\$ 237,205.05	\$ 74,752.58	\$ 74,752.58	\$ 243,668.08	\$ 168,915.50

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
EXPENDITURES								
Current:								
General County Government:								
County Commission	\$ 89,780.00	89,780.00	85,694.46	\$ (4,085.54)	\$ 88,530.00	88,530.00	87,227.86	\$ (1,302.14)
County Clerk	146,253.00	146,253.00	144,544.21	(1,708.79)	144,676.75	144,676.75	133,472.61	(11,204.14)
Elections	98,900.00	98,900.00	97,996.39	(903.61)	33,300.00	33,300.00	13,846.52	(19,453.48)
Buildings and Grounds	108,640.00	108,640.00	95,219.94	(13,420.06)	101,900.00	101,900.00	101,861.04	(38.96)
Employee Fringe Benefits	487,000.00	487,000.00	314,376.87	(172,623.13)	355,000.00	355,000.00	302,405.71	(52,594.29)
Other Expenses	-	-	-	-	-	-	-	-
	<u>930,573.00</u>	<u>930,573.00</u>	<u>737,831.87</u>	<u>(192,741.13)</u>	<u>723,406.75</u>	<u>723,406.75</u>	<u>638,813.74</u>	<u>(84,593.01)</u>
Financial Administration:								
Collector	-	-	-	-	-	-	-	-
Treasurer	134,695.00	134,695.00	104,144.93	(30,550.07)	119,744.00	119,744.00	107,332.87	(12,411.13)
	<u>134,695.00</u>	<u>134,695.00</u>	<u>104,144.93</u>	<u>(30,550.07)</u>	<u>119,744.00</u>	<u>119,744.00</u>	<u>107,332.87</u>	<u>(12,411.13)</u>
Other Offices & Grants:								
Other Offices & Grants	95,800.00	95,800.00	77,635.89	(18,164.11)	97,000.00	97,000.00	89,509.14	(7,490.86)
	<u>95,800.00</u>	<u>95,800.00</u>	<u>77,635.89</u>	<u>(18,164.11)</u>	<u>97,000.00</u>	<u>97,000.00</u>	<u>89,509.14</u>	<u>(7,490.86)</u>
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	50,760.00	50,760.00	49,472.82	(1,287.18)	47,080.00	47,080.00	46,847.00	(233.00)
Administration of Justice and Law Enforcement:								
Associate Circuit	8,640.00	8,640.00	8,105.74	(534.26)	7,590.00	7,590.00	7,294.48	(295.52)
Circuit Clerk	7,750.00	7,750.00	7,960.02	210.02	8,600.00	8,600.00	6,470.61	(2,129.39)
Children's Detention Home	-	-	-	-	-	-	-	-
County Surveyor	4,300.00	4,300.00	4,339.77	39.77	4,300.00	4,300.00	3,889.77	(410.23)
Court Administrator	80,190.19	80,190.19	63,234.94	(16,955.25)	79,538.95	79,538.95	45,027.02	(34,511.93)
Dispatch	-	-	-	-	-	-	-	-
Insurance and Bonds	44,500.00	44,500.00	43,433.32	(1,066.68)	39,000.00	39,000.00	38,523.48	(476.52)
Jail	985,322.00	985,322.00	553,469.59	(431,852.41)	230,079.00	230,079.00	230,005.82	(73.18)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	64,906.11	64,906.11	64,484.13	(421.98)	64,866.09	64,866.09	51,555.00	(13,311.09)
Medical Examiner	26,600.00	26,600.00	20,254.50	(6,345.50)	26,200.00	26,200.00	26,175.02	(24.98)
Sheriffs Office	316,426.00	316,426.00	309,454.31	(6,971.69)	335,860.00	335,860.00	327,609.63	(8,250.37)
Drug Court	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	191,174.02	191,174.02	187,265.16	(3,908.86)	219,173.00	219,173.00	181,231.71	(37,941.29)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	43,200.00	43,200.00	43,221.74	21.74	46,191.25	46,191.25	46,104.73	(86.52)
	1,773,008.32	1,773,008.32	1,305,223.22	(467,785.10)	1,061,398.29	1,061,398.29	963,887.27	(97,511.02)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	21,500.00	21,500.00	19,308.95	(2,191.05)	20,500.00	20,500.00	18,907.78	(1,592.22)
	21,500.00	21,500.00	19,308.95	(2,191.05)	20,500.00	20,500.00	18,907.78	(1,592.22)
TOTAL EXPENDITURES	\$ 3,006,336.32	\$ 3,006,336.32	\$ 2,293,617.68	\$ (712,718.64)	\$ 2,069,129.04	\$ 2,069,129.04	\$ 1,865,297.80	\$ (203,831.24)

See accompanying Independent Auditor's Report

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	847,300.00	847,300.00	801,129.33	(46,170.67)	835,000.00	835,000.00	867,020.77	32,020.77
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	500.00	500.00	200.00	(300.00)	-	-	333.00	333.00
Grants, Distributions and Reimbursements	-	-	199.89	199.89	-	-	-	-
Fees, Licenses and Permits	133,827.00	133,827.00	89,816.98	(44,010.02)	125,000.00	125,000.00	107,168.29	(17,831.71)
Interests	3,000.00	3,000.00	3,938.57	938.57	2,500.00	2,500.00	3,804.43	1,304.43
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	984,627.00	984,627.00	895,284.77	(89,342.23)	962,500.00	962,500.00	978,326.49	15,826.49
EXPENDITURES								
Current:								
Salaries	12,935.00	12,935.00	14,694.83	1,759.83	12,450.00	12,450.00	12,375.00	(75.00)
Employee Fringe Benefits	2,400.00	2,400.00	1,437.34	(962.66)	2,407.00	2,407.00	2,132.95	(274.05)
Supplies	7,350.00	7,350.00	87.28	(7,262.72)	7,350.00	7,350.00	32.13	(7,317.87)
Property and Equipment Insurance	2,000.00	2,000.00	-	(2,000.00)	1,000.00	1,000.00	1,458.85	458.85
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Maintenance of Roads:								
Highway and Roads	9,804.43	9,804.43	7,408.12	(2,396.31)	11,558.90	11,558.90	6,571.56	(4,987.34)
Other	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	897,000.00	897,000.00	834,018.56	(62,981.44)	879,793.00	879,793.00	834,226.53	(45,566.47)
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	931,489.43	931,489.43	857,646.13	(73,843.30)	914,558.90	914,558.90	856,797.02	(57,761.88)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,137.57	53,137.57	37,638.64	(15,498.93)	47,941.10	47,941.10	121,529.47	73,588.37
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(49,000.00)	(49,000.00)	(44,914.88)	4,085.12	(48,000.00)	(48,000.00)	(44,795.17)	3,204.83
TOTAL OTHER FINANCING SOURCES (USES)	(49,000.00)	(49,000.00)	(44,914.88)	4,085.12	(48,000.00)	(48,000.00)	(44,795.17)	3,204.83
NET CHANGE IN FUND BALANCE	4,137.57	4,137.57	(7,276.24)	(11,413.81)	(58.90)	(58.90)	76,734.30	76,793.20
FUND BALANCE - BEGINNING OF YEAR	86,246.87	86,246.87	86,246.87	-	9,512.57	9,512.57	9,512.57	-
FUND BALANCE - END OF YEAR	\$ 90,384.44	\$ 90,384.44	\$ 78,970.63	\$ (11,413.81)	\$ 9,453.67	\$ 9,453.67	\$ 86,246.87	\$ 76,793.20

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - SPECIAL TAX MAINTENANCE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	970,000.00	970,000.00	936,743.30	(33,256.70)	911,000.00	911,000.00	946,355.96	35,355.96
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	30,000.00	30,000.00	90,533.05	60,533.05	7,500.00	7,500.00	43,276.38	35,776.38
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,000,000.00	1,000,000.00	1,027,276.35	27,276.35	918,500.00	918,500.00	989,632.34	71,132.34
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	120,000.00	120,000.00	116,441.16	(3,558.84)	1,443,788.91	1,443,788.91	-	(1,443,788.91)
TOTAL EXPENDITURES	120,000.00	120,000.00	116,441.16	(3,558.84)	1,443,788.91	1,443,788.91	-	(1,443,788.91)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	880,000.00	880,000.00	910,835.19	30,835.19	(525,288.91)	(525,288.91)	989,632.34	1,514,921.25
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(989,632.34)	(989,632.34)	(406,058.57)	583,573.77	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(989,632.34)	(989,632.34)	(406,058.57)	583,573.77	-	-	-	-
NET CHANGE IN FUND BALANCE	(109,632.34)	(109,632.34)	504,776.62	614,408.96	(525,288.91)	(525,288.91)	989,632.34	1,514,921.25
FUND BALANCE - BEGINNING OF YEAR	1,514,921.25	1,514,921.25	1,514,921.25	-	525,288.91	525,288.91	525,288.91	-
FUND BALANCE - END OF YEAR	<u>\$ 1,405,288.91</u>	<u>\$ 1,405,288.91</u>	<u>\$ 2,019,697.87</u>	<u>\$ 614,408.96</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,514,921.25</u>	<u>\$ 1,514,921.25</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT PROJECT FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	970,000.00	970,000.00	936,748.72	(33,251.28)	911,000.00	911,000.00	946,347.38	35,347.38
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	15,000.00	15,000.00	15,774.46	774.46	9,000.00	9,000.00	16,943.21	7,943.21
Other	-	-	2,572.50	2,572.50	-	-	-	-
TOTAL REVENUES	985,000.00	985,000.00	955,095.68	(29,904.32)	920,000.00	920,000.00	963,290.59	43,290.59
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	985,000.00	985,000.00	955,095.68	(29,904.32)	920,000.00	920,000.00	963,290.59	43,290.59
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(1,002,487.50)	(1,002,487.50)	(1,001,103.63)	1,383.87	(991,962.50)	(991,962.50)	(990,712.39)	1,250.11
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,002,487.50)	(1,002,487.50)	(1,001,103.63)	1,383.87	(991,962.50)	(991,962.50)	(990,712.39)	1,250.11
NET CHANGE IN FUND BALANCE	(17,487.50)	(17,487.50)	(46,007.95)	(28,520.45)	(71,962.50)	(71,962.50)	(27,421.80)	44,540.70
FUND BALANCE - BEGINNING OF YEAR	158,346.15	158,346.15	158,346.15	-	185,767.95	185,767.95	185,767.95	-
FUND BALANCE - END OF YEAR	\$ 140,858.65	\$ 140,858.65	\$ 112,338.20	\$ (28,520.45)	\$ 113,805.45	\$ 113,805.45	\$ 158,346.15	\$ 44,540.70

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT PROJECT FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	15.22	15.22
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	15.22	15.22
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	8,477,524.44	8,477,524.44	7,375,385.34	(1,102,139.10)	12,428,985.40	12,428,985.40	4,160,899.76	(8,268,085.64)
TOTAL EXPENDITURES	8,477,524.44	8,477,524.44	7,375,385.34	(1,102,139.10)	12,428,985.40	12,428,985.40	4,160,899.76	(8,268,085.64)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,477,524.44)	(8,477,524.44)	(7,375,385.34)	1,102,139.10	(12,428,985.40)	(12,428,985.40)	(4,160,884.54)	8,268,100.86
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Bond Revenue	8,477,524.44	8,477,524.44	7,375,385.34	(1,102,139.10)	12,428,985.40	12,428,985.40	4,160,884.54	(8,268,100.86)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,477,524.44	8,477,524.44	7,375,385.34	(1,102,139.10)	12,428,985.40	12,428,985.40	4,160,884.54	(8,268,100.86)
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditor's Report.

HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - JUSTICE CENTER FUNDS FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	267,000.00	267,000.00	299,820.93	32,820.93	369,654.04	369,654.04	687,979.25	318,325.21
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	267,000.00	267,000.00	299,820.93	32,820.93	369,654.04	369,654.04	687,979.25	318,325.21
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	8,555,524.44	8,555,524.44	7,453,964.86	(1,101,559.58)	12,428,985.40	12,428,985.40	4,242,712.60	(8,186,272.80)
TOTAL EXPENDITURES	8,555,524.44	8,555,524.44	7,453,964.86	(1,101,559.58)	12,428,985.40	12,428,985.40	4,242,712.60	(8,186,272.80)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,288,524.44)	(8,288,524.44)	(7,154,143.93)	1,134,380.51	(12,059,331.36)	(12,059,331.36)	(3,554,733.35)	8,504,598.01
OTHER FINANCING SOURCES (USES)								
Transfers In	1,002,487.50	1,002,487.50	1,001,103.63	(1,383.87)	991,962.50	991,962.50	990,712.39	(1,250.11)
Transfers Out	-	-	-	-	-	-	-	-
Bond Revenue	-	-	-	-	-	-	-	-
Debt Service:								
Principle	(375,000.00)	(375,000.00)	(375,000.00)	-	(320,981.25)	(320,981.25)	(350,000.00)	(29,018.75)
Interest	(627,087.50)	(627,087.50)	(626,103.63)	983.87	(670,981.25)	(670,981.25)	(640,712.39)	30,268.86
TOTAL OTHER FINANCING SOURCES (USES)	400.00	400.00	-	(400.00)	-	-	-	-
NET CHANGE IN FUND BALANCE	(8,288,124.44)	(8,288,124.44)	(7,154,143.93)	1,133,980.51	(12,059,331.36)	(12,059,331.36)	(3,554,733.35)	8,504,598.01
FUND BALANCE - BEGINNING OF YEAR	10,009,322.98	10,009,322.98	10,009,322.98	-	13,564,056.33	13,564,056.33	13,564,056.33	-
FUND BALANCE - END OF YEAR	\$ 1,721,198.54	\$ 1,721,198.54	\$ 2,855,179.05	\$ 1,133,980.51	\$ 1,504,724.97	\$ 1,504,724.97	\$ 10,009,322.98	\$ 8,504,598.01

See accompanying Independent Auditor's Report.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was in compliance with Missouri budgetary state statute Chapter 50 RSMo.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Election Services Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Collectors Tax Maintenance	Emergency Management Fund	Law Enforcement Operations	Jury Script Fund	WRI-TEX Operations Fund	WRI-TEX Depreciation Fund	Special Election Fund	Recorder User Fees	Prosecuting Attorney Bad Check Fund	LEPC Fund
ASSETS														
Cash and Cash Equivalents	\$ 8,578.79	\$ 10,285.46	\$ 1,646.29	\$ 0.67	\$ 23,242.65	\$ 21.28	\$ 52,673.81	\$ -	\$279,924.56	\$ 47,198.62	\$ 693.00	\$ 36,281.91	\$ -	\$ 16,959.35
TOTAL ASSETS	<u>8,578.79</u>	<u>10,285.46</u>	<u>1,646.29</u>	<u>0.67</u>	<u>23,242.65</u>	<u>21.28</u>	<u>52,673.81</u>	<u>-</u>	<u>279,924.56</u>	<u>47,198.62</u>	<u>693.00</u>	<u>36,281.91</u>	<u>-</u>	<u>16,959.35</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>8,578.79</u>	<u>10,285.46</u>	<u>1,646.29</u>	<u>0.67</u>	<u>23,242.65</u>	<u>21.28</u>	<u>52,673.81</u>	<u>-</u>	<u>279,924.56</u>	<u>47,198.62</u>	<u>693.00</u>	<u>36,281.91</u>	<u>-</u>	<u>16,959.35</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,578.79</u>	<u>\$ 10,285.46</u>	<u>\$ 1,646.29</u>	<u>\$ 0.67</u>	<u>\$ 23,242.65</u>	<u>\$ 21.28</u>	<u>\$ 52,673.81</u>	<u>\$ -</u>	<u>\$279,924.56</u>	<u>\$ 47,198.62</u>	<u>\$ 693.00</u>	<u>\$ 36,281.91</u>	<u>\$ -</u>	<u>\$ 16,959.35</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Defense Deductible Reserve Fund	Concealed Firearms Permits Fund	Domestic Violence Victim Fund	Museum Operation Fund	Museum Endowment Fund	Bridge Replacement Fund	Garner Covert Memorial Fund	Law Enforcement Restitution Fund	Prosecuting Attorney Delinquent Tax Fund	State and Federal Grants	Law Enforcement Memorial Fund	Emergency Mangaement Conference Fund	Inmate Security Fund	Hutchason Cemetary Fund	Transfer Funds	Deputy Sheriff Salary Supplementation Fund	Total
ASSETS																	
Cash and Cash Equivalents	\$ 26,294.83	\$ 13,073.60	\$ 9,146.53	\$ 12,874.57	\$ 723.76	\$ 87,814.82	\$ 3,910.23	\$ 15,279.97	\$ 391.64	\$ -	\$ 558.74	\$ 956.43	\$ 7,057.45	\$ -	\$ 113,826.59	\$ 381.17	\$ 769,796.72
TOTAL ASSETS	<u>26,294.83</u>	<u>13,073.60</u>	<u>9,146.53</u>	<u>12,874.57</u>	<u>723.76</u>	<u>87,814.82</u>	<u>3,910.23</u>	<u>15,279.97</u>	<u>391.64</u>	<u>-</u>	<u>558.74</u>	<u>956.43</u>	<u>7,057.45</u>	<u>-</u>	<u>113,826.59</u>	<u>381.17</u>	<u>769,796.72</u>
LIABILITIES AND FUND BALANCES																	
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	26,294.83	13,073.60	9,146.53	12,874.57	723.76	87,814.82	3,910.23	15,279.97	391.64	-	558.74	956.43	7,057.45	-	113,826.59	381.17	769,796.72
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,294.83</u>	<u>\$ 13,073.60</u>	<u>\$ 9,146.53</u>	<u>\$ 12,874.57</u>	<u>\$ 723.76</u>	<u>\$ 87,814.82</u>	<u>\$ 3,910.23</u>	<u>\$ 15,279.97</u>	<u>\$ 391.64</u>	<u>\$ -</u>	<u>\$ 558.74</u>	<u>\$ 956.43</u>	<u>\$ 7,057.45</u>	<u>\$ -</u>	<u>\$ 113,826.59</u>	<u>\$ 381.17</u>	<u>\$ 769,796.72</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Election Services Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Collectors Tax Maintenance	Emergency Management Fund	Law Enforcement Operations	Jury Script Fund	WRI-TEX Operations Fund	WRI-TEX Depreciation Fund	Special Election Fund	Recorder User Fees	Prosecuting Attorney Bad Check Fund	LEPC Fund	Defense Deductible Reserve Fund	Concealed Firearms Permits Fund
REVENUES																
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	5,594.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	211,725.69	-	-	2,262.17	-	15,606.65	9,000.00	-	5,345.60	3,250.00	147,719.00	-	3,050.51	5,755.58	2,452.89	-
Fees, Licenses and Permits	-	5,766.74	-	1,340.32	14,947.77	-	17,938.00	-	343,464.53	-	-	15,633.75	20,670.81	-	-	5,590.00
Interest	2,003.10	506.06	156.98	43.37	871.46	49.74	2,083.65	-	14,904.46	3,293.88	-	1,629.19	489.08	779.87	2,322.64	464.17
Other	-	-	50.07	-	-	-	1,106.00	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	213,728.79	6,272.80	5,801.05	3,645.86	15,819.23	15,656.39	30,127.65	-	363,714.59	6,543.88	147,719.00	17,262.94	24,210.40	6,535.45	4,775.53	6,054.17
EXPENDITURES																
General Government	183,392.40	3,670.00	8,916.18	3,797.46	3,951.64	15,651.15	10,624.18	8,290.34	361,596.42	27,163.43	147,026.00	2,986.85	44,913.53	4,644.15	43,499.25	-
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:																
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	11,026.60	-	-	-	-	-	801.93	-	9,186.21	-	-	6,465.22	-	-	-	-
Debt Service:																
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	194,419.00	3,670.00	8,916.18	3,797.46	3,951.64	15,651.15	11,426.11	8,290.34	370,782.63	27,163.43	147,026.00	9,452.07	44,913.53	4,644.15	43,499.25	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,309.79	2,602.80	(3,115.13)	(151.60)	11,867.59	5.24	18,701.54	(8,290.34)	(7,068.04)	(20,619.55)	693.00	7,810.87	(20,703.13)	1,891.30	(38,723.72)	6,054.17
OTHER FINANCING SOURCES (USES)																
Transfers In	-	-	-	-	-	-	-	8,290.34	-	-	-	-	-	-	-	-
Transfers Out	(10,731.00)	-	-	-	-	-	-	-	(19,159.91)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,731.00)	-	-	-	-	-	-	8,290.34	(19,159.91)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	8,578.79	2,602.80	(3,115.13)	(151.60)	11,867.59	5.24	18,701.54	-	(26,227.95)	(20,619.55)	693.00	7,810.87	(20,703.13)	1,891.30	(38,723.72)	6,054.17
FUND BALANCES - BEGINNING OF YEAR	0.00	7,682.66	4,761.42	152.27	11,375.06	16.04	33,972.27	-	306,152.51	67,818.17	-	28,471.04	20,703.13	15,068.05	65,018.55	7,019.43
FUND BALANCES - END OF YEAR	<u>\$ 8,578.79</u>	<u>\$ 10,285.46</u>	<u>\$ 1,646.29</u>	<u>\$ 0.67</u>	<u>\$ 23,242.65</u>	<u>\$ 21.28</u>	<u>\$ 52,673.81</u>	<u>\$ -</u>	<u>\$ 279,924.56</u>	<u>\$ 47,198.62</u>	<u>\$ 693.00</u>	<u>\$ 36,281.91</u>	<u>\$ -</u>	<u>\$ 16,959.35</u>	<u>\$ 26,294.83</u>	<u>\$ 13,073.60</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Domestic Violence Victim Fund	Museum Operation Fund	Museum Endowment Fund	Bridge Replacement Fund	Garner Covert Memorial Fund	Law Enforcement Restitution Fund	Prosecuting Attorney Delinquent Tax Fund	State and Federal Grants	Law Enforcement Memorial Fund	Emergency Mangaement Conference Fund	Inmate Security Fund	Hutchason Cemetery Fund	Transfer Funds	Deputy Sheriff Salary Supplementation Fund	Total
REVENUES															
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,594.00
Grants, Distributions and Reimbursements	9,851.45	-	-	-	-	-	-	-	75.00	1,200.00	-	-	524,028.42	-	941,322.96
Fees, Licenses and Permits	7,221.50	-	-	-	-	13,874.34	368.64	-	-	-	5,222.00	-	-	960.00	452,998.40
Interest	379.98	646.06	34.55	7,963.46	544.26	762.26	12.66	-	24.92	44.10	296.83	204.69	-	1.17	40,512.59
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,156.07
TOTAL REVENUES	17,452.93	646.06	34.55	7,963.46	544.26	14,636.60	381.30	-	99.92	1,244.10	5,518.83	204.69	524,028.42	961.17	1,441,584.02
EXPENDITURES															
General Government	13,496.45	-	34.37	71.25	-	13,091.14	-	-	-	1,106.57	2,625.00	204.69	487,026.23	580.00	1,388,358.68
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,479.96
Debt Service:															
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,496.45	-	34.37	71.25	-	13,091.14	-	-	-	1,106.57	2,625.00	204.69	487,026.23	580.00	1,415,838.64
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,956.48	646.06	0.18	7,892.21	544.26	1,545.46	381.30	-	99.92	137.53	2,893.83	-	37,002.19	381.17	25,745.38
OTHER FINANCING SOURCES (USES)															
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,290.34
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,890.91)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,600.57)
NET CHANGE IN FUND BALANCES	3,956.48	646.06	0.18	7,892.21	544.26	1,545.46	381.30	-	99.92	137.53	2,893.83	-	37,002.19	381.17	4,144.81
FUND BALANCES - BEGINNING OF YEAR	5,190.05	12,228.51	723.58	79,922.61	3,365.97	13,734.51	10.34	-	458.82	818.90	4,163.62	-	76,824.40	-	765,651.91
FUND BALANCES - END OF YEAR	<u>\$ 9,146.53</u>	<u>\$ 12,874.57</u>	<u>\$ 723.76</u>	<u>\$ 87,814.82</u>	<u>\$ 3,910.23</u>	<u>\$ 15,279.97</u>	<u>\$ 391.64</u>	<u>\$ -</u>	<u>\$ 558.74</u>	<u>\$ 956.43</u>	<u>\$ 7,057.45</u>	<u>\$ -</u>	<u>\$ 113,826.59</u>	<u>\$ 381.17</u>	<u>\$ 769,796.72</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Election Services Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Collectors Tax Maintenance	Emergency Management Fund	Law Enforcement Operations	Jury Script Fund	WRI-TEX Operations Fund	WRI-TEX Depreciation Fund	Special Election Fund	Recorder User Fees	Prosecuting Attorney Bad Check Fund	LEPC Fund	Defense Deductible Reserve Fund
ASSETS															
Cash and Cash Equivalents	\$ 0.00	\$ 7,682.66	\$ 4,761.42	\$ 152.27	\$ 11,375.06	\$ 16.04	\$ 33,972.27	\$ -	\$306,152.51	\$ 67,818.17	\$ -	\$ 28,471.04	\$ 20,703.13	\$ 15,068.05	\$ 65,018.55
TOTAL ASSETS	<u>0.00</u>	<u>7,682.66</u>	<u>4,761.42</u>	<u>152.27</u>	<u>11,375.06</u>	<u>16.04</u>	<u>33,972.27</u>	<u>-</u>	<u>306,152.51</u>	<u>67,818.17</u>	<u>-</u>	<u>28,471.04</u>	<u>20,703.13</u>	<u>15,068.05</u>	<u>65,018.55</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	0.00	7,682.66	4,761.42	152.27	11,375.06	16.04	33,972.27	-	306,152.51	67,818.17	-	28,471.04	20,703.13	15,068.05	65,018.55
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0.00</u>	<u>\$ 7,682.66</u>	<u>\$ 4,761.42</u>	<u>\$ 152.27</u>	<u>\$ 11,375.06</u>	<u>\$ 16.04</u>	<u>\$ 33,972.27</u>	<u>\$ -</u>	<u>\$306,152.51</u>	<u>\$ 67,818.17</u>	<u>\$ -</u>	<u>\$ 28,471.04</u>	<u>\$ 20,703.13</u>	<u>\$ 15,068.05</u>	<u>\$ 65,018.55</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Concealed Firearms Permits Fund	Domestic Violence Victim Fund	Museum Operation Fund	Museum Endowment Fund	Bridge Replacement Fund	Garner Covert Memorial Fund	Law Enforcement Restitution Fund	Prosecuting Attorney Delinquent Tax Fund	State and Federal Grants	Law Enforcement Memorial Fund	Emergency Mangaement Conference Fund	Inmate Security Fund	Hutchason Cemetary Fund	Transfer Funds	Total
ASSETS															
Cash and Cash Equivalents	\$ 7,019.43	\$ 5,190.05	\$ 12,228.51	\$ 723.58	\$ 79,922.61	\$ 3,365.97	\$ 13,734.51	\$ 10.34	\$ -	\$ 458.82	\$ 818.90	\$ 4,163.62	\$ -	\$ 76,824.40	\$ 765,651.91
TOTAL ASSETS	<u>7,019.43</u>	<u>5,190.05</u>	<u>12,228.51</u>	<u>723.58</u>	<u>79,922.61</u>	<u>3,365.97</u>	<u>13,734.51</u>	<u>10.34</u>	<u>-</u>	<u>458.82</u>	<u>818.90</u>	<u>4,163.62</u>	<u>-</u>	<u>76,824.40</u>	<u>765,651.91</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>7,019.43</u>	<u>5,190.05</u>	<u>12,228.51</u>	<u>723.58</u>	<u>79,922.61</u>	<u>3,365.97</u>	<u>13,734.51</u>	<u>10.34</u>	<u>-</u>	<u>458.82</u>	<u>818.90</u>	<u>4,163.62</u>	<u>-</u>	<u>76,824.40</u>	<u>765,651.91</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,019.43</u>	<u>\$ 5,190.05</u>	<u>\$ 12,228.51</u>	<u>\$ 723.58</u>	<u>\$ 79,922.61</u>	<u>\$ 3,365.97</u>	<u>\$ 13,734.51</u>	<u>\$ 10.34</u>	<u>\$ -</u>	<u>\$ 458.82</u>	<u>\$ 818.90</u>	<u>\$ 4,163.62</u>	<u>\$ -</u>	<u>\$ 76,824.40</u>	<u>\$ 765,651.91</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Election Services Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Collectors Tax Maintenance	Emergency Management Fund	Law Enforcement Operations	Jury Script Fund	WRI-TEX Operations Fund	WRI-TEX Depreciation Fund	Special Election Fund	Recorder User Fees	Prosecuting Attorney Bad Check Fund	LEPC Fund	Defense Deductible Reserve Fund
REVENUES															
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	4,097.90	5,946.00	-	-	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	155,312.81	10,645.85	2,521.52	2,050.85	-	3,010.00	37,705.95	-	28,831.42	8,554.00	59,362.72	-	28,270.86	6,001.91	7,423.15
Fees, Licenses and Permits	-	-	-	1,263.48	12,623.35	-	14,407.50	-	331,599.42	-	-	19,342.75	31,286.66	-	-
Interest	2,087.62	414.78	167.82	28.22	598.31	6.65	1,348.97	-	16,158.37	3,491.73	-	1,267.24	1,136.01	882.03	3,128.86
Other	-	-	-	-	190.00	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	157,400.43	15,158.53	8,635.34	3,342.55	13,411.66	3,016.65	53,462.42	-	376,589.21	12,045.73	59,362.72	20,609.99	60,693.53	6,883.94	10,552.01
EXPENDITURES															
General Government	175,174.91	17,310.83	7,122.77	3,271.14	7,519.13	3,251.30	26,843.03	10,540.27	357,350.98	-	59,362.72	4,619.25	44,505.41	12,010.22	8,996.77
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	701.95	-	-	-	3,642.50	-	16,566.85	-	45,872.44	23,000.00	-	10,216.97	-	-	-
Debt Service:															
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	175,876.86	17,310.83	7,122.77	3,271.14	11,161.63	3,251.30	43,409.88	10,540.27	403,223.42	23,000.00	59,362.72	14,836.22	44,505.41	12,010.22	8,996.77
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,476.43)	(2,152.30)	1,512.57	71.41	2,250.03	(234.65)	10,052.54	(10,540.27)	(26,634.21)	(10,954.27)	-	5,773.77	16,188.12	(5,126.28)	1,555.24
OTHER FINANCING SOURCES (USES)															
Transfers In	10,731.00	-	-	-	-	-	-	10,540.27	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	(21,146.99)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,731.00	-	-	-	-	-	-	10,540.27	(21,146.99)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(7,745.43)	(2,152.30)	1,512.57	71.41	2,250.03	(234.65)	10,052.54	-	(47,781.20)	(10,954.27)	-	5,773.77	16,188.12	(5,126.28)	1,555.24
FUND BALANCES - BEGINNING OF YEAR	7,745.43	9,834.96	3,248.85	80.86	9,125.03	250.69	23,919.73	-	353,933.71	78,772.44	-	22,697.27	4,515.01	20,194.33	63,463.31
FUND BALANCES - END OF YEAR	\$ 0.00	\$ 7,682.66	\$ 4,761.42	\$ 152.27	\$ 11,375.06	\$ 16.04	\$ 33,972.27	\$ -	\$ 306,152.51	\$ 67,818.17	\$ -	\$ 28,471.04	\$ 20,703.13	\$ 15,068.05	\$ 65,018.55

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Concealed Firearms Permits Fund	Domestic Violence Victim Fund	Museum Operation Fund	Museum Endowment Fund	Bridge Replacement Fund	Garner Covert Memorial Fund	Law Enforcement Restitution Fund	Prosecuting Attorney Delinquent Tax Fund	State and Federal Grants	Law Enforcement Memorial Fund	Emergency Mangaement Conference Fund	Inmate Security Fund	Hutchason Cemetary Fund	Transfer Funds	Total
REVENUES															
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services															10,043.90
Grants, Distributions and Reimbursements	-	27,133.72	105.52	-	-	-	-	-	-	-	1,650.00	-	1,000.00	433,027.98	812,608.26
Fees, Licenses and Permits	2,695.00	6,289.50	-	-	-	-	11,325.00	-	-	-	-	4,084.52	-	-	434,917.18
Interest	321.26	140.59	574.12	34.37	6,314.51	674.78	605.66	9.09	0.03	20.33	43.68	79.10	258.43	-	39,792.56
Other	-	-	-	-	-	-	-	-	-	-	-	-	1,000.00	-	1,190.00
TOTAL REVENUES	3,016.26	33,563.81	679.64	34.37	6,314.51	674.78	11,930.66	9.09	0.03	20.33	1,693.68	4,163.62	2,258.43	433,027.98	1,298,551.90
EXPENDITURES															
General Government	2,850.00	29,638.72	-	20.52	-	-	13,611.98	2,222.76	10.73	-	1,369.04	-	2,258.43	469,082.85	1,258,943.76
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000.71
Debt Service:															
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,850.00	29,638.72	-	20.52	-	-	13,611.98	2,222.76	10.73	-	1,369.04	-	2,258.43	469,082.85	1,358,944.47
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	166.26	3,925.09	679.64	13.85	6,314.51	674.78	(1,681.32)	(2,213.67)	(10.70)	20.33	324.64	4,163.62	-	(36,054.87)	(60,392.57)
OTHER FINANCING SOURCES (USES)															
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,271.27
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,146.99)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	124.28
NET CHANGE IN FUND BALANCES	166.26	3,925.09	679.64	13.85	6,314.51	674.78	(1,681.32)	(2,213.67)	(10.70)	20.33	324.64	4,163.62	-	(36,054.87)	(60,268.29)
FUND BALANCES - BEGINNING OF YEAR	6,853.17	1,264.96	11,548.87	709.73	73,608.10	2,691.19	15,415.83	2,224.01	10.70	438.49	494.26	-	-	112,879.27	825,920.20
FUND BALANCES - END OF YEAR	\$ 7,019.43	\$ 5,190.05	\$ 12,228.51	\$ 723.58	\$ 79,922.61	\$ 3,365.97	\$ 13,734.51	\$ 10.34	\$ -	\$ 458.82	\$ 818.90	\$ 4,163.62	\$ -	\$ 76,824.40	\$ 765,651.91

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	Collector Funds	Clerk Funds	Associate Circuit Clerk Funds	Associate Court Funds	Circuit Clerk	Recorder of Deeds	Sheriff Funds
ASSETS							
Cash and Cash Equivalents	<u>1,385,947.84</u>	<u>\$ 0.52</u>	<u>\$ 33,797.18</u>	<u>\$ 16.43</u>	<u>\$ 15,038.87</u>	<u>\$ (21.60)</u>	<u>\$ 7,286.51</u>
TOTAL ASSETS	<u>1,385,947.84</u>	<u>0.52</u>	<u>33,797.18</u>	<u>16.43</u>	<u>15,038.87</u>	<u>(21.60)</u>	<u>7,286.51</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,385,947.84</u>	<u>0.52</u>	<u>33,797.18</u>	<u>16.43</u>	<u>15,038.87</u>	<u>(21.60)</u>	<u>7,286.51</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,385,947.84</u>	<u>\$ 0.52</u>	<u>\$ 33,797.18</u>	<u>\$ 16.43</u>	<u>\$ 15,038.87</u>	<u>\$ (21.60)</u>	<u>\$ 7,286.51</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

<u>Sheriff Land</u>	<u>Prosecuting Attorney Funds</u>	<u>Juvenile Funds</u>	<u>Hutcheson Cemetery Funds</u>	<u>Garner Covert Memorial Fund</u>	<u>CERF Fund</u>	<u>Criminal Costs</u>	<u>Financial Institution Fund</u>	<u>Unclaimed Fees</u>	<u>Total</u>
\$ 166,010.33	\$ 8,046.34	\$ -	\$ 7,318.74	\$ 12,000.00	\$ -	\$ -	\$ -	\$ -	\$1,635,441.16
<u>166,010.33</u>	<u>8,046.34</u>	<u>-</u>	<u>7,318.74</u>	<u>12,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,635,441.16</u>
-	-	-	-	-	-	-	-	-	-
<u>166,010.33</u>	<u>8,046.34</u>	<u>-</u>	<u>7,318.74</u>	<u>12,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,635,441.16</u>
<u>\$ 166,010.33</u>	<u>\$ 8,046.34</u>	<u>\$ -</u>	<u>\$ 7,318.74</u>	<u>\$ 12,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,635,441.16</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Collector Funds	Clerk Funds	Associate Circuit Clerk Funds	Associate Court Funds	Circuit Clerk	Recorder of Deeds	Sheriff Funds	Sheriff Land
ASSETS								
Cash and Cash Equivalents	4,697,659.99	\$ (838.23)	\$ 71,132.26	\$ 14.21	\$ 48,906.39	\$ (33.71)	\$ 3,873.75	\$ 10.33
TOTAL ASSETS	<u>4,697,659.99</u>	<u>(838.23)</u>	<u>71,132.26</u>	<u>14.21</u>	<u>48,906.39</u>	<u>(33.71)</u>	<u>3,873.75</u>	<u>10.33</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>4,697,659.99</u>	<u>(838.23)</u>	<u>71,132.26</u>	<u>14.21</u>	<u>48,906.39</u>	<u>(33.71)</u>	<u>3,873.75</u>	<u>10.33</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,697,659.99</u>	<u>\$ (838.23)</u>	<u>\$ 71,132.26</u>	<u>\$ 14.21</u>	<u>\$ 48,906.39</u>	<u>\$ (33.71)</u>	<u>\$ 3,873.75</u>	<u>\$ 10.33</u>

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

<u>Prosecuting Attorney Funds</u>	<u>Juvenile Funds</u>	<u>Hutcheson Cemetery Funds</u>	<u>Garner Covert Memorial Fund</u>	<u>CERF Fund</u>	<u>Criminal Costs</u>	<u>Financial Institution Fund</u>	<u>Unclaimed Fees</u>	<u>Total</u>
\$ 7,678.65	\$ 23.68	\$ 6,318.74	\$ 12,000.00	\$ -	\$ -	\$ -	\$ -	\$4,846,746.06
<u>7,678.65</u>	<u>23.68</u>	<u>6,318.74</u>	<u>12,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,846,746.06</u>
-	-	-	-	-	-	-	-	-
<u>7,678.65</u>	<u>23.68</u>	<u>6,318.74</u>	<u>12,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,846,746.06</u>
<u>\$ 7,678.65</u>	<u>\$ 23.68</u>	<u>\$ 6,318.74</u>	<u>\$ 12,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,846,746.06</u>

STATE COMPLIANCE SECTION

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There were no state findings for the years ended 12/31/07 and 12/31/08.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Texas, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Texas (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements of the County's primary government, and have issued our cash basis report thereon dated July 15, 2009. Our report which was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated July 15, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 15, 2009

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

- 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.
- Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.
- Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.
- Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.
- Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.
- Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.
- 07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition: Documentation of the County's internal controls has not been prepared.
- Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. FOLLOW-UP PRIOR YEAR FINDINGS

05/06-01 Criteria: The Treasurer had not reconciled the bank accounts for the County since some time in early 2005 when she had taken office.

Condition: During our audit we noted that none of the accounts maintained by the Treasurer were reconciled.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINDINGS (continued)

Effect: Not properly reconciling and displaying fund balance.

Cause: Management has not reconciled all bank accounts.

Recommendation: We recommended that bank accounts maintained by the county be reconciled on a monthly basis. Since then, the bank accounts have been reconciled to date.

Management's Response: The County's bank statements for 2005, 2006 and 2007 have been reconciled by the County Treasurer's office and verified by the County Clerk's office. Copies of the reconciled report are reviewed by the County Commission each month.

Status: Implemented

06-02 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINDINGS (continued)

Status: Not Implemented.

06-03 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

Status: Not Implemented.

06-04 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

THE COUNTY OF TEXAS
HOUSTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINDINGS (concluded)

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

Status: Not Implemented.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Texas County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Texas County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Texas County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 15, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 4, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

In planning and performing our audit, we considered Texas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Texas County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Texas County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Texas County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 4, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Texas County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 15, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007

**TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007**

TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
<u>FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities and Fund Balance – Cash Basis.....	5
Statement of Revenues, Expenses and Changes in Fund Balance – Cash Basis.....	6
Notes to the Financial Statements.....	7-11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2008.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis - 2007.....	13
Notes to Required Supplementary Information.....	14
Schedule of Findings and Questioned Costs.....	15-17



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Texas County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Texas County Senate Bill 40 of Missouri, a component unit of Texas County, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Texas County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Texas County Senate Bill 40 of Missouri as of December 31, 2008 and December 31, 2007, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 1, 2009, on our consideration of the Texas County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 12 and 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 1, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Texas County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Texas County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated July 1, 2009, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Texas County Senate Bill 40 of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Texas County Senate Bill 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Texas County Senate Bill 40's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Texas County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Texas County Senate Bill 40 in a separate letter dated July 1, 2009.

Texas County Senate Bill 40's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Texas County Senate Bill 40's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

July 1, 2009

FINANCIAL STATEMENTS

TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 61,058.08	\$ 56,945.68
Investments		
Total Assets	<u><u>61,058.08</u></u>	<u><u>56,945.68</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ <u>61,058.08</u>	\$ <u>56,945.68</u>
Total Fund Balance	<u>61,058.08</u>	<u>56,945.68</u>
Total Liabilities and Fund Balance	<u><u>61,058.08</u></u>	<u><u>56,945.68</u></u>

The notes to the financial statements are an integral part of this statement.

TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Property Tax Revenues	\$ 167,051.40	\$ 164,227.51
	<u>167,051.40</u>	<u>164,227.51</u>
TOTAL REVENUES	167,051.40	164,227.51
EXPENDITURES		
Opportunity Sheltered Ind.	162,000.00	153,000.00
General Administration	1,200.00	1,200.00
Miscellaneous	52.00	72.00
Insurance	1,340.00	1,340.00
Publications	<u>24.38</u>	<u>24.38</u>
TOTAL EXPENDITURES	<u>164,616.38</u>	<u>155,636.38</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	2,435.02	8,591.13
OTHER FINANCING SOURCES (USES)		
Interest	1,316.35	859.91
Miscellaneous	361.03	879.52
Rents	0.00	0.00
Donations	<u>-</u>	<u>0.00</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,677.38</u>	<u>1,739.43</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	4,112.40	10,330.56
FUND BALANCE - BEGINNING OF YEAR	<u>56,945.68</u>	<u>46,615.12</u>
FUND BALANCE - END OF YEAR	<u>\$ 61,058.08</u>	<u>\$ 56,945.68</u>

The notes to the financial statements are an integral part of this statement.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Texas County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Texas County Senate Bill 40 is a component unit of Texas County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits were fully insured or collateralized as required by state statutes at December 31, 2008 and December 31, 2007. At December 31, 2008, the carrying amount of the Board's deposits was \$61,058.08 with respective bank balances totaling \$61,071.21. At December 31, 2007, the carrying amount of the Board's deposits was \$56,945.68 with respective bank balances totaling \$56,945.68. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for 2007 and \$250,000 for 2008.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2008 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2008		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 61,058.08
TOTAL DEPOSITS		\$ 61,058.08

The Deposits held at December 31, 2007 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 56,945.68
TOTAL DEPOSITS		\$ 56,945.68

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was \$188,547,098 and \$169,541,524 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was .10 and .10 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

IV. RISK MANAGEMENT (CONCLUDED)

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2008 or December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 168,300.00	\$ 167,051.40	\$ (1,248.60)
TOTAL REVENUES	<u>168,300.00</u>	<u>167,051.40</u>	<u>(1,248.60)</u>
EXPENDITURES			
Opportunity Sheltered Ind.	166,500.00	162,000.00	(4,500.00)
General Administration	1,200.00	1,200.00	-
Miscellaneous	200.00	52.00	(148.00)
Insurance	1,500.00	1,340.00	(160.00)
Publications	100.00	24.38	(75.62)
TOTAL EXPENDITURES	<u>169,500.00</u>	<u>164,616.38</u>	<u>(4,883.62)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(1,200.00)	2,435.02	3,635.02
OTHER FINANCING SOURCES (USES)			
Interest	1,000.00	1,316.35	316.35
Miscellaneous	200.00	361.03	161.03
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,200.00</u>	<u>1,677.38</u>	<u>477.38</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	-	4,112.40	4,112.40
FUND BALANCE BEGINNING OF YEAR	<u>56,945.68</u>	<u>56,945.68</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 56,945.68</u>	<u>\$ 61,058.08</u>	<u>\$ 4,112.40</u>

TEXAS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF TEXAS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 155,000.00	164,227.51	\$ 9,227.51
TOTAL REVENUES	<u>155,000.00</u>	<u>164,227.51</u>	<u>9,227.51</u>
EXPENDITURES			
Opportunity Sheltered Ind.	153,000.00	153,000.00	-
General Administration	1,200.00	1,200.00	-
Miscellaneous	200.00	72.00	(128.00)
Insurance	1,500.00	1,340.00	(160.00)
Publications	100.00	24.38	(75.62)
TOTAL EXPENDITURES	<u>156,000.00</u>	<u>155,636.38</u>	<u>(363.62)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(1,000.00)	8,591.13	9,591.13
OTHER FINANCING SOURCES (USES)			
Interest	1,000.00	859.91	(140.09)
Miscellaneous	200.00	879.52	679.52
Rents	-	-	-
Donations	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,200.00</u>	<u>1,739.43</u>	<u>539.43</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	200.00	10,330.56	10,130.56
FUND BALANCE BEGINNING OF YEAR	<u>46,615.12</u>	<u>46,615.12</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 46,815.12</u>	<u>\$ 56,945.68</u>	<u>\$ 10,130.56</u>

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

BUDGETS AND BUDGETARY ACCOUNTING

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Board adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
SCHEDULE OF QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS
(concluded) requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

TEXAS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF TEXAS COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Texas County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Texas County Senate Bill 40 as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Senate Bill 40's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate Bill 40's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate Bill 40's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Texas County Senate Bill 40's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 1, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 4, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

In planning and performing our audit, we considered Texas County Senate Bill 40's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Senate Bill 40's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Texas County Senate Bill 40's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Texas County Senate Bill 40's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Texas County Senate Bill 40's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 4, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Texas County Senate Bill 40 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 1, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Phelps County, Missouri

The Office of the State Auditor, in cooperation with Phelps County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-88

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Modified Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-30
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	31
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	32-33

**THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited	34
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Law Enforcement Sales Tax Fund – Unaudited	35
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – E911 Fund – Unaudited	36
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Public Facilities Authority Fund – Unaudited	37
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Sheriffs Drug Enforcement Fund – Unaudited	38
Notes to Required Supplementary Information	39

SUPPLEMENTARY INFORMATION

Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:

Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	40-41
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	42-43
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	44-45
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	46-47

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>SUPPLEMENTARY INFORMATION (concluded)</u>	
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008.....	48-49
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007.....	50-51
 <u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	52
 <u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Phelps, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	53-54
Schedule of Findings.....	55-57

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Phelps, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Phelps (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the basic financial statements of the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Phelps County Medical Center has issued separate reporting entity financial statements. For information on this component unit, please contact the Phelps County Medical Center.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2009 on our consideration for the Primary Government’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Non GAAP Budget Basis and Actual and related notes on pages 31 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 40 through 51 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 52 through 57 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

FINANCIAL STATEMENTS

3

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 8,719,903.34	\$ 609,688.99	\$ 1,025,716.38	\$ 2,970,171.38	\$ (4,114,326.59)
Road and Bridge	2,850,618.94	-	-	-	(2,850,618.94)
Financial Administration	232,169.17	-	-	-	(232,169.17)
Other Offices and Grants	72,904.84	-	-	-	(72,904.84)
Administration of Justice and Law Enforcement	1,601,939.89	-	-	2,165,955.34	564,015.45
Consulting	120,120.54	-	-	-	(120,120.54)
Fees, Licenses and Permits	132,404.48	-	-	-	(132,404.48)
Equipment Repairs and Facilities Maintenance	3,400.00	-	-	-	(3,400.00)
Maintenance of Roads	-	-	515,027.10	-	515,027.10
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	123,081.67	-	-	-	(123,081.67)
Property, Equipment and Buildings	1,429,734.59	-	-	-	(1,429,734.59)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 15,286,277.46	\$ 609,688.99	\$ 1,540,743.48	\$ 5,136,126.72	(7,999,718.27)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	2,918,627.24
Sales Tax	4,237,369.83
Investment Income	368,516.90
Miscellaneous	-
TOTAL GENERAL REVENUES	7,524,513.97
CHANGE IN NET ASSETS	(475,204.30)
NET ASSETS, BEGINNING OF YEAR	5,169,655.00
NET ASSETS, END OF YEAR	\$ 4,694,450.70

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 8,105,367.52	\$ 586,123.81	\$ 1,831,684.25	\$ 1,888,326.80	\$ (3,799,232.66)
Road and Bridge	2,745,402.43	-	-	-	(2,745,402.43)
Financial Administration	230,875.10	-	-	-	(230,875.10)
Other Offices and Grants	94,793.45	-	-	-	(94,793.45)
Administration of Justice and Law Enforcement	1,562,319.11	-	-	2,437,312.47	874,993.36
Property Valuation and Recording	117,372.43	-	-	-	(117,372.43)
Fees, Licenses and Permits	131,503.51	-	-	-	(131,503.51)
Equipment Repairs and Facilities Maintenance	32,861.88	-	-	-	(32,861.88)
Maintenance of Roads	-	-	226,186.93	-	226,186.93
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	469,805.17	-	-	-	(469,805.17)
Interest and Fiscal Charges	13,851.50	-	-	-	(13,851.50)
Capital Outlay:					
Construction of Hospital	-	-	-	-	-
Property, Equipment and Buildings	829,723.53	-	-	-	(829,723.53)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,333,875.63	\$ 586,123.81	\$ 2,057,871.18	\$ 4,325,639.27	(7,364,241.37)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	2,544,493.51
Sales Tax	4,323,399.11
Investment Income	373,648.97
Sale of Property and Equipment	57,987.00
Miscellaneous	103.00
TOTAL GENERAL REVENUES	7,299,631.59
CHANGE IN NET ASSETS	(64,609.78)
NET ASSETS, BEGINNING OF YEAR	5,234,264.78
NET ASSETS, END OF YEAR	\$ 5,169,655.00

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008								DECEMBER 31, 2007							
	General	Special Road and Bridge	E911 Fund	Law Enforcement Sales Tax Fund	Public Facilities Authority Fund	Sheriff's Drug Enforcement Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	E911 Fund	Law Enforcement Sales Tax Fund	Public Facilities Authority Fund	Sheriff's Drug Enforcement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS																
Cash and Cash Equivalents	\$ 491,490.67	\$ 48,554.74	\$ 229,980.76	\$ 49,593.06	\$ 351,012.23	\$ 206,697.23	\$ 2,142,122.01	\$ 3,519,450.70	\$ 525,289.44	\$ 48,017.02	\$ 267,740.75	\$ 40,540.57	\$ 303,398.61	\$ 814,954.85	\$ 1,944,713.76	\$ 3,944,655.00
Investments	225,000.00	-	250,000.00	-	700,000.00	-	-	1,175,000.00	225,000.00	-	300,000.00	-	700,000.00	-	-	1,225,000.00
								-								-
TOTAL ASSETS	716,490.67	48,554.74	479,980.76	49,593.06	1,051,012.23	206,697.23	2,142,122.01	4,694,450.70	750,289.44	48,017.02	567,740.75	40,540.57	1,003,398.61	814,954.85	1,944,713.76	5,169,655.00
FUND BALANCES																
Unreserved:																
General Fund	716,490.67	-	-	-	-	-	-	716,490.67	750,289.44	-	-	-	1,003,398.61	814,954.85	-	750,289.44
Special Revenue Funds	-	48,554.74	479,980.76	49,593.06	1,051,012.23	206,697.23	2,142,122.01	3,977,960.03	-	48,017.02	567,740.75	40,540.57	1,003,398.61	814,954.85	1,944,713.76	4,419,365.56
TOTAL FUND BALANCES	716,490.67	48,554.74	479,980.76	49,593.06	1,051,012.23	206,697.23	2,142,122.01	4,694,450.70	750,289.44	48,017.02	567,740.75	40,540.57	1,003,398.61	814,954.85	1,944,713.76	5,169,655.00
TOTAL FUND BALANCES	\$ 716,490.67	\$ 48,554.74	\$ 479,980.76	\$ 49,593.06	\$ 1,051,012.23	\$ 206,697.23	\$ 2,142,122.01	\$ 4,694,450.70	\$ 750,289.44	\$ 48,017.02	\$ 567,740.75	\$ 40,540.57	\$ 1,003,398.61	\$ 814,954.85	\$ 1,944,713.76	\$ 5,169,655.00

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008								DECEMBER 31, 2007							
	General	Special Road and Bridge	E911 Fund	Law Enforcement Sales Tax Fund	Public Facilities Authority Fund	Sheriffs Drug Enforcement Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	E911 Fund	Law Enforcement Sales Tax Fund	Public Facilities Authority Fund	Sheriffs Drug Enforcement Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES																
Property Tax	\$ 772,876.05	\$ 1,356,257.25	\$ -	\$ -	\$ -	\$ -	\$ 789,493.94	\$ 2,918,627.24	\$ 631,526.30	\$ 1,287,369.13	\$ -	\$ -	\$ -	\$ -	\$ 625,598.08	\$ 2,544,493.51
Sales Tax	1,592,516.51	812,392.60	-	1,832,460.72	-	-	-	4,237,369.83	1,641,021.12	793,738.62	-	1,888,639.37	-	-	-	4,323,399.11
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	431,734.90	-	-	-	177,954.09	609,688.99	-	-	307,822.10	-	-	-	278,301.71	586,123.81
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	1,133,757.27	515,027.10	-	1,616,165.58	-	549,789.76	1,836,414.11	5,651,153.82	918,991.93	226,186.93	-	1,283,223.91	-	1,154,088.56	1,888,326.80	5,470,818.13
Fees, Licenses and Permits	738,980.14	-	-	-	-	-	286,736.24	1,025,716.38	723,323.99	-	-	-	-	-	189,368.33	912,692.32
Interest	104,310.71	18,446.00	30,821.16	6,329.75	51,013.62	35,655.32	121,940.34	368,516.90	119,270.96	14,248.30	36,390.02	11,813.83	54,151.91	21,029.68	116,744.27	373,648.97
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103.00	103.00
TOTAL REVENUES	4,342,440.68	2,702,122.95	462,556.06	3,454,956.05	51,013.62	585,445.08	3,212,538.72	14,811,073.16	4,034,134.30	2,321,542.98	344,212.12	3,183,677.11	54,151.91	1,175,118.24	3,098,442.19	14,211,278.85
EXPENDITURES																
Current:																
General County Government	1,501,055.53	-	550,316.05	3,949,333.23	-	-	2,719,198.53	8,719,903.34	1,275,540.70	-	533,342.22	3,601,395.04	1,055.89	-	2,694,033.67	8,105,367.52
Road and Bridge	-	2,479,955.38	-	-	-	-	370,663.56	2,850,618.94	-	2,745,402.43	-	-	-	-	-	2,745,402.43
Financial Administration	232,169.17	-	-	-	-	-	-	232,169.17	230,875.10	-	-	-	-	-	-	230,875.10
Other Offices and Grants	72,904.84	-	-	-	-	-	-	72,904.84	94,793.45	-	-	-	-	-	-	94,793.45
Property Valuation and Recording	120,120.54	-	-	-	-	-	-	120,120.54	117,372.43	-	-	-	-	-	-	117,372.43
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	132,404.48	-	-	-	-	-	-	132,404.48	131,503.51	-	-	-	-	-	-	131,503.51
Administration of Justice and Law	1,601,939.89	-	-	-	-	-	-	1,601,939.89	1,365,612.01	-	-	-	-	-	196,707.10	1,562,319.11
Equipment Repairs and Facilities Maintenance	-	-	-	-	3,400.00	-	-	3,400.00	-	-	-	-	32,861.88	-	-	32,861.88
Capital Outlay:																
Construction	-	123,081.67	-	-	-	-	-	123,081.67	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	48,548.18	-	-	-	1,125,918.03	255,268.38	1,429,734.59	-	-	-	-	-	774,615.09	55,108.44	829,723.53
TOTAL EXPENDITURES	3,660,594.45	2,651,585.23	550,316.05	3,949,333.23	3,400.00	1,125,918.03	3,345,130.47	15,286,277.46	3,215,697.20	2,745,402.43	533,342.22	3,601,395.04	33,917.77	774,615.09	2,945,849.21	13,850,218.96
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	681,846.23	50,537.72	(87,759.99)	(494,377.18)	47,613.62	(540,472.95)	(132,591.75)	(475,204.30)	818,437.10	(423,859.45)	(189,130.10)	(417,717.93)	20,234.14	400,503.15	152,592.98	361,059.89
OTHER FINANCING SOURCES (USES)																
Transfers In	10,000.00	-	-	628,429.67	-	-	340,000.00	978,429.67	-	383,695.00	-	560,645.00	-	-	575,797.00	1,520,137.00
Transfers Out	(725,645.00)	(50,000.00)	-	(125,000.00)	-	(67,784.67)	(10,000.00)	(978,429.67)	(725,645.00)	-	(41,641.00)	(369,156.00)	-	-	(383,695.00)	(1,520,137.00)
Sale of Property and Equipment	-	-	-	-	-	-	-	-	-	57,987.00	-	-	-	-	-	57,987.00
Emergency Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:																
Principal Payment	-	-	-	-	-	-	-	-	-	(83,333.00)	-	-	-	-	(386,472.17)	(469,805.17)
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,851.50)	(13,851.50)
TOTAL OTHER FINANCING SOURCES (USES)	(715,645.00)	(50,000.00)	-	503,429.67	-	(67,784.67)	330,000.00	-	(725,645.00)	358,349.00	(41,641.00)	191,489.00	-	-	(208,221.67)	(425,669.67)
NET CHANGE IN FUND BALANCE	(33,798.77)	537.72	(87,759.99)	9,052.49	47,613.62	(608,257.62)	197,408.25	(475,204.30)	92,792.10	(65,510.45)	(230,771.10)	(226,228.93)	20,234.14	400,503.15	(55,628.69)	(64,609.78)
FUND BALANCE - BEGINNING OF YEAR	750,289.44	48,017.02	567,740.75	40,540.57	1,003,398.61	814,954.85	1,944,713.76	5,169,655.00	657,497.34	113,527.47	798,511.85	266,769.50	983,164.47	414,451.70	2,000,342.45	5,234,264.78
FUND BALANCE - END OF YEAR	\$ 716,490.67	\$ 48,554.74	\$ 479,980.76	\$ 49,593.06	\$ 1,051,012.23	\$ 206,697.23	\$ 2,142,122.01	\$ 4,694,450.70	\$ 750,289.44	\$ 48,017.02	\$ 567,740.75	\$ 40,540.57	\$ 1,003,398.61	\$ 814,954.85	\$ 1,944,713.76	\$ 5,169,655.00

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

**Amounts reported for governmental activities in the
statement of activities are different because...**

Total Fund Balance – Governmental Funds	\$ 4,694,450.70
---	-----------------

There are no items of reconciliation.

-

Total Net Assets – Governmental Activities

\$ 4,694,450.70

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

**Amounts reported for governmental activities in the
statement of activities are different because...**

Total Fund Balance – Governmental Funds	\$ 5,169,655.00
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 5,169,655.00</u></u>
---	--------------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (475,204.30)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (475,204.30)</u>

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ (64,609.78)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (64,609.78)</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 15,922,752.05</u>	<u>\$ 16,049,792.17</u>
TOTAL ASSETS	<u><u>15,922,752.05</u></u>	<u><u>16,049,792.17</u></u>
LIABILITIES		
Due to Other Funds	<u>15,922,752.05</u>	<u>16,049,792.17</u>
TOTAL LIABILITIES	<u><u>\$ 15,922,752.05</u></u>	<u><u>\$ 16,049,792.17</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Phelps, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1857 by an Act of the Missouri Territory. In addition to the three Commissioners, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, and social and human services.

The financial statements referred to above include only the primary government of Phelps County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Phelps County Medical Center has issued separate reporting entity financial statements. For information on this component unit, please contact the Phelps County Medical Center at (573) 458-8899 (or write to 1000 West Tenth Street Rolla, MO 65401).

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund, Sheriff's Drug Enforcement Fund, Law Enforcement Sales Tax Fund, Public Facilities Authority Fund, and the E911 Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Law Enforcement Sales Tax Fund – The Law Enforcement Sales Tax Fund is a Special Revenue Fund used to account for receipts of the county sales tax levy and related expenditures for the law enforcement.

Courthouse Sales Tax Fund – The Courthouse Sales Tax Fund is a Special Revenue Fund used to account for receipts of the county sales tax levy and related expenditures for the Courthouse.

E911 Emergency Fund – The E911 Emergency Fund is a Special Revenue Fund used to account for receipts of the county fees and related capital expenditures for the Emergency 911 Fund.

Sheriff's Drug Enforcement Fund – The Sheriff's Drug Enforcement Fund is a Special Revenue Fund used to account for receipts of the Grants and related capital expenditures for the Sheriff's Department.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	2008	2007
Real Estate	\$ 397,192,440	\$ 387,880,790
Personal Property	106,494,831	105,057,285
Railroad and Utilities	20,641,686	19,599,952
	<u>\$ 524,328,957</u>	<u>\$ 512,538,027</u>

During 2008 and 2007, the County Commission approved a \$.3078 and \$.2921, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.1471	\$.1375
Special Road and Bridge Fund	.0901	.0844
Developmentally Disabled	.0706	.0702
	<u>\$.3078</u>	<u>\$.2921</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include any instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$4,694,450.70 and \$5,169,655.00, the bank balance was \$5,144,910.16 and \$5,548,456.76 respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 3,519,450.70
Investments	1,175,000.00
Total Governmental Funds	<u>4,694,450.70</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	15,922,752.05
Investments	<u>-</u>
Total Deposits & Investments as of December 31, 2008	\$ <u>20,617,202.75</u>

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 3,944,655.00
Investments	1,225,000.00
Total Governmental Funds	<u>5,169,655.00</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	16,049,792.17
Investments	<u>-</u>
Total Deposits & Investments as of December 31, 2007	\$ <u>21,219,447.17</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does have a policy for custodial credit risk relating to investments.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has a policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. LONG-TERM DEBT

Certificates of Participation – The Primary Government had \$2,485,000 Phelps County Missouri Refunding Certificates of Participation Series 2004 Dated 2/1/04. Principal and interest payments were due annually by December 1, with an annual interest rate ranging from 1.40% to 2.40%. Final Payment was made on 12/1/2007.

DEBT	BALANCE AT 12/31/2006	AMOUNT BORROWED	2007	BALANCE AT 12/31/2007	INTEREST PAID DURING YEAR
			PAYMENTS 2006		
COPS	\$ 635,000.00	\$ -	\$ (635,000.00)	\$ -	\$ 15,240.00
TOTAL	<u>\$ 635,000.00</u>	<u>\$ -</u>	<u>\$ (635,000.00)</u>	<u>\$ -</u>	<u>\$ 15,240.00</u>

2003 Medical Center Bonds – The Component Unit of Phelps County – Phelps County Medical Center has a \$40,000,00 bond that was entered into on 10/27/03. The County is only responsible for the bonds if the Medical Center would happen to default on them. The Balance at 12/31/08 was \$32,520,000.00 and the Balance at 12/31/07 was \$34,100,000.00. Amortizations are not shown since these are the responsibility of the Medical Center.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (Continued)

The following is the descriptions and balances for the 2008 Capital Leases:

2008

ON 9/30/04 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY FOR A COPIER FOR THE COLLECTORS OFFICE, THE PAYMENT IS \$138.00 MONTHLY.	1,600.00
ON 9/22/05 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE ASSESSOR, THE PAYMENT IS \$67.75 MONTHLY.	1,490.50
ON 4/13/09 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH CITIZENS BANK OF NEWBURG FOR COMPUTER EQUIPMENT AND RECORDING SYSTEM FOR THE RECORDER, THE INTEREST RATE IS 4.5%, THE PAYMENT IS \$2,051.00 MONTHLY.	54,420.36
ON 5/5/06 THE COUNT COMMISSIONERS ENTERED INTO A 48 MONTH LEASE WITH FORD MOTER CREDIT FOR A 2006 FORD VAN, THE INTEREST RATE IS 5.75% THE PAYMENT IS 497.97 MONTHLY WITH THE LAST PAYMENT BEING \$498.08.	7,652.23
ON 5/10/09 THE COUNTY COMMISSIONERS ENTERED INTO A 3 YEAR LEASE WITH CITIZENS BANK OF NEWBURG FOR 3 DODGE CHARGERS, THE INTEREST RATE IS 4.5%, THE PAYMENT IS 21,665.83 ANNUALLY.	20,732.85
ON 6/7/06 THE COUNTY COMMISSIONERS ENTERED INTO A 48 MONTH LEASE WITH XEROX FOR COPIERS AT THE TEXAS COUNTY JUVINILE CENTER, THE PAYMENT IS \$59.55 MONTHLY.	1,071.90
ON 12/7/09 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE ASSESSOR, THE PAYMENT IS \$74.55 MONTHLY.	2,683.80
ON 2/13/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE PUBLIC ADMINISTRATOR, THE PAYMENT IS \$62.68 MONTHLY.	2,381.84
ON 9/18/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE CIRCUIT CLERK, THE PAMENT IS \$132.29 MONTHLY.	5,953.05
ON 11/8/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY LEASING, LLC FOR A COPIER FOR THE SHERIFFS OFFICE, THE PAYMENT IS \$298.00 MONTHLY.	14,006.00

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (Continued)

ON 11/8/07 THE COUNTY COMMISSIONER ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY LEASING, LLC FOR A COPIER FOR THE SHERIFFS OFFICE, THE PAYMENT IS \$295.51 MONTHLY.	13,888.97
ON 8/19/08 THE COUNTY COMMISSIONERS ENTERED INTO A LEASE WITH PITNEY BOWS FOR 20 PAYMENTS OF \$4,377 PAID QUARTERLY.	74,409.00
ON 10/7/08 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH CBS LEASING FOR A DIGITAL SYSTEM FOR THE COLLECTOR, THE PAYMENT IS \$209.00 MONTHLY.	12,122.00
ON 12/3/08 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH IKON FOR A COPIER FOR THE PROSECUTING ATTORNIES OFFICE, THE PAYMENT IS \$145.00 MONTHLY.	8,700.00
2008 TOTAL	<u><u>221,112.50</u></u>

The following is the descriptions and balances for the 2007 Capital Leases:

2007

ON 11/18/03 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE CIRCUIT COURT, THE PAYMENT IS \$135.91 MONTHLY.	1,495.01
ON 2/20/04 THE COUNTY COMMISSIONERS ENTERED INTO A 36 MONTH LEASE WITH CANON FOR SCANNER/IMAGING EQUIPMENT, THE PAYMENT IS \$877.00 MONTHLY.	0.00
ON 6/22/04 THE COUNTY COMMISSIONERS ENTERED INTO A 48 MONTH LEASE WITH IKON FOR A COPIER FOR THE JUVENILE OFFICE, THE PAYMENT IS \$190.00 MONTHLY.	950.00
ON 9/30/04 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY FOR A COPIER FOR THE COLLECTORS OFFICE, THE PAYMENT IS \$138.00 MONTHLY.	3,256.00
ON 9/22/05 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE ASSESSOR, THE PAYMENT IS \$67.75 MONTHLY.	2,303.50

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (Continued)

ON 4/13/09 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH CITIZENS BANK OF NEWBURG FOR COMPUTER EQUIPMENT AND RECORDING SYSTEM FOR THE RECORDER, THE INTEREST RATE IS 4.5%, THE PAYMENT IS \$2,051.00 MONTHLY.	76,044.31
ON 5/5/06 THE COUNT COMMISSIONERS ENTERED INTO A 48 MONTH LEASE WITH FORD MOTER CREDIT FOR A 2006 FORD VAN, THE INTEREST RATE IS 5.75% THE PAYMENT IS 497.97 MONTHLY WITH THE LAST PAYMENT BEING \$498.08.	13,019.24
ON 5/10/09 THE COUNTY COMMISSIONERS ENTERED INTO A 3 YEAR LEASE WITH CITIZENS BANK OF NEWBURG FOR 3 DODGE CHARGERS, THE INTEREST RATE IS 4.5%, THE PAYMENT IS 21,665.83 ANNUALLY.	40,568.11
ON 6/7/06 THE COUNTY COMMISSIONERS ENTERED INTO A 48 MONTH LEASE WITH XEROX FOR COPIERS AT THE TEXAS COUNTY JUVINILE CENTER, THE PAYMENT IS \$59.55 MONTHLY.	1,786.50
ON 12/7/09 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE ASSESSOR, THE PAYMENT IS \$74.55 MONTHLY.	3,578.40
ON 2/13/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE PUBLIC ADMINISTRATOR, THE PAYMENT IS \$62.68 MONTHLY.	3,134.00
ON 9/18/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH XEROX FOR A COPIER FOR THE CIRCUIT CLERK, THE PAMENT IS \$132.29 MONTHLY.	7,540.53
ON 11/8/07 THE COUNTY COMMISSIONERS ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY LEASING, LLC FOR A COPIER FOR THE SHERIFFS OFFICE, THE PAYMENT IS \$298.00 MONTHLY.	17,582.00
ON 11/8/07 THE COUNTY COMMISSIONER ENTERED INTO A 60 MONTH LEASE WITH GIBBS TECHNOLOGY LEASING, LLC FOR A COPIER FOR THE SHERIFFS OFFICE, THE PAYMENT IS \$295.51 MONTHLY.	17,435.09
2007 TOTAL	<u><u>188,692.69</u></u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (continued)

2007 Amortizations of Capital Leases:

	XEROX CIRC CT	IKON JUVINILE	GIBBS COLLECT	XEROX ASSESS	CITIZENS BANK EQ LEASE - RECORDER		FORD CREDIT 2006 FORD VAN	
					principle	interest	principle	interest
2008	1,495.01	950.00	1,656.00	813.00	21,623.95	2,988.05	5,367.01	608.63
2009	-	-	1,600.00	813.00	22,626.60	1,985.40	5,683.88	291.76
2010	-	-	-	677.50	23,666.05	945.95	1,968.35	23.64
2011	-	-	-	-	8,127.71	76.29	-	-
2012	-	-	-	-	-	-	-	-
TOTAL	<u>1,495.01</u>	<u>950.00</u>	<u>3,256.00</u>	<u>2,303.50</u>	<u>76,044.31</u>	<u>5,995.69</u>	<u>13,019.24</u>	<u>924.03</u>

CITIZENS BANK VEHICLE LEASE - SHERIFF		XEROX JUVINILE	XEROX ASSESS	XEROX PUB ADM	XEROX CIRC CT	GIBBS SHERIFF	GIBBS #2 SHERIFF	TOTAL	
principle	interest							PRINCIPAL	INTEREST
19,835.26	1,830.57	714.60	894.60	752.16	1,587.48	3,576.00	3,546.12	62,811.19	5,427.25
20,732.85	932.98	714.60	894.60	752.16	1,587.48	3,576.00	3,546.12	62,527.29	3,210.14
-	-	357.30	894.60	752.16	1,587.48	3,576.00	3,546.12	37,025.56	969.59
-	-	-	894.60	752.16	1,587.48	3,576.00	3,546.12	18,484.07	76.29
-	-	-	-	125.36	1,190.61	3,278.00	3,250.61	7,844.58	-
<u>40,568.11</u>	<u>2,763.55</u>	<u>1,786.50</u>	<u>3,578.40</u>	<u>3,134.00</u>	<u>7,540.53</u>	<u>17,582.00</u>	<u>17,435.09</u>	<u>188,692.69</u>	<u>9,683.27</u>

2008 Amortizations of Capital Leases:

	GIBBS COLLECT	XEROX ASSESS	CITIZENS BANK EQ LEASE - RECORDER		FORD CREDIT 2006 FORD VAN		CITIZENS BANK VEHICLE LEASE - SHERIFF	
			principle	interest	principle	interest	principle	interest
2009	1,600.00	813.00	22,626.60	1,985.40	5,683.88	291.76	20,732.85	932.98
2010	-	677.50	23,666.05	945.95	1,968.35	23.64	-	-
2011	-	0.00	8,127.71	76.29	-	-	-	-
2012	-	0.00	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
TOTAL	<u>1,600.00</u>	<u>1,490.50</u>	<u>54,420.36</u>	<u>3,007.64</u>	<u>7,652.23</u>	<u>315.40</u>	<u>20,732.85</u>	<u>932.98</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (concluded)

2008 Amortizations of Capital Leases (Concluded):

XEROX JUVINILE	XEROX ASSESS	XEROX PUB ADM	XEROX CIRC CT	GIBBS SHERIFF	GIBBS #2 SHERIFF	PITNEY BOWES	CBS LEASING	IKON PROS AT	TOTAL PRINCIPAL	TOTAL INTEREST
714.60	894.60	752.16	1,587.48	3,576.00	3,546.12	17,508.00	2,508.00	1,740.00	84,283.29	3,210.14
357.30	894.60	752.16	1,587.48	3,576.00	3,546.12	17,508.00	2,508.00	1,740.00	58,781.56	969.59
-	894.60	752.16	1,587.48	3,576.00	3,546.12	17,508.00	2,508.00	1,740.00	40,240.07	76.29
-	-	125.36	1,190.61	3,278.00	3,250.61	17,508.00	2,508.00	1,740.00	29,600.58	-
-	-	-	-	-	-	4,377.00	2,090.00	1,740.00	8,207.00	-
<u>1,071.90</u>	<u>2,683.80</u>	<u>2,381.84</u>	<u>5,953.05</u>	<u>14,006.00</u>	<u>13,888.97</u>	<u>74,409.00</u>	<u>12,122.00</u>	<u>8,700.00</u>	<u>221,112.50</u>	<u>4,256.02</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 10,000.00	\$ 725,645.00	\$ -	\$ 725,645.00
Special Road and Bridge Fund	-	50,000.00	383,695.00	-
Law Enforcement Sales Tax Fund	628,429.67	125,000.00	560,645.00	369,156.00
E911 Fund	-	-	-	41,641.00
Sheriff's Drug Enforcement Fund	-	67,784.67	-	-
NON-MAJOR FUNDS	<u>340,000.00</u>	<u>10,000.00</u>	<u>575,797.00</u>	<u>383,695.00</u>
TOTAL	\$ <u>978,429.67</u>	\$ <u>978,429.67</u>	\$ <u>1,520,137.00</u>	\$ <u>1,520,137.00</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for all other departments in the county.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$305,973.70 and \$287,689.22, respectively, for the years then ended.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Phelps County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Phelps County's full time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 7.4% (general) and 6.1% (police) of annual covered payroll for 2008. The 2007 rate was 6.8 % (general) and 5.1% (police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$481,992 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and /or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. For 2007, the political subdivision's annual pension cost of \$417,639 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2005 and/or February 29, 2006 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

C. Annual Pension Cost (concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007 and 2008, was 15 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 377,433	100%	\$ 0
6/30/2007	417,639	100%	0
6/30/2008	481,992	100%	0

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	\$8,363,422	\$ 7,786,276	\$ (577,146)	107%	\$ 4,114,230	0%
2/28/2007	8,957,770	8,194,676	(763,094)	109%	4,119,818	0%
2/28/2008	9,394,848	8,394,296	(1,000,552)	112%	4,509,800	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contract the LAGERS office in Jefferson City.

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government is tracking a lawsuit against this unfunded mandate with the state, the lawsuit has not yet been resolved, but the county has tracked amounts due as \$7,752 and \$7,752, respectively, for the years ended December 31, 2008 and 2007.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does provide post-employment benefits including, as mandated, the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government. Retirees may remain on the health insurance plan until they are Medicare eligible. If an employee has over 25 years of service with the county the county will continue to pay the same portion of health insurance that they paid before the person retired, until the person becomes Medicare eligible.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is involved in pending litigation at December 31, 2008.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable but not sick time. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 634,967.00	\$ 634,967.00	\$ 772,876.05	\$ 137,909.05	\$ 558,885.00	\$ 558,885.00	\$ 631,526.30	\$ 72,641.30
Sales Tax	1,642,000.00	1,642,000.00	1,592,516.51	(49,483.49)	1,701,360.00	1,701,360.00	1,641,021.12	(60,338.88)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	1,219,621.00	1,219,621.00	1,133,757.27	(85,863.73)	1,153,000.00	1,153,000.00	918,991.93	(234,008.07)
Fees, Licenses and Permits	753,549.00	753,549.00	738,980.14	(14,568.86)	708,650.00	708,650.00	723,323.99	14,673.99
Interests	101,466.00	101,466.00	104,310.71	2,844.71	110,734.00	110,734.00	119,270.96	8,536.96
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	4,351,603.00	4,351,603.00	4,342,440.68	(9,162.32)	4,232,629.00	4,232,629.00	4,034,134.30	(198,494.70)
EXPENDITURES								
Current:								
General County Government	1,656,433.00	1,656,433.00	1,501,055.53	(155,377.47)	1,408,746.00	1,408,746.00	1,275,540.70	(133,205.30)
Financial Administration	237,098.00	237,098.00	232,169.17	(4,928.83)	237,920.00	237,920.00	230,875.10	(7,044.90)
Other Offices and Grants	94,530.00	94,530.00	72,904.84	(21,625.16)	134,988.00	134,988.00	94,793.45	(40,194.55)
Health and Welfare	135,481.00	135,481.00	132,404.48	(3,076.52)	132,047.00	132,047.00	131,503.51	(543.49)
Property Valuation and Recording	126,014.00	126,014.00	120,120.54	(5,893.46)	118,602.00	118,602.00	117,372.43	(1,229.57)
Administration of Justice and Law	1,724,100.00	1,724,100.00	1,601,939.89	(122,160.11)	1,639,125.00	1,639,125.00	1,365,612.01	(273,512.99)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,973,656.00	3,973,656.00	3,660,594.45	(313,061.55)	3,671,428.00	3,671,428.00	3,215,697.20	(455,730.80)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	377,947.00	377,947.00	681,846.23	303,899.23	561,201.00	561,201.00	818,437.10	257,236.10
OTHER FINANCING SOURCES (USES)								
Transfers In	10,000.00	10,000.00	10,000.00	-	-	-	-	-
Transfers Out	(755,645.00)	(755,645.00)	(725,645.00)	30,000.00	(740,645.00)	(740,645.00)	(725,645.00)	15,000.00
Emergency Fund	-	-	-	-	-	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(745,645.00)	(745,645.00)	(715,645.00)	30,000.00	(740,645.00)	(740,645.00)	(725,645.00)	15,000.00
NET CHANGE IN FUND BALANCE	(367,698.00)	(367,698.00)	(33,798.77)	333,899.23	(179,444.00)	(179,444.00)	92,792.10	272,236.10
FUND BALANCE - BEGINNING OF YEAR	750,289.44	750,289.44	750,289.44	-	657,497.34	657,497.34	657,497.34	-
FUND BALANCE - END OF YEAR	\$ 382,591.44	\$ 382,591.44	\$ 716,490.67	\$ 333,899.23	\$ 478,053.34	\$ 478,053.34	\$ 750,289.44	\$ 272,236.10

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
EXPENDITURES								
Current:								
General County Government:								
County Commission	\$ 176,198.00	176,198.00	170,397.65	\$ (5,800.35)	\$ 170,522.00	170,522.00	161,150.87	\$ (9,371.13)
County Clerk	246,567.00	246,567.00	189,807.68	(56,759.32)	242,929.00	242,929.00	189,427.45	(53,501.55)
Elections	236,300.00	236,300.00	212,408.13	(23,891.87)	78,000.00	78,000.00	59,663.90	(18,336.10)
Buildings and Grounds	528,703.00	528,703.00	461,455.60	(67,247.40)	478,730.00	478,730.00	444,351.56	(34,378.44)
Employee Fringe Benefits	464,825.00	464,825.00	463,946.47	(878.53)	434,725.00	434,725.00	417,106.92	(17,618.08)
Surveyor	3,840.00	3,840.00	3,040.00	(800.00)	3,840.00	3,840.00	3,840.00	-
Other Expenses		-	-	-		-	-	-
	<u>1,656,433.00</u>	<u>1,656,433.00</u>	<u>1,501,055.53</u>	<u>(155,377.47)</u>	<u>1,408,746.00</u>	<u>1,408,746.00</u>	<u>1,275,540.70</u>	<u>(133,205.30)</u>
Financial Administration:								
Collector	171,002.00	171,002.00	170,218.36	(783.64)	172,982.00	172,982.00	169,502.74	(3,479.26)
Treasurer	66,096.00	66,096.00	61,950.81	(4,145.19)	64,938.00	64,938.00	61,372.36	(3,565.64)
	<u>237,098.00</u>	<u>237,098.00</u>	<u>232,169.17</u>	<u>(4,928.83)</u>	<u>237,920.00</u>	<u>237,920.00</u>	<u>230,875.10</u>	<u>(7,044.90)</u>
Other Offices & Grants:								
Other Offices & Grants	94,530.00	94,530.00	72,904.84	(21,625.16)	134,988.00	134,988.00	94,793.45	(40,194.55)
	<u>94,530.00</u>	<u>94,530.00</u>	<u>72,904.84</u>	<u>(21,625.16)</u>	<u>134,988.00</u>	<u>134,988.00</u>	<u>94,793.45</u>	<u>(40,194.55)</u>
Health and Welfare:								
Non-Institutional Care	135,481.00	135,481.00	132,404.48	(3,076.52)	132,047.00	132,047.00	131,503.51	(543.49)
	<u>135,481.00</u>	<u>135,481.00</u>	<u>132,404.48</u>	<u>(3,076.52)</u>	<u>132,047.00</u>	<u>132,047.00</u>	<u>131,503.51</u>	<u>(543.49)</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	126,014.00	126,014.00	120,120.54	(5,893.46)	118,602.00	118,602.00	117,372.43	(1,229.57)
Administration of Justice and Law Enforcement:								
Associate Circuit	24,950.00	24,950.00	18,817.90	(6,132.10)	-	-	-	-
Circuit Clerk	96,793.00	96,793.00	85,484.60	(11,308.40)	88,540.00	88,540.00	70,860.58	(17,679.42)
Family Court	160,000.00	160,000.00	158,940.88	(1,059.12)	43,500.00	43,500.00	23,356.09	(20,143.91)
Associate Circuit - (Probate)	-	-	-	-	23,500.00	23,500.00	17,667.48	(5,832.52)
Court Administrator	33,000.00	33,000.00	32,727.37	(272.63)	24,600.00	24,600.00	16,796.30	(7,803.70)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	173,340.00	173,340.00	148,157.59	(25,182.41)	179,982.00	179,982.00	145,678.37	(34,303.63)
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	420,009.00	420,009.00	363,941.43	(56,067.57)	480,664.00	480,664.00	355,233.23	(125,430.77)
Medical Examiner	33,826.00	33,826.00	30,391.33	(3,434.67)	37,462.00	37,462.00	36,598.74	(863.26)
Sheriffs Office	144,142.00	144,142.00	124,766.57	(19,375.43)	152,990.00	152,990.00	123,495.54	(29,494.46)
Drug Court	18,189.00	18,189.00	16,506.84	(1,682.16)	-	-	-	-
Prosecuting Attorney	511,331.00	511,331.00	517,249.36	5,918.36	504,283.00	504,283.00	473,960.21	(30,322.79)
Public Defender and Civil Defense	11,925.00	11,925.00	11,925.00	-	12,025.00	12,025.00	11,925.00	(100.00)
Public Administrator	96,595.00	96,595.00	93,031.02	(3,563.98)	91,579.00	91,579.00	90,040.47	(1,538.53)
	1,724,100.00	1,724,100.00	1,601,939.89	(122,160.11)	1,639,125.00	1,639,125.00	1,365,612.01	(273,512.99)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 3,973,656.00	\$ 3,973,656.00	\$ 3,660,594.45	\$ (313,061.55)	\$ 3,671,428.00	\$ 3,671,428.00	\$ 3,215,697.20	\$ (455,730.80)

See accompanying Independent Auditor's Report

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - SPECIAL ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 1,268,516.00	\$ 1,268,516.00	\$ 1,356,257.25	\$ 87,741.25	\$ 1,272,279.00	\$ 1,272,279.00	\$ 1,287,369.13	\$ 15,090.13
Sales Tax	810,154.00	810,154.00	812,392.60	2,238.60	772,166.00	772,166.00	793,738.62	21,572.62
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	517,220.00	517,220.00	515,027.10	(2,192.90)	331,791.00	331,791.00	226,186.93	(105,604.07)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	9,000.00	9,000.00	18,446.00	9,446.00	9,000.00	9,000.00	14,248.30	5,248.30
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,604,890.00	2,604,890.00	2,702,122.95	97,232.95	2,385,236.00	2,385,236.00	2,321,542.98	(63,693.02)
EXPENDITURES								
Current:								
Salaries	585,239.00	585,239.00	584,473.02	(765.98)	625,964.00	625,964.00	587,269.37	(38,694.63)
Employee Fringe Benefits	227,357.00	227,357.00	226,034.62	(1,322.38)	239,731.00	239,731.00	211,315.19	(28,415.81)
Supplies	34,000.00	34,000.00	32,579.89	(1,420.11)	44,000.00	44,000.00	36,413.13	(7,586.87)
Property and Equipment Insurance	45,000.00	45,000.00	44,088.47	(911.53)	38,500.00	38,500.00	43,028.22	4,528.22
Equipment Repairs and Facilities Maintenance	285,000.00	285,000.00	322,082.99	37,082.99	195,000.00	195,000.00	212,950.02	17,950.02
Rentals	3,000.00	3,000.00	2,241.93	(758.07)	3,000.00	3,000.00	428.71	(2,571.29)
Maintenance of Roads:								
Highway and Roads	1,231,000.00	1,231,000.00	1,268,454.46	37,454.46	1,186,000.00	1,186,000.00	1,142,568.67	(43,431.33)
Other	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	134,000.00	134,000.00	123,081.67	(10,918.33)	96,500.00	96,500.00	13,402.24	(83,097.76)
Property, Equipment and Buildings	53,547.00	53,547.00	48,548.18	(4,998.82)	1,014,575.00	1,014,575.00	498,026.88	(516,548.12)
TOTAL EXPENDITURES	2,598,143.00	2,598,143.00	2,651,585.23	53,442.23	3,443,270.00	3,443,270.00	2,745,402.43	(697,867.57)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,747.00	6,747.00	50,537.72	43,790.72	(1,058,034.00)	(1,058,034.00)	(423,859.45)	634,174.55
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	384,627.00	384,627.00	383,695.00	(932.00)
Transfers Out	(50,000.00)	(50,000.00)	(50,000.00)	-	-	-	-	-
Sale of Property and Equipment	-	-	-	-	668,500.00	668,500.00	57,987.00	(610,513.00)
Debt Service	-	-	-	-	130,000.00	130,000.00	(83,333.00)	(213,333.00)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000.00)	(50,000.00)	(50,000.00)	-	1,183,127.00	1,183,127.00	358,349.00	(824,778.00)
NET CHANGE IN FUND BALANCE	(43,253.00)	(43,253.00)	537.72	43,790.72	125,093.00	125,093.00	(65,510.45)	(190,603.45)
FUND BALANCE - BEGINNING OF YEAR	48,017.02	48,017.02	48,017.02	-	113,527.47	113,527.47	113,527.47	-
FUND BALANCE - END OF YEAR	\$ 4,764.02	\$ 4,764.02	\$ 48,554.74	\$ 43,790.72	\$ 238,620.47	\$ 238,620.47	\$ 48,017.02	\$ (190,603.45)

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - LAW ENFORCEMENT SALES TAX FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	1,889,000.00	1,889,000.00	1,832,460.72	(56,539.28)	1,957,369.00	1,957,369.00	1,888,639.37	(68,729.63)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	1,730,162.00	1,730,162.00	1,616,165.58	(113,996.42)	1,252,600.00	1,252,600.00	1,283,223.91	30,623.91
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	6,350.00	6,350.00	6,329.75	(20.25)	8,200.00	8,200.00	11,813.83	3,613.83
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	3,625,512.00	3,625,512.00	3,454,956.05	(170,555.95)	3,218,169.00	3,218,169.00	3,183,677.11	(34,491.89)
EXPENDITURES								
Salaries	2,103,005.00	2,103,005.00	2,059,558.67	(43,446.33)	1,915,475.00	1,915,475.00	1,850,519.54	(64,955.46)
Employee Fringe Benefits	542,516.00	542,516.00	579,814.39	37,298.39	503,183.00	503,183.00	477,114.61	(26,068.39)
Supplies	817,468.00	817,468.00	784,559.10	(32,908.90)	588,668.00	588,668.00	605,837.91	17,169.91
Property and Equipment Insurance	117,000.00	117,000.00	155,943.91	38,943.91	135,000.00	135,000.00	115,359.69	(19,640.31)
Equipment Repairs and Facilities Maintenance	353,700.00	353,700.00	349,827.15	(3,872.85)	435,170.00	435,170.00	489,677.03	54,507.03
Capital Outlay:							-	-
Property, Equipment and Buildings	20,000.00	20,000.00	19,630.01	(369.99)	53,000.00	53,000.00	62,886.26	9,886.26
TOTAL EXPENDITURES	3,953,689.00	3,953,689.00	3,949,333.23	(4,355.77)	3,630,496.00	3,630,496.00	3,601,395.04	(29,100.96)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(328,177.00)	(328,177.00)	(494,377.18)	(166,200.18)	(412,327.00)	(412,327.00)	(417,717.93)	(5,390.93)
OTHER FINANCING SOURCES (USES)								
Transfers In	621,645.00	621,645.00	628,429.67	6,784.67	560,645.00	560,645.00	560,645.00	-
Transfers Out	(125,000.00)	(125,000.00)	(125,000.00)	-	(369,156.00)	(369,156.00)	(369,156.00)	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	496,645.00	496,645.00	503,429.67	6,784.67	191,489.00	191,489.00	191,489.00	-
NET CHANGE IN FUND BALANCE	168,468.00	168,468.00	9,052.49	(159,415.51)	(220,838.00)	(220,838.00)	(226,228.93)	(5,390.93)
FUND BALANCE - BEGINNING OF YEAR	40,540.57	40,540.57	40,540.57	-	266,769.50	266,769.50	266,769.50	-
FUND BALANCE - END OF YEAR	\$ 209,008.57	\$ 209,008.57	\$ 49,593.06	\$ (159,415.51)	\$ 45,931.50	\$ 45,931.50	\$ 40,540.57	\$ (5,390.93)

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - E911 FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	427,942.00	427,942.00	431,734.90	3,792.90	348,000.00	348,000.00	307,822.10	(40,177.90)
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	30,000.00	30,000.00	30,821.16	821.16	35,000.00	35,000.00	36,390.02	1,390.02
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	457,942.00	457,942.00	462,556.06	4,614.06	383,000.00	383,000.00	344,212.12	(38,787.88)
EXPENDITURES								
Salaries					-	-	-	-
Employee Fringe Benefits					-	-	-	-
Supplies					-	-	-	-
Property and Equipment Insurance					-	-	-	-
Equipment Repairs and Facilities Maintenance					-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	645,302.00	645,302.00	550,316.05	(94,985.95)	618,712.00	618,712.00	533,342.22	(85,369.78)
TOTAL EXPENDITURES	645,302.00	645,302.00	550,316.05	(94,985.95)	618,712.00	618,712.00	533,342.22	(85,369.78)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(187,360.00)	(187,360.00)	(87,759.99)	99,600.01	(235,712.00)	(235,712.00)	(189,130.10)	46,581.90
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(41,641.00)	(41,641.00)	(41,641.00)	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(41,641.00)	(41,641.00)	(41,641.00)	-
NET CHANGE IN FUND BALANCE	(187,360.00)	(187,360.00)	(87,759.99)	99,600.01	(277,353.00)	(277,353.00)	(230,771.10)	46,581.90
FUND BALANCE - BEGINNING OF YEAR	567,740.75	567,740.75	567,740.75	-	798,511.85	798,511.85	798,511.85	-
FUND BALANCE - END OF YEAR	\$ 380,380.75	\$ 380,380.75	\$ 479,980.76	\$ 99,600.01	\$ 521,158.85	\$ 521,158.85	\$ 567,740.75	\$ 46,581.90

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL -PUBLIC FACILITIES AUTHORITY FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	60,000.00	60,000.00	51,013.62	(8,986.38)	31,000.00	31,000.00	54,151.91	23,151.91
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	60,000.00	60,000.00	51,013.62	(8,986.38)	31,000.00	31,000.00	54,151.91	23,151.91
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs and Facilities Maintenance	62,900.00	62,900.00	3,400.00	(59,500.00)	32,861.00	32,861.00	32,861.88	0.88
Capital Outlay:								
Property, Equipment and Buildings	-	-	-	-	65,000.00	65,000.00	1,055.89	(63,944.11)
TOTAL EXPENDITURES	62,900.00	62,900.00	3,400.00	(59,500.00)	97,861.00	97,861.00	33,917.77	(63,943.23)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,900.00)	(2,900.00)	47,613.62	50,513.62	(66,861.00)	(66,861.00)	20,234.14	87,095.14
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(2,900.00)	(2,900.00)	47,613.62	50,513.62	(66,861.00)	(66,861.00)	20,234.14	87,095.14
FUND BALANCE - BEGINNING OF YEAR	1,003,398.61	1,003,398.61	1,003,398.61	-	983,164.47	983,164.47	983,164.47	-
FUND BALANCE - END OF YEAR	<u>\$ 1,000,498.61</u>	<u>\$ 1,000,498.61</u>	<u>\$ 1,051,012.23</u>	<u>\$ 50,513.62</u>	<u>\$ 916,303.47</u>	<u>\$ 916,303.47</u>	<u>\$ 1,003,398.61</u>	<u>\$ 87,095.14</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - SHERIFFS DRUG ENFORCEMENT FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	552,200.00	552,200.00	549,789.76	(2,410.24)	1,240,000.00	1,240,000.00	1,154,088.56	(85,911.44)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	36,000.00	36,000.00	35,655.32	(344.68)	26,000.00	26,000.00	21,029.68	(4,970.32)
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	588,200.00	588,200.00	585,445.08	(2,754.92)	1,266,000.00	1,266,000.00	1,175,118.24	(90,881.76)
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs and Facilities Maintenance	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment and Buildings	1,241,000.00	1,241,000.00	1,125,918.03	(115,081.97)	990,000.00	990,000.00	774,615.09	(215,384.91)
TOTAL EXPENDITURES	1,241,000.00	1,241,000.00	1,125,918.03	(115,081.97)	990,000.00	990,000.00	774,615.09	(215,384.91)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(652,800.00)	(652,800.00)	(540,472.95)	112,327.05	276,000.00	276,000.00	400,503.15	124,503.15
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(68,000.00)	(68,000.00)	(67,784.67)	215.33	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(68,000.00)	(68,000.00)	(67,784.67)	215.33	-	-	-	-
NET CHANGE IN FUND BALANCE	(720,800.00)	(720,800.00)	(608,257.62)	112,542.38	276,000.00	276,000.00	400,503.15	124,503.15
FUND BALANCE - BEGINNING OF YEAR	814,954.85	814,954.85	814,954.85	-	414,451.70	414,451.70	414,451.70	-
FUND BALANCE - END OF YEAR	\$ 94,154.85	\$ 94,154.85	\$ 206,697.23	\$ 112,542.38	\$ 690,451.70	\$ 690,451.70	\$ 814,954.85	\$ 124,503.15

See accompanying Independent Auditor's Report.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2008, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Collector Tax Maintenance Fund	Community Care Clinic	Crisis Intervention Fund	Developmentally Disabled Fund	Election Services Fund	Phelps County Health Department	Jay White Estate Fund	25Th Juvenile Fps Fund	Law Enforcement Restitution Fund	Law Enforcement Debt Ser/Bldg Maint Fund	PA Bad Check Fund
ASSETS												
Cash and Cash Equivalents	\$ 87,866.54	\$ 43,486.47	\$ 26,995.76	\$ 1,078.72	\$ 294,153.66	\$ 37,932.20	\$ 380,894.11	\$ 226,940.81	\$ 1,092.02	\$ 99,405.01	\$ 106,381.06	\$ 78,152.49
TOTAL ASSETS	<u>87,866.54</u>	<u>43,486.47</u>	<u>26,995.76</u>	<u>1,078.72</u>	<u>294,153.66</u>	<u>37,932.20</u>	<u>380,894.11</u>	<u>226,940.81</u>	<u>1,092.02</u>	<u>99,405.01</u>	<u>106,381.06</u>	<u>78,152.49</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	87,866.54	43,486.47	26,995.76	1,078.72	294,153.66	37,932.20	380,894.11	226,940.81	1,092.02	99,405.01	106,381.06	78,152.49
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 87,866.54</u>	<u>\$ 43,486.47</u>	<u>\$ 26,995.76</u>	<u>\$ 1,078.72</u>	<u>\$ 294,153.66</u>	<u>\$ 37,932.20</u>	<u>\$ 380,894.11</u>	<u>\$ 226,940.81</u>	<u>\$ 1,092.02</u>	<u>\$ 99,405.01</u>	<u>\$ 106,381.06</u>	<u>\$ 78,152.49</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	PA Delinquent Tax Fund	PA Drug Enforcement Fund	Road & Bridge Debt Service Fund	Recorder User Fee Fund	Shelter Fund	Sheriff Civil Fee Fund	Sheriff Inmate Security Fund	Sheriff Inmate Security Fund	Sheriffs Revolving Fund	Sheriffs Training Fund	Unemployment Fund	Use Tax Fund	Special Elections	Total
ASSETS														
Cash and Cash Equivalents	\$ 5,974.04	\$ 121,543.43	\$ 662.13	\$ 51,770.84	\$ 18,376.90	\$ 6,709.27	\$ 4,633.29	\$ 3,764.33	\$ 38,150.32	\$ 1,674.94	\$ 190,623.43	\$ 313,860.24	\$ -	\$ 2,142,122.01
TOTAL ASSETS	<u>5,974.04</u>	<u>121,543.43</u>	<u>662.13</u>	<u>51,770.84</u>	<u>18,376.90</u>	<u>6,709.27</u>	<u>4,633.29</u>	<u>3,764.33</u>	<u>38,150.32</u>	<u>1,674.94</u>	<u>190,623.43</u>	<u>313,860.24</u>	<u>-</u>	<u>2,142,122.01</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	5,974.04	121,543.43	662.13	51,770.84	18,376.90	6,709.27	4,633.29	3,764.33	38,150.32	1,674.94	190,623.43	313,860.24	-	2,142,122.01
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,974.04</u>	<u>\$ 121,543.43</u>	<u>\$ 662.13</u>	<u>\$ 51,770.84</u>	<u>\$ 18,376.90</u>	<u>\$ 6,709.27</u>	<u>\$ 4,633.29</u>	<u>\$ 3,764.33</u>	<u>\$ 38,150.32</u>	<u>\$ 1,674.94</u>	<u>\$ 190,623.43</u>	<u>\$ 313,860.24</u>	<u>\$ -</u>	<u>\$ 2,142,122.01</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Collector Tax Maintenance Fund	Community Care Clinic	Crisis Intervention Fund	Developmentally Disabled Fund	Election Services Fund	Phelps County Health Department	Jay White Estate Fund	25Th Juvenile Fps Fund	Law Enforcement Restitution Fund	Law Enforcement Debt Ser/Bldg Maint Fund	PA Bad Check Fund
REVENUES												
Property Tax	\$ 332,850.99	\$ 57,988.19	\$ -	\$ -	\$ 398,654.76	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	
Charges for Services	-	-	-	-	-	-	177,954.09	-	-	-	-	
Grants, Distributions and Reimbursements	192,019.55	-	114,927.25	4,300.28	-	17,186.02	1,050,037.10	-	16.50	-	9,982.08	225.00
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	82,113.25	-	43,116.98
Interest	10,879.41	2,707.35	5,075.86	-	19,938.79	2,911.38	22,759.53	12,923.46	-	3,602.75	3,805.33	3,572.08
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	535,749.95	60,695.54	120,003.11	4,300.28	418,593.55	20,097.40	1,250,750.72	12,923.46	16.50	85,716.00	13,787.41	46,914.06
EXPENDITURES												
General Government	552,793.31	37,179.12	187,214.88	3,780.28	340,408.34	8,988.89	1,305,875.54	11,215.65	16.50	15,500.01	37,500.00	12,639.90
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	25,818.52	14,261.55	2,007.55	-	-	22,433.58	60,774.22	-	-	-	-	486.43
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	578,611.83	51,440.67	189,222.43	3,780.28	340,408.34	31,422.47	1,366,649.76	11,215.65	16.50	15,500.01	37,500.00	13,126.33
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,861.88)	9,254.87	(69,219.32)	520.00	78,185.21	(11,325.07)	(115,899.04)	1,707.81	-	70,215.99	(23,712.59)	33,787.73
OTHER FINANCING SOURCES (USES)												
Transfers In	75,000.00	-	-	-	-	-	90,000.00	-	-	-	125,000.00	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	75,000.00	-	-	-	-	-	90,000.00	-	-	-	125,000.00	-
NET CHANGE IN FUND BALANCES	32,138.12	9,254.87	(69,219.32)	520.00	78,185.21	(11,325.07)	(25,899.04)	1,707.81	-	70,215.99	101,287.41	33,787.73
FUND BALANCES - BEGINNING OF YEAR	55,728.42	34,231.60	96,215.08	558.72	215,968.45	49,257.27	406,793.15	225,233.00	1,092.02	29,189.02	5,093.65	44,364.76
FUND BALANCES - END OF YEAR	\$ 87,866.54	\$ 43,486.47	\$ 26,995.76	\$ 1,078.72	\$ 294,153.66	\$ 37,932.20	\$ 380,894.11	\$ 226,940.81	\$ 1,092.02	\$ 99,405.01	\$ 106,381.06	\$ 78,152.49

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	PA Delinquent Tax Fund	PA Drug Enforcement Fund	Prosecuting Attorney Training Fund	Road & Bridge Debt Service Fund	Recorder User Fee Fund	Shelter Fund	Sheriff Civil Fee Fund	Sheriff Inmate Security Fund	Sheriffs Revolving Fund	Sheriffs Training Fund	Unemployment Fund	Use Tax Fund	Special Elections	Total
REVENUES														
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 789,493.94
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-	-	177,954.09
Grants, Distributions and Reimbursements	2,623.87	203,447.32	-	-	-	-	-	-	-	-	69,498.68	-	172,150.46	1,836,414.11
Fees, Licenses and Permits	-	-	2,335.73	-	44,350.75	13,740.00	57,519.99	9,122.50	20,845.00	13,592.04	-	-	-	286,736.24
Interest	297.22	11,033.89	-	1,289.00	687.59	267.65	2,096.00	549.15	1,862.04	-	-	15,681.86	-	121,940.34
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,921.09	214,481.21	2,335.73	1,289.00	45,038.34	14,007.65	59,615.99	9,671.65	22,707.04	13,592.04	69,498.68	15,681.86	172,150.46	3,212,538.72
EXPENDITURES														
General Government	-	-	-	-	-	-	-	-	-	-	19,157.83	14,777.82	172,150.46	2,719,198.53
Administration of Justice and Law	1,065.64	305,120.71	2,351.53	-	-	10,462.33	10,122.63	14,458.04	13,805.50	13,277.18	-	-	-	370,663.56
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:														
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	11,615.52	-	-	26,749.00	-	91,122.01	-	-	-	-	-	-	255,268.38
Debt Service:														
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,065.64	316,736.23	2,351.53	-	26,749.00	10,462.33	101,244.64	14,458.04	13,805.50	13,277.18	19,157.83	14,777.82	172,150.46	3,345,130.47
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,855.45	(102,255.02)	(15.80)	1,289.00	18,289.34	3,545.32	(41,628.65)	(4,786.39)	8,901.54	314.86	50,340.85	904.04	-	(132,591.75)
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	50,000.00	-	-	-	-	-	-	-	-	-	340,000.00
Transfers Out	-	-	-	-	-	-	-	-	-	-	(10,000.00)	-	-	(10,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	50,000.00	-	-	-	-	-	-	(10,000.00)	-	-	330,000.00
NET CHANGE IN FUND BALANCES	1,855.45	(102,255.02)	(15.80)	51,289.00	18,289.34	3,545.32	(41,628.65)	(4,786.39)	8,901.54	314.86	40,340.85	904.04	-	197,408.25
FUND BALANCES - BEGINNING OF YEAR	4,118.59	223,798.45	677.93	481.84	87.56	3,163.95	46,261.94	8,550.72	29,248.78	1,360.08	150,282.58	312,956.20	-	1,944,713.76
FUND BALANCES - END OF YEAR	\$ 5,974.04	\$ 121,543.43	\$ 662.13	\$ 51,770.84	\$ 18,376.90	\$ 6,709.27	\$ 4,633.29	\$ 3,764.33	\$ 38,150.32	\$ 1,674.94	\$ 190,623.43	\$ 313,860.24	\$ -	\$ 2,142,122.01

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Collector Tax Maintenance Fund	Community Care Clinic	Crisis Intervention Fund	Developmentally Disabled Fund	Election Services Fund	Phelps County Health Department	Jay White Estate Fund	25Th Juvenile Fps Fund	Law Enforcement Restitution Fund	Law Enforcement Debt Ser/Bldg Maint Fund	PA Bad Check Fund	PA Delinquent Tax Fund	PA Drug Enforcement Fund
ASSETS														
Cash and Cash Equivalents	\$ 55,728.42	\$ 34,231.60	\$ 96,215.08	\$ 558.72	\$ 215,968.45	\$ 49,257.27	\$ 406,793.15	\$ 225,233.00	\$ 1,092.02	\$ 29,189.02	\$ 5,093.65	\$ 44,364.76	\$ 4,118.59	\$ 223,798.45
TOTAL ASSETS	<u>55,728.42</u>	<u>34,231.60</u>	<u>96,215.08</u>	<u>558.72</u>	<u>215,968.45</u>	<u>49,257.27</u>	<u>406,793.15</u>	<u>225,233.00</u>	<u>1,092.02</u>	<u>29,189.02</u>	<u>5,093.65</u>	<u>44,364.76</u>	<u>4,118.59</u>	<u>223,798.45</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-		-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>55,728.42</u>	<u>34,231.60</u>	<u>96,215.08</u>	<u>558.72</u>	<u>215,968.45</u>	<u>49,257.27</u>	<u>406,793.15</u>	<u>225,233.00</u>	<u>1,092.02</u>	<u>29,189.02</u>	<u>5,093.65</u>	<u>44,364.76</u>	<u>4,118.59</u>	<u>223,798.45</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,728.42</u>	<u>\$ 34,231.60</u>	<u>\$ 96,215.08</u>	<u>\$ 558.72</u>	<u>\$ 215,968.45</u>	<u>\$ 49,257.27</u>	<u>\$ 406,793.15</u>	<u>\$ 225,233.00</u>	<u>\$ 1,092.02</u>	<u>\$ 29,189.02</u>	<u>\$ 5,093.65</u>	<u>\$ 44,364.76</u>	<u>\$ 4,118.59</u>	<u>\$ 223,798.45</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Road & Bridge Debt Service Fund	Recorder User Fee Fund	Shelter Fund	Sheriff Civil Fee Fund	Sheriff Inmate Security Fund	Sheriff Inmate Security Fund	Sheriffs Revolving Fund	Sheriffs Training Fund	Unemployment Fund	Use Tax Fund	Special Elections	Total
ASSETS												
Cash and Cash Equivalents	\$ 677.93	\$ 481.84	\$ 87.56	\$ 3,163.95	\$ 46,261.94	\$ 8,550.72	\$ 29,248.78	\$ 1,360.08	\$ 150,282.58	\$ 312,956.20		\$ 1,944,713.76
TOTAL ASSETS	<u>677.93</u>	<u>481.84</u>	<u>87.56</u>	<u>3,163.95</u>	<u>46,261.94</u>	<u>8,550.72</u>	<u>29,248.78</u>	<u>1,360.08</u>	<u>150,282.58</u>	<u>312,956.20</u>	<u>-</u>	<u>1,944,713.76</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>677.93</u>	<u>481.84</u>	<u>87.56</u>	<u>3,163.95</u>	<u>46,261.94</u>	<u>8,550.72</u>	<u>29,248.78</u>	<u>1,360.08</u>	<u>150,282.58</u>	<u>312,956.20</u>	<u>-</u>	<u>1,944,713.76</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 677.93</u>	<u>\$ 481.84</u>	<u>\$ 87.56</u>	<u>\$ 3,163.95</u>	<u>\$ 46,261.94</u>	<u>\$ 8,550.72</u>	<u>\$ 29,248.78</u>	<u>\$ 1,360.08</u>	<u>\$ 150,282.58</u>	<u>\$ 312,956.20</u>	<u>\$ -</u>	<u>\$ 1,944,713.76</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Collector Tax Maintenance Fund	Community Care Clinic	Crisis Intervention Fund	Developmentally Disabled Fund	Election Services Fund	Phelps County Health Department	Jay White Estate Fund	25Th Juvenile Fps Fund	Law Enforcement Restitution Fund	Law Enforcement Debt Ser/Bldg Maint Fund	PA Bad Check Fund
REVENUES												
Property Tax	\$ 227,873.70	\$ 51,168.97	\$ -	\$ -	\$ 346,555.41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	190,684.38	-	-	28,763.00	-	48,230.15
Grants, Distributions and Reimbursements	162,845.25	-	251,441.83	2,594.62	-	16,323.81	1,160,119.13	-	1,080.00	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	8,240.17	1,910.20	11,329.35	-	14,221.42	2,293.34	14,298.61	11,215.65	-	426.02	9,609.22	4,985.70
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	398,959.12	53,079.17	262,771.18	2,594.62	360,776.83	18,617.15	1,365,102.12	11,215.65	1,080.00	29,189.02	9,609.22	53,215.85
EXPENDITURES												
General Government	548,800.10	38,355.14	348,806.57	3,491.30	332,757.42	4,688.60	1,288,795.59	9,405.55	1,143.04	-	-	-
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	104,676.35
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	8,125.32	1,765.45	4,953.67	-	-	-	18,598.17	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	386,472.17	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	1,210.22	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	556,925.42	40,120.59	353,760.24	3,491.30	332,757.42	4,688.60	1,307,393.76	9,405.55	1,143.04	-	387,682.39	104,676.35
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(157,966.30)	12,958.58	(90,989.06)	(896.68)	28,019.41	13,928.55	57,708.36	1,810.10	(63.04)	29,189.02	(378,073.17)	(51,460.50)
OTHER FINANCING SOURCES (USES)												
Transfers In	116,641.00	-	-	-	-	-	90,000.00	-	-	-	369,156.00	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	116,641.00	-	-	-	-	-	90,000.00	-	-	-	369,156.00	-
NET CHANGE IN FUND BALANCES	(41,325.30)	12,958.58	(90,989.06)	(896.68)	28,019.41	13,928.55	147,708.36	1,810.10	(63.04)	29,189.02	(8,917.17)	(51,460.50)
FUND BALANCES - BEGINNING OF YEAR	97,053.72	21,273.02	187,204.14	1,455.40	187,949.04	35,328.72	259,084.79	223,422.90	1,155.06	-	14,010.82	95,825.26
FUND BALANCES - END OF YEAR	\$ 55,728.42	\$ 34,231.60	\$ 96,215.08	\$ 558.72	\$ 215,968.45	\$ 49,257.27	\$ 406,793.15	\$ 225,233.00	\$ 1,092.02	\$ 29,189.02	\$ 5,093.65	\$ 44,364.76

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	PA Delinquent Tax Fund	PA Drug Enforcement Fund	Prosecuting Attorney Training Fund	Road & Bridge Debt Service Fund	Recorder User Fee Fund	Shelter Fund	Sheriff Civil Fee Fund	Sheriff Inmate Security Fund	Sheriffs Revolving Fund	Sheriffs Training Fund	Unemployment Fund	Use Tax Fund	Special Elections	Total
REVENUES														
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625,598.08
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	2,189.18	-	-	-	-	-	-	8,435.00	-	-	-	278,301.71
Grants, Distributions and Reimbursements	1,126.17	166,891.91	-	83,333.34	-	-	-	-	-	4,213.26	-	-	38,357.48	1,888,326.80
Fees, Licenses and Permits	-	-	-	-	27,377.75	13,223.50	56,066.17	8,219.00	15,120.00	-	69,361.91	-	-	189,368.33
Interest	245.27	5,712.34	-	12,765.01	596.64	260.67	2,389.57	303.58	1,163.69	-	-	14,777.82	-	116,744.27
Other	-	-	-	-	-	-	-	-	-	103.00	-	-	-	103.00
TOTAL REVENUES	1,371.44	172,604.25	2,189.18	96,098.35	27,974.39	13,484.17	58,455.74	8,522.58	16,283.69	12,751.26	69,361.91	14,777.82	38,357.48	3,098,442.19
EXPENDITURES														
General Government	-	-	-	-	34,992.00	13,579.12	-	-	-	-	20,509.65	-	48,709.59	2,694,033.67
Administration of Justice and Law	477.49	48,692.99	1,689.33	-	-	-	25,326.49	-	2,713.50	13,130.95	-	-	-	196,707.10
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:														
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	21,665.83	-	-	-	-	-	-	55,108.44
Debt Service:														
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	386,472.17
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	12,641.28	-	13,851.50
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	477.49	48,692.99	1,689.33	-	34,992.00	13,579.12	46,992.32	-	2,713.50	13,130.95	20,509.65	12,641.28	48,709.59	3,346,172.88
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	893.95	123,911.26	499.85	96,098.35	(7,017.61)	(94.95)	11,463.42	8,522.58	13,570.19	(379.69)	48,852.26	2,136.54	(10,352.11)	(247,730.69)
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	575,797.00
Transfers Out	-	-	-	(383,695.00)	-	-	-	-	-	-	-	-	-	(383,695.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(383,695.00)	-	-	-	-	-	-	-	-	-	192,102.00
NET CHANGE IN FUND BALANCES	893.95	123,911.26	499.85	(287,596.65)	(7,017.61)	(94.95)	11,463.42	8,522.58	13,570.19	(379.69)	48,852.26	2,136.54	(10,352.11)	(55,628.69)
FUND BALANCES - BEGINNING OF YEAR	3,224.64	99,887.19	178.08	288,078.49	7,105.17	3,258.90	34,798.52	28.14	15,678.59	1,739.77	101,430.32	310,819.66	10,352.11	2,000,342.45
FUND BALANCES - END OF YEAR	\$ 4,118.59	\$ 223,798.45	\$ 677.93	\$ 481.84	\$ 87.56	\$ 3,163.95	\$46,261.94	#####	\$ 29,248.78	\$ 1,360.08	\$ 150,282.58	\$ 312,956.20	\$ -	\$ 1,944,713.76

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	<u>Collector Accounts</u>	<u>Recorder Funds</u>	<u>Clerk Funds</u>	<u>Senior Companion Board</u>	<u>Retired Senior Volunteer Program Funds</u>	<u>Sheriff Funds</u>	<u>Prosecuting Attorney Funds</u>
ASSETS							
Cash and Cash Equivalents	<u>14,935,361.27</u>	<u>\$ 18,175.57</u>	<u>\$ -</u>	<u>\$ 35,328.25</u>	<u>\$ 14,964.45</u>	<u>\$ 29,285.30</u>	<u>\$ 28,813.29</u>
TOTAL ASSETS	<u>14,935,361.27</u>	<u>18,175.57</u>	<u>-</u>	<u>35,328.25</u>	<u>14,964.45</u>	<u>29,285.30</u>	<u>28,813.29</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>14,935,361.27</u>	<u>18,175.57</u>	<u>-</u>	<u>35,328.25</u>	<u>14,964.45</u>	<u>29,285.30</u>	<u>28,813.29</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>14,935,361.27</u>	<u>\$ 18,175.57</u>	<u>\$ -</u>	<u>\$ 35,328.25</u>	<u>\$ 14,964.45</u>	<u>\$ 29,285.30</u>	<u>\$ 28,813.29</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

<u>Circuit Clerk Funds</u>	<u>Criminal Costs</u>	<u>Surplus Tax</u>	<u>School Principal</u>	<u>School District</u>	<u>Ambulance/Fire/ Cities Funds</u>	<u>County Employees Retirement Funds</u>	<u>Intangible Tax Funds</u>	<u>Total</u>
\$ 617,607.47	\$ -	\$ 37,834.14	\$ 205,382.31	\$ -	\$ -	\$ -	\$ -	\$ 15,922,752.05
<u>617,607.47</u>	<u>-</u>	<u>37,834.14</u>	<u>205,382.31</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,922,752.05</u>
-	-	-	-	-	-	-	-	-
<u>617,607.47</u>	<u>-</u>	<u>37,834.14</u>	<u>205,382.31</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,922,752.05</u>
<u>\$ 617,607.47</u>	<u>\$ -</u>	<u>\$ 37,834.14</u>	<u>\$ 205,382.31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,922,752.05</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Collector Accounts</u>	<u>Recorder Funds</u>	<u>Clerk Funds</u>	<u>Senior Companion Board</u>	<u>Retired Senior Volunteer Program Funds</u>	<u>Sheriffs Funds</u>	<u>Prosecuting Attorney Funds</u>
ASSETS							
Cash and Cash Equivalents	<u>15,307,562.64</u>	<u>\$ 78.40</u>	<u>\$ 30.99</u>	<u>\$ 41,523.23</u>	<u>\$ 4,725.03</u>	<u>\$ 29,276.16</u>	<u>\$ 26,469.70</u>
TOTAL ASSETS	<u>15,307,562.64</u>	<u>78.40</u>	<u>30.99</u>	<u>41,523.23</u>	<u>4,725.03</u>	<u>29,276.16</u>	<u>26,469.70</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>15,307,562.64</u>	<u>78.40</u>	<u>30.99</u>	<u>41,523.23</u>	<u>4,725.03</u>	<u>29,276.16</u>	<u>26,469.70</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>15,307,562.64</u>	<u>\$ 78.40</u>	<u>\$ 30.99</u>	<u>\$ 41,523.23</u>	<u>\$ 4,725.03</u>	<u>\$ 29,276.16</u>	<u>\$ 26,469.70</u>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
DECEMBER 31, 2007

<u>Circuit Clerk Funds</u>	<u>Criminal Costs</u>	<u>Surplus Tax</u>	<u>School Principal</u>	<u>School District</u>	<u>Ambulance/Fire /Cities Funds</u>	<u>County Employees Retirement Funds</u>	<u>Intangible Tax Funds</u>	<u>Total</u>
<u>\$ 451,292.25</u>	<u>\$ -</u>	<u>\$ 12,913.69</u>	<u>\$ 175,920.08</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,049,792.17</u>
<u>451,292.25</u>	<u>-</u>	<u>12,913.69</u>	<u>175,920.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,049,792.17</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>451,292.25</u>	<u>-</u>	<u>12,913.69</u>	<u>175,920.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,049,792.17</u>
<u>\$ 451,292.25</u>	<u>\$ -</u>	<u>\$ 12,913.69</u>	<u>\$ 175,920.08</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,049,792.17</u>

STATE COMPLIANCE SECTION

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

- A. For the year December 31, 2008 the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Phelps, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Phelps (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated July 13, 2009. Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03, and 09-01 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated July 13, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual Financial Statement. The County will pursue remedy for SAS 112 compliance if it is determined that it is required for a county of this size and whether this is an unfunded mandate. However, the Commission disagrees with the term "significant deficiency" and notes that in the "Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" which is a part of this audit, it was noted "we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.." and "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards".

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual Financial Statement. The County will pursue remedy for SAS 112 compliance if it is determined that it is required for a county of this size and whether this is an unfunded mandate. However, the Commission disagrees with the term "significant deficiency" and notes that in the "Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" which is a part of this audit, it was noted "we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.." and "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards".

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07/08-03 Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Commission will encourage all elected officials to review and document antifraud risk assessments.

09-01 Criteria: During our fieldwork we were informed that the Prosecuting Attorney's office did not prepare bank reconciliations on a regular basis between February 2009 and June 2009.

Condition: The Prosecuting Attorneys office must know the cash balance of the office and reconcile the account at least on a monthly basis.

Effect: The Prosecuting Attorney did not properly reconcile the bank accounts.

Cause: Management did not create reconcile bank accounts and ensure adequate controls over funds.

Recommendation: We recommend that the prosecuting attorney ensures all bank accounts are reconciled on a monthly basis.

Management Response: The Prosecuting Attorney's Office did not prepare monthly reconciliations between February 2009 and June 2009 due to a change in computer operating systems for the Bad check program. All bank accounts were reconciled once the operating system was corrected and reports were able to be generated. Again said bank accounts will be reconciled twice, by two different individuals.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2008 & 2007**

**THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
TABLE OF CONTENTS**

	PAGE
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
Schedule of Expenditures of Federal Awards.....	5-6
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs.....	8-15



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Phelps, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Phelps, Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated July 13, 2009. Our report was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies *FS 07/08-01*, *FS 07/08-02*, *FS 07/08-03*, *FS 07/08-04* and *FS 09-01*, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated July 13, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Phelps, Rolla, Missouri

Compliance

We have audited the compliance of Phelps County, (the Primary Government) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and December 31, 2007. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008 and December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item SA-07-08-01.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Internal Control Over Compliance (concluded)

In planning and performing our audit, we considered the Primary Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Primary Government's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA-07-08-01, to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State:				
Department of Health and Senior Services:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$ 174,582.59	\$ 137,871.30
Summer Food Service Program for Children	10.559		560.00	
Office of Administration:				
Schools and Roads - Grants to States	10.665		340,340.00	220,288.00
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710		5,134.00	
Equitable Sharing of Seized and Forfeited Property	16.xxx		1,510,439.00	776,988.00
Passed Through:				
State Department of Public Safety:				
Juvenile Accountability Block Grants	16.523		4,123.00	3,711.00
Missouri Sheriffs' Association:				
Domestic Cannabis Eradication/Suppression Program				
SCAAP Grant	16.606		4,167.00	1,601.00
Bulletproof Vest Grant	16.607		1,133.00	3,360.00
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through State:				
Highway and Transportation Commission:				
Highway Planning and Construction	20.205	BRO-081(6) BRO-081(9)	110,967.00	1,994.00
Department of Public Safety:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			3,319.00
GENERAL SERVICES ADMINISTRATION				
Passed Through State Office of Administration:				
Donation of Federal Surplus Personal Property	39.003		605.00	6,509.00
Passed Through the Office of Secretary of State:				
Election Reform Payments	39.011		1,120.00	
Federal Storm Damage	83.544		151,273.00	80,938.00

THE COUNTY OF PHELPS
 ROLLA, MISSOURI
 (the Primary Government)
 SINGLE AUDIT REPORT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)
 FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
ELECTION ASSISTANCE COMMISSION				
Passed Through the Office of Secretary of State:				
Help America Vote Act Requirements Payments	90.401		11,336.00	7,433.00
Capacity Bldg. Award-Med. Reserve Corp (NACCHO)	93.008		5,000.00	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed Through State:				
Department of Health and Senior Services:				
Immunization Grants	93.268		119,136.00	293.00
Centers for Disease Control and Prevention:				
Investigations and Technical Assistance	93.283		120,482.00	31,296.00
Regional Public Health Emer. Plan & Preparedness	93.283			40,464.00
Assist Program for Chronic Disease Secondary Prevention	93.283			13,383.00
National Cancer Prevention & Control Programs	93.283			7,359.00
Department of Social Services:				
Child Support Enforcement	93.563		48,058.00	37,279.00
Community Services Block Grant				
TB Elimination & Laboratory Capacity	93.569			160.00
Department of Health and Senior Services:				
Child Care and Development Block Grant	93.575		7,428.00	3,370.00
Department of Social Services:				
Foster Care - Title IV-E				
Local Sanitarian Inspections Child Care Facilities	93.568			3,877.00
Department of Health and Senior Services:				
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		8,881.00	3,270.00
Assistance Programs for Chronic Disease	93.945			25,727.00
Maternal and Child Health Services	93.994		88,867.00	
Block Grant to the States				43,904.00
Teen Outreach Program				21,013.00
MO Community Based Home Visiting Program				19,266.00
Corporation for National Service - RSVP	94.002		40,216.00	40,931.00
Corporation for National Service - Senior Companions	94.016		348,777.00	354,978.00
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through State Department of Public Safety:				
State Domestic Preparedness Equipment Support Program	97.004		11,574.00	17,623.00
Homeland Security Grant Program	97.067			4,595.00
Total Expenditures of Federal Awards			\$ 3,114,198.59	\$ 1,912,800.30

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS (concluded)

B. Federal Awards (concluded)

5. Identification of major programs:

Year	CFDA Number(s)	Name of Federal Program or Cluster
2008	10.665	School & Roads – Grants to States
2008 / 2007	16.xxx	Equitable Sharing of Seized and Forfeited Assets
2008 / 2007	94.016	Corporation For National Senior Companions

6. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

7. Auditee qualified as low-risk auditee? 2007 Yes X No

2006 Yes X No

II. FINANCIAL STATEMENT FINDINGS

FS 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (continued)

FS 07/08-01 Management's Response: The County is currently complying with all state
(concluded) statutes relating to the preparation of the financial statements with the preparation
of the County's annual budget document and annual Financial Statement. The
County will pursue remedy for SAS 112 compliance if it is determined that it is
required for a county of this size and whether this is an unfunded mandate.
However, the Commission disagrees with the term "significant deficiency" and
notes that in the "Report on Internal Control Over Financial Reporting and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards" which is a part of this audit, it was noted
"we did not identify any deficiencies in internal control over financial reporting
that we consider to be a material weakness.." and "the results of our tests
disclosed no instances of noncompliance that are required to be reported under
Government Auditing Standards".

FS 07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating
Internal Control Related Matters in an Audit*, which is effective for period
ending on or after December 15, 2006, considers inadequate documentation of
the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been
prepared.

Effect: The new SAS 112 considers inadequate documentation of the
components of internal control to be at least a significant deficiency. Without
documented internal controls, the County may not be able to ensure that controls
are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS
requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal
control documentation. In addition, we recommend studying the COSO internal
control guidance and tools as a means to begin the process. Once this
documentation is complete, those charged with governance have a responsibility
to understand the controls and ensure they are operating effectively.

Management's Response: The County is currently complying with all state
statutes relating to the preparation of the financial statements with the preparation
of the County's annual budget document and annual Financial Statement. The
County will pursue remedy for SAS 112 compliance if it is determined that it is
required for a county of this size and whether this is an unfunded mandate.
However, the Commission disagrees with the term "significant deficiency" and
notes that in the "Report on Internal Control Over Financial Reporting and Other
Matters Based on an Audit of Financial Statements Performed in Accordance

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (continued)

FS 07/08-02
(concluded) with Government Auditing Standards” which is a part of this audit, it was noted “we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness..” and “the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards”.

FS 07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County’s management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Commission will encourage all elected officials to review and document antifraud risk assessments.

FS 09-01 Criteria: During our fieldwork we were informed that the Prosecuting Attorney’s office did not prepare bank reconciliations on a regular basis between February 2009 and June 2009.

Condition: The Prosecuting Attorneys office must know the cash balance of the office and reconcile the account at least on a monthly basis.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 09-01

Effect: The Prosecuting Attorney did not properly reconcile the bank accounts.

Cause: Management did not create reconcile bank accounts and ensure adequate controls over funds.

Recommendation: We recommend that the prosecuting attorney ensures all bank accounts are reconciled on a monthly basis.

Management Response: The Prosecuting Attorney's Office did not prepare monthly reconciliations between February 2009 and June 2009 due to a change in computer operating systems for the Bad check program. All bank accounts were reconciled once the operating system was corrected and reports were able to be generated. Again said bank accounts will be reconciled twice, by two different individuals.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007

The following findings, recommendations, and questioned costs are the results of the single audit of Phelps County, Missouri for the fiscal year ended December 31, 2008 and 2007. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (continued)

A. Category of Internal Control Weakness (concluded)

2. Material Weakness: A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-1	Other Information: Significant Deficiency	<u>Findings:</u> The Schedule of Expenditures of Federal Awards contained errors. Controls were not in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the SEFA provide total federal awards expended for each individual federal program.

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (concluded)

C. Federal Award Findings and Questioned Costs

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
SA 07/08-1 (continued)	Other Information: Significant Deficiency	<p><u>Findings (concluded):</u> It states that the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place.</p> <p>The Schedule of Expenditures of Federal Awards (SEFA) was prepared with various errors. These errors are described below:</p> <ol style="list-style-type: none">1. The SEFA schedule contained several incorrect CFDA numbers for federal programs.2. Expenditures listed on the SEFA schedule submitted to the State Auditor's Office were incorrect. Revenue was used to prepare the SEFA instead of expenditures. Actual expenditures were not agreed to the general ledger. <p>A revised SEFA was submitted to the State Auditor's Office, containing corrections for all errors described.</p>

THE COUNTY OF PHELPS
ROLLA, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (concluded)

C. Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-1 (concluded)	Other Information: Significant Deficiency	<u>Recommendation:</u> The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office. <u>Agency Response:</u> The County agrees with this finding.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

Follow-up Prior Year Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 05/06-1	Other Information: Significant Deficiency	Resolved – Sheriff's use of Equitable Sharing of Seized and Forfeited Property Program for law enforcement overtime, vacation and holiday time.
SA 05/06-2	Other Information: Significant Deficiency	Unresolved – The County does not have adequate procedures in place to track Federal Awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Phelps County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Phelps County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Phelps County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 13, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual Financial Statement. The County will pursue remedy for SAS 112 compliance if it is determined that it is required for a county of this size and whether this is an unfunded mandate. However, the Commission disagrees with the term "significant deficiency" and notes that in the "Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" which is a part of this audit, it was noted "we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.." and "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards".

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

07/08-02

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual Financial Statement. The County will pursue remedy for SAS 112 compliance if it is determined that it is required for a county of this size and whether this is an unfunded mandate. However, the Commission disagrees with the term "significant deficiency" and notes that in the "Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" which is a part of this audit, it was noted "we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.." and "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards".

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Commission will encourage all elected officials to review and document antifraud risk assessments.

09-01

Criteria: During our fieldwork we were informed that the Prosecuting Attorney's office did not prepare bank reconciliations on a regular basis between February 2009 and June 2009.

Condition: The Prosecuting Attorneys office must know the cash balance of the office and reconcile the account at least on a monthly basis.

Effect: The Prosecuting Attorney did not properly reconcile the bank accounts.

Cause: Management did not reconcile bank accounts and ensure adequate controls over funds.

Recommendation: We recommend that the prosecuting attorney ensures all bank accounts are reconciled on a monthly basis.

Management Response: The Prosecuting Attorney's Office did not prepare monthly reconciliations between February 2009 and June 2009 due to a change in computer operating systems for the Bad check program. All bank accounts were reconciled once the operating system was corrected and reports were able to be generated. Again said bank accounts will be reconciled twice, by two different individuals.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 13, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Phelps County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Phelps County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Phelps County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Phelps County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 11, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Phelps County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 13, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Moniteau County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Moniteau County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-87

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF MONTEAU
CALIFORNIA, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis.....	3
Statement of Activities – Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-22
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	23
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	24-25
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	26

**THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Cash Basis - Special Revenue – Capital Improvement Fund – Unaudited.....	27
Notes to Required Supplementary Information.....	28
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	29-30
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	31-32
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	33-34
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	35-36
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2008.....	37
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007.....	38
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	39
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Moniteau, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	40-41
Schedule of Findings.....	42-43

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Moniteau, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Moniteau (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Moniteau County, the Moniteau County Agency for Developmental Disabilities, and Moniteau County 911 have issued separate reporting entity financial statements. For information on these component units, please contact the corresponding office.

As described in Note I, the basic financial statements of the Primary Government were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2009 on our consideration for the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Cash Basis – Non-GAAP Budget and Actual and related notes on pages 23 through 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the Cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 29 through 38 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 39 through 43 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 20, 2009

FINANCIAL STATEMENTS

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 649,509.35	\$ 358,483.44	\$ 56,384.78	\$ 446,011.82	\$ 211,370.69
Road and Bridge	994,551.57	-	-	-	(994,551.57)
Financial Administration	119,267.66	-	-	-	(119,267.66)
Other Offices and Grants	116,639.95	-	-	-	(116,639.95)
Administration of Justice and Law Enforcement	759,261.44	-	-	-	(759,261.44)
Consulting	25,071.78	-	-	-	(25,071.78)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Roads and Bridges	276,359.39	-	-	-	(276,359.39)
Property, Equipment and Buildings	395,380.16	-	-	-	(395,380.16)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,336,041.30	\$ 358,483.44	\$ 56,384.78	\$ 446,011.82	(2,475,161.26)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	707,777.14
Sales Tax	1,523,831.26
Investment Income	99,933.93
Miscellaneous	264.41
TOTAL GENERAL REVENUES	2,331,806.74
CHANGE IN NET ASSETS	(143,354.52)
NET ASSETS, BEGINNING OF YEAR	1,910,861.40
NET ASSETS, END OF YEAR	\$ 1,767,506.88

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 609,407.64	\$ 590,431.80	\$ 264,509.56	\$ 199,221.02	\$ 444,754.74
Road and Bridge	1,235,700.14	-	-	-	(1,235,700.14)
Financial Administration	116,990.87	-	-	-	(116,990.87)
Other Offices and Grants	176,468.33	-	-	-	(176,468.33)
Administration of Justice and Law Enforcement	696,460.81	-	-	-	(696,460.81)
Consulting	24,775.56	-	-	-	(24,775.56)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	66,391.77	-	66,391.77
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Roads and Bridges	598,888.59	-	-	-	(598,888.59)
Property, Equipment and Buildings	104,294.32	-	-	-	(104,294.32)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,562,986.26</u>	<u>\$ 590,431.80</u>	<u>\$ 330,901.33</u>	<u>\$ 199,221.02</u>	(2,442,432.11)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	699,990.77
Sales Tax	1,606,327.13
Investment Income	98,069.25
Miscellaneous	-
TOTAL GENERAL REVENUES	<u>2,404,387.15</u>
CHANGE IN NET ASSETS	(38,044.96)
NET ASSETS, BEGINNING OF YEAR	<u>1,948,906.36</u>
NET ASSETS, END OF YEAR	<u>\$ 1,910,861.40</u>

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	\$ 17,353.61	\$ 136,461.43	\$ 1,420,811.63	\$ 192,880.21	\$ 1,767,506.88	\$ 15,963.16	\$ 218,371.55	\$ 1,506,160.68	\$ 170,366.01	\$ 1,910,861.40
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>17,353.61</u>	<u>136,461.43</u>	<u>1,420,811.63</u>	<u>192,880.21</u>	<u>1,767,506.88</u>	<u>15,963.16</u>	<u>218,371.55</u>	<u>1,506,160.68</u>	<u>170,366.01</u>	<u>1,910,861.40</u>
FUND BALANCES										
Unreserved:										
General Fund	17,353.61	-	-	-	17,353.61	15,963.16	-	-	-	15,963.16
Special Revenue Funds	-	136,461.43	1,420,811.63	192,880.21	1,750,153.27	-	218,371.55	1,506,160.68	170,366.01	1,894,898.24
TOTAL FUND BALANCES	<u>17,353.61</u>	<u>136,461.43</u>	<u>1,420,811.63</u>	<u>192,880.21</u>	<u>1,767,506.88</u>	<u>15,963.16</u>	<u>218,371.55</u>	<u>1,506,160.68</u>	<u>170,366.01</u>	<u>1,910,861.40</u>
TOTAL FUND BALANCES	<u>\$ 17,353.61</u>	<u>\$ 136,461.43</u>	<u>\$ 1,420,811.63</u>	<u>\$ 192,880.21</u>	<u>\$ 1,767,506.88</u>	<u>\$ 15,963.16</u>	<u>\$ 218,371.55</u>	<u>\$ 1,506,160.68</u>	<u>\$ 170,366.01</u>	<u>\$ 1,910,861.40</u>

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES										
Property Tax	\$ 298,449.56	\$ 409,327.58	\$ -	\$ -	\$ 707,777.14	\$ 295,598.94	\$ 404,391.83	\$ -	\$ -	\$ 699,990.77
Sales Tax	511,931.59	501,325.70	510,573.97	-	1,523,831.26	527,952.89	550,371.70	528,002.54	-	1,606,327.13
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	228,091.93	87,110.47	-	43,281.04	358,483.44	262,010.34	22,295.21	-	306,126.25	590,431.80
Loans	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	154,761.91	408.96	97,874.99	192,965.96	446,011.82	182,804.89	66,391.77	-	199,221.02	448,417.68
Fees, Licenses and Permits	56,384.78	-	-	-	56,384.78	81,307.60	-	-	397.07	81,704.67
Interest	4,035.16	10,881.05	61,307.28	23,710.44	99,933.93	8,071.35	15,464.03	68,388.75	6,145.12	98,069.25
Contributions	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	264.41	264.41	-	-	-	-	-
TOTAL REVENUES	1,253,654.93	1,009,053.76	669,756.24	260,221.85	3,192,686.78	1,357,746.01	1,058,914.54	596,391.29	511,889.46	3,524,941.30
EXPENDITURES										
Current:										
General County Government	451,912.49	-	-	197,596.86	649,509.35	376,670.14	-	-	232,737.50	609,407.64
Road and Bridge	-	994,551.57	-	-	994,551.57	-	1,235,700.14	-	-	1,235,700.14
Financial Administration	119,267.66	-	-	-	119,267.66	116,990.87	-	-	-	116,990.87
Other Offices and Grants	116,639.95	-	-	-	116,639.95	176,468.33	-	-	-	176,468.33
Property Valuation and Recording	25,071.78	-	-	-	25,071.78	24,775.56	-	-	-	24,775.56
Supplies	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	759,261.44	-	-	-	759,261.44	696,460.81	-	-	-	696,460.81
Continued Progress	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of Roads and Bridges	-	22,863.31	253,496.08	-	276,359.39	-	-	340,910.81	257,977.78	598,888.59
Property, Equipment and Buildings	-	73,549.00	291,059.21	30,771.95	395,380.16	-	-	49,182.90	55,111.42	104,294.32
TOTAL EXPENDITURES	1,472,153.32	1,090,963.88	544,555.29	228,368.81	3,336,041.30	1,391,365.71	1,235,700.14	390,093.71	545,826.70	3,562,986.26
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(218,498.39)	(81,910.12)	125,200.95	31,853.04	(143,354.52)	(33,619.70)	(176,785.60)	206,297.58	(33,937.24)	(38,044.96)
OTHER FINANCING SOURCES (USES)										
Transfers In	225,150.00	47,000.00	47,000.00	661.16	319,811.16	35,000.00	-	94,000.00	12,000.00	141,000.00
Transfers Out	(5,261.16)	(47,000.00)	(257,550.00)	(10,000.00)	(319,811.16)	(12,000.00)	-	(94,000.00)	(35,000.00)	(141,000.00)
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	219,888.84	-	(210,550.00)	(9,338.84)	-	23,000.00	-	-	(23,000.00)	-
NET CHANGE IN FUND BALANCE	1,390.45	(81,910.12)	(85,349.05)	22,514.20	(143,354.52)	(10,619.70)	(176,785.60)	206,297.58	(56,937.24)	(38,044.96)
FUND BALANCE - BEGINNING OF YEAR	15,963.16	218,371.55	1,506,160.68	170,366.01	1,910,861.40	26,582.86	395,157.15	1,299,863.10	227,303.25	1,948,906.36
FUND BALANCE - END OF YEAR	\$ 17,353.61	\$ 136,461.43	\$ 1,420,811.63	\$ 192,880.21	\$ 1,767,506.88	\$ 15,963.16	\$ 218,371.55	\$ 1,506,160.68	\$ 170,366.01	\$ 1,910,861.40

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,767,506.88
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 1,767,506.88</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,910,861.40
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 1,910,861.40</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ (143,354.52)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ (143,354.52)</u>

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ (38,044.96)
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (38,044.96)</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 7,201,868.97</u>	<u>\$ 6,850,127.29</u>
TOTAL ASSETS	<u><u>7,201,868.97</u></u>	<u><u>6,850,127.29</u></u>
LIABILITIES		
Due to Other Funds	<u>7,201,868.97</u>	<u>6,850,127.29</u>
TOTAL LIABILITIES	<u><u>\$ 7,201,868.97</u></u>	<u><u>\$ 6,850,127.29</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Moniteau, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the Cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the Cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the Cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Moniteau County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Moniteau County, Missouri, the Moniteau County Agency for Developmental Disabilities and Moniteau County 911 have issued separate reporting entity financial statements. For information on these component units, please contact the Moniteau County Health Department at (573)796-3412 (or write to 401 S. Francis Street California, MO 65018), the Moniteau County Agency for Developmental Disabilities at (660)826-4401 Ext. 1391 (or write to 1500 Ewing Dr. Sedalia, MO, 65301 and the Moniteau County 911 at (573) 796-8416 (or write to 104 E. North Street California, MO 65018).

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund and the Law Enforcement Complex Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Capital Improvement Fund – The Capital Improvement Fund is a Special Revenue Fund used to account for the funds received and disbursed to pay for Capital Improvements of the County.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this Cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 106,190,500	\$ 105,416,158
Personal Property	41,991,694	41,595,179
Railroad and Utilities	<u>20,802,427</u>	<u>19,812,373</u>
	<u>\$ 168,984,621</u>	<u>\$ 166,823,710</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

During 2008 and 2007, the County Commission approved a \$.4226 and \$.4196, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.1795	\$.1765
Special Road and Bridge Fund	.2431	.2431
	<u>\$.4226</u>	<u>\$.4196</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$1,767,506.88 and \$1,910,861.40, the bank balance was \$2,064,229.92 and \$753,468.42 respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,767,506.88
Investments	-

Total Governmental Funds	<u>1,767,506.88</u>
--------------------------	---------------------

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

<u>Balance Sheet – Agency Funds</u>	
Deposits	7,201,868.97
Investments	-
Total Deposits & Investments as of December 31, 2008	<u>\$ 8,969,375.85</u>

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,910,861.40
Investments	-
Total Governmental Funds	<u>1,910,861.40</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	6,850,127.29
Investments	-
Total Deposits & Investments as of December 31, 2007	<u>\$ 8,760,988.69</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 225,150.00	\$ 5,261.16	\$ 35,000.00	\$ 12,000.00
Special Road and Bridge Fund	47,000.00	47,000.00	-	-
Capital Improvement Fund	47,000.00	257,550.00	94,000.00	94,000.00
NON-MAJOR FUNDS	661.16	10,000.00	12,000.00	35,000.00
TOTAL	\$ <u>319,811.16</u>	\$ <u>319,811.16</u>	\$ <u>141,000.00</u>	\$ <u>141,000.00</u>

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer of employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (Concluded)

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

B. Pension Benefits (concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$35,516.93 and \$33,487.70, respectively, for the years then ended.

V. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,539.00 and \$2,005.91, respectively, for the years ended December 31, 2008 and 2007.

VI. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is involved in pending litigation at December 31, 2008, but the prosecuting attorney believes that the outcome will be in the counties favor .

B. Compensated Absences

The County provides employees with annual leave time based upon the number of years of continuous service. Upon termination from County employment, an employee is reimbursed for unused annual leave and overtime, if applicable. Sick time is accrued by hours, based on the number of years of continuous service with a maximum of 560 hours. An employee is compensated for 15% of their sick leave balance remaining upon termination of employment. This has not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

VIII. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 303,000.00	\$ 303,000.00	\$ 298,449.56	\$ (4,550.44)	\$ 301,000.00	\$ 301,000.00	\$ 295,598.94	\$ (5,401.06)
Sales Tax	535,000.00	535,000.00	511,931.59	(23,068.41)	492,000.00	492,000.00	527,952.89	35,952.89
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	245,150.00	245,150.00	228,091.93	(17,058.07)	256,450.00	256,450.00	262,010.34	5,560.34
Grants, Distributions and Reimbursements	171,500.00	171,500.00	154,761.91	(16,738.09)	167,500.00	167,500.00	182,804.89	15,304.89
Fees, Licenses and Permits	73,500.00	73,500.00	56,384.78	(17,115.22)	88,800.00	88,800.00	81,307.60	(7,492.40)
Interests	8,500.00	8,500.00	4,035.16	(4,464.84)	8,500.00	8,500.00	8,071.35	(428.65)
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,336,650.00	1,336,650.00	1,253,654.93	(82,995.07)	1,314,250.00	1,314,250.00	1,357,746.01	43,496.01
EXPENDITURES								
Current:								
General County Government	451,805.35	451,805.35	451,912.49	107.14	363,111.60	363,111.60	376,670.14	13,558.54
Financial Administration	120,006.06	120,006.06	119,267.66	(738.40)	117,372.00	117,372.00	116,990.87	(381.13)
Other Offices and Grants	141,750.00	141,750.00	116,639.95	(25,110.05)	163,950.00	163,950.00	176,468.33	12,518.33
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	25,096.00	25,096.00	25,071.78	(24.22)	25,096.00	25,096.00	24,775.56	(320.44)
Administration of Justice and Law	738,919.63	738,919.63	759,261.44	20,341.81	738,919.63	738,919.63	696,460.81	(42,458.82)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,477,577.04	1,477,577.04	1,472,153.32	(5,423.72)	1,408,449.23	1,408,449.23	1,391,365.71	(17,083.52)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(140,927.04)	(140,927.04)	(218,498.39)	(77,571.35)	(94,199.23)	(94,199.23)	(33,619.70)	60,579.53
OTHER FINANCING SOURCES (USES)								
Transfers In	200,000.00	200,000.00	225,150.00	25,150.00	125,000.00	125,000.00	35,000.00	(90,000.00)
Transfers Out	-	-	(5,261.16)	(5,261.16)	-	-	(12,000.00)	(12,000.00)
Emergency Fund	(44,599.50)	(44,599.50)	-	44,599.50	(41,677.50)	(41,677.50)	-	41,677.50
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	155,400.50	155,400.50	219,888.84	64,488.34	83,322.50	83,322.50	23,000.00	(60,322.50)
NET CHANGE IN FUND BALANCE	14,473.46	14,473.46	1,390.45	(13,083.01)	(10,876.73)	(10,876.73)	(10,619.70)	257.03
FUND BALANCE - BEGINNING OF YEAR	15,963.16	15,963.16	15,963.16	-	26,582.86	26,582.86	26,582.86	-
FUND BALANCE - END OF YEAR	\$ 30,436.62	\$ 30,436.62	\$ 17,353.61	\$ (13,083.01)	\$ 15,706.13	\$ 15,706.13	\$ 15,963.16	\$ 257.03

See accompanying Independent Auditor's Report.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 90,315.35	90,315.35	90,946.89	\$ 631.54	\$ 89,424.60	89,424.60	89,767.02	\$ 342.42
County Clerk	98,940.00	98,940.00	95,393.97	(3,546.03)	92,062.00	92,062.00	93,887.80	1,825.80
Elections	85,150.00	85,150.00	87,077.42	1,927.42	21,250.00	21,250.00	20,672.15	(577.85)
Buildings and Grounds	29,000.00	29,000.00	32,501.62	3,501.62	28,500.00	28,500.00	28,773.73	273.73
Employee Fringe Benefits	148,400.00	148,400.00	145,992.59	(2,407.41)	131,875.00	131,875.00	143,569.44	11,694.44
Other Expenses	-	-	-	-	-	-	-	-
	<u>451,805.35</u>	<u>451,805.35</u>	<u>451,912.49</u>	<u>107.14</u>	<u>363,111.60</u>	<u>363,111.60</u>	<u>376,670.14</u>	<u>13,558.54</u>
Financial Administration:								
Collector	76,715.00	76,715.00	76,147.69	(567.31)	74,416.00	74,416.00	74,316.19	(99.81)
Treasurer	43,291.06	43,291.06	43,119.97	(171.09)	42,956.00	42,956.00	42,674.68	(281.32)
	<u>120,006.06</u>	<u>120,006.06</u>	<u>119,267.66</u>	<u>(738.40)</u>	<u>117,372.00</u>	<u>117,372.00</u>	<u>116,990.87</u>	<u>(381.13)</u>
Other Offices & Grants:								
Other Offices & Grants	141,750.00	141,750.00	116,639.95	(25,110.05)	163,950.00	163,950.00	176,468.33	12,518.33
	<u>141,750.00</u>	<u>141,750.00</u>	<u>116,639.95</u>	<u>(25,110.05)</u>	<u>163,950.00</u>	<u>163,950.00</u>	<u>176,468.33</u>	<u>12,518.33</u>
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	25,096.00	25,096.00	25,071.78	(24.22)	25,096.00	25,096.00	24,775.56	(320.44)
Administration of Justice and Law Enforcement:								
Associate Circuit	24,916.00	24,916.00	21,149.47	(3,766.53)	24,916.00	24,916.00	22,602.58	(2,313.42)
Circuit Clerk	-	-	-	-	-	-	-	-
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	16,500.00	16,500.00	13,287.67	(3,212.33)	16,500.00	16,500.00	11,507.06	(4,992.94)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	10,145.35	10,145.35	6,242.31	(3,903.04)	10,145.35	10,145.35	6,582.19	(3,563.16)
Jail	219,958.00	219,958.00	230,770.02	10,812.02	215,458.00	215,458.00	199,454.46	(16,003.54)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	30,000.00	30,000.00	31,411.33	1,411.33	30,000.00	30,000.00	24,558.85	(5,441.15)
Medical Examiner	14,474.82	14,474.82	13,189.17	(1,285.65)	14,474.82	14,474.82	13,509.41	(965.41)
Sheriffs Office	222,378.42	222,378.42	234,347.84	11,969.42	222,378.42	222,378.42	217,091.13	(5,287.29)
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	167,112.00	167,112.00	172,280.01	5,168.01	171,612.00	171,612.00	168,340.49	(3,271.51)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	33,435.04	33,435.04	36,583.62	3,148.58	33,435.04	33,435.04	32,814.64	(620.40)
	738,919.63	738,919.63	759,261.44	20,341.81	738,919.63	738,919.63	696,460.81	(42,458.82)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,477,577.04	\$ 1,477,577.04	\$ 1,472,153.32	\$ (5,423.72)	\$ 1,408,449.23	\$ 1,408,449.23	\$ 1,391,365.71	\$ (17,083.52)

See accompanying Independent Auditor's Report

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 413,000.00	\$ 413,000.00	\$ 409,327.58	\$ (3,672.42)	\$ 407,000.00	\$ 407,000.00	\$ 404,391.83	\$ (2,608.17)
Sales Tax	550,000.00	550,000.00	501,325.70	(48,674.30)	550,000.00	550,000.00	550,371.70	371.70
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	22,000.00	22,000.00	87,110.47	65,110.47	22,000.00	22,000.00	22,295.21	295.21
Grants, Distributions and Reimbursements	10,000.00	10,000.00	408.96	(9,591.04)	10,000.00	10,000.00	66,391.77	56,391.77
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	18,000.00	18,000.00	10,881.05	(7,118.95)	17,500.00	17,500.00	15,464.03	(2,035.97)
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,013,000.00	1,013,000.00	1,009,053.76	(3,946.24)	1,006,500.00	1,006,500.00	1,058,914.54	52,414.54
EXPENDITURES								
Current:								
Salaries	339,872.00	339,872.00	335,614.07	(4,257.93)	329,680.00	329,680.00	328,938.44	(741.56)
Employee Fringe Benefits	84,300.00	84,300.00	82,341.33	(1,958.67)	83,100.00	83,100.00	75,922.30	(7,177.70)
Supplies	375,500.00	375,500.00	442,697.02	67,197.02	378,000.00	378,000.00	347,311.30	(30,688.70)
Property and Equipment Insurance	32,000.00	32,000.00	30,733.21	(1,266.79)	29,000.00	29,000.00	29,550.00	550.00
Equipment Repairs	75,000.00	75,000.00	97,627.85	22,627.85	75,000.00	75,000.00	70,416.59	(4,583.41)
Rentals	-	-	-	-	-	-	-	-
Maintenance of Roads:								
Highway and Roads	7,000.00	7,000.00	5,538.09	(1,461.91)	11,000.00	11,000.00	4,822.64	(6,177.36)
Other	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	120,000.00	120,000.00	22,863.31	(97,136.69)	150,000.00	150,000.00	95,815.87	(54,184.13)
Property, Equipment and Buildings	140,000.00	140,000.00	73,549.00	(66,451.00)	285,000.00	285,000.00	282,923.00	(2,077.00)
TOTAL EXPENDITURES	1,173,672.00	1,173,672.00	1,090,963.88	(82,708.12)	1,340,780.00	1,340,780.00	1,235,700.14	(105,079.86)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(160,672.00)	(160,672.00)	(81,910.12)	78,761.88	(334,280.00)	(334,280.00)	(176,785.60)	157,494.40
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	47,000.00	47,000.00	-	-	-	-
Transfers Out	-	-	(47,000.00)	(47,000.00)	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(160,672.00)	(160,672.00)	(81,910.12)	78,761.88	(334,280.00)	(334,280.00)	(176,785.60)	157,494.40
FUND BALANCE - BEGINNING OF YEAR	218,371.55	218,371.55	218,371.55	-	395,157.15	395,157.15	395,157.15	-
FUND BALANCE - END OF YEAR	\$ 57,699.55	\$ 57,699.55	\$ 136,461.43	\$ 78,761.88	\$ 60,877.15	\$ 60,877.15	\$ 218,371.55	\$ 157,494.40

See accompanying Independent Auditor's Report.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	535,000.00	535,000.00	510,573.97	(24,426.03)	492,000.00	492,000.00	528,002.54	36,002.54
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	97,874.99	97,874.99	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	65,000.00	65,000.00	61,307.28	(3,692.72)	75,000.00	75,000.00	68,388.75	(6,611.25)
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	600,000.00	600,000.00	669,756.24	69,756.24	567,000.00	567,000.00	596,391.29	29,391.29
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Property and Equipment Insurance	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	700,000.00	700,000.00	253,496.08	(446,503.92)	350,000.00	350,000.00	340,910.81	(9,089.19)
Property, Equipment and Buildings	245,000.00	245,000.00	291,059.21	46,059.21	140,000.00	140,000.00	49,182.90	(90,817.10)
TOTAL EXPENDITURES	945,000.00	945,000.00	544,555.29	(400,444.71)	490,000.00	490,000.00	390,093.71	(99,906.29)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(345,000.00)	(345,000.00)	125,200.95	470,200.95	77,000.00	77,000.00	206,297.58	129,297.58
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	47,000.00	47,000.00	-	-	94,000.00	94,000.00
Transfers Out	-	-	(257,550.00)	(257,550.00)	(1,350,000.00)	(1,350,000.00)	(94,000.00)	1,256,000.00
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(210,550.00)	(210,550.00)	(1,350,000.00)	(1,350,000.00)	-	1,350,000.00
NET CHANGE IN FUND BALANCE	(345,000.00)	(345,000.00)	(85,349.05)	259,650.95	(1,273,000.00)	(1,273,000.00)	206,297.58	1,479,297.58
FUND BALANCE - BEGINNING OF YEAR	1,506,160.68	1,506,160.68	1,506,160.68	-	1,299,863.10	1,299,863.10	1,299,863.10	-
FUND BALANCE - END OF YEAR	\$ 1,161,160.68	\$ 1,161,160.68	\$ 1,420,811.63	\$ 259,650.95	\$ 26,863.10	\$ 26,863.10	\$ 1,506,160.68	\$ 1,479,297.58

See accompanying Independent Auditor's Report.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was in compliance with Missouri budgetary state statute Chapter 50 RSMo.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Sheriff Civil Fee Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Off System Bridge	Election Service Fund	Recorder User Fee Fund	Election Improvement Fund
ASSETS									
Cash and Cash Equivalents	\$ 31,218.24	\$ 3,325.80	\$ 21,052.32	\$ 390.31	\$ 34,328.45	\$ -	\$ 9,551.13	\$ 21,387.50	\$ -
TOTAL ASSETS	<u>31,218.24</u>	<u>3,325.80</u>	<u>21,052.32</u>	<u>390.31</u>	<u>34,328.45</u>	<u>-</u>	<u>9,551.13</u>	<u>21,387.50</u>	<u>-</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>31,218.24</u>	<u>3,325.80</u>	<u>21,052.32</u>	<u>390.31</u>	<u>34,328.45</u>	<u>-</u>	<u>9,551.13</u>	<u>21,387.50</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,218.24</u>	<u>\$ 3,325.80</u>	<u>\$ 21,052.32</u>	<u>\$ 390.31</u>	<u>\$ 34,328.45</u>	<u>\$ -</u>	<u>\$ 9,551.13</u>	<u>\$ 21,387.50</u>	<u>\$ -</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	LEPC Fund	Adult Abuse Fund	CDBG Fund	Tax Maintenance Fund	Law Library Fund	Circuit Clerk Interest Fund	ACJD Interest Fund	Total
ASSETS								
Cash and Cash Equivalents	<u>\$ 1,863.27</u>	<u>\$ 1,951.30</u>	<u>\$ -</u>	<u>\$ 40,089.82</u>	<u>\$ 16,000.66</u>	<u>\$ 10,316.71</u>	<u>\$ 1,404.70</u>	<u>\$ 192,880.21</u>
TOTAL ASSETS	<u>1,863.27</u>	<u>1,951.30</u>	<u>-</u>	<u>40,089.82</u>	<u>16,000.66</u>	<u>10,316.71</u>	<u>1,404.70</u>	<u>192,880.21</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,863.27</u>	<u>1,951.30</u>	<u>-</u>	<u>40,089.82</u>	<u>16,000.66</u>	<u>10,316.71</u>	<u>1,404.70</u>	<u>192,880.21</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,863.27</u>	<u>\$ 1,951.30</u>	<u>\$ -</u>	<u>\$ 40,089.82</u>	<u>\$ 16,000.66</u>	<u>\$ 10,316.71</u>	<u>\$ 1,404.70</u>	<u>\$ 192,880.21</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Sheriff Civil Fee Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Off System Bridge	Election Service Fund	Recorder User Fee Fund	Election Improvement Fund
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	-	940.00	13,006.50	270.26	14,135.53	-	-	9,393.75	-
Grants, Distributions and Reimbursements	174,481.48	-	7,829.46	2,557.00	620.68	-	4,798.97	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-
Interest	1,961.02	121.37	704.57	8.10	1,056.62	-	281.87	741.25	-
Other	264.41	-	-	-	-	-	-	-	-
TOTAL REVENUES	176,706.91	1,061.37	21,540.53	2,835.36	15,812.83	-	5,080.84	10,135.00	-
EXPENDITURES									
General Government	146,385.26	1,181.26	16,630.75	3,085.00	376.48	-	2,704.24	13,200.00	-
Administration of Justice and Law	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	24,645.28	-	-	-	-	-	-	-	-
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	171,030.54	1,181.26	16,630.75	3,085.00	376.48	-	2,704.24	13,200.00	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,676.37	(119.89)	4,909.78	(249.64)	15,436.35	-	2,376.60	(3,065.00)	-
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	661.16	-	-
Transfers Out	-	-	-	-	(10,000.00)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(10,000.00)	-	661.16	-	-
NET CHANGE IN FUND BALANCES	5,676.37	(119.89)	4,909.78	(249.64)	5,436.35	-	3,037.76	(3,065.00)	-
FUND BALANCES - BEGINNING OF YEAR	25,541.87	3,445.69	16,142.54	639.95	28,892.10	-	6,513.37	24,452.50	-
FUND BALANCES - END OF YEAR	\$ 31,218.24	\$ 3,325.80	\$ 21,052.32	\$ 390.31	\$ 34,328.45	\$ -	\$ 9,551.13	\$ 21,387.50	\$ -

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	LEPC Fund	Adult Abuse Fund	CDBG Fund	Tax Maintenance Fund	Law Library Fund	Circuit Clerk Interest Fund	ACJD Interest Fund	Total
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	5,535.00	-	-	43,281.04
Grants, Distributions and Reimbursements	2,678.37	-	-	-	-	-	-	192,965.96
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	49.09	2,277.70	-	15,090.10	77.23	1,312.91	28.61	23,710.44
Other	-	-	-	-	-	-	-	264.41
TOTAL REVENUES	2,727.46	2,277.70	-	15,090.10	5,612.23	1,312.91	28.61	260,221.85
EXPENDITURES								
General Government	2,205.66	2,669.96	-	8,101.38	-	1,056.87	-	197,596.86
Administration of Justice and Law	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	6,126.67	-	-	30,771.95
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,205.66	2,669.96	-	8,101.38	6,126.67	1,056.87	-	228,368.81
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	521.80	(392.26)	-	6,988.72	(514.44)	256.04	28.61	31,853.04
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	661.16
Transfers Out	-	-	-	-	-	-	-	(10,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	(9,338.84)
NET CHANGE IN FUND BALANCES	521.80	(392.26)	-	6,988.72	(514.44)	256.04	28.61	22,514.20
FUND BALANCES - BEGINNING OF YEAR	1,341.47	2,343.56	-	33,101.10	16,515.10	10,060.67	1,376.09	170,366.01
FUND BALANCES - END OF YEAR	\$ 1,863.27	\$ 1,951.30	\$ -	\$ 40,089.82	\$ 16,000.66	\$ 10,316.71	\$ 1,404.70	\$ 192,880.21

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Sheriff Civil Fee Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Off System Bridge	Election Service Fund	Recorder User Fee Fund	Election Improvement Fund	LEPC Fund
ASSETS										
Cash and Cash Equivalents	\$ 25,541.87	\$ 3,445.69	\$ 16,142.54	\$ 639.95	\$ 28,892.10	\$ -	\$ 6,513.37	\$ 24,452.50	\$ -	\$ 1,341.47
TOTAL ASSETS	<u>25,541.87</u>	<u>3,445.69</u>	<u>16,142.54</u>	<u>639.95</u>	<u>28,892.10</u>	<u>-</u>	<u>6,513.37</u>	<u>24,452.50</u>	<u>-</u>	<u>1,341.47</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>25,541.87</u>	<u>3,445.69</u>	<u>16,142.54</u>	<u>639.95</u>	<u>28,892.10</u>	<u>-</u>	<u>6,513.37</u>	<u>24,452.50</u>	<u>-</u>	<u>1,341.47</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,541.87</u>	<u>\$ 3,445.69</u>	<u>\$ 16,142.54</u>	<u>\$ 639.95</u>	<u>\$ 28,892.10</u>	<u>\$ -</u>	<u>\$ 6,513.37</u>	<u>\$ 24,452.50</u>	<u>\$ -</u>	<u>\$ 1,341.47</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Adult Abuse Fund	CDBG Fund	Tax Maintenance Fund	Law Library Fund	Circuit Clerk Interest Fund	ACJD Interest Fund	Total
ASSETS							
Cash and Cash Equivalents	\$ 2,343.56	\$ -	\$ 33,101.10	\$ 16,515.10	\$ 10,060.67	\$ 1,376.09	\$ 170,366.01
TOTAL ASSETS	<u>2,343.56</u>	<u>-</u>	<u>33,101.10</u>	<u>16,515.10</u>	<u>10,060.67</u>	<u>1,376.09</u>	<u>170,366.01</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>2,343.56</u>	<u>-</u>	<u>33,101.10</u>	<u>16,515.10</u>	<u>10,060.67</u>	<u>1,376.09</u>	<u>170,366.01</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,343.56</u>	<u>\$ -</u>	<u>\$ 33,101.10</u>	<u>\$ 16,515.10</u>	<u>\$ 10,060.67</u>	<u>\$ 1,376.09</u>	<u>\$ 170,366.01</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Sheriff Civil Fee Fund	Prosecuting Attorney Training Fund	Prosecuting Attorneys Bad Check Fund	Off System Bridge	Election Service Fund	Recorder User Fee Fund
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	1,894.46	15,834.07	311.32	11,647.25	257,977.78	-	10,246.75
Grants, Distributions and Reimbursements	171,413.69	-	6,719.00	2,113.91	215.43	-	772.15	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	2,345.52	106.37	607.48	21.50	1,114.51	-	271.06	963.64
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	173,759.21	2,000.83	23,160.55	2,446.73	12,977.19	257,977.78	1,043.21	11,210.39
EXPENDITURES								
General Government	148,094.12	1,034.46	41,236.42	2,223.91	1,169.95	-	2,770.49	13,584.70
Administration of Justice and Law	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	257,977.78	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	36,880.90	-	-	-	10,976.00	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	184,975.02	1,034.46	41,236.42	2,223.91	12,145.95	257,977.78	2,770.49	13,584.70
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,215.81)	966.37	(18,075.87)	222.82	831.24	-	(1,727.28)	(2,374.31)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	12,000.00	-	-	-	-	-
Transfers Out	-	-	-	-	(35,000.00)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	12,000.00	-	(35,000.00)	-	-	-
NET CHANGE IN FUND BALANCES	(11,215.81)	966.37	(6,075.87)	222.82	(34,168.76)	-	(1,727.28)	(2,374.31)
FUND BALANCES - BEGINNING OF YEAR	36,757.68	2,479.32	22,218.41	417.13	63,060.86	-	8,240.65	26,826.81
FUND BALANCES - END OF YEAR	\$ 25,541.87	\$ 3,445.69	\$ 16,142.54	\$ 639.95	\$ 28,892.10	\$ -	\$ 6,513.37	\$ 24,452.50

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Election Improvement Fund	LEPC Fund	Adult Abuse Fund	CDBG Fund	Tax Maintenance Fund	Law Library Fund	Circuit Clerk Interest Fund	ACJD Interest Fund	Total
REVENUES									
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	2,799.62	-	-	5,415.00	-	-	306,126.25
Grants, Distributions and Reimbursements	-	1,257.71	-	2,000.00	14,729.13	-	-	-	199,221.02
Fees, Licenses and Permits	-	-	-	-	397.07	-	-	-	397.07
Interest	143.09	32.41	-	-	-	163.55	326.35	49.64	6,145.12
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	143.09	1,290.12	2,799.62	2,000.00	15,126.20	5,578.55	326.35	49.64	511,889.46
EXPENDITURES									
General Government	8,229.95	625.15	3,164.72	-	9,432.47	-	674.16	497.00	232,737.50
Administration of Justice and Law	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-
Capital Outlay:									
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	257,977.78
Future Capital Improvements	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	2,000.00	-	5,254.52	-	-	55,111.42
Debt Service:									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,229.95	625.15	3,164.72	2,000.00	9,432.47	5,254.52	674.16	497.00	545,826.70
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,086.86)	664.97	(365.10)	-	5,693.73	324.03	(347.81)	(447.36)	(33,937.24)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	12,000.00
Transfers Out	-	-	-	-	-	-	-	-	(35,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	(23,000.00)
NET CHANGE IN FUND BALANCES	(8,086.86)	664.97	(365.10)	-	5,693.73	324.03	(347.81)	(447.36)	(56,937.24)
FUND BALANCES - BEGINNING OF YEAR	8,086.86	676.50	2,708.66	-	27,407.37	16,191.07	10,408.48	1,823.45	227,303.25
FUND BALANCES - END OF YEAR	\$ -	\$ 1,341.47	\$ 2,343.56	\$ -	\$ 33,101.10	\$ 16,515.10	\$ 10,060.67	\$ 1,376.09	\$ 170,366.01

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2008

	School Interest	Cafeteria Account	CERF Fund	Over Plus Tax	Fire Districts	FIT Distribution	Library Fund	Knierim Cemetery	Enloe Cemetery	Sheriff Funds	Circuit Clerk and Recorder	Collectors Funds	Total
ASSETS													
Cash and Cash Equivalents	\$ 21,660.15	\$ 212.08	\$ 2,923.21	\$ 14,183.98	\$ -	\$ 2,078.80	\$ 0.03	\$ 2,800.00	\$ 12,000.00	\$ 4,670.01	\$ -	\$ 7,141,340.71	\$ 7,201,868.97
TOTAL ASSETS	<u>21,660.15</u>	<u>212.08</u>	<u>2,923.21</u>	<u>14,183.98</u>	<u>-</u>	<u>2,078.80</u>	<u>0.03</u>	<u>2,800.00</u>	<u>12,000.00</u>	<u>4,670.01</u>	<u>-</u>	<u>7,141,340.71</u>	<u>7,201,868.97</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	21,660.15	212.08	2,923.21	14,183.98	-	2,078.80	0.03	2,800.00	12,000.00	4,670.01	-	7,141,340.71	7,201,868.97
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,660.15</u>	<u>\$ 212.08</u>	<u>\$ 2,923.21</u>	<u>\$ 14,183.98</u>	<u>\$ -</u>	<u>\$ 2,078.80</u>	<u>\$ 0.03</u>	<u>\$ 2,800.00</u>	<u>\$ 12,000.00</u>	<u>\$ 4,670.01</u>	<u>\$ -</u>	<u>\$ 7,141,340.71</u>	<u>\$ 7,201,868.97</u>

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	School Interest	Cafeteria Account	CERF Fund	Over Plus Tax	Fire Districts	FIT Distribution	Library Fund	Knierim Cemetery	Enloe Cemetery	Sheriff Funds	Circuit Clerk and Recorder	Collectors Funds	Total
ASSETS													
Cash and Cash Equivalents	\$ 27,731.41	\$ 188.31	\$ 2,281.26	\$ 9,184.61	\$ 0.21	\$ -	\$ -	\$ 2,872.77	\$ 12,311.85	\$ 4,499.00	\$ -	\$6,791,057.87	\$6,850,127.29
TOTAL ASSETS	<u>27,731.41</u>	<u>188.31</u>	<u>2,281.26</u>	<u>9,184.61</u>	<u>0.21</u>	<u>-</u>	<u>-</u>	<u>2,872.77</u>	<u>12,311.85</u>	<u>4,499.00</u>	<u>-</u>	<u>6,791,057.87</u>	<u>6,850,127.29</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>27,731.41</u>	<u>188.31</u>	<u>2,281.26</u>	<u>9,184.61</u>	<u>0.21</u>	<u>-</u>	<u>-</u>	<u>2,872.77</u>	<u>12,311.85</u>	<u>4,499.00</u>	<u>-</u>	<u>6,791,057.87</u>	<u>6,850,127.29</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,731.41</u>	<u>\$ 188.31</u>	<u>\$ 2,281.26</u>	<u>\$ 9,184.61</u>	<u>\$ 0.21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,872.77</u>	<u>\$ 12,311.85</u>	<u>\$ 4,499.00</u>	<u>\$ -</u>	<u>\$6,791,057.87</u>	<u>\$6,850,127.29</u>

STATE COMPLIANCE SECTION

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

There were no state findings for the years ended 12/31/07 and 12/31/08.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Moniteau, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Moniteau (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements of the County's primary government, and have issued our Cash basis report thereon dated July 20, 2009. Our report which was modified because the Primary Government prepares its financial statements on the Cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Primary Government in a separate letter dated July 20, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 20, 2009

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

- 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.
- Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.
- Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.
- Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.
- Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.
- Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.
- 07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition: Documentation of the County's internal controls has not been prepared.
- Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF MONITEAU
CALIFORNIA, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Moniteau County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moniteau County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Moniteau County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 20, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 17, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

In planning and performing our audit, we considered Moniteau County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Moniteau County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Moniteau County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Moniteau County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 12, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Moniteau County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 20, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2008 & 2007

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
TABLE OF CONTENTS

	PAGE
Independent Auditors' Report.....	1-2
 <u>BASIC FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis.....	3
Statement of Revenues, Expenses, and Changes in Fund Balance – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5-11
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis as of December 31, 2008	12
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis as of December 31, 2007	13
Notes to Required Supplementary Information	14
 <u>COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Schedule of Findings and Responses	17-18



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Moniteau County Emergency Dispatch
of Missouri

We have audited the accompanying basic financial statements of the Moniteau County Emergency Dispatch of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, a component unit of Moniteau County, Missouri, as listed in the table of contents. These financial statements are the responsibility of the Moniteau County Emergency Dispatch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Emergency Dispatch prepares its financial statements on the Modified Cash Basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - Modified Cash Basis of the Moniteau County Emergency Dispatch of Missouri as of December 31, 2008 and December 31, 2007, and the respective changes in financial position - Modified Cash Basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The 911 Board has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the Modified Cash Basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2009, on our consideration of the Moniteau County Emergency Dispatch of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 12 and 13 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 15, 2009

BASIC FINANCIAL STATEMENTS

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
CALIFORNIA, MISSOURI
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 195,745.77	\$ 159,743.50
Certificates of Deposit	20,098.26	36,960.22
Prepaid AFLAC	107.65	-
Total Current Assets	<u>215,951.68</u>	<u>196,703.72</u>
Non-Current Assets:		
Certificates of Deposit	66,010.29	46,614.64
Total Non-Current Assets	<u>66,010.29</u>	<u>46,614.64</u>
Capital Assets Not Being Depreciated		
Land	<u>20,914.02</u>	<u>20,914.02</u>
Total Assets Not Being Depreciated	<u>20,914.02</u>	<u>20,914.02</u>
Capital Assets Being Depreciated		
Equipment	290,163.44	394,068.47
Office Equipment	52,573.38	87,411.43
Vehicles	10,400.00	10,400.00
Buildings	259,353.22	259,353.22
Replaced Property	<u>0.00</u>	<u>30,581.92</u>
Total Assets Being Depreciated	612,490.04	781,815.04
Less: Accumulated Depreciation computed using the straight line method over the estimated economic lives of the assets		
Equipment	(297,858.00)	(432,680.00)
Vehicles	(10,402.00)	(10,402.00)
Buildings	<u>(73,130.00)</u>	<u>(66,465.00)</u>
Total Depreciable Capital Assets	<u>231,100.04</u>	<u>272,268.04</u>
Total Capital Assets(Net of Accumulated Depreciation)	<u>252,014.06</u>	<u>293,182.06</u>
Total Assets	<u>\$ 533,976.03</u>	<u>\$ 536,500.42</u>

LIABILITIES AND FUND BALANCE

Current Liabilities:		
State Withholding Payable	\$ 865.00	\$ 830.00
State Unemployment Payable	283.06	242.98
Retirement Payable	270.00	170.00
Flex Plan Payable	194.07	114.72
Total Current Liabilities	<u>1,612.13</u>	<u>1,357.70</u>
Long Term Liabilities:		
Long Term Liabilities	<u>-</u>	<u>-</u>
Total Long Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	1,612.13	1,357.70
Fund Balance		
Fixed Assets	252,014.06	293,182.06
Restricted Funds	501.53	15.84
Unrestricted Funds	<u>279,848.31</u>	<u>241,944.82</u>
Total Fund Balance	532,363.90	535,142.72
Total Liabilities and Fund Balance	<u>\$ 533,976.03</u>	<u>\$ 536,500.42</u>

The notes to the financial statements are an integral part of this statement.

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
CALIFORNIA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Sales Tax Revenue	\$ 452,566.78	\$ 480,975.11
Total Revenues	452,566.78	480,975.11
EXPENSES		
Advertising	373.08	196.40
Accounting	5,433.89	5,154.32
Auto and Truck	2,950.22	4,383.26
Bank Charges	-	50.99
Business Meals/Entertainment	386.63	242.96
Continuing Education	2,755.00	1,255.00
Dues	964.00	1,216.00
Election Costs	-	-
Employee Benefits	16,270.94	15,166.23
Insurance	9,892.00	6,720.00
Legal	1,800.00	2,000.00
Miscellaneous	519.00	450.00
Office Supplies	1,806.94	2,535.53
Postage	300.03	296.95
Professional Fees	577.20	685.20
Public Education	980.75	-
Repairs and Maintenance	7,218.36	11,452.77
Reward Money	-	-
Salaries - Administrator	37,068.03	36,948.52
Salaries & Wages - Dispatchers	216,438.59	220,075.93
Salaries & Wages - Addressor	29,943.83	28,759.98
Signs and Installation	4,698.69	2,390.55
Subscriptions	9,454.03	11,401.95
Supplies	866.29	1,321.43
Taxes - Payroll - Administrator	2,734.16	2,792.17
Taxes - Payroll - Dispatchers	17,487.77	17,936.56
Taxes - Payroll - Addressor	2,392.36	2,353.46
Telephone	58,686.67	55,242.71
Training	-	800.00
Travel	560.65	56.40
Utilities and Trash	8,173.29	7,495.85
Total Expenses	<u>440,732.40</u>	<u>439,381.12</u>
REVENUES COLLECTED OVER (UNDER) EXPENSES	11,834.38	41,593.99
OTHER FINANCING SOURCES (USES)		
Interest	8,032.95	9,514.52
Employee Soda Fund Income	2,604.21	2,266.60
Insurance Proceeds	2,866.70	-
Rent Income	-	2,200.00
Depreciation Expense	(23,174.00)	(46,882.00)
Employee Soda Fund Expense	(2,637.06)	(2,467.31)
Loss on Disposal on Assets	(2,306.00)	-
Total Other Financing Sources (Uses)	<u>(14,613.20)</u>	<u>(35,368.19)</u>
REVENUE COLLECTED AND OTHER SOURCES OVER (UNDER) EXPENSES PAID AND OTHER USES	(2,778.82)	6,225.80
FUND BALANCE - BEGINNING OF YEAR	<u>535,142.72</u>	<u>528,916.92</u>
FUND BALANCE - END OF YEAR	<u>\$ 532,363.90</u>	<u>\$ 535,142.72</u>

The notes to the financial statements are an integral part of this statement.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Moniteau County Emergency Dispatch ("911 Board"), which is governed by a five-member board of directors, was established by an Act of the Missouri Territory.

As discussed further in Note 1, these financial statements are presented on the Modified Cash Basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the Modified Cash Basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the Modified Cash Basis of accounting, these financial statements present financial accountability of the 911 Board.

The 911 Board has developed criteria to determine whether outside agencies with activities which benefit the clients of the 911 Board, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the 911 Board exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The 911 Board has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the 911 Board's financial statements. However, Moniteau County Emergency Dispatch is a component unit of Moniteau County, Missouri. The 911 Board has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses, and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 911 Board functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund consist of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the 911 Board and accounts for all revenues and expenditures of the 911 Board. All general tax revenues and other receipts are accounted for in this fund.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the Modified Cash Basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this Modified Cash Basis of accounting, certain assets (such as accounts receivable), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements. However, Capital assets and accumulated depreciation have been included.

If the 911 Board utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Capital Assets

Property, Plant and Equipment purchased or acquired is carried at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

	<u>YEARS</u>
Buildings and Improvements	5-50
Equipment	5-7

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash Deposits and Investments (Concluded)

Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the 911 Board's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 911 Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted or restricted for fixed assets. The 911 Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The 911 Board's investment policy does not include custodial credit risk requirements. The 911 Board's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits. The 911 Board's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2008 and December 31, 2007. At December 31, 2008, the carrying amount of the 911 Board's deposits was \$281,854.32 with respective bank balances totaling \$283,807.23. At December 31, 2007, the carrying amount of the 911 Board's deposits was \$243,318.36 with respective bank balances totaling \$244,365.13. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for each year. The remainder was covered by collateral held by the Federal Reserve Bank in the 911 Board's name under a joint safekeeping agreement with Central Bank for both years.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2008 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2008

	<u>Maturity Date</u>	<u>Cost</u>
Deposits:		
Checking and Money Market	N/A	\$ 195,745.77
CD	12/09/2009	5,000.00
CD	7/01/2009	5,000.00
CD	9/30/2009	<u>10,098.26</u>
Total Deposits		215,844.03
Investments:		
CD	12/07/2010	6,000.00
CD	05/26/2010	17,360.91
CD	12/15/2011	5,000.00
CD	09/21/2011	6,102.00
CD	04/15/2010	<u>31,547.38</u>
Total Investments		<u>66,010.29</u>
Total Deposits & Investments		<u>\$ 281,854.32</u>

The Deposits held at December 31, 2007 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2007

	<u>Maturity Date</u>	<u>Cost</u>
Deposits:		
Checking and Money Market	N/A	\$ 159,743.50
CD	12/09/2008	5,000.00
CD	09/26/08	<u>31,960.22</u>
Total Deposits		196,703.72
Investments:		
CD	12/07/2010	6,000.00
CD	12/09/2009	5,000.00
CD	12/15/2011	5,000.00
CD	04/15/2010	<u>30,614.64</u>
Total Investments		<u>46,614.64</u>
Total Deposits & Investments		<u>\$ 243,318.36</u>

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

III. PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in capital assets for 2008 follows:

	Balance at December 31, 2007	Additions	Retirements	Balance at December 31, 2008
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	20,914.02	-	-	20,914.02
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	20,914.02	-	-	20,914.02
CAPITAL ASSETS BEING DEPRECIATED				
Equipment	394,068.47	9,235.97	(113,141.00)	290,163.44
Office Equipment	87,411.43	7,794.95	(42,633.00)	52,573.38
Vehicles	10,400.00	-	-	10,400.00
Buildings	259,353.22	-	-	259,353.22
Replaced Equipment	30,581.92	116,485.11	(147,067.03)	-
TOTAL CAPITAL ASSETS BEING DEPRECIATED	781,815.04	133,516.03	(302,841.03)	612,490.04
Less: Accumulated Depreciation	(509,547.00)	(23,174.00)	151,331.00	(381,390.00)
TOTAL DEPRECIABLE CAPITAL ASSETS	272,268.04	110,342.03	(151,510.03)	231,100.04
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	293,182.06	110,342.03	(151,510.03)	252,014.06

A summary of the changes in capital assets for 2007 follows:

	Balance at December 31, 2006	Additions	Retirements	Balance at December 31, 2007
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	20,914.02	-	-	20,914.02
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	20,914.02	-	-	20,914.02

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

III. PROPERTY, PLANT AND EQUIPMENT (CONCLUDED)

	Balance at December 31, 2006	Additions	Retirements	Balance at December 31, 2007
CAPITAL ASSETS BEING DEPRECIATED				
Equipment	393,082.13	986.34	-	394,068.47
Office Equipment	86,482.66	928.77	-	87,411.43
Vehicles	10,400.00	-	-	10,400.00
Buildings	259,353.22	-	-	259,353.22
Replaced Equipment	-	30,581.92	-	30,581.92
TOTAL CAPITAL ASSETS BEING DEPRECIATED	749,318.01	32,497.03	-	781,815.04
Less: Accumulated Depreciation	(462,665.00)	(46,882.00)	-	(509,547.00)
TOTAL DEPRECIABLE CAPITAL ASSETS	286,653.01	(14,384.97)	-	272,268.04
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	307,567.03	(14,384.97)	-	293,182.06

IV. TAXES

A ½ cent sales taxes has been imposed every dollar of all sales that are within Moniteau County to go to the Moniteau County Emergency Dispatch for operating revenues to pay for operating expenses and equipment.

V. EMPLOYEES RETIREMENT PLAN

Employees are allowed to participate in the entities 403B retirement plan. The employee may put in amount of money into the plan at their own discretion. As long as any full time employee puts in at least \$20.00 per month the board has elected to match amount up to \$20.00 but not to exceed that dollar amount.

VI. RISK MANAGEMENT

The 911 Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The 911 Board maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the 911 Board. Settled claims have not exceeded this commercial coverage in any of the past three years.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

VII. LITIGATION

The 911 Board is not a defendant in any litigation as of December 31, 2008 or December 31, 2007.

VIII. COMPENSATED ABSENCES

The 911 Board allows a maximum of 192 hours of sick and vacation time to be accrued after 15 years of service. For employees with service of 10 through 14 years they may accrue 144 hours and employees with service of 1 through 9 years they may accrue 96 hours. Vacation and sick time are accrued 8 hours per payroll period for employees with 15 years or more of service, 6 hours per payroll for employees with 10 through 14 years of service, and 4 hours per payroll for employees with 1 through 9 years of employment. If an immediate family member happens to become deceased the employee shall be granted up to 24 hours of paid funeral leave. Upon resignation of employment an employee shall be compensated for the following: 100% of sick time accrued, 50% of vacation time accrued, and 100% of comp time accrued. If an employee is fired, it is at the board's discretion whether or not the employee will receive compensation for any paid leave time.

REQUIRED SUPPLEMENTARY INFORMATION

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
CALIFORNIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES				
Sales Tax Revenue	\$ 450,000.00	\$ 450,000.00	\$ 452,566.78	\$ 2,566.78
Total Revenues	450,000.00	450,000.00	452,566.78	2,566.78
EXPENSES				
Advertising	400.00	400.00	373.08	(26.92)
Accounting	5,442.00	5,442.00	5,433.89	(8.11)
Auto and Truck	3,000.00	3,000.00	2,950.22	(49.78)
Bank Charges	50.00	50.00	-	(50.00)
Business Meals/Entertainment	200.00	200.00	386.63	186.63
Continuing Education	2,500.00	2,500.00	2,755.00	255.00
Dues	1,200.00	1,200.00	964.00	(236.00)
Election Costs	14,000.00	14,000.00	-	(14,000.00)
Employee Benefits	24,755.00	24,755.00	16,270.94	(8,484.06)
Insurance	7,500.00	7,500.00	9,892.00	2,392.00
Legal	1,800.00	1,800.00	1,800.00	-
Miscellaneous	400.00	400.00	519.00	119.00
Office Supplies	2,500.00	2,500.00	1,806.94	(693.06)
Postage	350.00	350.00	300.03	(49.97)
Professional Fees	750.00	750.00	577.20	(172.80)
Public Education	750.00	750.00	980.75	230.75
Repairs and Maintenance	10,000.00	10,000.00	7,218.36	(2,781.64)
Reward Money	500.00	500.00	-	(500.00)
Salaries - Administrator	36,972.00	36,972.00	37,068.03	96.03
Salaries & Wages - Dispatchers	224,300.00	224,300.00	216,438.59	(7,861.41)
Salaries & Wages - Addressor	29,421.00	29,421.00	29,943.83	522.83
Signs and Installation	2,500.00	2,500.00	4,698.69	2,198.69
Subscriptions	9,150.00	9,150.00	9,454.03	304.03
Supplies	1,500.00	1,500.00	866.29	(633.71)
Taxes - Payroll - Administrator	2,828.00	2,828.00	2,734.16	(93.84)
Taxes - Payroll - Dispatchers	17,159.00	17,159.00	17,487.77	328.77
Taxes - Payroll - Addressor	2,251.00	2,251.00	2,392.36	141.36
Telephone	60,000.00	60,000.00	58,686.67	(1,313.33)
Training	-	-	-	-
Travel	400.00	400.00	560.65	160.65
Utilities and Trash	7,300.00	7,300.00	8,173.29	873.29
Total Expenses	469,878.00	469,878.00	440,732.40	(29,145.60)
REVENUES COLLECTED OVER (UNDER) EXPENSES	(19,878.00)	(19,878.00)	11,834.38	31,712.38
OTHER FINANCING SOURCES (USES)				
Interest	6,600.00	6,600.00	8,032.95	1,432.95
Employee Soda Fund Income	2,000.00	2,000.00	2,604.21	604.21
Insurance Proceeds	-	-	2,866.70	2,866.70
Rent Income	-	-	-	-
Depreciation Expense	(47,500.00)	(47,500.00)	(23,174.00)	24,326.00
Employee Soda Fund Expense	(2,000.00)	(2,000.00)	(2,637.06)	(637.06)
Loss on Disposal on Assets	-	-	(2,306.00)	(2,306.00)
Total Other Financing Sources (Uses)	(40,900.00)	(40,900.00)	(14,613.20)	26,286.80
REVENUE COLLECTED AND OTHER SOURCES OVER (UNDER) EXPENSES PAID AND OTHER USES	(60,778.00)	(60,778.00)	(2,778.82)	57,999.18
FUND BALANCE - BEGINNING OF YEAR	535,142.72	535,142.72	535,142.72	-
FUND BALANCE - END OF YEAR	\$ 474,364.72	\$ 474,364.72	\$ 532,363.90	\$ 57,999.18

MONITEAU COUNTY EMERGENCY DISPATCH
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
CALIFORNIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES				
Sales Tax Revenue	\$ 435,000.00	\$ 435,000.00	\$ 480,975.11	\$ 45,975.11
Total Revenues	435,000.00	435,000.00	480,975.11	45,975.11
EXPENSES				
Advertising	750.00	750.00	196.40	(553.60)
Accounting	5,093.00	5,093.00	5,154.32	61.32
Auto and Truck	2,000.00	2,000.00	4,383.26	2,383.26
Bank Charges	50.00	50.00	50.99	0.99
Business Meals/Entertainment	150.00	150.00	242.96	92.96
Continuing Education	3,500.00	3,500.00	1,255.00	(2,245.00)
Dues	1,200.00	1,200.00	1,216.00	16.00
Election Costs	-	-	-	-
Employee Benefits	14,000.00	14,000.00	15,166.23	1,166.23
Insurance	7,500.00	7,500.00	6,720.00	(780.00)
Legal	1,200.00	1,200.00	2,000.00	800.00
Miscellaneous	-	-	450.00	450.00
Office Supplies	2,000.00	2,000.00	2,535.53	535.53
Postage	300.00	300.00	296.95	(3.05)
Professional Fees	625.00	625.00	685.20	60.20
Public Education	-	-	-	-
Repairs and Maintenance	10,000.00	10,000.00	11,452.77	1,452.77
Reward Money	500.00	500.00	-	(500.00)
Salaries - Administrator	36,972.00	36,972.00	36,948.52	(23.48)
Salaries & Wages - Dispatchers	219,500.00	219,500.00	220,075.93	575.93
Salaries & Wages - Addressor	28,733.00	28,733.00	28,759.98	26.98
Signs and Installation	2,000.00	2,000.00	2,390.55	390.55
Subscriptions	9,150.00	9,150.00	11,401.95	2,251.95
Supplies	750.00	750.00	1,321.43	571.43
Taxes - Payroll - Administrator	2,607.00	2,607.00	2,792.17	185.17
Taxes - Payroll - Dispatchers	18,515.00	18,515.00	17,936.56	(578.44)
Taxes - Payroll - Addressor	2,199.00	2,199.00	2,353.46	154.46
Telephone	60,000.00	60,000.00	55,242.71	(4,757.29)
Training	-	-	800.00	800.00
Travel	400.00	400.00	56.40	(343.60)
Utilities and Trash	7,000.00	7,000.00	7,495.85	495.85
Total Expenses	436,694.00	436,694.00	439,381.12	2,687.12
REVENUES COLLECTED OVER (UNDER) EXPENSES	(1,694.00)	(1,694.00)	41,593.99	43,287.99
OTHER FINANCING SOURCES (USES)				
Interest	3,700.00	3,700.00	9,514.52	5,814.52
Employee Soda Fund Income	2,000.00	2,000.00	2,266.60	266.60
Insurance Proceeds	-	-	-	-
Rent Income	2,400.00	2,400.00	2,200.00	(200.00)
Depreciation Expense	(45,000.00)	(45,000.00)	(46,882.00)	(1,882.00)
Employee Soda Fund Expense	(2,000.00)	(2,000.00)	(2,467.31)	(467.31)
Loss on Disposal on Assets	-	-	-	-
Total Other Financing Sources (Uses)	(38,900.00)	(38,900.00)	(35,368.19)	3,531.81
REVENUE COLLECTED AND OTHER SOURCES OVER (UNDER) EXPENSES PAID AND OTHER USES	(40,594.00)	(40,594.00)	6,225.80	46,819.80
FUND BALANCE - BEGINNING OF YEAR	528,916.92	528,916.92	528,916.92	-
FUND BALANCE - END OF YEAR	\$ 488,322.92	\$ 488,322.92	\$ 535,142.72	\$ 46,819.80

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2008 AND 2007

Budgets and Budgetary Accounting

The 911 Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the District adopts a budget for the fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Emergency Dispatch Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all 911 Board funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Emergency Dispatch Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Emergency Dispatch Board.
5. Subsequent to its formal approval of the budget, the Emergency Dispatch Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the Modified Cash Basis of accounting.

COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Moniteau County Emergency Dispatch
of Missouri

We have audited the basic financial statements of the Moniteau County Emergency Dispatch of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated July 15, 2009, which was modified because the 911 Board prepares its financial statements on the Modified Cash Basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Moniteau County Emergency Dispatch of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 911 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 911 Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's

financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01 and 07/08-02 described in the accompanying schedule of findings and responses to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Moniteau County Emergency Dispatch of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Moniteau County Emergency Dispatch of Missouri in a separate letter dated July 15, 2009.

Moniteau County Emergency Dispatch of Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the 911 Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

July 15, 2009

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2008 & 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Board did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

MONITEAU COUNTY EMERGENCY DISPATCH OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
CALIFORNIA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2008 & 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by the Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

To the Board of Directors
Moniteau County Emergency Dispatch, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moniteau County Emergency Dispatch as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Moniteau County Emergency Dispatch's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 15, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Board did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by the Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 28, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Moniteau County Emergency Dispatch's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Moniteau County Emergency Dispatch's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 13, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Moniteau County Emergency Dispatch are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 15, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MONITEAU COUNTY SENATE BILL 40
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007

**MONITEAU COUNTY SENATE BILL 40
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008 & 2007**

TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
<u>FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis.....	5
Statement of Revenues, Expenses and Changes in Fund Balance – Modified Cash Basis.....	6
Notes to the Financial Statements.....	7-11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis - 2008.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis - 2007.....	13
Notes to Required Supplementary Information.....	14
Schedule of Findings and Questioned Costs.....	15-17



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Moniteau County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Moniteau County Senate Bill 40 of Missouri, a component unit of Moniteau County, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Moniteau County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Moniteau County Senate Bill 40 of Missouri as of December 31, 2008 and December 31, 2007, and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2009, on our consideration of the Moniteau County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 12 and 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 6, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Moniteau County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Moniteau County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated July 6, 2009, which was modified because the SB 40 prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Moniteau County Senate Bill 40 of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Moniteau County Senate Bill 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Moniteau County Senate Bill 40's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Moniteau County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Moniteau County Senate Bill 40 in a separate letter dated July 6, 2009.

Moniteau County Senate Bill 40's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Moniteau County Senate Bill 40's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

July 6, 2009

FINANCIAL STATEMENTS

MONITEAU COUNTY SENATE BILL 40
 (A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - MODIFIED CASH BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 68,795.53	\$ 59,710.99
Certificates of Deposit	-	358,320.39
Total Assets	<u>68,795.53</u>	<u>418,031.38</u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ 68,795.53	\$ 418,031.38
Total Fund Balance	<u>68,795.53</u>	<u>418,031.38</u>
Total Liabilities and Fund Balance	<u>68,795.53</u>	<u>418,031.38</u>

The notes to the financial statements are an integral part of this statement.

MONITEAU COUNTY SENATE BILL 40
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Property Tax Revenues	\$ 94,198.07	\$ 146,643.69
	<u>94,198.07</u>	<u>146,643.69</u>
TOTAL REVENUES	94,198.07	146,643.69
EXPENDITURES		
General Administration	33,953.00	32,585.50
CHS Residential Services	68,607.37	67,105.45
CHS Day Activity Services	17,404.43	26,550.00
Facility	400,744.05	165,084.38
Other Related Services	<u>39,747.92</u>	<u>31,379.01</u>
TOTAL EXPENDITURES	<u>560,456.77</u>	<u>322,704.34</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(466,258.70)	(176,060.65)
OTHER FINANCING SOURCES (USES)		
Interest	9,158.35	27,663.68
Miscellaneous	0.00	657.94
Rents	7,874.50	0.00
Loan Proceeds	<u>99,990.00</u>	<u>0.00</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>117,022.85</u>	<u>28,321.62</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	(349,235.85)	(147,739.03)
FUND BALANCE - BEGINNING OF YEAR	<u>418,031.38</u>	<u>565,770.41</u>
FUND BALANCE - END OF YEAR	<u>\$ 68,795.53</u>	<u>\$ 418,031.38</u>

The notes to the financial statements are an integral part of this statement.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Moniteau County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Moniteau County Senate Bill 40 is a component unit of Moniteau County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2008 and December 31, 2007. At December 31, 2008, the carrying amount of the Board's deposits was \$68,795.53 with respective bank balances totaling \$80,853.96. At December 31, 2007, the carrying amount of the Board's deposits was \$418,031.38 with respective bank balances totaling \$427,745.15. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for 2007 and \$250,000 for 2008.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2008 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2008		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 68,795.53
TOTAL DEPOSITS		\$ 68,795.53

The Deposits held at December 31, 2007 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 59,710.99
Certificate of Deposit	2/1/08	58,527.17
Certificate of Deposit	2/1/08	60,295.68
Certificate of Deposit	6/29/08	123,969.56
Certificate of Deposit	6/29/08	115,527.98
TOTAL DEPOSITS		\$ 418,031.38

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was \$165,756,021 and \$154,079,378 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2008 and 2007 for purposes of local taxation was .05 and .10 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

IV. RISK MANAGEMENT (CONCLUDED)

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2008 or December 31, 2007.

VI. PROPERTY, PLANT AND EQUIPMENT

The SB 40 purchased a building in an Industrial Park on April 30, 2007 for \$160,000. They contracted with GBH Builders, Inc. to renovate the building beginning in 2008.

VII. Debt

The SB 40 entered into a credit line with Central Trust Bank in the amount of \$100,000 on May 1, 2008. It is a fixed rate (5.00%) nondisclosable draw down line of credit loan due on December 31, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

MONITEAU COUNTY SENATE BILL 40
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 82,878.00	\$ 94,198.07	\$ 11,320.07
TOTAL REVENUES	<u>82,878.00</u>	<u>94,198.07</u>	<u>11,320.07</u>
EXPENDITURES			
General Administration	34,290.00	33,953.00	(337.00)
CHS Residential Services	70,614.00	68,607.37	(2,006.63)
CHS Day Activity Services	30,733.00	17,404.43	(13,328.57)
Facility	415,454.00	400,744.05	(14,709.95)
Other Related Services	44,453.00	39,747.92	(4,705.08)
TOTAL EXPENDITURES	<u>595,544.00</u>	<u>560,456.77</u>	<u>(35,087.23)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(512,666.00)	(466,258.70)	46,407.30
OTHER FINANCING SOURCES (USES)			
Interest	10,000.00	9,158.35	(841.65)
Miscellaneous	-	-	-
Rents	9,188.00	7,874.50	(1,313.50)
Loan Proceeds	85,000.00	99,990.00	14,990.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>104,188.00</u>	<u>117,022.85</u>	<u>12,834.85</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(408,478.00)	(349,235.85)	59,242.15
FUND BALANCE BEGINNING OF YEAR	<u>418,031.38</u>	<u>418,031.38</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 9,553.38</u>	<u>\$ 68,795.53</u>	<u>\$ 59,242.15</u>

MONITEAU COUNTY SENATE BILL 40
(A COMPONENT UNIT OF MONITEAU COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 154,079.00	146,643.69	\$ (7,435.31)
TOTAL REVENUES	<u>154,079.00</u>	<u>146,643.69</u>	<u>(7,435.31)</u>
EXPENDITURES			
General Administration	32,586.00	32,585.50	(0.50)
CHS Residential Services	69,400.00	67,105.45	(2,294.55)
CHS Day Activity Services	26,550.00	26,550.00	-
Facility	500,000.00	165,084.38	(334,915.62)
Other Related Services	29,241.00	31,379.01	2,138.01
TOTAL EXPENDITURES	<u>657,777.00</u>	<u>322,704.34</u>	<u>(335,072.66)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(503,698.00)	(176,060.65)	327,637.35
OTHER FINANCING SOURCES (USES)			
Interest	15,000.00	27,663.68	12,663.68
Miscellaneous	-	657.94	657.94
Rents	-	-	-
Loan Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000.00</u>	<u>28,321.62</u>	<u>13,321.62</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(488,698.00)	(147,739.03)	340,958.97
FUND BALANCE BEGINNING OF YEAR	<u>565,770.41</u>	<u>565,770.41</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 77,072.41</u>	<u>\$ 418,031.38</u>	<u>\$ 340,958.97</u>

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

BUDGETS AND BUDGETARY ACCOUNTING

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Board adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the modified cash basis of accounting.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
SCHEDULE OF QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

- 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.
- Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.
- Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.
- Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.
- Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.
- Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.
- 07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.
- Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS
(concluded) requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

MONITEAU COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF MONITEAU COUNTY, MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

II. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Moniteau County Senate Bill 40, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moniteau County Senate Bill 40 as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Senate Bill 40's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate Bill 40's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate Bill 40's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Moniteau County Senate Bill 40's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 6, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will, for future audits, prepare annual financial statements comparable to the one included in the auditor's report.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Senate Bill 40 is in the process of developing policies for the management of internal control.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 is in the process of developing an anti-fraud policy.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated March 24, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

In planning and performing our audit, we considered Moniteau County Senate Bill 40's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Senate Bill 40's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Moniteau County Senate Bill 40's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Moniteau County Senate Bill 40's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Moniteau County Senate Bill 40's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 12, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Moniteau County Senate Bill 40 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 6, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Madison County, Missouri

The Office of the State Auditor, in cooperation with Madison County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-86

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Modified Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-23
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	24
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	25-26
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	27

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Madison County Law Enforcement Sales Tax Fund – Unaudited	28
Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Special Revenue – Madison County Re-Development Fund – Unaudited	29
Notes to Required Supplementary Information	30
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	31
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008	32
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	33
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	34
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2008	35
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007	36
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings	37

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
TABLE OF CONTENTS

	PAGE
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Madison, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	38-39
Schedule of Findings.....	40-42

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Madison, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Madison (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary government's basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Madison County, and the Madison County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Madison County Health Department and Agency for Developmental Disabilities.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note I the County has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Financial Statement Presentation*," as of and for the years ended December 31, 2008 and 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2009 on our consideration for the Primary Government’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 24 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 31 through 36 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 37 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2009

FINANCIAL STATEMENTS

3

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 1,194,546.77	\$ 559,648.54	\$ 59,986.23	\$ 759,819.98	\$ 184,907.98
Road and Bridge	1,153,312.27	-	-	-	(1,153,312.27)
Financial Administration	117,175.35	-	-	-	(117,175.35)
Other Offices and Grants	5,699.94	-	-	-	(5,699.94)
Administration of Justice and Law Enforcement	185,787.26	-	-	-	(185,787.26)
Consulting	75,778.16	-	-	-	(75,778.16)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Madison County Re-Development Fund	1,768,587.32	-	1,978,490.87	-	209,903.55
MCLE Sales Tax Fund	700,182.41	-	-	-	(700,182.41)
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction	52,546.59	-	-	-	(52,546.59)
Property, Equipment and Buildings	89,672.74	-	-	-	(89,672.74)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,343,288.81</u>	<u>\$ 559,648.54</u>	<u>\$ 2,038,477.10</u>	<u>\$ 759,819.98</u>	(1,985,343.19)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	497,696.24
Sales Tax	1,838,895.81
Investment Income	43,389.16
Miscellaneous	-
TOTAL GENERAL REVENUES	<u>2,379,981.21</u>
CHANGE IN NET ASSETS	394,638.02
NET ASSETS, BEGINNING OF YEAR	<u>1,035,722.98</u>
NET ASSETS, END OF YEAR	<u>\$ 1,430,361.00</u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS / PROGRAMS					
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 1,161,912.05	\$ 491,559.74	\$ 96,458.89	\$ 411,649.31	\$ (162,244.11)
Road and Bridge	716,301.43	-	-	-	(716,301.43)
Financial Administration	114,266.84	-	-	-	(114,266.84)
Other Offices and Grants	40,743.44	-	-	-	(40,743.44)
Administration of Justice and Law Enforcement	189,303.00	-	-	-	(189,303.00)
Consulting	72,094.48	-	-	-	(72,094.48)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	65,894.86	-	65,894.86
Park Maintenance	-	-	-	-	-
Madison County Re-Development Fund	106,895.44	-	409,409.79	-	302,514.35
MCLE Sales Tax Fund	703,987.54	-	-	-	(703,987.54)
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,105,504.22	\$ 491,559.74	\$ 571,763.54	\$ 411,649.31	(1,630,531.63)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	461,185.13
Sales Tax	1,412,516.45
Investment Income	47,786.63
Miscellaneous	-
TOTAL GENERAL REVENUES	<u>1,921,488.21</u>
CHANGE IN NET ASSETS	290,956.58
NET ASSETS, BEGINNING OF YEAR	<u>744,766.40</u>
NET ASSETS, END OF YEAR	<u>\$ 1,035,722.98</u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS												
Cash and Cash Equivalents	\$ 149,362.76	\$ 164,043.85	\$ 122,828.19	\$ 726,145.52	\$ 96,451.39	\$ 1,258,831.71	\$ 35,940.06	\$ 141,085.62	\$ 110,455.79	\$ 498,030.10	\$ 85,909.38	\$ 871,420.95
Investments	171,529.29	-	-	-	-	171,529.29	164,302.03	-	-	-	-	164,302.03
						-						-
TOTAL ASSETS	<u>320,892.05</u>	<u>164,043.85</u>	<u>122,828.19</u>	<u>726,145.52</u>	<u>96,451.39</u>	<u>1,430,361.00</u>	<u>200,242.09</u>	<u>141,085.62</u>	<u>110,455.79</u>	<u>498,030.10</u>	<u>85,909.38</u>	<u>1,035,722.98</u>
FUND BALANCES												
Unreserved:												
General Fund	320,892.05	-	-	-	-	320,892.05	200,242.09	-	-	-	-	200,242.09
Special Revenue Funds	-	164,043.85	122,828.19	726,145.52	96,451.39	1,109,468.95	-	141,085.62	110,455.79	498,030.10	85,909.38	835,480.89
TOTAL FUND BALANCES	<u>320,892.05</u>	<u>164,043.85</u>	<u>122,828.19</u>	<u>726,145.52</u>	<u>96,451.39</u>	<u>1,430,361.00</u>	<u>200,242.09</u>	<u>141,085.62</u>	<u>110,455.79</u>	<u>498,030.10</u>	<u>85,909.38</u>	<u>1,035,722.98</u>
TOTAL FUND BALANCES	<u>\$ 320,892.05</u>	<u>\$ 164,043.85</u>	<u>\$ 122,828.19</u>	<u>\$ 726,145.52</u>	<u>\$ 96,451.39</u>	<u>\$ 1,430,361.00</u>	<u>\$ 200,242.09</u>	<u>\$ 141,085.62</u>	<u>\$ 110,455.79</u>	<u>\$ 498,030.10</u>	<u>\$ 85,909.38</u>	<u>\$ 1,035,722.98</u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES												
Property Tax	\$ 189,164.82	\$ 308,531.42	\$ -	\$ -	\$ -	\$ 497,696.24	\$ 167,776.63	\$ 293,408.50	\$ -	\$ -	\$ -	\$ 461,185.13
Sales Tax	523,705.05	791,741.87	523,448.89	-	-	1,838,895.81	508,008.87	396,754.66	507,752.92	-	-	1,412,516.45
Inter-Governmental Revenue	-	-	8,242.72	-	-	8,242.72	-	-	6,325.00	-	-	6,325.00
Charges for Services	214,708.26	3,272.98	211,873.57	-	129,793.73	559,648.54	165,936.01	37,368.01	179,498.10	-	108,757.62	491,559.74
Grants, Distributions and Reimbursements	215,347.41	309,677.03	26,435.72	-	208,359.82	759,819.98	188,376.61	65,894.86	-	-	223,272.70	477,544.17
Fees, Licenses and Permits	10,444.29	-	-	-	41,299.22	51,743.51	18,118.22	-	30,133.18	-	41,882.49	90,133.89
Interest	12,423.92	5,266.53	2,553.91	18,211.87	4,932.93	43,389.16	21,172.40	5,021.24	3,530.70	10,621.68	7,440.61	47,786.63
Madison County Re-Development Fund	-	-	-	1,978,490.87	-	1,978,490.87	-	-	-	409,409.79	-	409,409.79
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,165,793.75	1,418,489.83	772,554.81	1,996,702.74	384,385.70	5,737,926.83	1,069,388.74	798,447.27	727,239.90	420,031.47	381,353.42	3,396,460.80
EXPENDITURES												
Current:												
General County Government	660,703.08	-	-	-	533,843.69	1,194,546.77	637,681.58	-	-	-	524,230.47	1,161,912.05
Road and Bridge	-	1,153,312.27	-	-	-	1,153,312.27	-	716,301.43	-	-	-	716,301.43
Financial Administration	117,175.35	-	-	-	-	117,175.35	114,266.84	-	-	-	-	114,266.84
Other Offices and Grants	5,699.94	-	-	-	-	5,699.94	40,743.44	-	-	-	-	40,743.44
Property Valuation and Recording	75,778.16	-	-	-	-	75,778.16	72,094.48	-	-	-	-	72,094.48
Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	185,787.26	-	-	-	-	185,787.26	184,669.86	-	-	-	4,633.14	189,303.00
Madison County Re-Development Fund	-	-	-	1,768,587.32	-	1,768,587.32	-	-	-	106,895.44	-	106,895.44
MCLE Sales Tax Fund	-	-	700,182.41	-	-	700,182.41	-	-	703,987.54	-	-	703,987.54
Continued Progress	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction	-	52,546.59	-	-	-	52,546.59	-	-	-	-	-	-
Property, Equipment and Buildings	-	89,672.74	-	-	-	89,672.74	-	-	-	-	-	-
TOTAL EXPENDITURES	1,045,143.79	1,295,531.60	700,182.41	1,768,587.32	533,843.69	5,343,288.81	1,049,456.20	716,301.43	703,987.54	106,895.44	528,863.61	3,105,504.22
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	120,649.96	122,958.23	72,372.40	228,115.42	(149,457.99)	394,638.02	19,932.54	82,145.84	23,252.36	313,136.03	(147,510.19)	290,956.58
OTHER FINANCING SOURCES (USES)												
Transfers In	100,000.00	-	-	-	160,000.00	260,000.00	-	-	-	-	155,213.41	155,213.41
Transfers Out	(100,000.00)	(100,000.00)	(60,000.00)	-	-	(260,000.00)	(75,213.41)	-	(80,000.00)	-	-	(155,213.41)
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(100,000.00)	(60,000.00)	-	160,000.00	-	(75,213.41)	-	(80,000.00)	-	155,213.41	-
NET CHANGE IN FUND BALANCE	120,649.96	22,958.23	12,372.40	228,115.42	10,542.01	394,638.02	(55,280.87)	82,145.84	(56,747.64)	313,136.03	7,703.22	290,956.58
FUND BALANCE - BEGINNING OF YEAR	200,242.09	141,085.62	110,455.79	498,030.10	85,909.38	1,035,722.98	255,522.96	58,939.78	167,203.43	184,894.07	78,206.16	744,766.40
FUND BALANCE - END OF YEAR	\$ 320,892.05	\$ 164,043.85	\$ 122,828.19	\$ 726,145.52	\$ 96,451.39	\$ 1,430,361.00	\$ 200,242.09	\$ 141,085.62	\$ 110,455.79	\$ 498,030.10	\$ 85,909.38	\$ 1,035,722.98

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,430,360.00
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 1,430,360.00</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because...

Total Fund Balance – Governmental Funds	\$ 1,035,722.98
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 1,035,722.98</u></u>
--	-------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ 394,638.02
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 394,638.02</u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ 290,956.58
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 290,956.58</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 4,222,783.13</u>	<u>\$ 3,991,195.39</u>
TOTAL ASSETS	<u><u>4,222,783.13</u></u>	<u><u>3,991,195.39</u></u>
LIABILITIES		
Due to Other Funds	<u>4,222,783.13</u>	<u>3,991,195.39</u>
TOTAL LIABILITIES	<u><u>\$ 4,222,783.13</u></u>	<u><u>\$ 3,991,195.39</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Madison, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1849 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Madison County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Madison County, Missouri and the Madison County Agency for Developmental Disabilities have issued separate reporting entity financial statements. For information on these component units, please contact the Madison County Health Department at (573) 783-2747 (or write to 806 West College Ave Fredericktown, MO 63645) and the Madison County Agency for Developmental Disabilities at (573) 783-3370 (or write to 610 South Chamber Drive P.O. Box 325 Fredericktown, MO 63645).

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

The County has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Financial Statement Presentation*," as of and for the years ended December 31, 2008 and 2007. The county was previously presenting their statements on the regulatory basis of presentation.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund and the Law Enforcement Complex Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Madison County Law Enforcement Sales Tax Fund – The Madison County Law Enforcement Sales Tax Fund is a Special Revenue Fund used to account for the receipts of the primary government's sales taxes and related law enforcement expenditures.

Madison County Re-Development Fund – The Madison County Re-Development Fund is a Special Revenue Fund used to account for the receipts and expenditures of the re-development of Madison County.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	2008	2007
Real Estate	\$ 76,661,730	\$ 75,261,460
Personal Property	27,998,391	26,990,811
Railroad and Utilities	7,878,623	9,068,183
	<u>\$ 112,538,744</u>	<u>\$ 111,320,454</u>

During 2008 and 2007, the County Commission approved a \$.1337 and \$.1337, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.1531	\$.1531
Special Road and Bridge Fund	.2762	.2762
	<u>\$.4293</u>	<u>\$.4293</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified Cash Basis – Governmental Fund.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions (concluded)

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$1,430,361.00 and \$1,035,722.98, the bank balance was \$1,458,783.90 and \$1,082,534.97 respectively. As of December 31, 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government, however as of December 31, 2008, the Primary Government's investments were not 100% guaranteed by the U.S. Government.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

SUMMARY OF CARRYING VALUES

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,258,831.71
Investments	171,529.29
Total Governmental Funds	<u>1,430,361.00</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	<u>3,991,195.39</u>
Total Deposits & Investments as of December 31, 2008	\$ <u>5,421,556.39</u>

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 871,420.95
Investments	164,302.03
Total Governmental Funds	<u>1,035,722.98</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	<u>4,222,783.13</u>
Total Deposits & Investments as of December 31, 2007	\$ <u>5,258,506.11</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. LONG-TERM DEBT

Capital Lease – On 3/24/08 Madison County entered into a capital lease with King Commercial for dump trucks and dump truck accessories for a total amount of \$201,651.50. This Capital lease is payable quarterly in twelve equal payments of \$19,359.00. The interest rate is 7.441% and will be paid in full by 7/15/2011.

DEBT	2008				
	BALANCE AT 12/31/2007	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2008	INTEREST PAID DURING YEAR
Capital Lease	\$ -	\$ 201,651.50	\$ (10,800.17)	\$ 190,851.33	\$ 8,558.83
TOTAL	\$ -	\$ 201,651.50	\$ (10,800.17)	\$ 190,851.33	\$ 8,558.83

2008 AMORTIZATION

YEAR	PRINCIPLE	INTEREST	TOTAL
2009	\$ 64,940.92	\$ 12,495.08	\$ 77,436.00
2010	69,941.74	7,494.26	\$ 77,436.00
2011	55,968.67	2,108.33	\$ 58,077.00
TOTAL	\$ 190,851.33	\$ 22,097.67	\$ 212,949.00

There is no amortization table for 2007 since the county did not have any debt.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 100,000.00	\$ 100,000.00	\$ -	\$ 75,213.41
Special Road and Bridge Fund	-	100,000.00	-	-
Madison County Law Enforcement Sales Tax Fund	-	60,000.00	-	80,000.00
NON-MAJOR FUNDS	160,000.00	-	155,213.41	-
TOTAL	\$ 260,000.00	\$ 260,000.00	\$ 155,213.41	\$ 155,213.41

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits (concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$50,706.98 and \$47,576.50, respectively, for the years then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,431 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is not involved in pending litigation at December 31, 2008.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IX. CLAIMS COMMITMENTS AND CONTINGENCIES (concluded)

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. After the employees first year of employment they receive one week of vacation, after the second year of employment they will receive two weeks of vacation, and finally after fifteen years of vacation an employee will receive three weeks of vacation. Full time employees accrue sick time at six days per year and part time employees accrue sick time at a pro-rata basis, according to hours worked. Upon termination from county employment, an employee is not reimbursed for unused vacation but is reimbursed for overtime, if applicable

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF MADISON
FREDERICKTOWN MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 222,000.00	\$ 222,000.00	\$ 189,164.82	\$ (32,835.18)	\$ 194,000.00	\$ 194,000.00	\$ 167,776.63	\$ (26,223.37)
Sales Tax	510,000.00	510,000.00	523,705.05	13,705.05	508,730.00	508,730.00	508,008.87	(721.13)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	166,000.00	166,000.00	214,708.26	48,708.26	234,100.00	234,100.00	165,936.01	(68,163.99)
Grants, Distributions and Reimbursements	185,755.00	185,755.00	215,347.41	29,592.41	634,148.00	634,148.00	188,376.61	(445,771.39)
Fees, Licenses and Permits	11,200.00	11,200.00	10,444.29	(755.71)	8,960.00	8,960.00	18,118.22	9,158.22
Interests	6,800.00	6,800.00	12,423.92	5,623.92	8,000.00	8,000.00	21,172.40	13,172.40
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,101,755.00	1,101,755.00	1,165,793.75	64,038.75	1,587,938.00	1,587,938.00	1,069,388.74	(518,549.26)
EXPENDITURES								
Current:								
General County Government	695,322.71	695,322.71	660,703.08	(34,619.63)	549,772.00	549,772.00	637,681.58	87,909.58
Financial Administration	120,968.20	120,968.20	117,175.35	(3,792.85)	120,603.00	120,603.00	114,266.84	(6,336.16)
Other Offices and Grants	12,300.00	12,300.00	5,699.94	(6,600.06)	25,000.00	25,000.00	40,743.44	15,743.44
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	71,904.00	71,904.00	75,778.16	3,874.16	71,394.00	71,394.00	72,094.48	700.48
Administration of Justice and Law	195,609.30	195,609.30	185,787.26	(9,822.04)	200,055.18	200,055.18	184,669.86	(15,385.32)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,096,104.21	1,096,104.21	1,045,143.79	(50,960.42)	966,824.18	966,824.18	1,049,456.20	82,632.02
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,650.79	5,650.79	120,649.96	114,999.17	621,113.82	621,113.82	19,932.54	(601,181.28)
OTHER FINANCING SOURCES (USES)								
Transfers In	100,000.00	100,000.00	100,000.00	-	-	-	-	-
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	-	(105,000.00)	(105,000.00)	(75,213.41)	29,786.59
Emergency Fund	-	-	-	-	-	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(105,000.00)	(105,000.00)	(75,213.41)	29,786.59
NET CHANGE IN FUND BALANCE	5,650.79	5,650.79	120,649.96	114,999.17	516,113.82	516,113.82	(55,280.87)	(571,394.69)
FUND BALANCE - BEGINNING OF YEAR	200,242.09	200,242.09	200,242.09	-	255,522.96	255,522.96	255,522.96	-
FUND BALANCE - END OF YEAR	\$ 205,892.88	\$ 205,892.88	\$ 320,892.05	\$ 114,999.17	\$ 771,636.78	\$ 771,636.78	\$ 200,242.09	\$ (571,394.69)

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 74,249.00	74,249.00	72,949.05	\$ (1,299.95)	\$ 79,379.00	79,379.00	78,728.51	\$ (650.49)
County Clerk	77,950.00	77,950.00	75,354.20	(2,595.80)	74,945.00	74,945.00	73,810.40	(1,134.60)
Elections	91,954.00	91,954.00	104,076.89	12,122.89	34,709.00	34,709.00	35,857.76	1,148.76
Buildings and Grounds	119,789.68	119,789.68	113,731.57	(6,058.11)	89,800.00	89,800.00	105,106.33	15,306.33
Employee Fringe Benefits	148,500.00	148,500.00	131,822.26	(16,677.74)	116,500.00	116,500.00	144,515.39	28,015.39
Other Expenses	182,880.03	182,880.03	162,769.11	(20,110.92)	154,439.00	154,439.00	199,663.19	45,224.19
	<u>695,322.71</u>	<u>695,322.71</u>	<u>660,703.08</u>	<u>(34,619.63)</u>	<u>549,772.00</u>	<u>549,772.00</u>	<u>637,681.58</u>	<u>87,909.58</u>
Financial Administration:								
Collector	78,737.20	78,737.20	75,966.46	(2,770.74)	75,893.00	75,893.00	73,006.46	(2,886.54)
Treasurer	42,231.00	42,231.00	41,208.89	(1,022.11)	44,710.00	44,710.00	41,260.38	(3,449.62)
	<u>120,968.20</u>	<u>120,968.20</u>	<u>117,175.35</u>	<u>(3,792.85)</u>	<u>120,603.00</u>	<u>120,603.00</u>	<u>114,266.84</u>	<u>(6,336.16)</u>
Other Offices & Grants:								
Other Offices & Grants	12,300.00	12,300.00	5,699.94	(6,600.06)	25,000.00	25,000.00	40,743.44	15,743.44
	<u>12,300.00</u>	<u>12,300.00</u>	<u>5,699.94</u>	<u>(6,600.06)</u>	<u>25,000.00</u>	<u>25,000.00</u>	<u>40,743.44</u>	<u>15,743.44</u>
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	71,904.00	71,904.00	75,778.16	3,874.16	71,394.00	71,394.00	72,094.48	700.48
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	38,694.30	38,694.30	31,020.49	(7,673.81)	37,638.86	37,638.86	30,350.08	(7,288.78)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	10,400.00	10,400.00	5,191.08	(5,208.92)	8,642.32	8,642.32	8,175.12	(467.20)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	-	-	-	-	-	-	-	-
Medical Examiner	26,875.00	26,875.00	30,728.90	3,853.90	37,000.00	37,000.00	25,246.09	(11,753.91)
Sheriffs Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	103,835.00	103,835.00	103,250.84	(584.16)	100,774.00	100,774.00	105,103.10	4,329.10
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	15,805.00	15,805.00	15,595.95	(209.05)	16,000.00	16,000.00	15,795.47	(204.53)
	195,609.30	195,609.30	185,787.26	(9,822.04)	200,055.18	200,055.18	184,669.86	(15,385.32)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,096,104.21	\$ 1,096,104.21	\$ 1,045,143.79	\$ (50,960.42)	\$ 966,824.18	\$ 966,824.18	\$ 1,049,456.20	\$ 82,632.02

See accompanying Independent Auditor's Report

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)
	ORIGINAL	FINAL		FINAL BUDGET	ORIGINAL	FINAL		FINAL BUDGET
REVENUES								
Property Tax	\$ 293,000.00	\$ 293,000.00	\$ 308,531.42	\$ 15,531.42	\$ 288,400.00	\$ 288,400.00	\$ 293,408.50	\$ 5,008.50
Sales Tax	825,200.00	825,200.00	791,741.87	(33,458.13)	370,350.00	370,350.00	396,754.66	26,404.66
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	80,000.00	80,000.00	3,272.98	(76,727.02)	20,100.00	20,100.00	37,368.01	17,268.01
Grants, Distributions and Reimbursements	43,000.00	43,000.00	309,677.03	266,677.03	55,471.93	55,471.93	65,894.86	10,422.93
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	5,000.00	5,000.00	5,266.53	266.53	4,000.00	4,000.00	5,021.24	1,021.24
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,246,200.00	1,246,200.00	1,418,489.83	172,289.83	738,321.93	738,321.93	798,447.27	60,125.34
EXPENDITURES								
Current:								
Salaries	265,015.72	265,015.72	277,157.09	12,141.37	277,974.00	277,974.00	256,941.34	(21,032.66)
Employee Fringe Benefits	130,000.00	130,000.00	159,835.64	29,835.64	105,226.00	105,226.00	90,154.59	(15,071.41)
Supplies	480,000.00	480,000.00	437,363.00	(42,637.00)	232,454.07	232,454.07	198,333.30	(34,120.77)
Property and Equipment Insurance	34,243.00	34,243.00	35,012.00	769.00	16,000.00	16,000.00	28,904.50	12,904.50
Equipment Repairs	80,000.00	80,000.00	107,245.97	27,245.97	40,120.00	40,120.00	63,021.92	22,901.92
Rentals	48,000.00	48,000.00	47,493.74	(506.26)	16,345.60	16,345.60	27,093.74	10,748.14
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	16,200.00	16,200.00	89,204.83	73,004.83	15,600.00	15,600.00	14,721.63	(878.37)
Capital Outlay:								
Construction of Roads and Bridges	80,000.00	80,000.00	52,546.59	(27,453.41)	30,700.00	30,700.00	37,130.41	6,430.41
Property, Equipment and Buildings	110,400.00	110,400.00	89,672.74	(20,727.26)	30,675.00	30,675.00	-	(30,675.00)
TOTAL EXPENDITURES	1,243,858.72	1,243,858.72	1,295,531.60	51,672.88	765,094.67	765,094.67	716,301.43	(48,793.24)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,341.28	2,341.28	122,958.23	120,616.95	(26,772.74)	(26,772.74)	82,145.84	108,918.58
OTHER FINANCING SOURCES (USES)								
Transfers In	239,371.46	239,371.46	-	(239,371.46)	-	-	-	-
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	-	-	-	-	-
Debt Service								
TOTAL OTHER FINANCING SOURCES (USES)	139,371.46	139,371.46	(100,000.00)	(239,371.46)	-	-	-	-
NET CHANGE IN FUND BALANCE	141,712.74	141,712.74	22,958.23	(118,754.51)	(26,772.74)	(26,772.74)	82,145.84	108,918.58
FUND BALANCE - BEGINNING OF YEAR	141,085.62	141,085.62	141,085.62	-	58,939.78	58,939.78	58,939.78	-
FUND BALANCE - END OF YEAR	\$ 282,798.36	\$ 282,798.36	\$ 164,043.85	\$ (118,754.51)	\$ 32,167.04	\$ 32,167.04	\$ 141,085.62	\$ 108,918.58

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - MCLE SALES TAX FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	510,000.00	510,000.00	523,448.89	13,448.89	490,000.00	490,000.00	507,752.92	17,752.92
Inter-Governmental Revenue	7,200.00	7,200.00	8,242.72	1,042.72	6,900.00	6,900.00	6,325.00	(575.00)
Charges for Services	187,000.00	187,000.00	211,873.57	24,873.57	236,000.00	236,000.00	179,498.10	(56,501.90)
Grants, Distributions and Reimbursements	30,900.00	30,900.00	26,435.72	(4,464.28)	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	40,900.00	40,900.00	30,133.18	(10,766.82)
Interest	3,600.00	3,600.00	2,553.91	(1,046.09)	2,500.00	2,500.00	3,530.70	1,030.70
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	738,700.00	738,700.00	772,554.81	33,854.81	776,300.00	776,300.00	727,239.90	(49,060.10)
EXPENDITURES								
MCLE Sales Tax Fund	816,427.10	816,427.10	700,182.41	116,244.69	837,500.96	837,500.96	703,987.54	(133,513.42)
TOTAL EXPENDITURES	816,427.10	816,427.10	700,182.41	116,244.69	837,500.96	837,500.96	703,987.54	(133,513.42)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,727.10)	(77,727.10)	72,372.40	150,099.50	(61,200.96)	(61,200.96)	23,252.36	84,453.32
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(60,000.00)	(60,000.00)	-	-	(80,000.00)	(80,000.00)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(60,000.00)	(60,000.00)	-	-	(80,000.00)	(80,000.00)
NET CHANGE IN FUND BALANCE	(77,727.10)	(77,727.10)	12,372.40	90,099.50	(61,200.96)	(61,200.96)	(56,747.64)	4,453.32
FUND BALANCE - BEGINNING OF YEAR	110,455.79	110,455.79	110,455.79	-	167,203.43	167,203.43	167,203.43	-
FUND BALANCE - END OF YEAR	\$ 32,728.69	\$ 32,728.69	\$ 122,828.19	\$ 90,099.50	\$ 106,002.47	\$ 106,002.47	\$ 110,455.79	\$ 4,453.32

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - MADISON COUNTY RE-DEVELOPMENT FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	11,000.00	11,000.00	18,211.87	7,211.87	-	-	10,621.68	10,621.68
Madison County Re-Development Fund	395,000.00	395,000.00	1,978,490.87	1,583,490.87	-	-	409,409.79	409,409.79
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	406,000.00	406,000.00	1,996,702.74	1,590,702.74	-	-	420,031.47	420,031.47
EXPENDITURES								
Madison County Re-Development Fund	106,000.00	106,000.00	1,768,587.32	(1,662,587.32)	-	-	106,895.44	106,895.44
TOTAL EXPENDITURES	106,000.00	106,000.00	1,768,587.32	(1,662,587.32)	-	-	106,895.44	106,895.44
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	300,000.00	300,000.00	228,115.42	(71,884.58)	-	-	313,136.03	313,136.03
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	300,000.00	300,000.00	228,115.42	(71,884.58)	-	-	313,136.03	313,136.03
FUND BALANCE - BEGINNING OF YEAR	498,030.10	498,030.10	498,030.10	-	184,894.07	184,894.07	184,894.07	-
FUND BALANCE - END OF YEAR	\$ 798,030.10	\$ 798,030.10	\$ 726,145.52	\$ (71,884.58)	\$ 184,894.07	\$ 184,894.07	\$ 498,030.10	\$ 313,136.03

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2008, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Madison County Re-development Fund. During the year December 31, 2007, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund and the MCLE Sales Tax Fund, and the Madison County Re-development fund did not have a budget.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2008

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 20,693.22	\$ 16,705.27	\$ 8,163.03	\$ 7,285.20	\$ 10,627.21	\$ 8,877.67	\$ 2,595.87	\$ 899.86	\$ 4,368.97	\$ 2,397.68	\$ 9,468.46	\$ 4,368.95	\$ 96,451.39
TOTAL ASSETS	<u>20,693.22</u>	<u>16,705.27</u>	<u>8,163.03</u>	<u>7,285.20</u>	<u>10,627.21</u>	<u>8,877.67</u>	<u>2,595.87</u>	<u>899.86</u>	<u>4,368.97</u>	<u>2,397.68</u>	<u>9,468.46</u>	<u>4,368.95</u>	<u>96,451.39</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>20,693.22</u>	<u>16,705.27</u>	<u>8,163.03</u>	<u>7,285.20</u>	<u>10,627.21</u>	<u>8,877.67</u>	<u>2,595.87</u>	<u>899.86</u>	<u>4,368.97</u>	<u>2,397.68</u>	<u>9,468.46</u>	<u>4,368.95</u>	<u>96,451.39</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,693.22</u>	<u>\$ 16,705.27</u>	<u>\$ 8,163.03</u>	<u>\$ 7,285.20</u>	<u>\$ 10,627.21</u>	<u>\$ 8,877.67</u>	<u>\$ 2,595.87</u>	<u>\$ 899.86</u>	<u>\$ 4,368.97</u>	<u>\$ 2,397.68</u>	<u>\$ 9,468.46</u>	<u>\$ 4,368.95</u>	<u>\$ 96,451.39</u>

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
REVENUES													
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	575.00	120,761.23	-	-	-	-	-	-	-	-	8,457.50	-	129,793.73
Grants, Distributions and Reimbursements	139,885.95	61,039.87	-	6,939.00	-	-	-	-	-	495.00	-	-	208,359.82
Fees, Licenses and Permits	682.50	-	3,858.41	-	7,917.50	3,145.20	910.00	614.68	24,170.93	-	-	-	41,299.22
Interest	653.12	441.49	202.61	187.24	189.17	-	47.39	1.94	115.50	-	93.40	3,001.07	4,932.93
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	141,796.57	182,242.59	4,061.02	7,126.24	8,106.67	3,145.20	957.39	616.62	24,286.43	495.00	8,550.90	3,001.07	384,385.70
EXPENDITURES													
General Government	172,202.42	308,515.18	7,892.10	7,880.04	10,990.83	334.00	800.00	260.00	22,633.44	-	-	2,335.68	533,843.69
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:													
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	172,202.42	308,515.18	7,892.10	7,880.04	10,990.83	334.00	800.00	260.00	22,633.44	-	-	2,335.68	533,843.69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,405.85)	(126,272.59)	(3,831.08)	(753.80)	(2,884.16)	2,811.20	157.39	356.62	1,652.99	495.00	8,550.90	665.39	(149,457.99)
OTHER FINANCING SOURCES (USES)													
Transfers In	40,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	160,000.00
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	160,000.00
NET CHANGE IN FUND BALANCES	9,594.15	(6,272.59)	(3,831.08)	(753.80)	(2,884.16)	2,811.20	157.39	356.62	1,652.99	495.00	8,550.90	665.39	10,542.01
FUND BALANCES - BEGINNING OF YEAR	11,099.07	22,977.86	11,994.11	8,039.00	13,511.37	6,066.47	2,438.48	543.24	2,715.98	1,902.68	917.56	3,703.56	85,909.38
FUND BALANCES - END OF YEAR	\$ 20,693.22	\$ 16,705.27	\$ 8,163.03	\$ 7,285.20	\$ 10,627.21	\$ 8,877.67	\$ 2,595.87	\$ 899.86	\$ 4,368.97	\$ 2,397.68	\$ 9,468.46	\$ 4,368.95	\$ 96,451.39

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 11,099.07	\$ 22,977.86	\$ 11,994.11	\$ 8,039.00	\$ 13,511.37	\$ 6,066.47	\$ 2,438.48	\$ 543.24	\$ 2,715.98	\$ 1,902.68	\$ 917.56	\$ 3,703.56	\$ 85,909.38
TOTAL ASSETS	<u>11,099.07</u>	<u>22,977.86</u>	<u>11,994.11</u>	<u>8,039.00</u>	<u>13,511.37</u>	<u>6,066.47</u>	<u>2,438.48</u>	<u>543.24</u>	<u>2,715.98</u>	<u>1,902.68</u>	<u>917.56</u>	<u>3,703.56</u>	<u>85,909.38</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>11,099.07</u>	<u>22,977.86</u>	<u>11,994.11</u>	<u>8,039.00</u>	<u>13,511.37</u>	<u>6,066.47</u>	<u>2,438.48</u>	<u>543.24</u>	<u>2,715.98</u>	<u>1,902.68</u>	<u>917.56</u>	<u>3,703.56</u>	<u>85,909.38</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,099.07</u>	<u>\$ 22,977.86</u>	<u>\$ 11,994.11</u>	<u>\$ 8,039.00</u>	<u>\$ 13,511.37</u>	<u>\$ 6,066.47</u>	<u>\$ 2,438.48</u>	<u>\$ 543.24</u>	<u>\$ 2,715.98</u>	<u>\$ 1,902.68</u>	<u>\$ 917.56</u>	<u>\$ 3,703.56</u>	<u>\$ 85,909.38</u>

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
REVENUES													
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	800.00	107,957.62	-	-	-	-	-	-	-	-	-	-	108,757.62
Grants, Distributions and Reimbursements	131,770.47	85,565.23	-	3,708.00	-	-	-	-	-	2,229.00	-	-	223,272.70
Fees, Licenses and Permits	4,565.97	-	3,854.19	-	9,688.75	9,482.57	1,002.00	627.88	12,661.13	-	-	-	41,882.49
Interest	835.30	556.38	333.87	247.35	501.46	-	69.99	15.81	173.98	-	30.20	4,676.27	7,440.61
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	137,971.74	194,079.23	4,188.06	3,955.35	10,190.21	9,482.57	1,071.99	643.69	12,835.11	2,229.00	30.20	4,676.27	381,353.42
EXPENDITURES													
General Government	162,948.47	317,810.58	-	3,956.59	14,725.70	5,380.66	1,610.00	985.39	12,911.80	326.32	-	3,574.96	524,230.47
Administration of Justice and Law	-	-	3,589.99	-	-	-	-	-	-	-	1,043.15	-	4,633.14
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:													
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	162,948.47	317,810.58	3,589.99	3,956.59	14,725.70	5,380.66	1,610.00	985.39	12,911.80	326.32	1,043.15	3,574.96	528,863.61
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,976.73)	(123,731.35)	598.07	(1.24)	(4,535.49)	4,101.91	(538.01)	(341.70)	(76.69)	1,902.68	(1,012.95)	1,101.31	(147,510.19)
OTHER FINANCING SOURCES (USES)													
Transfers In	20,000.00	135,000.00	-	-	-	-	-	-	213.41	-	-	-	155,213.41
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000.00	135,000.00	-	-	-	-	-	-	213.41	-	-	-	155,213.41
NET CHANGE IN FUND BALANCES	(4,976.73)	11,268.65	598.07	(1.24)	(4,535.49)	4,101.91	(538.01)	(341.70)	136.72	1,902.68	(1,012.95)	1,101.31	7,703.22
FUND BALANCES - BEGINNING OF YEAR	16,075.80	11,709.21	11,396.04	8,040.24	18,046.86	1,964.56	2,976.49	884.94	2,579.26	-	1,930.51	2,602.25	78,206.16
FUND BALANCES - END OF YEAR	\$ 11,099.07	\$ 22,977.86	\$ 11,994.11	\$ 8,039.00	\$ 13,511.37	\$ 6,066.47	\$ 2,438.48	\$ 543.24	\$ 2,715.98	\$ 1,902.68	\$ 917.56	\$ 3,703.56	\$ 85,909.38

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	Jail Commisary	Recorder	Collectors Funds	Circuit Clerk	Over - Plus	Wire Tranfer	Cherokee Pass Fire Department #	CERF	Unclaimed Fees	Schools	Library	Capital School	Total
ASSETS													
Cash and Cash Equivalents	\$ 4,202.00	\$ (869.37)	\$ 4,071,907.40	\$ 63,558.23	\$ 35,299.54	\$ -	\$ 16.83	\$ 6,228.05	\$ 646.75	\$ 77.97	\$ 7.54	\$ 41,708.19	\$4,222,783.13
TOTAL ASSETS	<u>4,202.00</u>	<u>(869.37)</u>	<u>4,071,907.40</u>	<u>63,558.23</u>	<u>35,299.54</u>	<u>-</u>	<u>16.83</u>	<u>6,228.05</u>	<u>646.75</u>	<u>77.97</u>	<u>7.54</u>	<u>41,708.19</u>	<u>4,222,783.13</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>4,202.00</u>	<u>(869.37)</u>	<u>4,071,907.40</u>	<u>63,558.23</u>	<u>35,299.54</u>	<u>-</u>	<u>16.83</u>	<u>6,228.05</u>	<u>646.75</u>	<u>77.97</u>	<u>7.54</u>	<u>41,708.19</u>	<u>4,222,783.13</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,202.00</u>	<u>\$ (869.37)</u>	<u>\$ 4,071,907.40</u>	<u>\$ 63,558.23</u>	<u>\$ 35,299.54</u>	<u>\$ -</u>	<u>\$ 16.83</u>	<u>\$ 6,228.05</u>	<u>\$ 646.75</u>	<u>\$ 77.97</u>	<u>\$ 7.54</u>	<u>\$ 41,708.19</u>	<u>\$4,222,783.13</u>

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF
FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2007

	Jail Commissary	Recorder	Collectors Funds	Circuit Clerk	Over - Plus	Wire Tranfer	Cherokee Pass Fire Department #	CERF	Unclaimed Fees	Schools	Library	Capital School	Total
ASSETS													
Cash and Cash Equivalents	\$ 2,280.77	\$ (815.37)	\$ 3,806,713.69	\$ 80,599.17	\$ 37,241.37	\$ -	\$ 118.91	\$ 5,192.05	\$ 292.85	\$ 5,531.30	\$ 163.76	\$ 53,876.89	\$ 3,991,195.39
TOTAL ASSETS	<u>2,280.77</u>	<u>(815.37)</u>	<u>3,806,713.69</u>	<u>80,599.17</u>	<u>37,241.37</u>	<u>-</u>	<u>118.91</u>	<u>5,192.05</u>	<u>292.85</u>	<u>5,531.30</u>	<u>163.76</u>	<u>53,876.89</u>	<u>3,991,195.39</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>2,280.77</u>	<u>(815.37)</u>	<u>3,806,713.69</u>	<u>80,599.17</u>	<u>37,241.37</u>	<u>-</u>	<u>118.91</u>	<u>5,192.05</u>	<u>292.85</u>	<u>5,531.30</u>	<u>163.76</u>	<u>53,876.89</u>	<u>3,991,195.39</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,280.77</u>	<u>\$ (815.37)</u>	<u>\$ 3,806,713.69</u>	<u>\$ 80,599.17</u>	<u>\$ 37,241.37</u>	<u>\$ -</u>	<u>\$ 118.91</u>	<u>\$ 5,192.05</u>	<u>\$ 292.85</u>	<u>\$ 5,531.30</u>	<u>\$ 163.76</u>	<u>\$ 53,876.89</u>	<u>\$ 3,991,195.39</u>

STATE COMPLIANCE SECTION

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

- A. For the year December 31, 2008 the actual expenditures exceeded the budgeted expenditures in the General and the Madison County Re-Development Fund. In the year December 31, 2007 the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund and the MCLE Sales tax fund.

- B. For the year ended December 31, 2007, the County did not budget for the Madison County Re-Development Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Madison, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Madison (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated June 30, 2009. Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03 and 07-04 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated June 30, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2009

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07-04 Criteria: The County did not prepare budgets for the Madison County Re-Development Fund for the year ended December 31, 2007.

Condition: The state requires budgets for each of the County's funds.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07-04 Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Madison County Re-development Fund.

Recommendation: We recommend that the county budgets all funds, including the Madison County Re-development Fund.

Management Response: The County has budgeted the accounts for which there was no budget for the year ending December 31, 2008.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Madison County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Madison County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
June 30, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07-04

Criteria: The County did not prepare budgets for the Madison County Re-Development Fund for the year ended December 31, 2007.

Condition: The state requires budgets for each of the County's funds.

Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Madison County Re-development Fund.

Recommendation: We recommend that the county budgets all funds, including the Madison County Re-development Fund.

Management Response: The County has budgeted the accounts for which there was no budget for the year ending December 31, 2008.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (Concluded)

- c. SAS 114, The Auditor's Communication with Those Charged with Governance, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 23, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Madison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Madison County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Madison County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Madison County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 14, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Madison County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Butler County, Missouri

The Office of the State Auditor, in cooperation with Butler County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-85

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

**THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report (the Primary Government).....	1-2
<u>FINANCIAL STATEMENTS</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis.....	3
Statement of Activities – Cash Basis.....	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis.....	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis.....	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	27
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Cash Basis - General Fund – Unaudited.....	28-29
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	30

**THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
TABLE OF CONTENTS**

	PAGE
<u>REQUIRED SUPPLEMENTARY INFORMATION (concluded)</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-GAAP Budget Basis and Actual - Cash Basis - Special Revenue – Law Enforcement Complex Fund – Unaudited.....	31
Notes to Required Supplementary Information.....	32
<u>SUPPLEMENTARY INFORMATION</u>	
<i>Combining Fund Financial Statements and Schedule Non-Major Governmental Funds:</i>	
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	33-34
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2008.....	35-36
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	37-38
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007.....	39-40
<i>Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2008.....	41
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007.....	42
<u>STATE COMPLIANCE SECTION</u>	
Schedule of State Findings.....	43
<u>FEDERAL COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Butler, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	44-45
Schedule of Findings and Follow – up on Prior Year Findings.....	46-47

FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Butler, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Butler (the Primary Government), State of Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Butler County has issued separate reporting entity financial statements. For information on this component unit, please contact the Butler County Health Department at 573-785-8478.

As described in Note I, the basic financial statements of the Primary Government were prepared on the Cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – Cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the Cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2009 on our consideration for the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 27 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the Cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 33 through 40 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 43 through 47 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

FINANCIAL STATEMENTS

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 8,666,904.49	\$ 1,581,719.07	\$ 1,446,567.33	\$ -	\$ (5,638,618.09)
Road and Bridge	2,584,581.98	-	-	-	(2,584,581.98)
Financial Administration	249,946.85	-	-	-	(249,946.85)
Other Offices and Grants	692,445.92	-	-	-	(692,445.92)
Administration of Justice and Law Enforcement	1,272,354.51	-	-	-	(1,272,354.51)
Consulting	192,425.09	-	-	-	(192,425.09)
Fees, Licenses and Permits	6,000.00	-	-	-	(6,000.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	673,789.06	-	673,789.06
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	99,006.90	-	-	-	(99,006.90)
Property, Equipment and Buildings	41,755.36	-	-	307,918.44	266,163.08
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,805,421.10	\$ 1,581,719.07	\$ 2,120,356.39	\$ 307,918.44	(9,795,427.20)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	1,321,222.08
Sales Tax	6,966,911.41
Investment Income	114,071.45
Miscellaneous	1,519,977.87
TOTAL GENERAL REVENUES	9,922,182.81
CHANGE IN NET ASSETS	126,755.61
NET ASSETS, BEGINNING OF YEAR	5,744,426.76
NET ASSETS, END OF YEAR	\$ 5,871,182.37

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS / PROGRAMS					
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 7,674,138.13	\$ 1,550,048.77	\$ 7,541.00	\$ 1,041,840.94	\$ (5,074,707.42)
Road and Bridge	3,171,788.07	-	-	-	(3,171,788.07)
Financial Administration	239,057.06	-	-	-	(239,057.06)
Other Offices and Grants	371,597.76	-	-	-	(371,597.76)
Administration of Justice and Law Enforcement	1,192,673.78	-	-	-	(1,192,673.78)
Consulting	183,016.11	-	-	-	(183,016.11)
Fees, Licenses and Permits	2,000.00	-	-	-	(2,000.00)
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	948,971.55	-	948,971.55
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction of Hospital	-	-	-	-	-
Property, Equipment and Buildings	7,340.21	-	-	352,941.25	345,601.04
TOTAL GOVERNMENTAL ACTIVITIES	\$ 12,841,611.12	\$ 1,550,048.77	\$ 956,512.55	\$ 1,394,782.19	(8,940,267.61)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	1,309,757.82
Sales Tax	7,187,736.61
Investment Income	230,583.90
Miscellaneous	1,447,066.54
TOTAL GENERAL REVENUES	10,175,144.87
CHANGE IN NET ASSETS	1,234,877.26
NET ASSETS, BEGINNING OF YEAR	4,509,549.50
NET ASSETS, END OF YEAR	\$ 5,744,426.76

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Law Enforcement Complex Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Law Enforcement Complex Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	\$ 1,878,400.85	\$ 551,155.24	\$ 836,440.21	\$ 2,605,186.07	\$ 5,871,182.37	\$ 1,890,760.11	\$ 336,039.45	\$ 1,081,425.84	\$ 2,436,201.36	\$ 5,744,426.76
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	1,878,400.85	551,155.24	836,440.21	2,605,186.07	5,871,182.37	1,890,760.11	336,039.45	1,081,425.84	2,436,201.36	5,744,426.76
FUND BALANCES										
Unreserved:										
General Fund	1,878,400.85	-	-	-	1,878,400.85	1,890,760.11	-	-	-	1,890,760.11
Special Revenue Funds	-	551,155.24	836,440.21	2,605,186.07	3,992,781.52	-	336,039.45	1,081,425.84	2,436,201.36	3,853,666.65
TOTAL FUND BALANCES	1,878,400.85	551,155.24	836,440.21	2,605,186.07	5,871,182.37	1,890,760.11	336,039.45	1,081,425.84	2,436,201.36	5,744,426.76
TOTAL FUND BALANCES	\$ 1,878,400.85	\$ 551,155.24	\$ 836,440.21	\$ 2,605,186.07	\$ 5,871,182.37	\$ 1,890,760.11	\$ 336,039.45	\$ 1,081,425.84	\$ 2,436,201.36	\$ 5,744,426.76

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS FOR THE YEARS ENDED

	DECEMBER 31, 2008					DECEMBER 31, 2007				
	General	Special Road and Bridge	Law Enforcement Complex Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Law Enforcement Complex Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES										
Property Tax	\$ 497,315.61	\$ 165,189.07	\$ -	\$ 658,717.40	\$ 1,321,222.08	\$ 488,921.08	\$ 164,410.47	\$ -	\$ 656,426.27	\$ 1,309,757.82
Sales Tax	1,971,030.59	2,031,094.09	1,407,525.20	1,557,261.53	6,966,911.41	1,997,784.77	2,190,870.98	1,426,080.00	1,573,000.86	7,187,736.61
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	1,058,773.52	-	306,555.11	216,390.44	1,581,719.07	1,039,075.21	-	285,454.48	225,519.08	1,550,048.77
Loans	-	-	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	498,453.02	673,789.06	307,918.44	939,430.78	2,419,591.30	485,635.78	948,971.55	352,941.25	556,205.16	2,343,753.74
Fees, Licenses and Permits	-	-	-	8,683.53	8,683.53	-	-	-	7,541.00	7,541.00
Interest	42,297.43	7,603.74	17,381.08	46,789.20	114,071.45	93,511.93	7,131.75	33,990.15	95,950.07	230,583.90
Contributions	-	-	-	2,750.00	2,750.00	-	-	-	4,500.98	4,500.98
Other	143,572.66	21,028.71	59,563.99	1,293,062.51	1,517,227.87	72,760.50	71,898.42	40,376.85	1,257,529.79	1,442,565.56
TOTAL REVENUES	4,211,442.83	2,898,704.67	2,098,943.82	4,723,085.39	13,932,176.71	4,177,689.27	3,383,283.17	2,138,842.73	4,376,673.21	14,076,488.38
EXPENDITURES										
Current:										
General County Government	1,385,629.72	-	2,949,929.45	4,331,345.32	8,666,904.49	1,244,248.91	-	2,755,076.41	3,674,812.81	7,674,138.13
Road and Bridge	-	2,584,581.98	-	-	2,584,581.98	-	3,171,788.07	-	-	3,171,788.07
Financial Administration	249,946.85	-	-	-	249,946.85	239,057.06	-	-	-	239,057.06
Other Offices and Grants	692,445.92	-	-	-	692,445.92	371,597.76	-	-	-	371,597.76
Property Valuation and Recording	192,425.09	-	-	-	192,425.09	183,016.11	-	-	-	183,016.11
Supplies	-	-	-	-	-	-	-	-	-	-
Permits and Fees	6,000.00	-	-	-	6,000.00	2,000.00	-	-	-	2,000.00
Administration of Justice and Law	1,272,354.51	-	-	-	1,272,354.51	1,192,673.78	-	-	-	1,192,673.78
Continued Progress	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction	-	99,006.90	-	-	99,006.90	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	41,755.36	41,755.36	-	-	-	7,340.21	7,340.21
TOTAL EXPENDITURES	3,798,802.09	2,683,588.88	2,949,929.45	4,373,100.68	13,805,421.10	3,232,593.62	3,171,788.07	2,755,076.41	3,682,153.02	12,841,611.12
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	412,640.74	215,115.79	(850,985.63)	349,984.71	126,755.61	945,095.65	211,495.10	(616,233.68)	694,520.19	1,234,877.26
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	606,000.00	12,000.00	618,000.00	-	-	805,968.80	-	805,968.80
Transfers Out	(425,000.00)	-	-	(193,000.00)	(618,000.00)	(700,968.80)	-	-	(105,000.00)	(805,968.80)
Debt Service:										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(425,000.00)	-	606,000.00	(181,000.00)	-	(700,968.80)	-	805,968.80	(105,000.00)	-
NET CHANGE IN FUND BALANCE	(12,359.26)	215,115.79	(244,985.63)	168,984.71	126,755.61	244,126.85	211,495.10	189,735.12	589,520.19	1,234,877.26
FUND BALANCE - BEGINNING OF YEAR	1,890,760.11	336,039.45	1,081,425.84	2,436,201.36	5,744,426.76	1,646,633.26	124,544.35	891,690.72	1,846,681.17	4,509,549.50
FUND BALANCE - END OF YEAR	<u>\$ 1,878,400.85</u>	<u>\$ 551,155.24</u>	<u>\$ 836,440.21</u>	<u>\$ 2,605,186.07</u>	<u>\$ 5,871,182.37</u>	<u>\$ 1,890,760.11</u>	<u>\$ 336,039.45</u>	<u>\$ 1,081,425.84</u>	<u>\$ 2,436,201.36</u>	<u>\$ 5,744,426.76</u>

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

**Amounts reported for governmental activities in the
statement of activities are different because...**

Total Fund Balance – Governmental Funds	\$ 5,871,182.37
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 5,871,182.37</u></u>
---	--------------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

**Amounts reported for governmental activities in the
statement of activities are different because...**

Total Fund Balance – Governmental Funds	\$ 5,744,426.76
---	-----------------

There are no items of reconciliation.	<u>-</u>
---------------------------------------	----------

Total Net Assets – Governmental Activities	<u><u>\$ 5,744,426.76</u></u>
---	--------------------------------------

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ 126,755.61
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 126,755.61</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances – Governmental Funds	\$ 1,234,877.26
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,234,877.26</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 14,313,192.46</u>	<u>\$ 13,766,953.99</u>
TOTAL ASSETS	<u>14,313,192.46</u>	<u>13,766,953.99</u>
LIABILITIES		
Due to Other Funds	<u>14,313,192.46</u>	<u>13,766,953.99</u>
TOTAL LIABILITIES	<u>\$ 14,313,192.46</u>	<u>\$ 13,766,953.99</u>

See accompanying notes to the financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Butler, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1849 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the Cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the Cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the Cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Butler County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Butler County, Missouri has issued separate reporting entity financial statements. For information on this component unit, please contact the Butler County Health Department at (573) 785-8478 or write to, 1619 North Main Poplar Bluff, MO 63901.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund and the Law Enforcement Complex Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-Major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Law Enforcement Complex – The Law Enforcement Complex Fund is a Special Revenue Fund used to account for receipts of the county property tax levy and related expenditures for the law enforcement complex.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this Cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	<u>2008</u>	<u>2007</u>
Real Estate	\$ 353,169,763	\$ 360,367,131
Personal Property	116,719,918	120,660,831
Railroad and Utilities	<u>28,670,391</u>	<u>24,058,711</u>
	<u>\$ 498,560,072</u>	<u>\$ 505,086,673</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

During 2008 and 2007, the County Commission approved a \$.1337 and \$.1337, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.0995	\$.0995
Special Road and Bridge Fund	.0342	.0342
	<u>\$.1337</u>	<u>\$.1337</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental Fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$5,871,182.37 and \$5,744,426.76, the bank balance was \$6,542,642.47 and \$6,154,552.04 respectively. As of December 31, 2008 and 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 5,871,182.37
Investments	-
Total Governmental Funds	<u>5,871,182.37</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	<u>14,313,192.46</u>
Total Deposits & Investments as of December 31, 2008	\$ <u>20,184,374.83</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 5,744,426.76
Investments	-
Total Governmental Funds	<u>5,744,426.76</u>
<u>Balance Sheet – Agency Funds</u>	
Deposits	<u>13,766,953.99</u>
Total Deposits & Investments as of December 31, 2007	\$ <u>19,511,380.75</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT

On 12/1/1998 Butler County Issued Leasehold revenue refunding bonds for \$6,095,000 for the Butler County Jail project. Interest rate ranges from 3.25% to 4.50% payable in annual installments ranging from \$350,000 to \$540,000 and maturing on 12/1/2013.

DEBT	BALANCE AT 12/31/2007	2008		BALANCE AT 12/31/2008	INTEREST PAID DURING YEAR
		AMOUNT BORROWED	AMOUNT REPAID		
1999 BOND	2,880,000.00	-	(425,000.00)	2,455,000.00	125,125.00
TOTAL	<u>\$ 2,880,000.00</u>	<u>\$ -</u>	<u>\$ (425,000.00)</u>	<u>\$ 2,455,000.00</u>	<u>\$ 125,125.00</u>

DEBT	BALANCE AT 12/31/2006	2007		BALANCE AT 12/31/2007	INTEREST PAID DURING YEAR
		AMOUNT BORROWED	AMOUNT REPAID		
1999 BOND	3,280,000.00	-	(400,000.00)	2,880,000.00	141,525.00
TOTAL	<u>\$ 3,280,000.00</u>	<u>\$ -</u>	<u>\$ (400,000.00)</u>	<u>\$ 2,880,000.00</u>	<u>\$ 141,525.00</u>

2008 AMORTIZATIONS

YEARS ENDING <u>31-Dec</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	450,000.00	107,700.00	557,700.00
2010	475,000.00	88,800.00	563,800.00
2011	475,000.00	68,375.00	543,375.00
2012	515,000.00	47,475.00	562,475.00
2013	540,000.00	24,300.00	564,300.00
	<u>2,455,000.00</u>	<u>336,650.00</u>	<u>2,791,650.00</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

III. LONG-TERM DEBT (concluded)

2007 AMORTIZATIONS

YEARS ENDING <u>31-Dec</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	425,000.00	125,125.00	550,125.00
2009	450,000.00	107,700.00	557,700.00
2010	475,000.00	88,800.00	563,800.00
2011	475,000.00	68,375.00	543,375.00
2012	515,000.00	47,475.00	562,475.00
2013	540,000.00	24,300.00	564,300.00
	<u>2,880,000.00</u>	<u>461,775.00</u>	<u>3,341,775.00</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS				
General Fund	\$ -	\$ 425,000.00	\$ -	\$ 700,968.80
Special Road and Bridge Fund	-	-	-	-
Law Enforcement Complex Fund	606,000.00	-	805,968.80	-
NON-MAJOR FUNDS	<u>12,000.00</u>	<u>193,000.00</u>	<u>-</u>	<u>105,000.00</u>
TOTAL	\$ <u>618,000.00</u>	\$ <u>618,000.00</u>	\$ <u>805,968.80</u>	\$ <u>805,968.80</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$59,310.53 and \$54,203.46, respectively, for the years then ended.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Butler County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Butler County's full time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2008 are 18.9% (general), 12.7% (police), and 17.2% (road), for 2007 they are 18.0% (general), 12.5% (police), and 16.5% (road) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2008, the political subdivision's annual pension cost of \$145,059 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and /or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial valuation using the entry age actuarial cost method. For 2007, the political subdivision's annual pension cost of \$516,462 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2005 and/or February 29, 2006 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using the techniques that smooth the effects of short-term volatility in the market value of the investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for 2007 and a closed basis for 2008. The amortization period at February 28, 2007 was 15 year and at February 29, 2008 was 25 years.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2006	\$ 171,320	100%	\$ 0
6/30/2007	162,528	100%	0
6/30/2008	145,059	100%	0

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	\$2,093,783	\$ 2,141,661	\$ 47,878	98%	\$ 1,574,194	3%
2/28/2007	2,448,057	2,354,429	(93,628)	104%	1,639,634	0%
2/29/2008	2,708,151	2,469,030	(239,121)	110%	1,539,403	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contract the LAGERS office in Jefferson City.

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$7,752 and \$7,752, respectively, for the years ended December 31, 2008 and 2007.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is not involved in any pending litigation at December 31, 2008.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Employees who have completed twenty (20) years of service shall be granted one (1) day of vacation for each year after the twentieth (20th) year of service up to the twenty fifth (25th) year. Capped at five (5) additional days of paid vacation. Employee earn 12 sick days per year. Sick leave may be accumulated to a maximum of six hundred forty hours (640). Upon retirement the County will buy back all unused sick leave at the rate of forty percent (40%), or this buy back will be paid to the employee's survivors upon employee's death. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime or sick leave. If an employee does not incur a sick day for six months, they are awarded an additional day off.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 470,000.00	\$ 470,000.00	\$ 497,315.61	\$ 27,315.61	\$ 449,000.00	\$ 449,000.00	\$ 488,921.08	\$ 39,921.08
Sales Tax	1,900,000.00	1,900,000.00	1,971,030.59	71,030.59	1,900,000.00	1,900,000.00	1,997,784.77	97,784.77
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	972,200.00	972,200.00	1,058,773.52	86,573.52	524,600.00	524,600.00	1,039,075.21	514,475.21
Grants, Distributions and Reimbursements	780,893.29	780,893.29	498,453.02	(282,440.27)	550,310.00	550,310.00	485,635.78	(64,674.22)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	60,000.00	60,000.00	42,297.43	(17,702.57)	50,000.00	50,000.00	93,511.93	43,511.93
Other	79,576.52	79,576.52	143,572.66	63,996.14	153,300.00	153,300.00	72,760.50	(80,539.50)
TOTAL REVENUES	4,262,669.81	4,262,669.81	4,211,442.83	(51,226.98)	3,627,210.00	3,627,210.00	4,177,689.27	550,479.27
EXPENDITURES								
Current:								
General County Government	1,665,855.76	1,665,855.76	1,385,629.72	(280,226.04)	1,397,119.88	1,397,119.88	1,244,248.91	(152,870.97)
Financial Administration	283,506.36	283,506.36	249,946.85	(33,559.51)	271,868.30	271,868.30	239,057.06	(32,811.24)
Other Offices and Grants	1,070,472.00	1,070,472.00	692,445.92	(378,026.08)	475,761.49	475,761.49	371,597.76	(104,163.73)
Health and Welfare	6,000.00	6,000.00	6,000.00	-	3,000.00	3,000.00	2,000.00	(1,000.00)
Property Valuation and Recording	199,864.86	199,864.86	192,425.09	(7,439.77)	194,600.72	194,600.72	183,016.11	(11,584.61)
Administration of Justice and Law	1,511,614.81	1,511,614.81	1,272,354.51	(239,260.30)	1,276,776.69	1,276,776.69	1,192,673.78	(84,102.91)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,737,313.79	4,737,313.79	3,798,802.09	(938,511.70)	3,619,127.08	3,619,127.08	3,232,593.62	(386,533.46)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(474,643.98)	(474,643.98)	412,640.74	887,284.72	8,082.92	8,082.92	945,095.65	937,012.73
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(425,000.00)	(425,000.00)	(425,000.00)	-	(800,000.00)	(800,000.00)	(700,968.80)	99,031.20
Emergency Fund	(400,000.00)	(400,000.00)	-	400,000.00	(390,000.00)	(390,000.00)	-	390,000.00
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(825,000.00)	(825,000.00)	(425,000.00)	400,000.00	(1,190,000.00)	(1,190,000.00)	(700,968.80)	489,031.20
NET CHANGE IN FUND BALANCE	(1,299,643.98)	(1,299,643.98)	(12,359.26)	1,287,284.72	(1,181,917.08)	(1,181,917.08)	244,126.85	1,426,043.93
FUND BALANCE - BEGINNING OF YEAR	1,890,760.11	1,890,760.11	1,890,760.11	-	1,646,633.26	1,646,633.26	1,646,633.26	-
FUND BALANCE - END OF YEAR	\$ 591,116.13	\$ 591,116.13	\$ 1,878,400.85	\$ 1,287,284.72	\$ 464,716.18	\$ 464,716.18	\$ 1,890,760.11	\$ 1,426,043.93

See accompanying Independent Auditor's Report.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 129,021.89	129,021.89	132,892.22	\$ 3,870.33	\$ 125,700.86	125,700.86	123,598.87	\$ (2,101.99)
County Clerk	168,200.05	168,200.05	158,429.90	(9,770.15)	164,407.82	164,407.82	153,960.94	(10,446.88)
Elections	196,883.82	196,883.82	188,307.57	(8,576.25)	61,400.00	61,400.00	57,647.12	(3,752.88)
Buildings and Grounds	448,500.00	448,500.00	308,450.20	(140,049.80)	419,411.20	419,411.20	329,178.63	(90,232.57)
Employee Fringe Benefits	723,250.00	723,250.00	597,549.83	(125,700.17)	626,200.00	626,200.00	579,863.35	(46,336.65)
Other Expenses	-	-	-	-	-	-	-	-
	<u>1,665,855.76</u>	<u>1,665,855.76</u>	<u>1,385,629.72</u>	<u>(280,226.04)</u>	<u>1,397,119.88</u>	<u>1,397,119.88</u>	<u>1,244,248.91</u>	<u>(152,870.97)</u>
Financial Administration:								
Collector	186,979.27	186,979.27	159,514.10	(27,465.17)	177,832.29	177,832.29	153,672.45	(24,159.84)
Treasurer	96,527.09	96,527.09	90,432.75	(6,094.34)	94,036.01	94,036.01	85,384.61	(8,651.40)
	<u>283,506.36</u>	<u>283,506.36</u>	<u>249,946.85</u>	<u>(33,559.51)</u>	<u>271,868.30</u>	<u>271,868.30</u>	<u>239,057.06</u>	<u>(32,811.24)</u>
Other Offices & Grants:								
Other Offices & Grants	<u>1,070,472.00</u>	<u>1,070,472.00</u>	<u>692,445.92</u>	<u>(378,026.08)</u>	<u>475,761.49</u>	<u>475,761.49</u>	<u>371,597.76</u>	<u>(104,163.73)</u>
	<u>1,070,472.00</u>	<u>1,070,472.00</u>	<u>692,445.92</u>	<u>(378,026.08)</u>	<u>475,761.49</u>	<u>475,761.49</u>	<u>371,597.76</u>	<u>(104,163.73)</u>
Health and Welfare:								
Non-Institutional Care	<u>6,000.00</u>	<u>6,000.00</u>	<u>6,000.00</u>	<u>-</u>	<u>3,000.00</u>	<u>3,000.00</u>	<u>2,000.00</u>	<u>(1,000.00)</u>
	<u>6,000.00</u>	<u>6,000.00</u>	<u>6,000.00</u>	<u>-</u>	<u>3,000.00</u>	<u>3,000.00</u>	<u>2,000.00</u>	<u>(1,000.00)</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	199,864.86	199,864.86	192,425.09	(7,439.77)	194,600.72	194,600.72	183,016.11	(11,584.61)
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	87,000.00	87,000.00	48,385.89	(38,614.11)	91,000.00	91,000.00	59,583.51	(31,416.49)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	9,700.00	9,700.00	4,809.24	(4,890.76)	9,200.00	9,200.00	6,138.82	(3,061.18)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	40,500.00	40,500.00	33,301.24	(7,198.76)
Juvenile Office	586,683.55	586,683.55	433,088.53	(153,595.02)	392,742.08	392,742.08	363,626.22	(29,115.86)
Medical Examiner	99,713.90	99,713.90	86,190.06	(13,523.84)	75,674.90	75,674.90	54,097.25	(21,577.65)
Sheriffs Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	592,554.36	592,554.36	580,692.12	(11,862.24)	548,962.62	548,962.62	561,052.10	12,089.48
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	135,963.00	135,963.00	119,188.67	(16,774.33)	118,697.09	118,697.09	114,874.64	(3,822.45)
	1,511,614.81	1,511,614.81	1,272,354.51	(239,260.30)	1,276,776.69	1,276,776.69	1,192,673.78	(84,102.91)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 4,731,313.79	\$ 4,731,313.79	\$ 3,792,802.09	\$ (938,511.70)	\$ 3,619,127.08	\$ 3,619,127.08	\$ 3,232,593.62	\$ (386,533.46)

See accompanying Independent Auditor's Report

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 155,000.00	\$ 155,000.00	\$ 165,189.07	\$ 10,189.07	\$ 155,000.00	\$ 155,000.00	\$ 164,410.47	\$ 9,410.47
Sales Tax	2,050,250.00	2,050,250.00	2,031,094.09	(19,155.91)	1,520,250.00	1,520,250.00	2,190,870.98	670,620.98
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	625,000.00	625,000.00	673,789.06	48,789.06	950,000.00	950,000.00	948,971.55	(1,028.45)
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interests	7,000.00	7,000.00	7,603.74	603.74	11,000.00	11,000.00	7,131.75	(3,868.25)
Other	4,500.00	4,500.00	21,028.71	16,528.71	20,000.00	20,000.00	71,898.42	51,898.42
TOTAL REVENUES	2,841,750.00	2,841,750.00	2,898,704.67	56,954.67	2,656,250.00	2,656,250.00	3,383,283.17	727,033.17
EXPENDITURES								
Current:								
Salaries	1,280,000.00	1,280,000.00	1,252,411.54	(27,588.46)	1,200,000.00	1,200,000.00	1,148,685.28	(51,314.72)
Employee Fringe Benefits	679,000.00	679,000.00	559,699.72	(119,300.28)	651,000.00	651,000.00	571,773.83	(79,226.17)
Supplies	685,000.00	685,000.00	647,412.52	(37,587.48)	485,000.00	485,000.00	488,483.77	3,483.77
Property and Equipment Insurance	75,000.00	75,000.00	60,020.06	(14,979.94)	75,000.00	75,000.00	57,307.54	(17,692.46)
Equipment Repairs	30,000.00	30,000.00	10,393.32	(19,606.68)	30,000.00	30,000.00	7,117.81	(22,882.19)
Rentals	1,500.00	1,500.00	1,630.95	130.95	1,500.00	1,500.00	1,582.60	82.60
Maintenance of Roads:								
Highway and Roads	-	-	-	-	-	-	-	-
Other	59,500.00	59,500.00	53,013.87	(6,486.13)	46,500.00	46,500.00	36,372.39	(10,127.61)
Capital Outlay:								
Construction of Roads and Bridges	310,000.00	310,000.00	99,006.90	(210,993.10)	285,000.00	285,000.00	860,464.85	575,464.85
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,120,000.00	3,120,000.00	2,683,588.88	(436,411.12)	2,774,000.00	2,774,000.00	3,171,788.07	397,788.07
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(278,250.00)	(278,250.00)	215,115.79	493,365.79	(117,750.00)	(117,750.00)	211,495.10	329,245.10
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(278,250.00)	(278,250.00)	215,115.79	493,365.79	(117,750.00)	(117,750.00)	211,495.10	329,245.10
FUND BALANCE - BEGINNING OF YEAR	336,039.45	336,039.45	336,039.45	-	124,544.35	124,544.35	124,544.35	-
FUND BALANCE - END OF YEAR	\$ 57,789.45	\$ 57,789.45	\$ 551,155.24	\$ 493,365.79	\$ 6,794.35	\$ 6,794.35	\$ 336,039.45	\$ 329,245.10

See accompanying Independent Auditor's Report.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - SPECIAL REVENUE MAJOR FUND
BUDGET AND ACTUAL - LAW ENFORCEMENT COMPLEX FUND
UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	1,375,000.00	1,375,000.00	1,407,525.20	32,525.20	1,350,000.00	1,350,000.00	1,426,080.00	76,080.00
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	266,000.00	266,000.00	306,555.11	40,555.11	90,000.00	90,000.00	285,454.48	195,454.48
Grants, Distributions and Reimbursements	333,538.93	333,538.93	307,918.44	(25,620.49)	222,070.00	222,070.00	352,941.25	130,871.25
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	32,000.00	32,000.00	17,381.08	(14,618.92)	126,000.00	126,000.00	33,990.15	(92,009.85)
Other	29,000.00	29,000.00	59,563.99	30,563.99	-	-	40,376.85	40,376.85
TOTAL REVENUES	2,035,538.93	2,035,538.93	2,098,943.82	63,404.89	1,788,070.00	1,788,070.00	2,138,842.73	350,772.73
EXPENDITURES								
Continued Progress Fund	3,075,565.16	3,075,565.16	2,949,929.45	(125,635.71)	2,771,783.93	2,771,783.93	2,755,076.41	(16,707.52)
TOTAL EXPENDITURES	3,075,565.16	3,075,565.16	2,949,929.45	(125,635.71)	2,771,783.93	2,771,783.93	2,755,076.41	(16,707.52)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,040,026.23)	(1,040,026.23)	(850,985.63)	189,040.60	(983,713.93)	(983,713.93)	(616,233.68)	367,480.25
OTHER FINANCING SOURCES (USES)								
Transfers In	606,000.00	606,000.00	606,000.00	-	800,000.00	800,000.00	805,968.80	5,968.80
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	606,000.00	606,000.00	606,000.00	-	800,000.00	800,000.00	805,968.80	5,968.80
NET CHANGE IN FUND BALANCE	(434,026.23)	(434,026.23)	(244,985.63)	189,040.60	(183,713.93)	(183,713.93)	189,735.12	373,449.05
FUND BALANCE - BEGINNING OF YEAR	408,357.39	408,357.39	1,081,425.84	673,068.45	891,690.72	891,690.72	891,690.72	-
FUND BALANCE - END OF YEAR	\$ (25,668.84)	\$ (25,668.84)	\$ 836,440.21	\$ 862,109.05	\$ 707,976.79	\$ 707,976.79	\$ 1,081,425.84	\$ 373,449.05

See accompanying Independent Auditor's Report.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	PAT Fund	Bad Check Fund	PAD Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Care of the Handicapped Fund	Drainage District #12	Domestic Violence Fund	36th JJC Escrow Fund	Special Elections Fund/HAVA Fund	Recorder User Fee Fund
ASSETS													
Cash and Cash Equivalents	\$ 245,766.61	\$ 11,292.52	\$ 4,036.53	\$ 140,741.91	\$ 2,493.35	\$ 455,543.88	\$ 514,972.54	\$ 442,081.98	\$ 17,313.38	\$ 252.64	\$ -	\$ 23,078.63	\$ 216,492.57
TOTAL ASSETS	<u>245,766.61</u>	<u>11,292.52</u>	<u>4,036.53</u>	<u>140,741.91</u>	<u>2,493.35</u>	<u>455,543.88</u>	<u>514,972.54</u>	<u>442,081.98</u>	<u>17,313.38</u>	<u>252.64</u>	<u>-</u>	<u>23,078.63</u>	<u>216,492.57</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>245,766.61</u>	<u>11,292.52</u>	<u>4,036.53</u>	<u>140,741.91</u>	<u>2,493.35</u>	<u>455,543.88</u>	<u>514,972.54</u>	<u>442,081.98</u>	<u>17,313.38</u>	<u>252.64</u>	<u>-</u>	<u>23,078.63</u>	<u>216,492.57</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 245,766.61</u>	<u>\$ 11,292.52</u>	<u>\$ 4,036.53</u>	<u>\$ 140,741.91</u>	<u>\$ 2,493.35</u>	<u>\$ 455,543.88</u>	<u>\$ 514,972.54</u>	<u>\$ 442,081.98</u>	<u>\$ 17,313.38</u>	<u>\$ 252.64</u>	<u>\$ -</u>	<u>\$ 23,078.63</u>	<u>\$ 216,492.57</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2008

	Butler County 911 Fund	Health & Dental Escrow Fund	Law Library Fund	Senior Citizens Fund	Circuit JIS Fund	Sheriff Revolving Fund	Commissary Fund	Sheriff Civil Fund	Community Policing Fund	Sheriff Drug Fund	Collector's TMF Fund	Law Enforcement Restitution Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 111,587.86	\$ 19,260.73	\$ 24,674.23	\$ 82,140.75	\$ 41,027.69	\$ 13,494.50	\$ 1,299.98	\$ 48,345.43	\$ 2,013.61	\$ 535.62	\$ 184,558.51	\$ 2,180.62	\$ 2,605,186.07
TOTAL ASSETS	<u>111,587.86</u>	<u>19,260.73</u>	<u>24,674.23</u>	<u>82,140.75</u>	<u>41,027.69</u>	<u>13,494.50</u>	<u>1,299.98</u>	<u>48,345.43</u>	<u>2,013.61</u>	<u>535.62</u>	<u>184,558.51</u>	<u>2,180.62</u>	<u>2,605,186.07</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>111,587.86</u>	<u>19,260.73</u>	<u>24,674.23</u>	<u>82,140.75</u>	<u>41,027.69</u>	<u>13,494.50</u>	<u>1,299.98</u>	<u>48,345.43</u>	<u>2,013.61</u>	<u>535.62</u>	<u>184,558.51</u>	<u>2,180.62</u>	<u>2,605,186.07</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 111,587.86</u>	<u>\$ 19,260.73</u>	<u>\$ 24,674.23</u>	<u>\$ 82,140.75</u>	<u>\$ 41,027.69</u>	<u>\$ 13,494.50</u>	<u>\$ 1,299.98</u>	<u>\$ 48,345.43</u>	<u>\$ 2,013.61</u>	<u>\$ 535.62</u>	<u>\$ 184,558.51</u>	<u>\$ 2,180.62</u>	<u>\$ 2,605,186.07</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	Law Enforcement Training Fund	PAT Fund	Bad Check Fund	PAD Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Care of the Handicapped Fund	Drainage District #12	Domestic Violence Fund	36th JJC Escrow Fund	Special Elections Fund/HAVA Fund
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,893.97	\$ 2,280.90	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	1,880.33	703,764.47	703,764.45	2,142.66	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	29,533.40	2,034.16	258.07	111,620.94	-	-	-	-	-	6,153.00	-	-
Grants, Distributions and Reimbursements	438,063.08	1,674.90	-	-	-	90,434.43	90,434.43	-	-	7,768.40	-	251,355.06
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	2,927.66	-	-
Interest	7,172.74	148.81	-	2,531.96	-	7,767.72	7,767.72	11,435.69	358.29	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	1,134.00	564.55	-	-	123,377.82	118,377.82	-	-	-	-	-
TOTAL REVENUES	474,769.22	4,991.87	822.62	114,152.90	1,880.33	925,344.44	920,344.42	453,472.32	2,639.19	16,849.06	-	251,355.06
EXPENDITURES												
General Government	496,522.34	6,872.80	1,595.65	93,691.12	3,489.28	755,145.79	796,587.68	541,923.04	3,145.29	16,847.62	48,276.52	235,152.96
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	496,522.34	6,872.80	1,595.65	93,691.12	3,489.28	755,145.79	796,587.68	541,923.04	3,145.29	16,847.62	48,276.52	235,152.96
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,753.12)	(1,880.93)	(773.03)	20,461.78	(1,608.95)	170,198.65	123,756.74	(88,450.72)	(506.10)	1.44	(48,276.52)	16,202.10
OTHER FINANCING SOURCES (USES)												
Transfers In	-	12,000.00	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	12,000.00	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(21,753.12)	10,119.07	(773.03)	20,461.78	(1,608.95)	170,198.65	123,756.74	(88,450.72)	(506.10)	1.44	(48,276.52)	16,202.10
FUND BALANCES - BEGINNING OF YEAR	267,519.73	1,173.45	4,809.56	120,280.13	4,102.30	285,345.23	391,215.80	530,532.70	17,819.48	251.20	48,276.52	6,876.53
FUND BALANCES - END OF YEAR	\$ 245,766.61	\$ 11,292.52	\$ 4,036.53	\$ 140,741.91	\$ 2,493.35	\$455,543.88	\$514,972.54	\$ 442,081.98	\$ 17,313.38	\$ 252.64	\$ -	\$ 23,078.63

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Recorder User Fee Fund	Butler County 911 Fund	Health & Dental Escrow Fund	Law Library Fund	Senior Citizens Fund	Circuit JIS Fund	Sheriff Revolving Fund	Commissary Fund	Sheriff Civil Fund	Community Policing Fund	Sheriff Drug Fund	Collector's TMF Fund	Law Enforcement Restitution Fund	Total
REVENUES														
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 216,542.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 658,717.40
Sales Tax	-	144,713.50	-	-	996.12	-	-	-	-	-	-	-	-	1,557,261.53
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	24,461.25	-	-	42,329.62	-	-	-	-	-	-	-	-	-	216,390.44
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-	-	59,700.48	-	939,430.78
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-	5,755.87	8,683.53
Interest	3,365.66	2,587.93	-	-	2,059.30	202.12	238.19	-	1,088.03	-	-	-	65.04	46,789.20
Contributions	-	-	-	-	-	-	-	-	-	2,750.00	-	-	-	2,750.00
Other	-	-	925,952.38	-	-	19,075.62	14,450.00	40,293.18	49,837.14	-	-	-	-	1,293,062.51
TOTAL REVENUES	27,826.91	147,301.43	925,952.38	42,329.62	219,597.95	19,277.74	14,688.19	40,293.18	50,925.17	2,750.00	-	59,700.48	5,820.91	4,723,085.39
EXPENDITURES														
General Government	8,827.26	42,458.59	964,457.19	31,458.89	220,622.31	2,631.08	7,615.08	35,919.77	9,854.46	6,580.57	1,670.03	-	-	4,331,345.32
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:														
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	27,916.15	13,839.21	41,755.36
Debt Service:														
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,827.26	42,458.59	964,457.19	31,458.89	220,622.31	2,631.08	7,615.08	35,919.77	9,854.46	6,580.57	1,670.03	27,916.15	13,839.21	4,373,100.68
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,999.65	104,842.84	(38,504.81)	10,870.73	(1,024.36)	16,646.66	7,073.11	4,373.41	41,070.71	(3,830.57)	(1,670.03)	31,784.33	(8,018.30)	349,984.71
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000.00
Transfers Out	-	(100,000.00)	-	-	-	-	(12,000.00)	(15,000.00)	(66,000.00)	-	-	-	-	(193,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	(100,000.00)	-	-	-	-	(12,000.00)	(15,000.00)	(66,000.00)	-	-	-	-	(181,000.00)
NET CHANGE IN FUND BALANCES	18,999.65	4,842.84	(38,504.81)	10,870.73	(1,024.36)	16,646.66	(4,926.89)	(10,626.59)	(24,929.29)	(3,830.57)	(1,670.03)	31,784.33	(8,018.30)	168,984.71
FUND BALANCES - BEGINNING OF YEAR	197,492.92	106,745.02	57,765.54	13,803.50	83,165.11	24,381.03	18,421.39	11,926.57	73,274.72	5,844.18	2,205.65	152,774.18	10,198.92	2,436,201.36
FUND BALANCES - END OF YEAR	\$ 216,492.57	\$ 111,587.86	\$ 19,260.73	\$ 24,674.23	\$ 82,140.75	\$ 41,027.69	\$ 13,494.50	\$ 1,299.98	\$ 48,345.43	\$ 2,013.61	\$ 535.62	\$ 184,558.51	\$ 2,180.62	\$ 2,605,186.07

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	PAT Fund	Bad Check Fund	PAD Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Care of the Handicapped Fund	Drainage District #12	Domestic Violence Fund	36th JJC Escrow Fund	Special Elections Fund/HAVA Fund	Recorder User Fee Fund	Butler County 911 Fund	Health & Dental Escrow Fund	Law Library Fund
ASSETS																
Cash and Cash Equivalents	\$ 267,519.73	\$ 1,173.45	\$ 4,809.56	\$ 120,280.13	\$ 4,102.30	\$285,345.23	\$391,215.80	\$530,532.70	\$ 17,819.48	\$ 251.20	\$ 48,276.52	\$ 6,876.53	\$197,492.92	\$106,745.02	\$ 57,765.54	\$ 13,803.50
TOTAL ASSETS	<u>267,519.73</u>	<u>1,173.45</u>	<u>4,809.56</u>	<u>120,280.13</u>	<u>4,102.30</u>	<u>285,345.23</u>	<u>391,215.80</u>	<u>530,532.70</u>	<u>17,819.48</u>	<u>251.20</u>	<u>48,276.52</u>	<u>6,876.53</u>	<u>197,492.92</u>	<u>106,745.02</u>	<u>57,765.54</u>	<u>13,803.50</u>
LIABILITIES AND FUND BALANCES																
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>267,519.73</u>	<u>1,173.45</u>	<u>4,809.56</u>	<u>120,280.13</u>	<u>4,102.30</u>	<u>285,345.23</u>	<u>391,215.80</u>	<u>530,532.70</u>	<u>17,819.48</u>	<u>251.20</u>	<u>48,276.52</u>	<u>6,876.53</u>	<u>197,492.92</u>	<u>106,745.02</u>	<u>57,765.54</u>	<u>13,803.50</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 267,519.73</u>	<u>\$ 1,173.45</u>	<u>\$ 4,809.56</u>	<u>\$ 120,280.13</u>	<u>\$ 4,102.30</u>	<u>\$285,345.23</u>	<u>\$391,215.80</u>	<u>\$530,532.70</u>	<u>\$ 17,819.48</u>	<u>\$ 251.20</u>	<u>\$ 48,276.52</u>	<u>\$ 6,876.53</u>	<u>\$197,492.92</u>	<u>\$106,745.02</u>	<u>\$ 57,765.54</u>	<u>\$ 13,803.50</u>

THE COUNTY OF BUTLER
 POPLAR BLUFF, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Senior Citizens Fund	Circuit JIS Fund	Sheriff Revolving Fund	Commissary Fund	Sheriff Civil Fund	Community Policing Fund	Sheriff Drug Fund	Collector's TMF Fund	Law Enforcement Restitution Fund	Total
ASSETS										
Cash and Cash Equivalents	\$ 83,165.11	\$ 24,381.03	\$ 18,421.39	\$ 11,926.57	\$ 73,274.72	\$ 5,844.18	\$ 2,205.65	\$ 152,774.18	\$ 10,198.92	\$ 2,436,201.36
TOTAL ASSETS	<u>83,165.11</u>	<u>24,381.03</u>	<u>18,421.39</u>	<u>11,926.57</u>	<u>73,274.72</u>	<u>5,844.18</u>	<u>2,205.65</u>	<u>152,774.18</u>	<u>10,198.92</u>	<u>2,436,201.36</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>83,165.11</u>	<u>24,381.03</u>	<u>18,421.39</u>	<u>11,926.57</u>	<u>73,274.72</u>	<u>5,844.18</u>	<u>2,205.65</u>	<u>152,774.18</u>	<u>10,198.92</u>	<u>2,436,201.36</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 83,165.11</u>	<u>\$ 24,381.03</u>	<u>\$ 18,421.39</u>	<u>\$ 11,926.57</u>	<u>\$ 73,274.72</u>	<u>\$ 5,844.18</u>	<u>\$ 2,205.65</u>	<u>\$ 152,774.18</u>	<u>\$ 10,198.92</u>	<u>\$ 2,436,201.36</u>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	PAT Fund	Bad Check Fund	PAD Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Care of the Handicapped Fund	Drainage District #12	Domestic Violence Fund	36th JJC Escrow Fund	Special Elections Fund/HAVA Fund
REVENUES												
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 437,894.76	\$ 2,757.53	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	1,213.23	713,033.74	713,033.72	1,581.21	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	27,453.56	2,002.50	515.74	121,859.54	-	-	-	-	-	7,344.50	-	-
Grants, Distributions and Reimbursements	421,191.11	1,725.64	-	-	-	-	-	-	-	11,573.65	-	69,370.20
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	1,594.00	-	-
Interest	15,191.00	-	-	4,748.23	-	9,830.78	9,830.78	26,951.81	733.88	-	3,008.77	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	330.10	6,558.83	388.36	-	-	101,800.00	101,800.00	-	-	-	148,000.00	-
TOTAL REVENUES	464,165.77	10,286.97	904.10	126,607.77	1,213.23	824,664.52	824,664.50	466,427.78	3,491.41	20,512.15	151,008.77	69,370.20
EXPENDITURES												
General Government	419,490.60	10,919.32	-	103,126.71	562.25	678,559.65	706,577.13	362,533.54	420.00	20,516.20	175,761.78	64,584.77
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	419,490.60	10,919.32	-	103,126.71	562.25	678,559.65	706,577.13	362,533.54	420.00	20,516.20	175,761.78	64,584.77
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	44,675.17	(632.35)	904.10	23,481.06	650.98	146,104.87	118,087.37	103,894.24	3,071.41	(4.05)	(24,753.01)	4,785.43
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	44,675.17	(632.35)	904.10	23,481.06	650.98	146,104.87	118,087.37	103,894.24	3,071.41	(4.05)	(24,753.01)	4,785.43
FUND BALANCES - BEGINNING OF YEAR	222,844.56	1,805.80	3,905.46	96,799.07	3,451.32	139,240.36	273,128.43	426,638.46	14,748.07	255.25	73,029.53	2,091.10
FUND BALANCES - END OF YEAR	\$ 267,519.73	\$ 1,173.45	\$ 4,809.56	\$ 120,280.13	\$ 4,102.30	\$ 285,345.23	\$ 391,215.80	\$ 530,532.70	\$ 17,819.48	\$ 251.20	\$ 48,276.52	\$ 6,876.53

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Recorder User Fee Fund	Butler County 911 Fund	Health & Dental Escrow Fund	Law Library Fund	Senior Citizens Fund	Circuit JIS Fund	Sheriff Revolving Fund	Commissary Fund	Sheriff Civil Fund	Community Policing Fund	Sheriff Drug Fund	Collector's TMF Fund	Law Enforcement Restitution Fund	Total
REVENUES														
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 215,773.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656,426.27
Sales Tax	-	143,422.67	-	-	716.29	-	-	-	-	-	-	-	-	1,573,000.86
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	27,563.75	-	-	38,779.49	-	-	-	-	-	-	-	-	-	225,519.08
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-	-	-	2,067.86	50,276.70	-	556,205.16
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-	5,947.00	7,541.00
Interest	6,502.13	6,292.50	-	15.98	4,772.19	468.61	591.38	-	2,572.81	-	-	4,439.22	-	95,950.07
Contributions	-	-	-	-	-	-	-	-	-	4,500.98	-	-	-	4,500.98
Other	-	-	762,003.65	-	-	17,862.20	17,040.00	34,102.24	67,644.41	-	-	-	-	1,257,529.79
TOTAL REVENUES	34,065.88	149,715.17	762,003.65	38,795.47	221,262.46	18,330.81	17,631.38	34,102.24	70,217.22	4,500.98	2,067.86	54,715.92	5,947.00	4,376,673.21
EXPENDITURES														
General Government	4,232.38	45,228.06	739,271.74	33,806.75	209,898.45	9,705.60	17,054.52	27,742.55	38,929.96	3,912.59	1,978.26	-	-	3,674,812.81
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:														
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	7,205.21	135.00	7,340.21
Debt Service:														
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,232.38	45,228.06	739,271.74	33,806.75	209,898.45	9,705.60	17,054.52	27,742.55	38,929.96	3,912.59	1,978.26	7,205.21	135.00	3,682,153.02
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,833.50	104,487.11	22,731.91	4,988.72	11,364.01	8,625.21	576.86	6,359.69	31,287.26	588.39	89.60	47,510.71	5,812.00	694,520.19
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	(100,000.00)	-	-	-	-	-	(5,000.00)	-	-	-	-	-	(105,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	(100,000.00)	-	-	-	-	-	(5,000.00)	-	-	-	-	-	(105,000.00)
NET CHANGE IN FUND BALANCES	29,833.50	4,487.11	22,731.91	4,988.72	11,364.01	8,625.21	576.86	1,359.69	31,287.26	588.39	89.60	47,510.71	5,812.00	589,520.19
FUND BALANCES - BEGINNING OF YEAR	167,659.42	102,257.91	35,033.63	8,814.78	71,801.10	15,755.82	17,844.53	10,566.88	41,987.46	5,255.79	2,116.05	105,263.47	4,386.92	1,846,681.17
FUND BALANCES - END OF YEAR	\$ 197,492.92	\$ 106,745.02	\$ 57,765.54	\$ 13,803.50	\$ 83,165.11	\$ 24,381.03	\$ 18,421.39	\$ 11,926.57	\$ 73,274.72	\$ 5,844.18	\$ 2,205.65	\$ 152,774.18	\$ 10,198.92	\$ 2,436,201.36

THE COUNTY OF BUTLER
 POPLAR BLUFF, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF
 FIDUCIARY NET ASSETS - CASH BASIS
 DECEMBER 31, 2008

	School Account	Surplus land Tax	Fee Account	CERF	Payroll Account	Recorder of Deeds	Prosecuting Attorney	Prosecuting Attorney Bad Check	Sheriff's Department	Bond Account	Inmate Account	CDBG Account	Collectors Funds	Total
ASSETS														
Cash and Cash Equivalents	\$ 56,892.55	\$ 25,613.02	\$ 65.65	\$ 0.33	\$ 1,144.91	\$23,936.50	\$ 1,016.15	\$ 5,866.92	\$ 529.15	\$ -	\$ -	\$ 61.62	\$ 14,198,065.66	\$14,313,192.46
TOTAL ASSETS	<u>56,892.55</u>	<u>25,613.02</u>	<u>65.65</u>	<u>0.33</u>	<u>1,144.91</u>	<u>23,936.50</u>	<u>1,016.15</u>	<u>5,866.92</u>	<u>529.15</u>	<u>-</u>	<u>-</u>	<u>61.62</u>	<u>14,198,065.66</u>	<u>14,313,192.46</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	56,892.55	25,613.02	65.65	0.33	1,144.91	23,936.50	1,016.15	5,866.92	529.15	-	-	61.62	14,198,065.66	14,313,192.46
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,892.55</u>	<u>\$ 25,613.02</u>	<u>\$ 65.65</u>	<u>\$ 0.33</u>	<u>\$ 1,144.91</u>	<u>\$23,936.50</u>	<u>\$ 1,016.15</u>	<u>\$ 5,866.92</u>	<u>\$ 529.15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61.62</u>	<u>\$ 14,198,065.66</u>	<u>\$14,313,192.46</u>

THE COUNTY OF BUTLER
 POPLAR BLUFF, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -CASH BASIS
 DECEMBER 31, 2007

	School Account	Surplus land Tax	Fee Account	CERF	Payroll Account	Recorder of Deeds	Prosecuting Attorney	Prosecuting Attorney Bad Check	Sheriffs Department	Bond Account	Inmate Account	CDBG Account	Collectors Funds	Total
ASSETS														
Cash and Cash Equivalents	\$ 69,705.62	\$ 22,812.93	\$ 65.65	\$ 4,514.65	\$ 1,144.91	\$27,162.50	\$ 1,209.68	\$ 5,761.00	\$ 575.21	\$ -	\$ -	\$ 581.86	\$ 13,633,419.98	\$13,766,953.99
TOTAL ASSETS	<u>69,705.62</u>	<u>22,812.93</u>	<u>65.65</u>	<u>4,514.65</u>	<u>1,144.91</u>	<u>27,162.50</u>	<u>1,209.68</u>	<u>5,761.00</u>	<u>575.21</u>	<u>-</u>	<u>-</u>	<u>581.86</u>	<u>13,633,419.98</u>	<u>13,766,953.99</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>69,705.62</u>	<u>22,812.93</u>	<u>65.65</u>	<u>4,514.65</u>	<u>1,144.91</u>	<u>27,162.50</u>	<u>1,209.68</u>	<u>5,761.00</u>	<u>575.21</u>	<u>-</u>	<u>-</u>	<u>581.86</u>	<u>13,633,419.98</u>	<u>13,766,953.99</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,705.62</u>	<u>\$ 22,812.93</u>	<u>\$ 65.65</u>	<u>\$ 4,514.65</u>	<u>\$ 1,144.91</u>	<u>\$27,162.50</u>	<u>\$ 1,209.68</u>	<u>\$ 5,761.00</u>	<u>\$ 575.21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581.86</u>	<u>\$ 13,633,419.98</u>	<u>\$13,766,953.99</u>

STATE COMPLIANCE SECTION

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

- A. For the year December 31, 2007, the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
The County of Butler, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Butler (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements, and have issued our Cash basis report thereon dated July 13, 2009. Our report which was modified because the Primary Government prepares its financial statements on the Cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, and 07/08-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated July 13, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2008 & 2007**

**THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
TABLE OF CONTENTS**

	PAGE
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
Schedule of Expenditures of Federal Awards.....	5
Notes to Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs.....	7-13



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Butler, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Butler, Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Primary Government's basic financial statements, and have issued our cash basis report thereon dated July 13, 2009. Our report was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies *FS 07/08-01*, *FS 07/08-02* and *FS 07/08-03*, described in the accompanying Schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Primary Government in a separate letter dated July 13, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Butler
Poplar Bluff, Missouri

Compliance

We have audited the compliance of Butler County, (the Primary Government) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and December 31, 2007. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008 and December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item SA-07-08-01.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Internal Control Over Compliance (concluded)

In planning and performing our audit, we considered the Primary Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Primary Government's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA-07-08-01, to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2009

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2008	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2007
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State:				
Office of Administration:				
Schools and Roads - Grants to States	10.665	N. Forest	\$ 253,152.06	\$ 164,291.73
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through State:				
Department of Economic Development:				
Community Development Block Grants / State's Program	14.228	07-EM-07	108,025.97	
		05-PF-01	64,984.56	
		17-EM-08	16,525.00	
Department of Social Services:				
Emergency Shelter Grants Program	14.231	Haven House	7,768.40	11,573.65
U.S. DEPARTMENT OF JUSTICE				
Passed Through:				
State Department of Public Safety:				
Juvenile Accountability Incentive Block Grants	16.523			
Juvenile Justice and Delinquency Prevention -	16.540	36th JJC	8,557.09	5,406.71
Allocation to States		DYSG	71,287.44	74,900.86
Cape Girardeau County:	16.523			
Edward Byrne Memorial State and Local Law	16.580	2007DJBX0779	9,938.93	1,215.53
Edward Byrne Justice Assistance Grant		2006DJBX0845	5,626.59	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through State:				
Highway and Transportation Commission:				
Highway Planning and Construction	20.205	BRO-012(24)	71,743.84	320,743.00
		BRO-012(25)	18,893.03	21,917.09
		BRO-012(26)		253,292.60
		BRO-012(27)		35,490.97
ELECTION ASSISTANCE COMMISSION				
Passed Through the Office of Secretary of State:				
Help America Vote Act Requirements Payments	90.401			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State:				
Department of Health and Senior Services:				
Department of Social Services:				
Child Support Enforcement	93.563		359,228.95	333,162.87
Community Services Block Grant	93.569			
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through State Department of Public Safety:				
State Domestic Preparedness Equipment Support Program	97.004	Siren		10,365.00
Public Assistance Grants (Presidentially Declared Disasters)	97.036	08 Flood	733,652.88	
		HMPG	1,875.71	1,875.71
Emergency Management Performance Grants	97.042	EMPG	22,780.45	33,762.27
Homeland Security Grant Program	97.067	CEPF	2,874.58	3,562.09
Total Expenditures of Federal Awards			\$ 1,756,915.48	\$ 1,271,560.08

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that are
not considered to be material weaknesses? 2008 ☒ Yes ☐ None Reported
2007 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial state-
ments noted? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major programs:
Any material weakness(es) identified? 2008 ☐ Yes ☒ No
2007 ☐ Yes ☒ No
2. Any significant deficiencies identified that are not
considered to be material weaknesses? 2008 ☒ Yes ☐ No
2007 ☒ Yes ☐ No
3. Type of auditor's report issued on compliance for
major programs: 2008 - Unqualified
2007 - Unqualified
4. Any audit findings disclosed that are required to
be reported in accordance with section 510 (a) of
Circular A-133? 2008 ☒ Yes ☐ No
2007 ☒ Yes ☐ No

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

I. SUMMARY OF AUDITOR'S RESULTS (concluded)

B. Federal Awards (concluded)

5. Identification of major programs:

<u>Year</u>	<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
2008	97.036	Public Assistance Grant
2008 / 2007	93.563	Child Support Enforcement
2007	20.205	Highway Planning & Construction

6. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

7. Auditee qualified as low-risk auditee? 2007 Yes X No

2006 Yes X No

II. FINANCIAL STATEMENT FINDINGS

FS 07/08-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County will consider the auditor's recommendation.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (continued)

FS 07-08-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County will consider the auditor's recommendation.

FS 07-08-03 Criteria: Anti-fraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 07/08-03 (concluded) Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The County will consider the auditor's recommendation.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007

The following findings, recommendations, and questioned costs are the results of the single audit of Butler County, Missouri for the fiscal year ended December 31, 2008 and 2007. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.
2. Material Weakness: A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (continued)

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-1	Other Information: Significant Deficiency	<p>Findings: The Schedule of Expenditures of Federal Awards contained errors.</p> <p>Controls were not in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the SEFA provide total federal awards expended for each individual federal program. It states that the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place.</p> <p>The Schedule of Expenditures of Federal Awards (SEFA) was prepared with various errors. These errors are described below:</p>

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 & 2007 (concluded)

C. Federal Award Findings and Questioned Costs (concluded)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 07/08-1 (concluded)	Other Information: Significant Deficiency	<ol style="list-style-type: none"> 1. The SEFA schedule contained several incorrect CFDA numbers for federal programs. 2. Expenditures listed on the SEFA schedule submitted to the State Auditor's Office were incorrect. Revenue was used to prepare the SEFA instead of expenditures. Actual expenditures were not agreed to the general ledger.

A revised SEFA was submitted to the State Auditor's Office, containing corrections for all errors described.

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Agency Response: The County agrees with this finding.

THE COUNTY OF BUTLER
POPLAR BLUFF, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Follow-up Prior Year Federal Award Findings and Questioned Costs

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
SA 05/06-1	Other Information: Significant Deficiency	Resolved – Distribution of federal BRO Funds within two days.
SA 05/06-2	Other Information: Significant Deficiency	Resolved – Clerk reviewing for suspension and debarment of vendors for federal programs.
SA 05/06-3	Other Information: Significant Deficiency	Unresolved – The County does not have adequate procedures in place to track Federal Awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Butler County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Butler County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
July 13, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

07/08-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 23, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the

modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Butler County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Butler County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Butler County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Butler County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 23, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Butler County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 13, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of St. Clair County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of St. Clair County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-84

ST. CLAIR COUNTY, MISSOURI
FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007

ST. CLAIR COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORTS.....	3
FINANCIAL STATEMENTS:	
Statement of Receipts, Disbursements, and Changes in Cash and Investment Balances – All Governmental Funds – Regulatory Basis	
Year Ended December 31, 2008	5
Year Ended December 31, 2007	6
Comparative Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – Budget and Actual – All Governmental Funds – Regulatory Basis	
Years Ended December 31, 2008 and 2007	7
Statement of Assets and Liabilities Arising From Cash Transactions – Agency Funds – Regulatory Basis	
December 31, 2008	19
December 31, 2007	20
Notes to the Financial Statements.....	21
Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30
Summary Schedule of Findings and Responses	32



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

St. Clair County Commission
St. Clair County
Osceola, Missouri

We have audited the accompanying financial statements of St. Clair County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of St. Clair County, Missouri, as of December 31, 2008 and 2007, or the changes in financial position for the years then ended.

St. Clair County Commission
St. Clair County
Osceola, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of St. Clair County, Missouri, as of and for the years ended December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of the governmental funds for the years ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
June 12, 2009

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2008

FUND	Cash and Investment Balances	Receipts	Disbursements	Cash and Investment Balances
	January 1			December 31
General Revenue Fund	\$ 647,422	\$ 3,780,018	\$ 3,828,767	\$ 598,673
Special Road and Bridge Fund	282,018	1,094,588	1,059,090	317,516
Assessment Fund	37,911	138,452	126,657	49,706
Lake Patrol Fund	6,179	125	5,026	1,278
Law Enforcement Training Fund	1,800	3,401	4,180	1,021
Law Library Fund	360	5,707	3,713	2,354
Prosecuting Attorney Training Fund	4,107	811	1,913	3,005
Recorder's Maintenance Fund	53,449	9,233	8,862	53,820
Circuit Clerk Passport and Interest Fund	53,315	6,649	721	59,243
Sheriff Commissary Fund	19,692	26,211	30,036	15,867
Prosecuting Attorney Administrative Cost Fund	11,220	11,500	1,260	21,460
Tax Maintenance Fund	30,043	15,033	5,847	39,229
Election Services Fund	9,912	1,508	105	11,315
Sheriff Drug Fund	1,373	2	372	1,003
Sheriff Revolving Fund	5,600	2,932	5,033	3,499
HAVA Fund	159	2,387	2,515	31
Sheriff Civil Fees Fund	16,526	28,455	24,837	20,144
Local Emergency Planning Commission Fund	6,797	4,211	3,591	7,417
Domestic Violence Fund	1,335	1,014	1,250	1,099
Justice Assistance Grant Fund	-	41,608	41,608	-
Deputy Sheriff Salary Fund	-	1,831	1,421	410
US Marshall Federal Sharing Fund	-	12,456	-	12,456
TOTAL	<u>\$ 1,189,218</u>	<u>\$ 5,188,132</u>	<u>\$ 5,156,804</u>	<u>\$ 1,220,546</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2007

FUND	Cash and Investment Balances	Receipts	Disbursements	Cash and Investment Balances
	January 1			December 31
General Revenue Fund	\$ 1,028,548	\$ 3,573,146	\$ 3,954,272	\$ 647,422
Special Road and Bridge Fund	215,706	1,123,415	1,057,103	282,018
Assessment Fund	29,301	135,178	126,568	37,911
Lake Patrol Fund	6,558	299	678	6,179
Law Enforcement Training Fund	3,489	4,059	5,748	1,800
Law Library Fund	404	4,732	4,776	360
Prosecuting Attorney Training Fund	4,910	1,124	1,927	4,107
Recorder's Maintenance Fund	53,344	9,926	9,821	53,449
Circuit Clerk Passport and Interest Fund	51,161	6,649	4,495	53,315
Sheriff Commissary Fund	17,933	26,752	24,993	19,692
Prosecuting Attorney Administrative Cost Fund	-	12,671	1,451	11,220
Tax Maintenance Fund	39,175	13,348	22,480	30,043
Election Services Fund	7,811	3,064	963	9,912
Sheriff Drug Fund	1,001	18,430	18,058	1,373
Sheriff Revolving Fund	5,199	3,411	3,010	5,600
HAVA Fund	11,143	26,925	37,909	159
Sheriff Civil Fees Fund	21,828	20,308	25,610	16,526
Local Emergency Planning Commission Fund	6,496	2,684	2,383	6,797
Domestic Violence Fund	365	970	-	1,335
TOTAL	<u>\$ 1,504,372</u>	<u>\$ 4,987,091</u>	<u>\$ 5,302,245</u>	<u>\$ 1,189,218</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 376,680	\$ 414,840	\$ 38,160	\$ 348,066	\$ 353,676	\$ 5,610
Sales taxes	275,000	263,950	(11,050)	280,000	274,841	(5,159)
Intergovernmental	199,916	223,732	23,816	244,409	257,694	13,285
Charges for services	2,488,150	2,493,233	5,083	2,507,825	2,280,508	(227,317)
Interest	46,416	43,306	(3,110)	51,000	45,472	(5,528)
Other	291,035	267,184	(23,851)	216,912	284,046	67,134
Transfers in	-	73,773	73,773	15,000	76,909	61,909
TOTAL RECEIPTS	3,677,197	3,780,018	102,821	3,663,212	3,573,146	(90,066)
DISBURSEMENTS						
County Commission	95,170	92,503	2,667	104,568	101,995	2,573
County Clerk	98,279	95,085	3,194	100,599	93,782	6,817
Elections	71,937	72,630	(693)	20,872	21,325	(453)
Buildings and grounds	156,343	107,598	48,745	209,971	50,526	159,445
County Treasurer	54,443	54,195	248	55,344	55,629	(285)
County Collector	98,480	94,860	3,620	110,020	103,546	6,474
Recorder of Deeds	69,255	67,838	1,417	69,369	68,022	1,347
Circuit Clerk	13,050	9,736	3,314	12,685	10,825	1,860
Court administration	23,873	7,898	15,975	17,086	6,410	10,676
Public Administrator	30,300	27,430	2,870	29,439	27,321	2,118
Sheriff	360,936	329,536	31,400	356,099	343,973	12,126
Jail	2,278,565	2,286,768	(8,203)	2,377,706	2,284,818	92,888
Prosecuting Attorney	94,755	86,889	7,866	99,259	96,126	3,133
Juvenile Officer	41,226	32,012	9,214	47,321	26,118	21,203
County Coroner	17,795	18,849	(1,054)	18,446	16,516	1,930
Public Defender	2,400	2,400	-	2,325	2,325	-
Emergency Management	2,600	481	2,119	100,928	68,517	32,411
Public health and welfare service	2,800	2,727	73	2,800	2,727	73
Debt service	265,462	166,609	98,853	265,462	265,462	-
Other	171,817	146,227	25,590	171,918	180,463	(8,545)
Transfers out	22,758	126,496	(103,738)	37,592	127,846	(90,254)
Emergency Fund	110,316	-	110,316	109,896	-	109,896
TOTAL DISBURSEMENTS	4,082,560	3,828,767	253,793	4,319,705	3,954,272	365,433
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(405,363)	(48,749)	356,614	(656,493)	(381,126)	275,367
CASH AND INVESTMENT BALANCE, January 1	647,422	647,422	-	1,028,548	1,028,548	-
CASH AND INVESTMENT BALANCE, December 31	\$ 242,059	\$ 598,673	\$ 356,614	\$ 372,055	\$ 647,422	\$ 275,367

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	\$ 324,921	\$ 322,806	\$ (2,115)	\$ 301,428	\$ 299,652	\$ (1,776)
Intergovernmental	644,000	585,219	(58,781)	632,700	638,326	5,626
Charges for services	12,500	7,563	(4,937)	15,000	12,308	(2,692)
Interest	15,000	17,556	2,556	14,350	14,853	503
Other	168,500	161,444	(7,056)	129,900	158,276	28,376
TOTAL RECEIPTS	1,164,921	1,094,588	(70,333)	1,093,378	1,123,415	30,037
DISBURSEMENTS						
Salaries	282,090	311,371	(29,281)	287,916	279,354	8,562
Employee fringe benefits	84,315	77,600	6,715	90,909	87,826	3,083
Supplies	119,500	138,818	(19,318)	120,500	93,050	27,450
Insurance	19,950	12,630	7,320	20,000	16,892	3,108
Road and bridge materials	168,000	127,503	40,497	157,500	140,823	16,677
Equipment repairs	52,000	43,324	8,676	65,000	22,888	42,112
Rentals	1,000	1,750	(750)	-	-	-
Equipment purchases	200,000	141,541	58,459	260,000	219,002	40,998
Construction, repair, and maintenance	97,500	36,670	60,830	32,000	13,018	18,982
CART payments to special road district	180,000	164,935	15,065	180,000	179,902	98
Other	5,900	2,948	2,952	8,700	4,348	4,352
Transfers out	10,000	-	10,000	15,000	-	15,000
TOTAL DISBURSEMENTS	1,220,255	1,059,090	161,165	1,237,525	1,057,103	180,422
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(55,334)	35,498	90,832	(144,147)	66,312	210,459
CASH AND INVESTMENT BALANCE, January 1	282,018	282,018	-	215,706	215,706	-
CASH AND INVESTMENT BALANCE, December 31	\$ 226,684	\$ 317,516	\$ 90,832	\$ 71,559	\$ 282,018	\$ 210,459

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 129,245	\$ 124,006	\$ (5,239)	\$ 117,225	\$ 120,091	\$ 2,866
Interest	1,700	2,661	961	1,700	2,065	365
Other	2,800	885	(1,915)	3,800	1,355	(2,445)
Transfers in	22,759	10,900	(11,859)	37,592	11,667	(25,925)
TOTAL RECEIPTS	156,504	138,452	(18,052)	160,317	135,178	(25,139)
DISBURSEMENTS						
Assessor	144,186	126,657	17,529	156,504	126,568	29,936
TOTAL DISBURSEMENTS	144,186	126,657	17,529	156,504	126,568	29,936
EXCESS OF RECEIPTS OVER DISBURSEMENTS	12,318	11,795	(523)	3,813	8,610	4,797
CASH AND INVESTMENT BALANCE, January 1	37,911	37,911	-	29,301	29,301	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 50,229</u>	<u>\$ 49,706</u>	<u>\$ (523)</u>	<u>\$ 33,114</u>	<u>\$ 37,911</u>	<u>\$ 4,797</u>
<u>LAKE PATROL FUND</u>						
RECEIPTS						
Interest	\$ 300	\$ 125	\$ (175)	\$ -	\$ 299	\$ 299
TOTAL RECEIPTS	300	125	(175)	-	299	299
DISBURSEMENTS						
Lake patrol	6,179	5,026	1,153	1,000	678	322
TOTAL DISBURSEMENTS	6,179	5,026	1,153	1,000	678	322
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(5,879)	(4,901)	978	(1,000)	(379)	621
CASH AND INVESTMENT BALANCE, January 1	6,179	6,179	-	6,558	6,558	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 300</u>	<u>\$ 1,278</u>	<u>\$ 978</u>	<u>\$ 5,558</u>	<u>\$ 6,179</u>	<u>\$ 621</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

Year Ended December 31,						
2008			2007			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
LAW ENFORCEMENT						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 3,200	\$ 3,355	\$ 155	\$ 5,000	\$ 2,669	\$ (2,331)
Interest	256	46	(210)	-	128	128
Other	-	-	-	-	1,262	1,262
TOTAL RECEIPTS	3,456	3,401	(55)	5,000	4,059	(941)
DISBURSEMENTS						
Sheriff	5,000	4,180	820	6,500	5,748	752
TOTAL DISBURSEMENTS	5,000	4,180	820	6,500	5,748	752
DEFICIT OF RECEIPTS OVER DISBURSEMENTS	(1,544)	(779)	765	(1,500)	(1,689)	(189)
CASH AND INVESTMENT BALANCE, January 1	1,800	1,800	-	3,489	3,489	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 256</u>	<u>\$ 1,021</u>	<u>\$ 765</u>	<u>\$ 1,989</u>	<u>\$ 1,800</u>	<u>\$ (189)</u>
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	\$ 5,000	\$ 5,653	\$ 653	\$ 4,200	\$ 4,671	\$ 471
Interest	60	54	(6)	-	61	61
TOTAL RECEIPTS	5,060	5,707	647	4,200	4,732	532
DISBURSEMENTS						
Law library	5,000	3,713	1,287	2,177	2,352	(175)
Transfer out	-	-	-	2,023	2,424	(401)
TOTAL DISBURSEMENTS	5,000	3,713	1,287	4,200	4,776	(576)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	60	1,994	1,934	-	(44)	(44)
CASH AND INVESTMENT BALANCE, January 1	360	360	-	404	404	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 420</u>	<u>\$ 2,354</u>	<u>\$ 1,934</u>	<u>\$ 404</u>	<u>\$ 360</u>	<u>\$ (44)</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 950	\$ 648	\$ (302)	\$ 850	\$ 923	\$ 73
Interest	200	163	(37)	190	201	11
TOTAL RECEIPTS	1,150	811	(339)	1,040	1,124	84
DISBURSEMENTS						
Prosecuting Attorney	2,000	1,913	87	2,000	1,927	73
TOTAL DISBURSEMENTS	2,000	1,913	87	2,000	1,927	73
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(850)	(1,102)	(252)	(960)	(803)	157
CASH AND INVESTMENT BALANCE, January 1	4,107	4,107	-	4,910	4,910	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 3,257</u>	<u>\$ 3,005</u>	<u>\$ (252)</u>	<u>\$ 3,950</u>	<u>\$ 4,107</u>	<u>\$ 157</u>
<u>RECORDERS MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 4,800	\$ 4,278	\$ (522)	\$ 5,000	\$ 4,724	\$ (276)
Interest	2,800	2,379	(421)	2,900	2,357	(543)
Other	2,800	2,576	(224)	3,040	2,845	(195)
TOTAL RECEIPTS	10,400	9,233	(1,167)	10,940	9,926	(1,014)
DISBURSEMENTS						
Recorder of Deeds	14,020	8,862	5,158	14,245	9,821	4,424
TOTAL DISBURSEMENTS	14,020	8,862	5,158	14,245	9,821	4,424
EXCESS (DEFICIT) RECEIPTS OVER DISBURSEMENTS	(3,620)	371	3,991	(3,305)	105	3,410
CASH AND INVESTMENT BALANCE, January 1	53,449	53,449	-	53,344	53,344	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 49,829</u>	<u>\$ 53,820</u>	<u>\$ 3,991</u>	<u>\$ 50,039</u>	<u>\$ 53,449</u>	<u>\$ 3,410</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK PASSPORT AND INTEREST FUND</u>						
RECEIPTS						
Charges for services	\$ 3,010	\$ 2,510	\$ (500)	\$ 3,000	\$ 2,730	\$ (270)
Interest	3,500	4,139	639	1,400	3,919	2,519
TOTAL RECEIPTS	6,510	6,649	139	4,400	6,649	2,249
DISBURSEMENTS						
Circuit Clerk	17,500	721	16,779	28,228	4,495	23,733
TOTAL DISBURSEMENTS	17,500	721	16,779	28,228	4,495	23,733
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(10,990)	5,928	16,918	(23,828)	2,154	25,982
CASH AND INVESTMENT BALANCE, January 1	53,315	53,315	-	51,161	51,161	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 42,325</u>	<u>\$ 59,243</u>	<u>\$ 16,918</u>	<u>\$ 27,333</u>	<u>\$ 53,315</u>	<u>\$ 25,982</u>
<u>SHERIFF'S COMMISSARY FUND</u>						
RECEIPTS						
Charges for services	\$ 26,000	\$ 25,509	\$ (491)	\$ 20,000	\$ 26,020	\$ 6,020
Interest	700	702	2	-	732	732
TOTAL RECEIPTS	26,700	26,211	(489)	20,000	26,752	6,752
DISBURSEMENTS						
Sheriff	40,423	30,036	10,387	33,000	24,993	8,007
TOTAL DISBURSEMENTS	40,423	30,036	10,387	33,000	24,993	8,007
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(13,723)	(3,825)	9,898	(13,000)	1,759	14,759
CASH AND INVESTMENT BALANCE, January 1	19,692	19,692	-	17,933	17,933	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 5,969</u>	<u>\$ 15,867</u>	<u>\$ 9,898</u>	<u>\$ 4,933</u>	<u>\$ 19,692</u>	<u>\$ 14,759</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY						
<u>ADMINISTRATIVE COST FUND</u>						
RECEIPTS						
Charges for services	\$ 10,000	\$ 10,832	\$ 832	\$ 9,000	\$ 12,345	\$ 3,345
Interest	650	668	18	937	326	(611)
TOTAL RECEIPTS	10,650	11,500	850	9,937	12,671	2,734
DISBURSEMENTS						
Prosecuting Attorney	11,588	1,260	10,328	1,050	1,451	(401)
TOTAL DISBURSEMENTS	11,588	1,260	10,328	1,050	1,451	(401)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(938)	10,240	11,178	8,887	11,220	2,333
CASH AND INVESTMENT BALANCE, January 1	11,220	11,220	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 10,282</u>	<u>\$ 21,460</u>	<u>\$ 11,178</u>	<u>\$ 8,887</u>	<u>\$ 11,220</u>	<u>\$ 2,333</u>
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 11,000	\$ 13,449	\$ 2,449	\$ 11,000	\$ 11,830	\$ 830
Interest	1,000	1,584	584	1,000	1,518	518
TOTAL RECEIPTS	12,000	15,033	3,033	12,000	13,348	1,348
DISBURSEMENTS						
County Collector	22,300	5,847	16,453	41,500	22,480	19,020
Transfer out	500	-	500	-	-	-
TOTAL DISBURSEMENTS	22,800	5,847	16,953	41,500	22,480	19,020
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(10,800)	9,186	19,986	(29,500)	(9,132)	20,368
CASH AND INVESTMENT BALANCE, January 1	30,043	30,043	-	39,175	39,175	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 19,243</u>	<u>\$ 39,229</u>	<u>\$ 19,986</u>	<u>\$ 9,675</u>	<u>\$ 30,043</u>	<u>\$ 20,368</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,000	\$ 1,051	\$ 51	\$ 1,700	\$ 2,646	\$ 946
Interest	300	457	157	325	418	93
TOTAL RECEIPTS	1,300	1,508	208	2,025	3,064	1,039
DISBURSEMENTS						
Election	1,000	105	895	1,700	194	1,506
Transfers out	-	-	-	-	769	(769)
TOTAL DISBURSEMENTS	1,000	105	895	1,700	963	737
EXCESS OF RECEIPTS OVER DISBURSEMENTS	300	1,403	1,103	325	2,101	1,776
CASH AND INVESTMENT BALANCE, January 1	9,912	9,912	-	7,811	7,811	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 10,212</u>	<u>\$ 11,315</u>	<u>\$ 1,103</u>	<u>\$ 8,136</u>	<u>\$ 9,912</u>	<u>\$ 1,776</u>
<u>SHERIFF DRUG FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ -	\$ -	\$ 24,534	\$ -	\$ (24,534)
Interest	-	2	2	-	-	-
Transfer in	-	-	-	2,000	18,430	16,430
TOTAL RECEIPTS	-	2	2	26,534	18,430	(8,104)
DISBURSEMENTS						
Drug buy operations	2,000	372	1,628	26,534	18,058	8,476
TOTAL DISBURSEMENTS	2,000	372	1,628	26,534	18,058	8,476
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(2,000)	(370)	1,630	-	372	372
CASH AND INVESTMENT BALANCE, January 1	1,373	1,373	-	1,001	1,001	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ (627)</u>	<u>\$ 1,003</u>	<u>\$ 1,630</u>	<u>\$ 1,001</u>	<u>\$ 1,373</u>	<u>\$ 372</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ 3,000	\$ 2,735	\$ (265)	\$ 600	\$ 3,216	\$ 2,616
Interest	190	197	7	-	195	195
TOTAL RECEIPTS	3,190	2,932	(258)	600	3,411	2,811
DISBURSEMENTS						
Sheriff	8,000	5,033	2,967	5,000	3,010	1,990
TOTAL DISBURSEMENTS	8,000	5,033	2,967	5,000	3,010	1,990
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(4,810)	(2,101)	2,709	(4,400)	401	4,801
CASH AND INVESTMENT BALANCE, January 1	5,600	5,600	-	5,199	5,199	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 790</u>	<u>\$ 3,499</u>	<u>\$ 2,709</u>	<u>\$ 799</u>	<u>\$ 5,600</u>	<u>\$ 4,801</u>
<u>HAVA FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 918	\$ 918	\$ 25,265	\$ 2,327	\$ (22,938)
Interest	-	4	4	470	565	95
Transfer in	1,600	1,465	(135)	768	24,033	23,265
TOTAL RECEIPTS	1,600	2,387	787	26,503	26,925	422
DISBURSEMENTS						
Election	1,600	2,515	(915)	37,645	37,909	(264)
TOTAL DISBURSEMENTS	1,600	2,515	(915)	37,645	37,909	(264)
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	-	(128)	(128)	(11,142)	(10,984)	158
CASH AND INVESTMENT BALANCE, January 1	159	159	-	11,143	11,143	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 159</u>	<u>\$ 31</u>	<u>\$ (128)</u>	<u>\$ 1</u>	<u>\$ 159</u>	<u>\$ 158</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	\$ 20,000	\$ 27,686	\$ 7,686	\$ 15,000	\$ 19,512	\$ 4,512
Interest	800	769	(31)	-	796	796
TOTAL RECEIPTS	20,800	28,455	7,655	15,000	20,308	5,308
DISBURSEMENTS						
Sheriff	35,776	24,837	10,939	27,000	25,610	1,390
TOTAL DISBURSEMENTS	35,776	24,837	10,939	27,000	25,610	1,390
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(14,976)	3,618	18,594	(12,000)	(5,302)	6,698
CASH AND INVESTMENT BALANCE, January 1	16,526	16,526	-	21,828	21,828	-
CASH AND INVESTMENT BALANCE, December 31	\$ 1,550	\$ 20,144	\$ 18,594	\$ 9,828	\$ 16,526	\$ 6,698
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Interest	\$ 325	\$ 279	\$ (46)	\$ 525	\$ 324	\$ (201)
Other	2,350	3,932	1,582	3,725	2,360	(1,365)
TOTAL RECEIPTS	2,675	4,211	1,536	4,250	2,684	(1,566)
DISBURSEMENTS						
LEPC	4,000	3,591	409	6,000	2,383	3,617
TOTAL DISBURSEMENTS	4,000	3,591	409	6,000	2,383	3,617
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(1,325)	620	1,945	(1,750)	301	2,051
CASH AND INVESTMENT BALANCE, January 1	6,797	6,797	-	6,496	6,496	-
CASH AND INVESTMENT BALANCE, December 31	\$ 5,472	\$ 7,417	\$ 1,945	\$ 4,746	\$ 6,797	\$ 2,051

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	\$ 1,050	\$ 1,014	\$ (36)	\$ 375	\$ 970	\$ 595
TOTAL RECEIPTS	1,050	1,014	(36)	375	970	595
DISBURSEMENTS						
Transfer out	375	1,250	(875)	375	-	375
TOTAL DISBURSEMENTS	375	1,250	(875)	375	-	375
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	675	(236)	(911)	-	970	970
CASH AND INVESTMENT BALANCE, January 1	1,335	1,335	-	365	365	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2,010</u>	<u>\$ 1,099</u>	<u>\$ (911)</u>	<u>\$ 365</u>	<u>\$ 1,335</u>	<u>\$ 970</u>
<u>JUSTICE ASSISTANCE GRANT FUND</u>						
RECEIPTS						
Transfer in	\$ 24,707	\$ 41,608	\$ 16,901			
TOTAL RECEIPTS	24,707	41,608	16,901			
DISBURSEMENTS						
Justice assistance	24,705	41,608	(16,903)			
TOTAL DISBURSEMENTS	24,705	41,608	(16,903)			
EXCESS OF RECEIPTS OVER DISBURSEMENTS	2	-	(2)			
CASH AND INVESTMENT BALANCE, January 1	-	-	-			
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (2)</u>			

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DEPUTY SHERIFF SALARY FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 1,830	\$ 1,830			
Interest	-	1	1			
TOTAL RECEIPTS	-	1,831	1,831			
DISBURSEMENTS						
Deputy sheriff	-	1,421	(1,421)			
TOTAL DISBURSEMENTS	-	1,421	(1,421)			
EXCESS OF RECEIPTS OVER DISBURSEMENTS	-	410	410			
CASH AND INVESTMENT BALANCE, January 1	-	-	-			
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 410</u>	<u>\$ 410</u>			
<u>US MARSHALL FEDERAL SHARING FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 24	\$ 24			
Other	-	12,432	12,432			
TOTAL RECEIPTS	-	12,456	12,456			
DISBURSEMENTS						
Sheriff	-	-	-			
TOTAL DISBURSEMENTS	-	-	-			
EXCESS OF RECEIPTS OVER DISBURSEMENTS	-	12,456	12,456			
CASH AND INVESTMENT BALANCE, January 1	-	-	-			
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 12,456</u>	<u>\$ 12,456</u>			

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2008

	Sheriff Fund	Jail Inmate Fund	Interest of Common Schools Fund	Collector's Fund	Collector's Surtax Fund	Circuit Clerk Fund	Recorder's Fund	County Employee Retirement Fund	Inmate Security Fund	School Building Fund	County Interest Fund	Total
ASSETS												
Cash and investments	\$ 459	\$ 13,487	\$ 33,775	\$ 3,945,517	\$ 1,591	\$ 19,161	\$ -	\$ 1,035	\$ 7,026	\$ 6	\$ 5,734	\$ 4,027,792
TOTAL ASSETS	<u>\$ 459</u>	<u>\$ 13,487</u>	<u>\$ 33,775</u>	<u>\$ 3,945,517</u>	<u>\$ 1,591</u>	<u>\$ 19,161</u>	<u>\$ -</u>	<u>\$ 1,035</u>	<u>\$ 7,026</u>	<u>\$ 6</u>	<u>\$ 5,734</u>	<u>\$ 4,027,792</u>
LIABILITIES												
Due to others	\$ 459	\$ 13,487	\$ -	\$ -	\$ -	\$ 19,161	\$ -	\$ 1,035	\$ 7,026	\$ 6	\$ 5,734	\$ 46,909
Due to other governments	-	-	33,775	3,945,517	1,591	-	-	-	-	-	-	3,980,883
TOTAL LIABILITIES	<u>\$ 459</u>	<u>\$ 13,487</u>	<u>\$ 33,775</u>	<u>\$ 3,945,517</u>	<u>\$ 1,591</u>	<u>\$ 19,161</u>	<u>\$ -</u>	<u>\$ 1,035</u>	<u>\$ 7,026</u>	<u>\$ 6</u>	<u>\$ 5,734</u>	<u>\$ 4,027,792</u>

See accompanying notes.

ST. CLAIR COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2007

	Sheriff Fund	Jail Inmate Fund	Interest of Common Schools Fund	Collector's Fund	Collector's Surtax Fund	Circuit Clerk Fund	Recorder's Fund	County Employee Retirement Fund	Inmate Security Fund	School Building Fund	County Interest Fund	Total
ASSETS												
Cash and investments	\$ 17,267	\$ 17,440	\$ 47,861	\$ 3,807,206	\$ 2,046	\$ 18,207	\$ -	\$ 1	\$ 2,788	\$ 30	\$ 5,378	\$ 3,918,224
TOTAL ASSETS	<u>\$ 17,267</u>	<u>\$ 17,440</u>	<u>\$ 47,861</u>	<u>\$ 3,807,206</u>	<u>\$ 2,046</u>	<u>\$ 18,207</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2,788</u>	<u>\$ 30</u>	<u>\$ 5,378</u>	<u>\$ 3,918,224</u>
LIABILITIES												
Due to others	\$ 17,267	\$ 17,440	\$ -	\$ -	\$ -	\$ 18,207	\$ -	\$ 1	\$ 2,788	\$ 30	\$ 5,378	\$ 61,111
Due to other governments	-	-	47,861	3,807,206	2,046	-	-	-	-	-	-	3,857,113
TOTAL LIABILITIES	<u>\$ 17,267</u>	<u>\$ 17,440</u>	<u>\$ 47,861</u>	<u>\$ 3,807,206</u>	<u>\$ 2,046</u>	<u>\$ 18,207</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2,788</u>	<u>\$ 30</u>	<u>\$ 5,378</u>	<u>\$ 3,918,224</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Clair County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of St. Clair County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor’s Office, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

Fiduciary Funds – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
 - Deputy Sheriff Salary Fund
 - U.S. Marshall Federal Sharing Funds
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds of the County.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

NOTE B – CASH AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Cash and investments". In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2008 and 2007, all bank balances and certificates of deposit are entirely insured or collateralized with securities.

NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

Legal Matters

There are a number of claims and/or lawsuits to which the County is a party as a result of certain injuries and various other matters and complaints arising in the ordinary course of County activities. The County's management and legal counsel anticipate that the potential claims, if any, against the County resulting from such litigation would not have a material effect on the financial position of the County.

NOTE D – PENSION PLAN – CERF

STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND

Plan Description

St. Clair County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo 50.1000 to 50.1200. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF, Boone County National Bank, P.O. Box 577, Columbia, MO 65202 or by calling 1-800-357-8557.

ST. CLAIR COUNTY, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

NOTE D – PENSION PLAN – CERF (continued)

Funding Policy

St. Clair County's full-time employees hired before February 25, 2002, are required by state statute to contribute 0% of annual payroll to the pension plan. St. Clair County's full-time employees hired after February 25, 2002, are required by state statute to contribute 4% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

NOTE E – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2007 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2007</u>	<u>2008</u>
ASSESSED VALUATION		
Real estate	\$ 60,591,500	\$ 62,070,200
Personal property	<u>25,791,173</u>	<u>26,135,681</u>
	<u>\$ 86,382,673</u>	<u>\$ 88,205,881</u>
TAX LEVY		
General Fund	\$.3411	\$.3635
Special Road & Bridge Fund	<u>.2832</u>	<u>.2852</u>
	<u>\$.6243</u>	<u>\$.6487</u>

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE E – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN (continued)

The legal debt margin at December 31, 2008, is computed as follows:

	2007	2008
Constitutional debt limit	\$ 8,638,267	\$ 8,820,588
General obligation bonds payable	-	-
LEGAL DEBT MARGIN	<u>\$ 8,638,267</u>	<u>\$ 8,820,588</u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

NOTE F – LONG-TERM DEBT

In 2006, the County entered into a cancelable lease purchase agreement to finance the purchase of a mower tractor at a cost of \$26,921. The agreement requires annual payments of \$14,518, which includes interest at 8.0% until 2008.

In 2006, the County entered into a cancelable lease purchase agreement to finance the purchase of a wheel loader at a total cost of \$66,676. The agreement requires annual payments of \$14,559, which includes interest at 4.5% until 2010.

In 2006, the County entered into a cancelable lease purchase agreement to finance the purchase of three vehicles at a total cost of \$91,807. The agreement requires yearly payments of \$32,402, which includes interest at 6.0% until 2008.

In June 2007, the County entered into a cancelable lease purchase agreement to finance the purchase of two road graders at a total cost of \$60,454. The agreement requires annual payments of \$13,390, which includes interest at 5.25% until 2011.

In April 2007, the County entered into a cancelable lease purchase agreement to finance the purchase of two road graders at a total cost of \$196,814. The agreement requires annual payments of \$43,591, which includes interest at 5.25%.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE F – LONG-TERM DEBT (continued)

In 2007, the County entered into a cancelable lease purchase agreement to finance the purchase of two vehicles at a total cost of \$22,482. The agreement requires yearly payments of \$11,566, which includes interest at 5.95 % until 2008.

In 2007, the County entered into a cancelable lease purchase agreement to finance the purchase of seven vehicles at a total cost of \$108,233. The agreement requires annual payments of \$38,164, which includes interest at 5.9% until 2009.

In 2008, the County entered into a cancelable lease purchase agreement to finance the purchase of a backhoe at a total cost of \$76,844. The agreement requires yearly payments of \$27,583, which includes interest at 7.6% until 2010.

Although the agreements provide for cancellation of the leases if the County should fail to appropriate funds at the annual renewal dates, the County does not foresee exercising its options to cancel.

The annual requirements to amortize the principal of the leases are as follows:

Year Ended December 31,	Wheel Loader Lease	Backhoe Lease	Two John Deere Graders Lease	Two John Deere Graders Lease	Ford Vehicles Lease	Total Lease Payments
2009	\$ 14,559	\$ 27,583	\$ 13,390	\$ 43,591	\$ 38,165	\$ 137,288
2010	14,559	27,583	13,390	43,591	-	99,123
2011	-	-	13,331	43,591	-	56,922
	29,118	55,165	40,111	130,773	38,165	293,332
Less Portion Representing Interest	(1,890)	(5,904)	(4,194)	(8,711)	(2,127)	(22,826)
Minimum Future Lease Payments	<u>\$ 27,228</u>	<u>\$ 49,261</u>	<u>\$ 35,917</u>	<u>\$ 122,062</u>	<u>\$ 36,038</u>	<u>\$ 270,506</u>

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE F – LONG-TERM DEBT (continued)

The following is the change in long-term debt for the years ending December 31, 2008 and 2007.

	Balance December 31, 2006			Balance December 31, 2007			Balance December 31, 2008	
	<u>2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>2008</u>	
Capital Lease Obligations								
2006 Tractor Lease	\$ 26,921	\$ -	\$ 13,356	\$ 13,565	\$ -	\$ 13,565	\$ -	
2006 Wheel Loader Lease	52,117	-	12,165	39,952	-	12,724	27,228	
2006 Ford Vehicles Lease	59,408	-	28,840	30,568	-	30,568	-	
2007 Two John Deere Graders Lease	-	60,454	13,390	47,064	-	11,147	35,917	
2007 Two John Deere Graders Lease	-	196,814	43,591	153,223	-	31,161	122,062	
2007 Ford Vehicles Lease	-	108,233	38,164	70,069	-	34,031	36,038	
2007 Ford Vehicle Lease	-	22,482	11,566	10,916	-	10,916	-	
2008 Backhoe Lease	-	-	-	-	76,844	27,583	49,261	
	<u>\$ 138,446</u>	<u>\$ 387,983</u>	<u>\$ 161,072</u>	<u>\$ 365,357</u>	<u>\$ 76,844</u>	<u>\$ 171,695</u>	<u>\$ 270,506</u>	

NOTE G – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE H – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2008 and 2007, consisted of the following:

	Transfers In (Out)	
	2008	2007
General Fund	\$ (53,079)	\$ (50,406)
Assessment Fund	10,900	11,667
Election Service Fund	-	(769)
Sheriff Drug Fund	-	18,430
Help America Vote Act Fund	1,465	24,033
Justice Assistance Grant Fund	41,608	-
Domestic Violence Fund	(1,250)	-
Super Now Fund	356	(531)
Law Library Fund	-	(2,424)
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

County Commission
St. Clair County
Osceola, Missouri

We have audited the financial statements of St. Clair County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 12, 2009. The financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of St. Clair County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

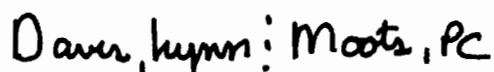
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of St. Clair County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of St. Clair County, Missouri, in a separate letter dated June 12, 2009.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Lynn: Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
June 12, 2009

ST. CLAIR COUNTY
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
Years ended December 31, 2008 and 2007

08-1 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

St. Clair County Commission
St. Clair County
Osceola, Missouri

In planning and performing our audit of the basic financial statements of St. Clair County, Missouri for the years ended December 31, 2008 and 2007, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Law Library Fund

The County currently maintains a Law Library Fund. Although the monies are to be used for the benefit of the Prosecutor's office, these monies represent County funds. Therefore the same policies of the County regarding receipts and disbursements should be followed for these funds as with other funds of the County.

We Recommend:

The County require these funds to be deposited with the County treasurer in the Law Library Fund. The approval process for expenditures out of this fund should follow the same procedures as with other County expenditures.

2. Wire Transfers

The depository agreements with the County banking institutions do not address by whom and to whom a wire transfer may be made. This is a necessary internal control procedure to prevent unauthorized wire transfers.

We Recommend:

The County include in future depository agreements with its banking institutions, who is authorized to make wire transfers for the County and to whom wire transfers are allowed.

3. New Bank Accounts

The County currently does not have a policy in place outlining the procedures required for opening new bank accounts. This policy should address what must be contained in the depository agreement regarding new bank accounts. The policy should also address the procedures necessary for County officials to perform when opening new bank accounts. This is a necessary internal control procedure to ensure all accounts are properly accounted for by the County Clerk's office. This would also help prevent unauthorized accounts from being opened under the County's identification.

We Recommend:

The County adopt policies addressing the procedures necessary for opening new bank accounts and modify the depository agreement as necessary with its banking institutions.

4. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo. in the current year as a deficit was budgeted in the Sheriff Drug Fund, and actual disbursements exceeded budgeted disbursements in the Prosecuting Attorney Administrative Cost Fund, HAVA Fund, Domestic Violence Fund, Law Library Fund and Justice Assistance Grant Fund. Also, the County did not adopt a budget for the Deputy Sheriff Salary and U.S. Marshall Federal Sharing Funds.

We Recommend:

The County adopt a budget for all funds of the County and amend the budget as necessary to ensure a deficit is not budgeted and actual disbursements do not exceed budgeted disbursements.

St. Clair County Commission
St. Clair County
Osceola, Missouri
Page Three

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as St. Clair County's independent auditor and the courtesies and assistance extended to us by the County's employees.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
June 12, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

County Commission
St. Clair County
Osceola, Missouri

We have audited the basic financial statements of St. Clair County, Missouri for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 12, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 20, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by St. Clair County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management for the following:

- Investment Activity

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 12, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

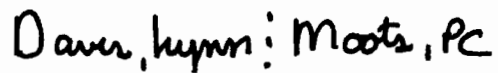
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

St. Clair County Commission
St. Clair County
Osceola, Missouri
Page Three

This report is intended solely for the use of the County Commission and management of St. Clair County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.
June 12, 2009



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Laclede County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Laclede County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-83

LACLEDE COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
 BASIC FINANCIAL STATEMENTS	
Statements of Net Assets – Cash Basis	6
Statement of Activities – Cash Basis	
Year Ended December 31, 2008	7
Year Ended December 31, 2007	8
Statement of Assets and Fund Balances – Governmental Funds – Cash Basis	
December 31, 2008	9
December 31, 2007	10
Statement of Receipts, Disbursements and Changes in Fund Balance – Governmental Funds – Cash Basis	
Year Ended December 31, 2008	11
Year Ended December 31, 2007	13
Statements of Net Assets – Proprietary Fund – Cash Basis.....	15
Statements of Receipts, Disbursements and Changes in Net Assets – Proprietary Fund – Cash Basis.....	16
Statements of Cash Flows – Proprietary Fund – Cash Basis	17
Statement of Assets and Liabilities – Arising from Cash Transactions - Agency Funds	
December 31, 2008	18
December 31, 2007	20
Notes to Financial Statements.....	22
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund – Cash Basis	
Year Ended December 31, 2008	32
Year Ended December 31, 2007	34
Budgetary Comparison Schedule – Road and Bridge Fund – Cash Basis	
Year Ended December 31, 2008	36
Year Ended December 31, 2007	37

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – Law Enforcement Sales Tax Fund – Cash Basis	
Year Ended December 31, 2008	38
Year Ended December 31, 2007	39
Budgetary Comparison Schedule – Capital Improvement Fund – Cash Basis	
Year Ended December 31, 2008	40
Year Ended December 31, 2007	41
Budgetary Comparison Schedule – County Development Tax Fund – Cash Basis	
Year Ended December 31, 2008	42
Year Ended December 31, 2007	43

OTHER FINANCIAL INFORMATION

Combining Statement of Assets and Fund Balances – Non-Major Special Revenue Funds – Cash Basis	
December 31, 2008	45
December 31, 2007	47
Combining Statement of Receipts, Disbursements, and Changes in Fund Balance – Non-Major Special Revenue Funds – Cash Basis	
Year Ended December 31, 2008	49
Year Ended December 31, 2007	51
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	53
Independent Auditors’ Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Expenditures of Federal Awards	57
Summary Schedule of Findings and Questioned Costs	59
Schedule of Prior Audit Findings	62



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

Laclede County Commission
Laclede County
Lebanon, Missouri

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laclede County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laclede County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, the basic financial statements of the Primary Government of Laclede County, Missouri and the Developmentally Disabled Board were prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for Laclede County Health Center, a legally separate component unit of the County. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units are not reasonably determinable.

Laclede County Commission
Laclede County
Lebanon, Missouri

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Laclede County, Missouri, as of December 31, 2008 and 2007, or the changes in financial position thereof for the years then ended.

Further, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laclede County, Missouri, as of December 31, 2008 and 2007, and the respective changes in cash basis financial position and cash flows, where applicable, thereof for the years then ended, in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Laclede County, Missouri has not presented the Management Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laclede County, Missouri's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
June 9, 2009

LACLEDE COUNTY, MISSOURI
 STATEMENTS OF NET ASSETS – CASH BASIS
 December 31, 2008 and 2007

	Primary Government		Component Unit	
	Governmental		Developmentally	
	Activities		Disabled Board	
	2008	2007	2008	2007
ASSETS				
Cash and cash equivalents	\$ 6,560,841	\$ 6,791,463	\$ 17,902	\$ 9,503
TOTAL ASSETS	<u>\$ 6,560,841</u>	<u>\$ 6,791,463</u>	<u>\$ 17,902</u>	<u>\$ 9,503</u>
NET ASSETS				
Unrestricted	\$ 1,929,157	\$ 2,258,449	\$ 17,902	\$ 9,503
Restricted	<u>4,631,684</u>	<u>4,533,014</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 6,560,841</u>	<u>\$ 6,791,463</u>	<u>\$ 17,902</u>	<u>\$ 9,503</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI
STATEMENT OF ACTIVITIES – CASH BASIS
Year Ended December 31, 2008

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Develop- mentally Disabled Board
Primary Government						
Governmental Activities						
General government	\$ (2,139,767)	\$ 969,780	\$ 13,412	\$ -	\$ (1,156,575)	\$ -
Judicial	(552,186)	600,189	-	-	48,003	-
Public safety	(2,340,025)	719,184	36,460	74,394	(1,509,987)	-
Intergovernmental agreements	(307,630)	-	-	-	(307,630)	-
Highways and roads	(2,221,913)	1,510	44,909	-	(2,175,494)	-
Disaster recovery	(991,392)	-	258,365	-	(733,027)	-
Other	(93,012)	-	-	-	(93,012)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>(8,645,925)</u>	<u>2,290,663</u>	<u>353,146</u>	<u>74,394</u>	<u>(5,927,722)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (8,645,925)</u>	<u>\$ 2,290,663</u>	<u>\$ 353,146</u>	<u>\$ 74,394</u>	<u>(5,927,722)</u>	<u>-</u>
Component Unit						
Developmentally Disabled Board	\$ (270,432)	\$ -	\$ -	\$ -	-	(270,432)
TOTAL COMPONENT UNIT	<u>\$ (270,432)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(270,432)</u>
General Receipts:						
Ad valorem taxes					319,630	238,678
Sales tax					3,737,744	-
Motor vehicle sales and gas taxes					803,470	-
Telephone tax					403,806	-
Other taxes					178,973	40,131
Interest					176,935	22
Other receipts					76,542	-
Total General Receipts					<u>5,697,100</u>	<u>278,831</u>
Increase (Decrease) in Net Assets					(230,622)	8,399
Net Assets, Beginning of year					<u>6,791,463</u>	<u>9,503</u>
Net Assets, End of year					<u>\$ 6,560,841</u>	<u>\$ 17,902</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI
STATEMENT OF ACTIVITIES – CASH BASIS
Year Ended December 31, 2007

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Develop- mentally Disabled Board
Primary Government						
Governmental Activities						
General government	\$ (1,898,797)	\$ 963,447	\$ 9,059	\$ -	\$ (926,291)	\$ -
Judicial	(538,338)	642,266	-	-	103,928	-
Public safety	(2,428,654)	719,499	36,707	-	(1,672,448)	-
Intergovernmental agreements	(314,958)	-	-	-	(314,958)	-
Highways and roads	(1,884,296)	2,596	25,161	-	(1,856,539)	-
Capital outlay	(475,000)	-	-	475,000	-	-
Disaster recovery	(1,391,977)	-	1,918,293	-	526,316	-
Other	(130,095)	-	-	-	(130,095)	-
TOTAL GOVERNMENTAL ACTIVITIES	(9,062,115)	2,327,808	1,989,220	475,000	(4,270,087)	-
TOTAL PRIMARY GOVERNMENT	<u>\$ (9,062,115)</u>	<u>\$ 2,327,808</u>	<u>\$ 1,989,220</u>	<u>\$ 475,000</u>	(4,270,087)	-
Component Unit						
Developmentally Disabled Board	\$ (257,438)	\$ -	\$ -	\$ -	-	(257,438)
TOTAL COMPONENT UNIT	<u>\$ (257,438)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	(257,438)
General Receipts:						
Ad valorem taxes					179,868	223,834
Sales tax					4,043,457	-
Motor vehicle sales tax					887,260	-
Telephone tax					417,087	-
Other taxes					162,174	37,733
Interest					327,922	30
Other receipts					30,641	-
Total General Receipts					6,048,409	261,597
Increase in Net Assets					1,778,322	4,159
Net Assets, Beginning of year					5,013,141	5,344
Net Assets, End of year					<u>\$ 6,791,463</u>	<u>\$ 9,503</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – CASH BASIS
December 31, 2008

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,929,157	\$ 168,933	\$ 1,106,176	\$ 1,281,671	\$ 627,489	\$ 1,431,840	\$ 6,545,266
TOTAL ASSETS	<u>\$ 1,929,157</u>	<u>\$ 168,933</u>	<u>\$ 1,106,176</u>	<u>\$ 1,281,671</u>	<u>\$ 627,489</u>	<u>\$ 1,431,840</u>	<u>\$ 6,545,266</u>
FUND BALANCES							
Fund Balances							
Unreserved, reported in:							
General Fund	\$ 1,929,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,929,157
Special Revenue Fund	<u>-</u>	<u>168,933</u>	<u>1,106,176</u>	<u>1,281,671</u>	<u>627,489</u>	<u>1,431,840</u>	<u>4,616,109</u>
TOTAL FUND BALANCES	<u>\$ 1,929,157</u>	<u>\$ 168,933</u>	<u>\$ 1,106,176</u>	<u>\$ 1,281,671</u>	<u>\$ 627,489</u>	<u>\$ 1,431,840</u>	<u>\$ 6,545,266</u>
Fund Balance Governmental Funds							\$ 6,545,266
Some of the amounts reported for Governmental activities in the Statement of Net Assets are different because internal service fund assets are included with Governmental activities.							<u>15,575</u>
Net Assets of Governmental Activities							<u>\$ 6,560,841</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – CASH BASIS
December 31, 2007

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,258,449	\$ 362,879	\$ 1,013,777	\$ 1,387,663	\$ 437,911	\$ 1,316,247	\$ 6,776,926
TOTAL ASSETS	<u>\$ 2,258,449</u>	<u>\$ 362,879</u>	<u>\$ 1,013,777</u>	<u>\$ 1,387,663</u>	<u>\$ 437,911</u>	<u>\$ 1,316,247</u>	<u>\$ 6,776,926</u>
FUND BALANCES							
Fund Balances							
Unreserved, reported in:							
General Fund	\$ 2,258,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,258,449
Special Revenue Fund	-	362,879	1,013,777	1,387,663	437,911	1,316,247	4,518,477
TOTAL FUND BALANCES	<u>\$ 2,258,449</u>	<u>\$ 362,879</u>	<u>\$ 1,013,777</u>	<u>\$ 1,387,663</u>	<u>\$ 437,911</u>	<u>\$ 1,316,247</u>	<u>\$ 6,776,926</u>
Fund Balance Governmental Funds							\$ 6,776,926
Some of the amounts reported for Governmental activities in the Statement of Net Assets are different because internal service fund assets are included with Governmental activities.							<u>14,537</u>
Net Assets of Governmental Activities							<u>\$ 6,791,463</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – CASH BASIS

Year Ended December 31, 2008

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS							
Taxes	\$ 2,332,624	\$ 796,248	\$ -	\$ 24,441	\$ 1,870,241	\$ 403,806	\$ 5,427,360
Collector's commission	293,504	-	-	-	-	-	293,504
Licenses and permits	32,172	-	-	-	-	-	32,172
Intergovernmental receipts	15,666	44,909	88,202	258,365	-	20,399	427,541
Fees and charges	1,364,534	1,510	-	-	-	588,618	1,954,662
Interest	69,986	9,275	25,719	594	18,409	52,954	176,937
Other	12,754	63,577	210	-	-	26,586	103,127
TOTAL RECEIPTS	4,121,240	915,519	114,131	283,400	1,888,650	1,092,363	8,415,303
DISBURSEMENTS							
Current							
General government	1,747,626	-	-	-	-	393,179	2,140,805
Judicial	517,773	-	-	-	-	34,413	552,186
Public safety	1,483,628	-	25,500	-	-	452,386	1,961,514
Other	93,012	-	-	-	-	-	93,012
Intergovernmental agreements	-	-	-	-	307,630	-	307,630
Highways and roads	-	2,221,913	-	-	-	-	2,221,913
Disaster recovery	-	-	-	991,392	-	-	991,392
TOTAL DISBURSEMENTS	3,842,039	2,221,913	25,500	991,392	307,630	879,978	8,268,452
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	279,201	(1,306,394)	88,631	(707,992)	1,581,020	212,385	146,851
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	(608,493)	1,112,448	3,768	602,000	(1,391,442)	(96,792)	(378,511)
TOTAL OTHER FINANCING SOURCES (USES)	(608,493)	1,112,448	3,768	602,000	(1,391,442)	(96,792)	(378,511)

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – CASH BASIS
(CONTINUED)

Year Ended December 31, 2008

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(329,292)	(193,946)	92,399	(105,992)	189,578	115,593	(231,660)
FUND BALANCE, January 1	<u>2,258,449</u>	<u>362,879</u>	<u>1,013,777</u>	<u>1,387,663</u>	<u>437,911</u>	<u>1,316,247</u>	<u>6,776,926</u>
FUND BALANCE, December 31	<u>\$ 1,929,157</u>	<u>\$ 168,933</u>	<u>\$ 1,106,176</u>	<u>\$ 1,281,671</u>	<u>\$ 627,489</u>	<u>\$ 1,431,840</u>	<u>\$ 6,545,266</u>

(Deficit) of Receipts and Other Sources

Over Disbursements and Other (Uses)

\$ (231,660)

Some of the amounts reported for Governmental activities in the
Statement of Activities are different because the Internal Service
Fund receipts and disbursements are included with Governmental activities.

1,038

(Decrease) in Net Assets

\$ (230,622)

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – CASH BASIS

Year Ended December 31, 2007

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS							
Taxes	\$ 2,330,652	\$ 881,092	\$ -	\$ 30,443	\$ 2,018,456	\$ 417,087	\$ 5,677,730
Collector's commission	273,400	-	-	-	-	-	273,400
Licenses and permits	32,026	-	-	-	-	-	32,026
Intergovernmental receipts	23,108	25,161	-	1,918,294	-	497,658	2,464,221
Fees and charges	1,445,261	2,596	-	-	-	574,525	2,022,382
Interest	122,164	8,553	55,803	1,093	38,796	101,513	327,922
Other	19,478	6,970	4,192	-	-	12,116	42,756
TOTAL RECEIPTS	4,246,089	924,372	59,995	1,949,830	2,057,252	1,602,899	10,840,437
DISBURSEMENTS							
Current							
General government	1,558,632	-	-	-	-	340,014	1,898,646
Judicial	500,863	-	-	-	-	37,475	538,338
Public safety	1,471,118	-	119,009	-	-	428,939	2,019,066
Other	130,095	-	-	-	-	-	130,095
Intergovernmental agreements	-	-	-	-	314,958	-	314,958
Highways and roads	-	1,884,296	-	-	-	-	1,884,296
Capital outlay	-	-	-	-	-	475,000	475,000
Disaster recovery	-	-	-	1,391,977	-	-	1,391,977
TOTAL DISBURSEMENTS	3,660,708	1,884,296	119,009	1,391,977	314,958	1,281,428	8,652,376
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	585,381	(959,924)	(59,014)	557,853	1,742,294	321,471	2,188,061
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	(97,813)	1,252,699	-	192,180	(1,630,000)	(126,654)	(409,588)
TOTAL OTHER FINANCING SOURCES (USES)	(97,813)	1,252,699	-	192,180	(1,630,000)	(126,654)	(409,588)

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – CASH BASIS
(CONTINUED)

Year Ended December 31, 2007

	General Fund	Road and Bridge Fund	Law Enforcement Sales Tax Fund	Capital Improvement Fund	County Development Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	487,568	292,775	(59,014)	750,033	112,294	194,817	1,778,473
FUND BALANCE, January 1	<u>1,770,881</u>	<u>70,104</u>	<u>1,072,791</u>	<u>637,630</u>	<u>325,617</u>	<u>1,121,430</u>	<u>4,998,453</u>
FUND BALANCE, December 31	<u>\$ 2,258,449</u>	<u>\$ 362,879</u>	<u>\$ 1,013,777</u>	<u>\$ 1,387,663</u>	<u>\$ 437,911</u>	<u>\$ 1,316,247</u>	<u>\$ 6,776,926</u>

Excess of Receipts and Other Sources
Over Disbursements and Other (Uses)

\$ 1,778,473

Some of the amounts reported for Governmental activities in the
Statement of Activities are different because the Internal Service
Fund receipts and disbursements are included with Governmental activities.

(151)

Increase in Net Assets

\$ 1,778,322

See accompanying notes.

LACLEDE COUNTY, MISSOURI
 STATEMENTS OF NET ASSETS – PROPRIETARY FUND – CASH BASIS
 December 31, 2008 and 2007

		Internal Service Fund	
		2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 15,575	\$ 14,537
	TOTAL ASSETS	<u>\$ 15,575</u>	<u>\$ 14,537</u>
Net Assets			
Unrestricted		\$ 15,575	\$ 14,537
	TOTAL NET ASSETS	<u>\$ 15,575</u>	<u>\$ 14,537</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS – PROPRIETARY
FUND – CASH BASIS

Years ended December 31, 2008 and 2007

		Internal Service Fund	
		2008	2007
OPERATING RECIEPTS			
Charges for services		\$ 42,256	\$ 44,937
TOTAL OPERATING RECEIPTS		42,256	44,937
OPERATING DISBURSEMENTS			
Insurance claims and disbursements		420,076	459,215
TOTAL OPERATING DISBURSEMENTS		420,076	459,215
OPERATING (LOSS)		(377,820)	(414,278)
NONOPERATING RECEIPTS			
Interest receipts		347	4,539
TOTAL NONOPERATING RECEIPTS		347	4,539
OTHER FINANCING SOURCES			
Operating transfers in		378,511	409,588
NET INCOME (LOSS)		1,038	(151)
NET ASSETS, January 1		14,537	14,688
NET ASSETS, December 31		\$ 15,575	\$ 14,537

See accompanying notes.

LACLEDE COUNTY, MISSOURI
 STATEMENTS OF CASH FLOWS – PROPRIETARY FUND – CASH BASIS
 Years ended December 31, 2008 and 2007

	Internal Service Fund	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 42,256	\$ 44,937
Cash paid to suppliers	(420,076)	(459,215)
NET CASH (USED) BY OPERATING ACTIVITIES	(377,820)	(414,278)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in	378,511	409,588
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	378,511	409,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	347	4,539
NET CASH PROVIDED BY INVESTING ACTIVITIES	347	4,539
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,038	(151)
CASH AND CASH EQUIVALENTS, Beginning of year	14,537	14,688
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 15,575</u>	<u>\$ 14,537</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	<u>\$ (377,820)</u>	<u>\$ (414,278)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (377,820)</u>	<u>\$ (414,278)</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES – ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS

December 31, 2008

	Sheriff's Office Jail Fund	Sheriff's Office Inmate Security Fund	Sheriff's Office Commissary Fund	Sheriff's Office Forfeiture Fund	Sheriff's Office Bond Fund	Collector's Protest Fund	Collector of Revenue Fund	Special Election Fund	Land Sales Surplus Fund
ASSETS									
Cash and cash equivalents	\$ 36,139	\$ 9,863	\$ 6,047	\$ 5,098	\$ 250	\$ 52,987	\$ 13,840,743	\$ 2,520	\$ 20,817
TOTAL ASSETS	<u>\$ 36,139</u>	<u>\$ 9,863</u>	<u>\$ 6,047</u>	<u>\$ 5,098</u>	<u>\$ 250</u>	<u>\$ 52,987</u>	<u>\$ 13,840,743</u>	<u>\$ 2,520</u>	<u>\$ 20,817</u>
LIABILITIES									
Due to others	\$ -	\$ 9,863	\$ 6,047	\$ 5,098	\$ 250	\$ 52,987	\$ 344,107	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	753,828	-	-
Due to other governments	36,139	-	-	-	-	-	12,742,808	2,520	20,817
TOTAL LIABILITIES	<u>\$ 36,139</u>	<u>\$ 9,863</u>	<u>\$ 6,047</u>	<u>\$ 5,098</u>	<u>\$ 250</u>	<u>\$ 52,987</u>	<u>\$ 13,840,743</u>	<u>\$ 2,520</u>	<u>\$ 20,817</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES – ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS (CONTINUED)

December 31, 2008

	Circuit Clerk Time Payment Fund	Unclaimed Fee Fund	Fines and Forfeitures Fund	Circuit Clerk Fund	Recorder's User Fee Fund	Prosecuting Attorney Restitution Fund	Prosecuting Attorney Bad Check Fund	Total
ASSETS								
Cash and cash equivalents	\$ 9,651	\$ 11,496	\$ 98,217	\$ 500,371	\$ 16,597	\$ 10,641	\$ 8,039	\$ 14,629,476
TOTAL ASSETS	<u>\$ 9,651</u>	<u>\$ 11,496</u>	<u>\$ 98,217</u>	<u>\$ 500,371</u>	<u>\$ 16,597</u>	<u>\$ 10,641</u>	<u>\$ 8,039</u>	<u>\$ 14,629,476</u>
LIABILITIES								
Due to others	\$ 9,651	\$ 11,496	\$ -	\$ 43,151	\$ -	\$ 10,641	\$ 8,039	\$ 501,330
Due to other funds	-	-	-	-	-	-	-	753,828
Due to other governments	-	-	98,217	457,220	16,597	-	-	13,374,318
TOTAL LIABILITIES	<u>\$ 9,651</u>	<u>\$ 11,496</u>	<u>\$ 98,217</u>	<u>\$ 500,371</u>	<u>\$ 16,597</u>	<u>\$ 10,641</u>	<u>\$ 8,039</u>	<u>\$ 14,629,476</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES – ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS

December 31, 2007

	Sheriff's Office Jail Fund	Sheriff's Office Inmate Security Fund	Sheriff's Office Commissary Fund	Sheriff's Office Forfeiture Fund	Collector's Protest Fund	Collector of Revenue Fund	Special Election Fund	Land Sales Surplus Fund
ASSETS								
Cash and cash equivalents	\$ 17,156	\$ 4,685	\$ 33,286	\$ 5,043	\$ 256	\$ 13,366,422	\$ 818	\$ 23,116
TOTAL ASSETS	<u>\$ 17,156</u>	<u>\$ 4,685</u>	<u>\$ 33,286</u>	<u>\$ 5,043</u>	<u>\$ 256</u>	<u>\$ 13,366,422</u>	<u>\$ 818</u>	<u>\$ 23,116</u>
LIABILITIES								
Due to others	\$ -	\$ 4,685	\$ 33,286	\$ 5,043	\$ 256	\$ 249,629	\$ -	\$ -
Due to other funds	-	-	-	-	-	720,911	-	-
Due to other governments	17,156	-	-	-	-	12,395,882	818	23,116
TOTAL LIABILITIES	<u>\$ 17,156</u>	<u>\$ 4,685</u>	<u>\$ 33,286</u>	<u>\$ 5,043</u>	<u>\$ 256</u>	<u>\$ 13,366,422</u>	<u>\$ 818</u>	<u>\$ 23,116</u>

See accompanying notes.

LACLEDE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES – ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS (CONTINUED)

December 31, 2007

	Circuit Clerk Time Payment Fund	Unclaimed Fee Fund	Fines and Forfeitures Fund	Circuit Clerk Fund	Recorder's User Fee Fund	Prosecuting Attorney Restitution Fund	Prosecuting Attorney Bad Check Fund	Total
ASSETS								
Cash and cash equivalents	\$ 9,038	\$ 21,750	\$ 93,375	\$ 979,477	\$ 17,253	\$ 7,615	\$ 9,259	\$ 14,588,549
TOTAL ASSETS	<u>\$ 9,038</u>	<u>\$ 21,750</u>	<u>\$ 93,375</u>	<u>\$ 979,477</u>	<u>\$ 17,253</u>	<u>\$ 7,615</u>	<u>\$ 9,259</u>	<u>\$ 14,588,549</u>
LIABILITIES								
Due to others	\$ 9,038	\$ 21,750	\$ -	\$ 358,624	\$ -	\$ 7,615	\$ 9,259	\$ 699,185
Due to other funds	-	-	-	-	-	-	-	720,911
Due to other governments	-	-	93,375	620,853	17,253	-	-	13,168,453
TOTAL LIABILITIES	<u>\$ 9,038</u>	<u>\$ 21,750</u>	<u>\$ 93,375</u>	<u>\$ 979,477</u>	<u>\$ 17,253</u>	<u>\$ 7,615</u>	<u>\$ 9,259</u>	<u>\$ 14,588,549</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laclede County, Missouri (the County) is a county of the 3rd class and operates under a three member County Commission.

The accounting methods and procedures adopted by the primary government of Laclede County, Missouri, and the Developmentally Disabled Board conform to the cash basis of accounting as applied to governmental entities. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The County is a primary government, which is governed by a three member county commission. As required by accounting principles generally accepted in the United States of America, the County has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The financial statements of Laclede County Health Center are not included in these financial statements as required by accounting principles generally accepted in the United States of America. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Component Unit

Developmentally Disabled Board

The Developmentally Disabled Board, which is governed by a board of directors appointed by the County Commission, provides disability services to the residents of Laclede County. The Developmentally Disabled Board is included in the financial statements of the County as a component unit due to its financial relationship with the County.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the primary government. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, the governmental activities are consolidated and presented on the cash basis of accounting.

The government-wide Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the County's governmental activities. Direct disbursements are those that are specifically associated with a program or a function. Program receipts include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital disbursements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the County's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories.

The County reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund: The Road and Bridge Fund of the County is used to account for resources restricted for highway and road disbursements.

Law Enforcement Sales Tax Fund: The Law Enforcement Sales Tax Fund is used to account for sales tax receipts designated for law enforcement disbursements.

Capital Improvement Fund: The Capital Improvement Fund is used to account for the resources designated for capital improvements.

County Development Tax Fund: The County Development Tax Fund is used to account for sales taxes designated for road improvements within the County.

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County also reports the following fund types:

The Internal Service Fund accounts for the health insurance benefits of the County on a cost reimbursement basis.

Agency funds account for miscellaneous assets held by the County for other funds, governmental units, and individuals. The agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements for the County and the Developmentally Disabled Board, are presented using a cash basis of accounting. This basis recognizes assets, net assets/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental funds would use the modified accrual basis of accounting. All government-wide financial statements and proprietary fund financial statements would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

The County pools cash and cash equivalent resources of various funds in the County Treasurer's office in order to facilitate the management of cash and cash equivalents. Cash applicable to a particular fund is readily identifiable. Some County offices also hold cash and cash equivalents in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements. Cash equivalents of the County consist of money market accounts and are carried at cost, which approximates fair market value.

Fund Equity

The unreserved and undesignated fund balances for Governmental Fund Types represent the amount available for budgeting future operations.

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

It is the County’s policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Compensated Absences

The County has a county-wide policy on vacation and sick leave for all employees. Leave is taken at the discretion of each officeholder. The accumulated liability for compensated absences as of December 31, 2008, and 2007 was \$13,402 and \$9,658 respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the County considers all accounts subject to withdrawal by check or on demand to be cash and cash equivalents. All other deposits are considered to be investments.

NOTE B – CASH AND CASH EQUIVALENTS

The County maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type’s portion of this pool is displayed as “Cash and cash equivalents”. In addition, cash and cash equivalents are separately held by several of the County’s funds. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2008 and 2007, all bank balances on deposit are entirely insured or collateralized with securities.

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

Legal Matters

There are a number of claims and/or lawsuits to which the County is a party as a result of certain injuries and various other matters and complaints arising in the ordinary course of County activities. The County's management and legal counsel anticipate that the potential claims, if any, against the County resulting from such litigation would not have a material effect on the financial position of the County.

NOTE D – PENSION PLAN – CERF

STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND

Plan Description

Laclede County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo 50.1000 to 50.1200. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF, Boone County National Bank, P.O. Box 577, Columbia, MO 65202 or by calling 1-800-357-8557.

LACLEDE COUNTY, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2008 and 2007

NOTE D – PENSION PLAN – CERF (continued)

Funding Policy

Laclede County's full-time employees hired before February 25, 2002, are required by state statute to contribute 0% of annual payroll to the pension plan. Laclede County's full-time employees hired after February 25, 2002, are required by state statute to contribute 4% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

NOTE E – OPERATING LEASES

As of December 31, 2008, the County was committed on two backhoe loader operating leases. The future minimum lease payments are \$10,174 for 2009.

NOTE F – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2008 and 2007 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

ASSESSED VALUATION	2008	2007
Real estate	\$ 260,366,550	\$ 252,123,840
Personal property	98,892,909	101,700,118
	<u>\$ 359,259,459</u>	<u>\$ 353,823,958</u>
TAX LEVY		
General Fund	\$.1147	\$.0843
Developmentally Disabled Board	.0655	.0655
	<u>\$.1802</u>	<u>\$.1498</u>

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE F – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN (continued)

The legal debt margin at December 31, 2008 and 2007, is computed as follows:

	2008	2007
Constitutional debt limit	\$ 35,925,946	\$ 35,382,396
General obligation bonds payable	(47,000)	(51,000)
LEGAL DEBT MARGIN	<u>\$ 35,878,946</u>	<u>\$ 35,331,396</u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

NOTE G – LONG-TERM DEBT

In 1999, the County issued \$78,000 in Limited General Obligation Bonds. The bonds bear interest at 6.5% with principal and interest payments due on March 1 of each year. The annual debt service requirements to amortize the principal of the Limited General Obligation Bonds outstanding at December 31, 2008, are listed in the table below.

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2009	\$ 4,000	\$ 3,055	\$ 7,055
2010	4,000	2,795	6,795
2011	5,000	2,535	7,535
2012	5,000	2,210	7,210
2013	5,000	1,885	6,885
2014	5,000	1,560	6,560
2015	6,000	1,235	7,235
2016	6,000	845	6,845
2017	7,000	455	7,455
	<u>\$ 47,000</u>	<u>\$ 16,575</u>	<u>\$ 63,575</u>

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE G – LONG-TERM DEBT (continued)

In 2003, the County entered into a cancelable lease purchase agreement to finance the purchase of a road grader at a cost of \$90,590. The agreement requires annual payments of \$19,564, which includes interest at 3.90% until 2007. This lease was paid off in 2007.

In 2005, the County entered into a cancelable lease purchase agreement to finance the purchase of three road graders at a total cost of \$433,050. The agreement requires annual payments of \$116,553, which includes interest at 4.75%. This lease was paid off in 2008.

In 2006, the County entered into a cancelable lease purchase agreement to finance the purchase of a tractor at a total cost of \$34,537. The agreement requires yearly payments of \$8,061, which includes interest at 5.25%.

Although the agreements provide for cancellation of the leases if the County should fail to appropriate funds at the annual renewal dates, the County does not foresee exercising its options to cancel.

The annual requirements to amortize the principal of the leases are as follows:

Year Ended December 31,	2006 Tractor Lease
2009	\$ 8,061
2010	8,061
2011	8,061
	<u>24,183</u>
Portion Representing Interest	<u>(2,417)</u>
Minimum Future Lease Payments	<u>\$ 21,766</u>

The following table is the change in long-term debt for the years ended December 31, 2008 and 2007:

	Balance December 31, 2006	Additions	Retirements	Balance December 31, 2007	Additions	Retirements	Balance December 31, 2008
Capital Lease Obligations							
2003 Grader Lease	\$ 18,829	\$ -	\$ 18,829	\$ -	\$ -	\$ -	\$ -
2005 Graders Lease	217,491	-	106,223	111,268	-	111,268	-
2006 Tractor Lease	34,537	-	6,210	28,327	-	6,561	21,766
1997 Limited General Obligation Bonds	55,000	-	4,000	51,000	-	4,000	47,000
Compensated Absences	-	9,658	-	9,658	3,744	-	13,402
	<u>\$ 325,857</u>	<u>\$ 9,658</u>	<u>\$ 135,262</u>	<u>\$ 200,253</u>	<u>\$ 3,744</u>	<u>\$ 121,829</u>	<u>\$ 82,168</u>

LACLEDE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE H – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE I – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2008 and 2007, consisted of the following:

	Transfers In (Out)	
	2008	2007
General Fund	\$ (608,493)	\$ (97,813)
Road and Bridge Fund	1,112,448	1,252,699
Law Enforcement Sales Tax Fund	3,768	-
E-911 Fund	(38,156)	(52,855)
Capital Improvement Fund	602,000	192,180
County Development Tax Fund	(1,391,442)	(1,630,000)
Assessment Fund	(32,694)	(33,665)
Sheriff Discretionary Fund	(15,974)	(5,678)
Prosecuting Attorney Bad Check Fund	-	(2,654)
Recorder User Fee Fund	(3,768)	(6,768)
Health Insurance Fund	378,511	409,588
Circuit Clerk Interest Fund	-	(4,434)
Sheriff Revolving Fund	(5,000)	(5,000)
Tax Maintenance Fund	(1,200)	(15,600)
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

REQUIRED SUPPLEMENTARY INFORMATION

LACLEDE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – CASH BASIS
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes				
Property taxes	\$ 215,000	\$ 215,000	\$ 319,629	\$ 104,629
County sales tax	2,000,000	2,000,000	1,867,503	(132,497)
Surtax	81,500	81,500	95,272	13,772
Payment in lieu of taxes	35,000	35,000	36,858	1,858
Other	10,300	10,300	13,362	3,062
	2,341,800	2,341,800	2,332,624	(9,176)
Collector's Commission				
Collection commissions	283,750	283,750	293,504	9,754
Licenses and Permits				
Beverage licenses	20,000	20,000	23,976	3,976
Other	9,600	9,600	8,196	(1,404)
	29,600	29,600	32,172	2,572
Intergovernmental Revenues				
Federal	20,545	42,195	15,666	(26,529)
Fees and Charges				
Court	472,500	472,500	463,490	(9,010)
Public administrator	65,000	65,000	60,106	(4,894)
County clerk	1,000	1,000	1,168	168
Recorder of deeds	253,900	253,900	205,764	(48,136)
Sheriff fees	595,000	595,000	574,898	(20,102)
Phone and vending	43,000	43,000	49,853	6,853
Election reimbursement	9,500	9,500	6,712	(2,788)
Prosecuting Attorney	2,000	2,000	2,543	543
	1,441,900	1,441,900	1,364,534	(77,366)
Other				
Interest income	110,392	110,392	69,986	(40,406)
Miscellaneous	16,600	16,600	12,754	(3,846)
	126,992	126,992	82,740	(44,252)
TOTAL RECEIPTS	4,244,587	4,266,237	4,121,240	(144,997)

LACLEDE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – CASH BASIS (CONTINUED)
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
DISBURSEMENTS				
Current				
General Government				
University extension	54,793	54,793	54,793	-
Collector of revenue	103,422	103,422	96,758	6,664
Treasurer	61,121	61,121	58,529	2,592
Recorder of deeds	116,500	116,500	116,470	30
County commission	115,474	115,474	110,199	5,275
Employee fringe benefits	240,000	240,000	221,579	18,421
Purchasing	15,000	15,000	12,636	2,364
Postage	68,247	68,247	67,689	558
County clerk	246,548	246,548	246,546	2
Insurance	95,000	95,000	90,049	4,951
Surveyor	10,200	10,200	7,998	2,202
Custodian	840,780	840,780	664,380	176,400
	1,967,085	1,967,085	1,747,626	219,459
Judicial				
Court	139,598	139,598	92,194	47,404
Circuit clerk	56,663	56,663	51,682	4,981
Coroner	29,635	29,635	29,209	426
Public administrator	93,137	93,137	89,494	3,643
Prosecuting attorney	270,294	270,294	255,194	15,100
	589,327	589,327	517,773	71,554
Public Safety				
Sheriff	725,546	725,546	707,915	17,631
Jail	757,304	757,304	705,752	51,552
Civil defense	94,347	107,797	69,961	37,836
	1,577,197	1,590,647	1,483,628	107,019
Other	658,644	658,644	93,012	565,632
TOTAL DISBURSEMENTS	4,792,253	4,805,703	3,842,039	963,664
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(547,666)	(539,466)	279,201	818,667
OTHER FINANCING SOURCES (USES)				
Operating transfers in	629,674	629,674	630,674	1,000
Operating transfers (out)	(1,300,000)	(1,300,000)	(1,239,167)	60,833
TOTAL OTHER FINANCING SOURCES (USES)	(670,326)	(670,326)	(608,493)	61,833
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(1,217,992)	(1,209,792)	(329,292)	880,500
FUND BALANCE, January 1	2,158,449	2,158,449	2,258,449	100,000
FUND BALANCE, December 31	\$ 940,457	\$ 948,657	\$ 1,929,157	\$ 980,500

LACLEDE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – CASH BASIS
Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes				
Property taxes	\$ 178,000	\$ 178,000	\$ 179,868	\$ 1,868
County sales tax	2,000,000	2,000,000	2,025,001	25,001
Surtax	80,000	80,000	81,557	1,557
Payment in lieu of taxes	30,000	30,000	33,316	3,316
Other	5,150	5,150	10,910	5,760
	2,293,150	2,293,150	2,330,652	37,502
Collector's Commission				
Collection commissions	242,500	242,500	273,400	30,900
Licenses and Permits				
Beverage licenses	20,000	20,000	21,962	1,962
Other	9,200	9,200	10,064	864
	29,200	29,200	32,026	2,826
Intergovernmental Revenues				
Federal	19,000	25,898	23,108	(2,790)
Fees and Charges				
Court	396,500	396,500	485,722	89,222
Public administrator	61,425	61,425	68,619	7,194
County clerk	1,100	1,100	1,078	(22)
Recorder of deeds	247,066	247,066	252,716	5,650
Sheriff fees	455,000	455,000	591,051	136,051
Phone and vending	22,000	22,000	32,991	10,991
Election reimbursement	4,650	4,650	10,105	5,455
Prosecuting Attorney	2,500	2,500	2,979	479
	1,190,241	1,190,241	1,445,261	255,020
Other				
Interest	95,403	95,403	122,164	26,761
Miscellaneous	26,129	26,129	19,478	(6,651)
	121,532	121,532	141,642	20,110
TOTAL RECEIPTS	3,895,623	3,902,521	4,246,089	343,568

LACLEDE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – CASH BASIS (CONTINUED)
Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
DISBURSEMENTS				
Current				
General Government				
University extension	47,800	47,800	47,800	-
Collector of revenue	101,835	101,835	95,405	6,430
Treasurer	60,734	60,734	57,871	2,863
Recorder of deeds	114,537	114,537	114,537	-
County commission	113,474	113,474	108,945	4,529
Employee fringe benefits	227,000	227,000	207,143	19,857
Purchasing	14,500	14,500	13,037	1,463
Postage	64,185	64,185	64,185	-
County clerk	147,516	147,516	145,270	2,246
Insurance	95,000	95,000	88,204	6,796
Surveyor	53,200	53,200	11,535	41,665
Custodian	662,000	662,000	604,700	57,300
	1,701,781	1,701,781	1,558,632	143,149
Judicial				
Court	138,598	138,598	103,632	34,966
Circuit clerk	55,540	55,540	49,827	5,713
Coroner	29,310	29,310	28,207	1,103
Public administrator	86,877	86,877	85,311	1,566
Prosecuting attorney	253,155	253,155	233,886	19,269
	563,480	563,480	500,863	62,617
Public Safety				
Sheriff	689,198	689,198	674,831	14,367
Jail	753,389	753,389	718,314	35,075
Civil defense	78,471	85,369	77,973	7,396
	1,521,058	1,527,956	1,471,118	56,838
Other	593,906	609,506	130,095	479,411
TOTAL DISBURSEMENTS	4,380,225	4,402,723	3,660,708	742,015
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(484,602)	(500,202)	585,381	1,085,583
OTHER FINANCING SOURCES (USES)				
Operating transfers in	633,073	667,045	655,852	(11,193)
Operating transfers (out)	(790,000)	(790,000)	(753,665)	36,335
TOTAL OTHER FINANCING SOURCES (USES)	(156,927)	(122,955)	(97,813)	25,142
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(641,529)	(623,157)	487,568	1,110,725
FUND BALANCE, January 1	1,770,881	1,770,881	1,770,881	-
FUND BALANCE, December 31	\$ 1,129,352	\$ 1,147,724	\$ 2,258,449	\$ 1,110,725

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE FUND – CASH BASIS

Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 892,883	\$ 892,883	\$ 796,248	\$ (96,635)
Intergovernmental receipts	20,000	20,000	44,909	24,909
Charges for services	4,800	4,800	1,510	(3,290)
Interest	8,000	8,000	9,275	1,275
Other receipts	7,315	7,315	63,577	56,262
TOTAL RECEIPTS	932,998	932,998	915,519	(17,479)
DISBURSEMENTS				
Highways and roads	2,304,622	2,324,622	2,221,913	102,709
TOTAL DISBURSEMENTS	2,304,622	2,324,622	2,221,913	102,709
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(1,371,624)	(1,391,624)	(1,306,394)	85,230
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,325,000	1,325,000	1,185,442	(139,558)
Operating transfers (out)	(96,000)	(96,000)	(72,994)	23,006
TOTAL OTHER FINANCING SOURCES (USES)	1,229,000	1,229,000	1,112,448	(116,552)
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(142,624)	(162,624)	(193,946)	(31,322)
FUND BALANCE, January 1	362,879	362,879	362,879	-
FUND BALANCE, December 31	\$ 220,255	\$ 200,255	\$ 168,933	\$ (31,322)

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE FUND – CASH BASIS

Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 861,800	\$ 861,800	\$ 881,092	\$ 19,292
Intergovernmental receipts	28,225	28,225	25,161	(3,064)
Charges for services	1,000	1,000	2,596	1,596
Interest	4,000	4,000	8,553	4,553
Other receipts	7,575	7,575	6,970	(605)
TOTAL RECEIPTS	902,600	902,600	924,372	21,772
DISBURSEMENTS				
Highways and roads	2,130,696	2,130,696	1,884,296	246,400
TOTAL DISBURSEMENTS	2,130,696	2,130,696	1,884,296	246,400
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(1,228,096)	(1,228,096)	(959,924)	268,172
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,325,000	1,325,000	1,334,820	9,820
Operating transfers (out)	(96,000)	(96,000)	(82,121)	13,879
TOTAL OTHER FINANCING SOURCES (USES)	1,229,000	1,229,000	1,252,699	23,699
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	904	904	292,775	291,871
FUND BALANCE, January 1	70,104	70,104	70,104	-
FUND BALANCE, December 31	\$ 71,008	\$ 71,008	\$ 362,879	\$ 291,871

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT SALES TAX FUND – CASH BASIS

Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Intergovernmental receipts	\$ 89,828	\$ 89,828	\$ 88,202	\$ (1,626)
Interest	50,000	50,000	25,719	(24,281)
Other receipts	-	-	210	210
TOTAL RECEIPTS	139,828	139,828	114,131	(25,697)
DISBURSEMENTS				
Public safety	150,000	150,000	25,500	124,500
TOTAL DISBURSEMENTS	150,000	150,000	25,500	124,500
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(10,172)	(10,172)	88,631	98,803
OTHER FINANCING SOURCES				
Operating transfers in	-	-	3,768	3,768
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(10,172)	(10,172)	92,399	102,571
FUND BALANCE, January 1	1,013,777	1,013,777	1,013,777	-
FUND BALANCE, December 31	<u>\$ 1,003,605</u>	<u>\$ 1,003,605</u>	<u>\$ 1,106,176</u>	<u>\$ 102,571</u>

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT SALES TAX FUND – CASH BASIS

Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Interest	\$ 45,000	\$ 45,000	\$ 55,803	\$ 10,803
Other receipts	-	-	4,192	4,192
TOTAL RECEIPTS	45,000	45,000	59,995	14,995
DISBURSEMENTS				
Public safety	150,000	150,000	119,009	30,991
TOTAL DISBURSEMENTS	150,000	150,000	119,009	30,991
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(105,000)	(105,000)	(59,014)	45,986
FUND BALANCE, January 1	1,072,791	1,072,791	1,072,791	-
FUND BALANCE, December 31	\$ 967,791	\$ 967,791	\$ 1,013,777	\$ 45,986

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND – CASH BASIS

Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 25,000	\$ 25,000	\$ 24,441	\$ (559)
Intergovernmental receipts	332,875	522,017	258,365	(263,652)
Interest	875	875	594	(281)
TOTAL RECEIPTS	358,750	547,892	283,400	(264,492)
DISBURSEMENTS				
Disaster recovery	1,017,578	1,240,098	991,392	248,706
TOTAL DISBURSEMENTS	1,017,578	1,240,098	991,392	248,706
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(658,828)	(692,206)	(707,992)	(15,786)
OTHER FINANCING SOURCES				
Operating transfers in	677,000	677,000	602,000	(75,000)
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	18,172	(15,206)	(105,992)	(90,786)
FUND BALANCE, January 1	1,387,663	1,387,663	1,387,663	-
FUND BALANCE, December 31	\$ 1,405,835	\$ 1,372,457	\$ 1,281,671	\$ (90,786)

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND – CASH BASIS

Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 25,000	\$ 25,000	\$ 30,443	\$ 5,443
Intergovernmental receipts	-	2,887,500	1,918,294	(969,206)
Interest	200	200	1,093	893
TOTAL RECEIPTS	25,200	2,912,700	1,949,830	(962,870)
DISBURSEMENTS				
Disaster recovery	265,000	3,390,000	1,391,977	1,998,023
TOTAL DISBURSEMENTS	265,000	3,390,000	1,391,977	1,998,023
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(239,800)	(477,300)	557,853	1,035,153
OTHER FINANCING SOURCES (USES)				
Operating transfers in	202,000	202,000	202,000	-
Operating transfers (out)	-	-	(9,820)	(9,820)
TOTAL OTHER FINANCING SOURCES (USES)	202,000	202,000	192,180	(9,820)
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(37,800)	(275,300)	750,033	1,025,333
FUND BALANCE, January 1	637,630	637,630	637,630	-
FUND BALANCE, December 31	\$ 599,830	\$ 362,330	\$ 1,387,663	\$ 1,025,333

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – COUNTY DEVELOPMENT TAX FUND – CASH BASIS

Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 1,870,241	\$ (129,759)
Interest	30,000	30,000	18,409	(11,591)
TOTAL RECEIPTS	2,030,000	2,030,000	1,888,650	(141,350)
DISBURSEMENTS				
Intergovernmental agreements	822,171	822,171	307,630	514,541
TOTAL DISBURSEMENTS	822,171	822,171	307,630	514,541
EXCESS OF RECEIPTS OVER DISBURSEMENTS	1,207,829	1,207,829	1,581,020	373,191
OTHER FINANCING (USES)				
Operating transfers (out)	(1,644,000)	(1,644,000)	(1,391,442)	252,558
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	(436,171)	(436,171)	189,578	625,749
FUND BALANCE, January 1	437,911	437,911	437,911	-
FUND BALANCE, December 31	<u>\$ 1,740</u>	<u>\$ 1,740</u>	<u>\$ 627,489</u>	<u>\$ 625,749</u>

LACLEDE COUNTY, MISSOURI

BUDGETARY COMPARISON SCHEDULE – COUNTY DEVELOPMENT TAX FUND – CASH BASIS

Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
RECEIPTS				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,018,456	\$ 18,456
Interest	14,000	14,000	38,796	24,796
TOTAL RECEIPTS	2,014,000	2,014,000	2,057,252	43,252
DISBURSEMENTS				
Intergovernmental agreements	494,355	494,355	314,958	179,397
TOTAL DISBURSEMENTS	494,355	494,355	314,958	179,397
EXCESS OF RECEIPTS OVER DISBURSEMENTS	1,519,645	1,519,645	1,742,294	222,649
OTHER FINANCING (USES)				
Operating transfers (out)	(1,630,000)	(1,630,000)	(1,630,000)	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	(110,355)	(110,355)	112,294	222,649
FUND BALANCE, January 1	325,617	325,617	325,617	-
FUND BALANCE, December 31	\$ 215,262	\$ 215,262	\$ 437,911	\$ 222,649

OTHER FINANCIAL INFORMATION

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF ASSETS AND FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

December 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Tax Maintenance Fund	Prosecuting Attorney Delinquent Tax Fund	Family Access Fund	Sheriff Discretionary Fund	Prosecuting Attorney Bad Check Fund	E-911 Fund
ASSETS									
Cash and cash equivalents	\$ 281,265	\$ 5,951	\$ 647	\$ 50,673	\$ 34,269	\$ 133	\$ 72,782	\$ 209,278	\$ 510,342
TOTAL ASSETS	<u>\$ 281,265</u>	<u>\$ 5,951</u>	<u>\$ 647</u>	<u>\$ 50,673</u>	<u>\$ 34,269</u>	<u>\$ 133</u>	<u>\$ 72,782</u>	<u>\$ 209,278</u>	<u>\$ 510,342</u>
FUND BALANCES									
Fund Balance									
Unreserved	\$ 281,265	\$ 5,951	\$ 647	\$ 50,673	\$ 34,269	\$ 133	\$ 72,782	\$ 209,278	\$ 510,342
TOTAL FUND BALANCES	<u>\$ 281,265</u>	<u>\$ 5,951</u>	<u>\$ 647</u>	<u>\$ 50,673</u>	<u>\$ 34,269</u>	<u>\$ 133</u>	<u>\$ 72,782</u>	<u>\$ 209,278</u>	<u>\$ 510,342</u>

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF ASSETS AND FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

(CONTINUED)

December 31, 2008

	Juvenile Assessment Fund	Circuit Clerk Interest Fund	Election Services Fund	Recorder's Fund	Law Library Fund	Recorder Technology Fund	Shelter Abuse Fund	Sheriff Revolving Fund	Peace Officer Training Fund	Total
ASSETS										
Cash and cash equivalents	\$ 9,889	\$ 45,900	\$ 23,159	\$ 10,026	\$ 159,657	\$ 7,920	\$ 369	\$ 8,109	\$ 1,471	\$ 1,431,840
TOTAL ASSETS	<u>\$ 9,889</u>	<u>\$ 45,900</u>	<u>\$ 23,159</u>	<u>\$ 10,026</u>	<u>\$ 159,657</u>	<u>\$ 7,920</u>	<u>\$ 369</u>	<u>\$ 8,109</u>	<u>\$ 1,471</u>	<u>\$ 1,431,840</u>
FUND BALANCES										
Fund Balance										
Unreserved	\$ 9,889	\$ 45,900	\$ 23,159	\$ 10,026	\$ 159,657	\$ 7,920	\$ 369	\$ 8,109	\$ 1,471	\$ 1,431,840
TOTAL FUND BALANCES	<u>\$ 9,889</u>	<u>\$ 45,900</u>	<u>\$ 23,159</u>	<u>\$ 10,026</u>	<u>\$ 159,657</u>	<u>\$ 7,920</u>	<u>\$ 369</u>	<u>\$ 8,109</u>	<u>\$ 1,471</u>	<u>\$ 1,431,840</u>

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF ASSETS AND FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

December 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Tax Maintenance Fund	Prosecuting Attorney Delinquent Tax Fund	Family Access Fund	Sheriff Discretionary Fund	Prosecuting Attorney Bad Check Fund	E-911 Fund	CDBG Fund
ASSETS										
Cash and cash equivalents	\$ 201,507	\$ 8,827	\$ 642	\$ 40,358	\$ 31,554	\$ 130	\$ 56,772	\$ 172,032	\$ 511,226	\$ -
TOTAL ASSETS	<u>\$ 201,507</u>	<u>\$ 8,827</u>	<u>\$ 642</u>	<u>\$ 40,358</u>	<u>\$ 31,554</u>	<u>\$ 130</u>	<u>\$ 56,772</u>	<u>\$ 172,032</u>	<u>\$ 511,226</u>	<u>\$ -</u>
FUND BALANCES										
Fund Balance										
Unreserved	\$ 201,507	\$ 8,827	\$ 642	\$ 40,358	\$ 31,554	\$ 130	\$ 56,772	\$ 172,032	\$ 511,226	\$ -
TOTAL FUND BALANCES	<u>\$ 201,507</u>	<u>\$ 8,827</u>	<u>\$ 642</u>	<u>\$ 40,358</u>	<u>\$ 31,554</u>	<u>\$ 130</u>	<u>\$ 56,772</u>	<u>\$ 172,032</u>	<u>\$ 511,226</u>	<u>\$ -</u>

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF ASSETS AND FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

(CONTINUED)

December 31, 2007

	Juvenile Assessment Fund	Circuit Clerk Interest Fund	Election Services Fund	Recorder's Fund	Law Library Fund	Recorder Technology Fund	Shelter Abuse Fund	Sheriff Revolving Fund	Peace Officer Training Fund	Total
ASSETS										
Cash and cash equivalents	\$ 9,330	\$ 54,444	\$ 18,754	\$ 4,380	\$ 151,885	\$ 24,447	\$ 8,782	\$ 17,860	\$ 3,317	\$ 1,316,247
TOTAL ASSETS	<u>\$ 9,330</u>	<u>\$ 54,444</u>	<u>\$ 18,754</u>	<u>\$ 4,380</u>	<u>\$ 151,885</u>	<u>\$ 24,447</u>	<u>\$ 8,782</u>	<u>\$ 17,860</u>	<u>\$ 3,317</u>	<u>\$ 1,316,247</u>
FUND BALANCES										
Fund Balance										
Unreserved	\$ 9,330	\$ 54,444	\$ 18,754	\$ 4,380	\$ 151,885	\$ 24,447	\$ 8,782	\$ 17,860	\$ 3,317	\$ 1,316,247
TOTAL FUND BALANCES	<u>\$ 9,330</u>	<u>\$ 54,444</u>	<u>\$ 18,754</u>	<u>\$ 4,380</u>	<u>\$ 151,885</u>	<u>\$ 24,447</u>	<u>\$ 8,782</u>	<u>\$ 17,860</u>	<u>\$ 3,317</u>	<u>\$ 1,316,247</u>

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

Year Ended December 31, 2008

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Tax Maintenance Fund	Prosecuting Attorney Delinquent Tax Fund	Family Access Fund	Sheriff Discretionary Fund	Prosecuting Attorney Bad Check Fund	E-911 Fund
RECEIPTS									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,806
Fees and charges	343,262	5,394	1,372	37,416	2,543	-	66,157	46,498	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-
Interest	6,883	226	14	1,036	782	3	1,428	4,452	12,456
Other receipts	26,586	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	376,731	5,620	1,386	38,452	3,325	3	67,585	50,950	416,262
DISBURSEMENTS									
Current									
General government	264,279	-	1,381	26,937	-	-	-	-	-
Judicial	-	-	-	-	610	-	-	13,704	-
Public safety	-	8,496	-	-	-	-	35,601	-	378,990
TOTAL DISBURSEMENTS	264,279	8,496	1,381	26,937	610	-	35,601	13,704	378,990
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	112,452	(2,876)	5	11,515	2,715	3	31,984	37,246	37,272
OTHER FINANCING (USES)									
Operating transfers (out)	(32,694)	-	-	(1,200)	-	-	(15,974)	-	(38,156)
TOTAL OTHER FINANCING (USES)	(32,694)	-	-	(1,200)	-	-	(15,974)	-	(38,156)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	79,758	(2,876)	5	10,315	2,715	3	16,010	37,246	(884)
FUND BALANCE, January 1	201,507	8,827	642	40,358	31,554	130	56,772	172,032	511,226
FUND BALANCE, December 31	\$ 281,265	\$ 5,951	\$ 647	\$ 50,673	\$ 34,269	\$ 133	\$ 72,782	\$ 209,278	\$ 510,342

LACLEDE COUNTY, MISSOURI
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – NONMAJOR SPECIAL REVENUE
FUNDS – CASH BASIS (CONTINUED)
Year Ended December 31, 2008

	Juvenile Assessment Fund	Circuit Clerk Interest Fund	Election Services Fund	Recorder's Fund	Law Library Fund	Recorder Technology Fund	Shelter Abuse Fund	Sheriff Revolving Fund	Peace Officer Training Fund	Total
RECEIPTS										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,806
Fees and charges	442	-	14,328	14,471	25,739	8,114	9,229	11,060	2,593	588,618
Intergovernmental receipts	-	-	-	-	-	13,413	6,986	-	-	20,399
Interest	117	21,770	468	166	2,132	533	158	256	74	52,954
Other receipts	-	-	-	-	-	-	-	-	-	26,586
TOTAL RECEIPTS	559	21,770	14,796	14,637	27,871	22,060	16,373	11,316	2,667	1,092,363
DISBURSEMENTS										
Current										
General government	-	30,314	10,391	5,223	-	38,587	-	16,067	-	393,179
Judicial	-	-	-	-	20,099	-	-	-	-	34,413
Public safety	-	-	-	-	-	-	24,786	-	4,513	452,386
TOTAL DISBURSEMENTS	-	30,314	10,391	5,223	20,099	38,587	24,786	16,067	4,513	879,978
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	559	(8,544)	4,405	9,414	7,772	(16,527)	(8,413)	(4,751)	(1,846)	212,385
OTHER FINANCING (USES)										
Operating transfers (out)	-	-	-	(3,768)	-	-	-	(5,000)	-	(96,792)
TOTAL OTHER FINANCING (USES)	-	-	-	(3,768)	-	-	-	(5,000)	-	(96,792)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	559	(8,544)	4,405	5,646	7,772	(16,527)	(8,413)	(9,751)	(1,846)	115,593
FUND BALANCE, January 1	9,330	54,444	18,754	4,380	151,885	24,447	8,782	17,860	3,317	1,316,247
FUND BALANCE, December 31	\$ 9,889	\$ 45,900	\$ 23,159	\$ 10,026	\$ 159,657	\$ 7,920	\$ 369	\$ 8,109	\$ 1,471	\$ 1,431,840

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – NON-MAJOR SPECIAL REVENUE FUNDS – CASH BASIS

Year Ended December 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Tax Maintenance Fund	Prosecuting Attorney Delinquent Tax Fund	Family Access Fund	Sheriff Discretionary Fund	Prosecuting Attorney Bad Check Fund	E-911 Fund	CDBG Fund
RECEIPTS										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,087	\$ -
Fees and charges	318,558	4,940	1,241	39,230	2,978	-	65,329	61,362	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-	475,000
Interest	11,908	567	38	2,304	1,499	6	3,145	7,590	26,121	-
Other receipts	12,116	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	342,582	5,507	1,279	41,534	4,477	6	68,474	68,952	443,208	475,000
DISBURSEMENTS										
Current										
General government	269,516	-	1,280	17,590	-	-	-	-	-	-
Judicial	-	-	-	-	870	-	-	27,168	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	475,000
Public safety	-	9,385	-	-	-	-	55,338	-	339,041	-
TOTAL DISBURSEMENTS	269,516	9,385	1,280	17,590	870	-	55,338	27,168	339,041	475,000
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	73,066	(3,878)	(1)	23,944	3,607	6	13,136	41,784	104,167	-
OTHER FINANCING (USES)										
Operating transfers (out)	(33,665)	-	-	(15,600)	-	-	(5,678)	(2,654)	(52,855)	-
TOTAL OTHER FINANCING (USES)	(33,665)	-	-	(15,600)	-	-	(5,678)	(2,654)	(52,855)	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	39,401	(3,878)	(1)	8,344	3,607	6	7,458	39,130	51,312	-
FUND BALANCE, January 1	162,106	12,705	643	32,014	27,947	124	49,314	132,902	459,914	-
FUND BALANCE, December 31	\$ 201,507	\$ 8,827	\$ 642	\$ 40,358	\$ 31,554	\$ 130	\$ 56,772	\$ 172,032	\$ 511,226	\$ -

LACLEDE COUNTY, MISSOURI

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – NONMAJOR SPECIAL REVENUE FUNDS – CASH BASIS (CONTINUED)

Year Ended December 31, 2007

	Juvenile Assessment Fund	Circuit Clerk Interest Fund	Election Services Fund	Recorder's Fund	Law Library Fund	Recorder Technology Fund	Shelter Abuse Fund	Sheriff Revolving Fund	Peace Officer Training Fund	Total
RECEIPTS										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,087
Fees and charges	402	-	6,788	17,013	21,941	9,555	8,949	13,668	2,571	574,525
Intergovernmental receipts	-	-	81	-	-	8,978	13,599	-	-	497,658
Interest	356	37,926	1,185	214	6,079	893	619	872	191	101,513
Other receipts	-	-	-	-	-	-	-	-	-	12,116
TOTAL RECEIPTS	758	37,926	8,054	17,227	28,020	19,426	23,167	14,540	2,762	1,602,899
DISBURSEMENTS										
Current										
General government	-	-	15,140	13,965	-	19,764	-	2,759	-	340,014
Judicial	-	-	-	-	9,437	-	-	-	-	37,475
Capital outlay	-	-	-	-	-	-	-	-	-	475,000
Public safety	-	-	-	-	-	-	22,298	-	2,877	428,939
TOTAL DISBURSEMENTS	-	-	15,140	13,965	9,437	19,764	22,298	2,759	2,877	1,281,428
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	758	37,926	(7,086)	3,262	18,583	(338)	869	11,781	(115)	321,471
OTHER FINANCING (USES)										
Operating transfers (out)	-	(4,434)	-	(6,768)	-	-	-	(5,000)	-	(126,654)
TOTAL OTHER FINANCING (USES)	-	(4,434)	-	(6,768)	-	-	-	(5,000)	-	(126,654)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	758	33,492	(7,086)	(3,506)	18,583	(338)	869	6,781	(115)	194,817
FUND BALANCE, January 1	8,572	20,952	25,840	7,886	133,302	24,785	7,913	11,079	3,432	1,121,430
FUND BALANCE, December 31	<u>\$ 9,330</u>	<u>\$ 54,444</u>	<u>\$ 18,754</u>	<u>\$ 4,380</u>	<u>\$ 151,885</u>	<u>\$ 24,447</u>	<u>\$ 8,782</u>	<u>\$ 17,860</u>	<u>\$ 3,317</u>	<u>\$ 1,316,247</u>



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

County Commission
Laclede County
Lebanon, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Laclede County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise Laclede County, Missouri's basic financial statements and have issued our report thereon dated June 9, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the Laclede County Health Center. In addition, our opinion was modified because the County prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laclede County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laclede County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Laclede County in a separate letter dated June 9, 2009.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commission
Laclede County
Lebanon, Missouri

Compliance

We have audited the compliance of Laclede County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the years ended December 31, 2008 and 2007. Laclede County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying summary schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Laclede County, Missouri's management. Our responsibility is to express an opinion on Laclede County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laclede County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Laclede County's compliance with those requirements.

In our opinion, Laclede County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the years ended December 31, 2008 and 2007.

Internal Control Over Compliance

The management of Laclede County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Laclede County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
June 9, 2009

LACLEDE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2008 and 2007

Federal Grantor	Federal	Pass-through	Expenditures of	
Pass Through Grantor/ Program Title	CFDA	Grantor's Number	Federal Awards	
	Number		2008	2007
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Missouri State Treasurer's Office				
Schools and Roads Grants to States	10.665	N/A	\$ 39,134	\$ 25,161
TOTAL U.S. DEPARTMENT OF AGRICULTURE			39,134	25,161
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Missouri Sheriff's Association				
Domestic Cannibus Eradication/Suppression Program	16.000	N/A	-	1,429
Department of Public Safety				
Bulletproof Vest Partnership Program	16.607	N/A	-	5,463
TOTAL U.S. DEPARTMENT OF JUSTICE			-	6,892
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Equitable Sharing of Siezed Property	21.000	N/A	5,424	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			5,424	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Central Missouri State University				
Step Enforcement Grant	20.600	LKK032NHTSA	767	-
Department of Public Safety				
Hazardous Materials Emergency Preparedness				
Training and Planning Grant	20.703	N/A	2,320	2,320
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			3,087	2,320
<u>GENERAL SERVICES ADMINISTRATION</u>				
Office of the Secretary of State				
Election Improvement Grant	39.011	N/A	-	8,850
State Office of Administration				
Surplus Property	39.003	N/A	12,690	32,665
TOTAL GENERAL SERVICES ADMINISTRATION			12,690	41,515
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Missouri Department of Economic Development				
Community Development Block Grant	14.228	2006-PF-20	-	475,000
Department of Social Services				
Emergency Shelter Grant	14.231	ERO1640752	-	2,459
		ERO1640817	3,443	10,582
		ERO1640927	9,742	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			13,185	488,041

LACLEDE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
December 31, 2008 and 2007

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures of Federal Awards	
			2008	2007
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
State Emergency Management Agency				
Law Enforcement Terrorism Prevention Grant	97.067	2005-GE-T5-0022	-	68,202
		2006-GE-T6-0067	1,350	-
Public Assistance Grant	97.036	FEMA-1728-DR-MO	794,408	693,161
		FEMA-1676-DR-MO	-	579,125
		FEMA-1749-DR-MO	95,594	-
Emergency Management Performance Grant	97.042	N/A	15,495	14,879
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			906,847	1,355,367
<u>ELECTION ASSISTANCE COMMISSION</u>				
Missouri Office of the Secretary of State				
Help America Vote Act	90.401	N/A	912	808
TOTAL ELECTION ASSISTANCE COMMISSION			912	808
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Department of Public Safety				
Chemical Emergency Preparedness Grant	66.810	N/A	3,487	4,008
TOTAL ENVIRONMENTAL PROTECTION AGENCY			3,487	4,008
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 984,766	\$ 1,924,112

N/A - Not Applicable

NOTE: The Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting that is described in Note A to the basic financial statements.

LACLEDE COUNTY, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years ended December 31, 2008 and 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements presented on the cash basis of accounting.
2. Significant deficiencies disclosed during the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. The deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The following were major programs:

Public Assistance Grant	97.036
Community Development Block Grant	14.228
8. The threshold for Type A programs was \$300,000.
9. Laclede County, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

08-1 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

LACLEDE COUNTY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Years ended December 31, 2008 and 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

08-2 Design of internal control system for preparation of the basic financial statements

Condition: The County has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the County Commission. However the County does not have the resources to have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Effect: The County employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Recommendation: We recognize that the County may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The County does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The County does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

LACLEDE COUNTY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Years ended December 31, 2008 and 2007

08-3 Wire Transfers

Condition: The depository agreements with the County banking institutions do not address by who and to whom a wire transfer may be made. They also do not include special instructions for wire transfers.

Criteria: The County should have written and signed instructions with banking institutions requiring the approval of two authorized individuals before a wire transfer is made and by who and to whom a wire transfer may be made.

Effect: Risk is present that unauthorized wire transfers may be made.

Recommendation: The County should include in future depository agreements with its banking institutions, who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require two authorized signatures for approval.

Response: The County will update its depository agreements with its banking institutions to include who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require two authorized signatures for approval.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

LACLEDE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended December 31, 2008 and 2007

There were no prior year audit findings.



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

Laclede County Commission
Laclede County
Lebanon, Missouri

In planning and performing our audit of the basic financial statements of Laclede County, Missouri for the years ended December 31, 2008 and 2007, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Tax Maintenance Fund, Law Library Fund, and Prosecuting Attorney Delinquent Tax Fund

The County currently maintains a Tax Maintenance Fund for the benefit of the Collector's office, a Law Library Fund and the Prosecuting Attorney Delinquent Tax Fund. Although the monies are to be used for the benefit of the Collector's office and the Prosecutor's office, these monies represent County funds. Therefore the same policies of the County regarding budgeting, receipts, and disbursements should be followed for these funds as with other funds of the County.

We Recommend:

The County require these funds to be deposited with the County Treasurer in the Tax Maintenance Fund, Law Library Fund and Prosecuting Attorney Delinquent Tax Fund. Disbursements from this fund should be budgeted and the approval process for disbursements out of this fund should follow the same procedures as with other County disbursements.

2. Approved Vendor List

The County currently has policies and procedures in place to require purchases only from approved vendors. Maintenance of an approved vendor list is an excellent procedure to have in place to prevent fraudulent disbursements to fictitious vendors.

We Recommend:

The County review their vendor approval procedures that are currently in place in order to ensure County purchases are from legitimate vendors with a physical address.

3. New Bank Accounts

The County currently does not have a policy in place outlining the procedures required for opening new bank accounts. This policy should address what must be contained in the depository agreement regarding new bank accounts. The policy should also address the procedures necessary for County officials to perform when opening new bank accounts. This is a necessary internal control procedure to ensure all accounts are properly accounted for by the County Clerk's office. This would also help prevent unauthorized accounts from being opened under the County's identification.

We Recommend:

The County adopt policies addressing the procedures necessary for opening new bank accounts and modify the depository agreement as necessary with its banking institutions.

4. Receipt Books

Receipt books currently are not controlled at a central location. The County should control receipt books at administration. Receipt books should be logged out to departments. When the departments need a new receipt book, the old receipt book should be turned back into administration for reconciliation. In additions, receipt books used should be official County receipts book in numerical sequence. This is a necessary control procedure to ensure all receipts are properly accounted for.

We Recommend:

The County require all receipt books be controlled at administration and logged out to departments as necessary. The County should also require departments turn in the old receipt book before a new one is issued. In addition, receipt books used should be official County receipts book in numerical sequence.

In addition to the control deficiencies noted above, we became aware of an additional matter to bring to your attention.

Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo. in the prior year as a deficit was budgeted in the County Development Tax Fund, and actual disbursements exceeded budgeted disbursements in the Road and Bridge Fund. The budgetary statute prohibits the County from budgeting a deficit for any fund maintained by the County and actual disbursements exceeding budgeted disbursements.

We Commend:

The County for reviewing disbursements during the year and amending the budget as necessary and including necessary transfer amounts to ensure compliance with the budgetary statute (Chapter 50, RSMo.)

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Laclede County's independent auditor and the courtesies and assistance extended to us by the County's employees.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
June 9, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343
www.dlmcpa.com
e-mail: cpa@dlmcpa.com

County Commission
Laclede County
Lebanon, Missouri

We have audited the basic financial statements of Laclede County, Missouri for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 9, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 10, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 10, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Laclede County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008 and 2007.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material either individually or in the aggregate to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

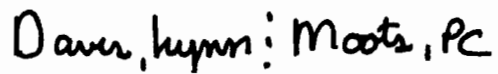
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Laclede County Commission
Laclede County
Lebanon, Missouri
Page Three

This report is intended solely for the use of the County Commission and management of Laclede County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn; Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
June 9, 2009



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Dallas County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Dallas County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-82

DALLAS COUNTY, MISSOURI
FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007

DALLAS COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS:	
Statements of Receipts, Disbursements, and Changes in Cash and Investment Balances – All Governmental Funds – Regulatory Basis	
Year Ended December 31, 2008	5
Year Ended December 31, 2007	6
Comparative Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – Budget and Actual – All Governmental Funds – Regulatory Basis	
Years Ended December 31, 2008 and 2007	7
Statements of Assets and Liabilities Arising from Cash Transactions – Agency Funds – Regulatory Basis	
December 31, 2008	18
December 31, 2007	20
Notes to the Financial Statements	22
SUPPLEMENTARY SCHEDULE AND AUDITORS' REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133	32
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2008 and 2007	34
Notes to the Supplementary Schedule	35
Schedule of Findings and Questioned Costs Years Ended December 31, 2008 and 2007	36
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	39



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

Dallas County Commission
Dallas County
Buffalo, Missouri

We have audited the accompanying financial statements of Dallas County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dallas County, Missouri, as of December 31, 2008 and 2007, or the changes in financial position for the years then ended.

Dallas County Commission
Dallas County
Buffalo, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of Dallas County, Missouri, as of and for the years ended December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of the governmental funds for the years ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, that were prepared on the basis of accounting described in Note A.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
April 17, 2009

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2008

FUND	Cash and Investment Balances	Receipts	Disbursements	Cash and Investment Balances
	January 1			December 31
General Revenue	\$ 307,697	\$ 1,433,931	\$ 1,546,408	\$ 195,220
Special Road and Bridge	613,013	1,682,300	2,109,656	185,657
Assessment	16,339	229,550	243,819	2,070
Law Enforcement Training	1,190	7,973	8,395	768
Prosecuting Attorney Training	2,843	1,342	1,337	2,848
Law Enforcement Sales Tax	8,612	942,874	941,782	9,704
Record Storage	24,254	12,715	12,883	24,086
Bad Check	14,241	22,055	19,739	16,557
Road and Bridge Capital Improvement	198,666	802,178	964,063	36,781
Law Enforcement Civil Fees	8,217	35,733	38,362	5,588
Local Emergency Planning	6,472	6,629	762	12,339
Circuit Clerk Interest	6,592	2,661	629	8,624
Law Library	13,062	11,202	10,472	13,792
Jury	346	4,600	3,852	1,094
Election Services	2,865	2,731	3,409	2,187
Tax Maintenance	50,561	20,315	7,746	63,130
Associate Circuit Court Interest	6,699	838	236	7,301
Passport	4,207	2,382	2,015	4,574
Special Election	19,156	58,565	77,721	-
Sherrif's Revolving	1,836	1,632	2,625	843
Law Enforcement Supplemental Salaries	-	3,268	2,558	710
Law Enforcement Special Response Team	706	-	706	-
Domestic Violence	195	463	656	2
Emergency 911	424,519	572,399	619,976	376,942
TOTAL	<u>\$ 1,732,288</u>	<u>\$ 5,858,336</u>	<u>\$ 6,619,807</u>	<u>\$ 970,817</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2007

FUND	Cash and Investment Balances	Receipts	Disbursements	Cash and Investment Balances
	January 1			December 31
General Revenue	\$ 305,456	\$ 1,478,474	\$ 1,476,233	\$ 307,697
Special Road and Bridge	119,074	2,445,581	1,951,642	613,013
Assessment	8,115	232,506	224,282	16,339
Law Enforcement Training	2,734	8,403	9,947	1,190
Prosecuting Attorney Training	1,081	3,517	1,755	2,843
Law Enforcement Sales Tax	15,981	865,619	872,988	8,612
Record Storage	25,950	13,223	14,919	24,254
Bad Check	22,884	15,638	24,281	14,241
Road and Bridge Capital Improvement	156,099	1,330,033	1,287,466	198,666
Law Enforcement Civil Fees	3,816	33,603	29,202	8,217
Local Emergency Planning	5,385	1,592	505	6,472
Circuit Clerk Interest	6,396	1,181	985	6,592
Law Library	10,324	10,146	7,408	13,062
Jury	374	7,800	7,828	346
Election Services	6,794	2,688	6,617	2,865
Tax Maintenance	36,781	16,533	2,753	50,561
Associate Circuit Court Interest	7,413	828	1,542	6,699
Passport	975	4,500	1,268	4,207
Special Election	-	41,218	22,062	19,156
Sheriff's Revolving	-	1,836	-	1,836
Law Enforcement Supplemental Salaries	-	-	-	-
Law Enforcement Special Response Team	-	2,000	1,294	706
Domestic Violence	-	485	290	195
Emergency 911	473,199	604,071	652,751	424,519
TOTAL	<u>\$ 1,208,831</u>	<u>\$ 7,121,475</u>	<u>\$ 6,598,018</u>	<u>\$ 1,732,288</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 100,000	\$ 85,636	\$ (14,364)	\$ 286,150	\$ 80,051	\$ (206,099)
Sales taxes	635,000	619,883	(15,117)	655,000	633,619	(21,381)
Intergovernmental	53,600	70,275	16,675	178,900	105,033	(73,867)
Charges for services	644,200	475,189	(169,011)	271,775	462,006	190,231
Interest	13,000	9,549	(3,451)	12,000	13,327	1,327
Other	66,700	88,399	21,699	203,450	89,438	(114,012)
Transfers in	15,000	85,000	70,000	15,000	95,000	80,000
TOTAL RECEIPTS	1,527,500	1,433,931	(93,569)	1,622,275	1,478,474	(143,801)
DISBURSEMENTS						
County Commission	86,100	85,183	917	84,860	84,630	230
County Clerk	80,470	76,499	3,971	78,015	73,215	4,800
Elections	101,382	74,087	27,295	24,600	22,590	2,010
Buildings and grounds	65,700	81,971	(16,271)	174,200	146,029	28,171
County Treasurer	48,165	46,570	1,595	47,850	44,231	3,619
County Collector	114,749	105,382	9,367	109,396	99,847	9,549
Ex Officio Recorder of Deeds	47,274	45,351	1,923	47,819	44,780	3,039
Circuit Clerk	14,500	6,273	8,227	15,700	5,424	10,276
Associate Circuit Court	44,479	6,523	37,956	49,620	12,483	37,137
Court administration	9,267	4,166	5,101	4,304	4,209	95
Public Administrator	29,800	28,117	1,683	29,150	27,993	1,157
Prosecuting Attorney	206,934	196,034	10,900	197,544	191,780	5,764
Juvenile Officer	90,496	95,173	(4,677)	96,693	69,164	27,529
County Coroner	24,050	18,826	5,224	23,993	25,124	(1,131)
Employee benefits	114,100	115,055	(955)	113,400	119,021	(5,621)
Insurance	35,000	30,113	4,887	28,000	27,803	197
University Extension	36,700	36,700	-	36,700	36,700	-
Road Construction	80,000	101,834	(21,834)	100,000	23,863	76,137
Jail	-	-	-	80,000	80,532	(532)
Other	130,604	103,651	26,953	117,244	157,463	(40,219)
Transfers out	178,300	288,900	(110,600)	170,200	179,352	(9,152)
TOTAL DISBURSEMENTS	1,538,070	1,546,408	(8,338)	1,629,288	1,476,233	153,055
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(10,570)	(112,477)	(101,907)	(7,013)	2,241	9,254
CASH AND INVESTMENT						
BALANCE, January 1	307,697	307,697	-	305,456	305,456	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 297,127	\$ 195,220	\$ (101,907)	\$ 298,443	\$ 307,697	\$ 9,254

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 404,800	\$ 366,660	\$ (38,140)	\$ 362,300	\$ 354,638	\$ (7,662)
Other taxes	696,300	648,804	(47,496)	710,000	701,024	(8,976)
Intergovernmental	649,000	625,513	(23,487)	1,098,000	1,174,360	76,360
Interest	16,000	21,977	5,977	6,300	11,173	4,873
Other	20,100	19,346	(754)	1,400	94,386	92,986
Transfers in	-	-	-	-	110,000	110,000
TOTAL RECEIPTS	1,786,200	1,682,300	(103,900)	2,178,000	2,445,581	267,581
DISBURSEMENTS						
Salaries	743,500	733,537	9,963	750,000	758,413	(8,413)
Employee benefits	188,340	174,492	13,848	160,000	179,962	(19,962)
Supplies	20,750	11,709	9,041	30,500	13,820	16,680
Insurance	33,000	32,342	658	33,000	32,205	795
Road and bridge materials	609,000	595,251	13,749	389,500	317,099	72,401
Equipment repairs	196,000	236,098	(40,098)	103,000	111,303	(8,303)
Rentals	6,000	60	5,940	12,000	7,405	4,595
Fuel	270,000	274,616	(4,616)	180,000	178,709	1,291
Bridge construction	17,500	17,543	(43)	12,000	33,974	(21,974)
Other	48,800	19,008	29,792	27,700	12,986	14,714
Transfers out	15,000	15,000	-	15,000	305,766	(290,766)
TOTAL DISBURSEMENTS	2,147,890	2,109,656	38,234	1,712,700	1,951,642	(238,942)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(361,690)	(427,356)	(65,666)	465,300	493,939	28,639
CASH AND INVESTMENT BALANCE, January 1	613,013	613,013	-	119,074	119,074	-
CASH AND INVESTMENT BALANCE, December 31	\$ 251,323	\$ 185,657	\$ (65,666)	\$ 584,374	\$ 613,013	\$ 28,639
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Charges for services	\$ 72,000	\$ 72,001	\$ 1	\$ 69,000	\$ 69,497	\$ 497
Intergovernmental	82,000	78,802	(3,198)	73,732	80,202	6,470
Interest	500	392	(108)	300	468	168
Other	1,125	1,355	230	1,700	2,139	439
Transfers in	76,000	77,000	1,000	80,200	80,200	-
TOTAL RECEIPTS	231,625	229,550	(2,075)	224,932	232,506	7,574
DISBURSEMENTS						
Assessor	246,606	243,819	2,787	228,276	224,282	3,994
TOTAL DISBURSEMENTS	246,606	243,819	2,787	228,276	224,282	3,994
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,981)	(14,269)	712	(3,344)	8,224	11,568
CASH AND INVESTMENT BALANCE, January 1	16,339	16,339	-	8,115	8,115	-
CASH AND INVESTMENT BALANCE, December 31	\$ 1,358	\$ 2,070	\$ 712	\$ 4,771	\$ 16,339	\$ 11,568

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
LAW ENFORCEMENT						
<u>TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ 2,800	\$ 2,639	\$ (161)	\$ -	\$ -	\$ -
Charges for services	4,800	5,294	494	5,376	5,188	(188)
Other	400	40	(360)	2,227	3,215	988
TOTAL RECEIPTS	8,000	7,973	(27)	7,603	8,403	800
DISBURSEMENTS						
Sheriff	8,770	8,395	375	10,304	9,947	357
TOTAL DISBURSEMENTS	8,770	8,395	375	10,304	9,947	357
RECEIPTS (UNDER)	(770)	(422)	348	(2,701)	(1,544)	1,157
CASH AND INVESTMENT BALANCE, January 1	1,190	1,190	-	2,734	2,734	-
CASH AND INVESTMENT BALANCE, December 31	\$ 420	\$ 768	\$ 348	\$ 33	\$ 1,190	\$ 1,157
<u>PROSECUTING ATTORNEY</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,400	\$ 1,342	\$ (58)	\$ 1,500	\$ 3,517	\$ 2,017
TOTAL RECEIPTS	1,400	1,342	(58)	1,500	3,517	2,017
DISBURSEMENTS						
Prosecuting Attorney	2,400	1,337	1,063	2,400	1,755	645
TOTAL DISBURSEMENTS	2,400	1,337	1,063	2,400	1,755	645
RECEIPTS OVER (UNDER)	(1,000)	5	1,005	(900)	1,762	2,662
CASH AND INVESTMENT BALANCE, January 1	2,843	2,843	-	1,081	1,081	-
CASH AND INVESTMENT BALANCE, December 31	\$ 1,843	\$ 2,848	\$ 1,005	\$ 181	\$ 2,843	\$ 2,662

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
LAW ENFORCEMENT						
<u>SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	\$ 634,500	\$ 619,523	\$ (14,977)	\$ 625,000	\$ 633,759	\$ 8,759
Intergovernmental	13,012	13,282	270	18,500	20,595	2,095
Charges for services	178,020	132,664	(45,356)	150,520	150,944	424
Interest	785	2,996	2,211	700	866	166
Other	11,500	5,309	(6,191)	5,000	18,103	13,103
Transfers in	117,300	169,100	51,800	75,000	41,352	(33,648)
TOTAL RECEIPTS	955,117	942,874	(12,243)	874,720	865,619	(9,101)
DISBURSEMENTS						
Salaries	779,713	593,647	186,066	680,733	532,130	148,603
Office supplies	17,665	15,300	2,365	20,690	19,443	1,247
Equipment	13,202	12,532	670	10,100	14,107	(4,007)
Training	-	-	-	1,200	760	440
Officer costs	1,500	145,139	(143,639)	1,200	146,299	(145,099)
Jail costs	14,750	22,343	(7,593)	20,000	22,081	(2,081)
Prisoner costs	20,400	30,688	(10,288)	46,000	45,518	482
Repairs and maintenance	32,000	24,538	7,462	24,000	34,266	(10,266)
Fuel	50,000	59,263	(9,263)	46,050	52,376	(6,326)
Insurance	34,000	36,154	(2,154)	34,000	701	33,299
Other	350	2,178	(1,828)	5,547	5,307	240
TOTAL DISBURSEMENTS	963,580	941,782	21,798	889,520	872,988	16,532
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(8,463)	1,092	9,555	(14,800)	(7,369)	7,431
CASH AND INVESTMENT						
BALANCE, January 1	8,612	8,612	-	15,981	15,981	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 149	\$ 9,704	\$ 9,555	\$ 1,181	\$ 8,612	\$ 7,431
<u>RECORD STORAGE FUND</u>						
RECEIPTS						
Charges for services	\$ 11,800	\$ 12,198	\$ 398	\$ 13,550	\$ 12,778	\$ (772)
Interest	400	517	117	735	445	(290)
TOTAL RECEIPTS	12,200	12,715	515	14,285	13,223	(1,062)
DISBURSEMENTS						
Recorder	17,620	12,883	4,737	19,770	14,919	4,851
TOTAL DISBURSEMENTS	17,620	12,883	4,737	19,770	14,919	4,851
RECEIPTS (UNDER)						
DISBURSEMENTS	(5,420)	(168)	5,252	(5,485)	(1,696)	3,789
CASH AND INVESTMENT						
BALANCE, January 1	24,254	24,254	-	25,950	25,950	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 18,834	\$ 24,086	\$ 5,252	\$ 20,465	\$ 24,254	\$ 3,789

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 16,000	\$ 19,769	\$ 3,769	\$ 22,000	\$ 15,420	\$ (6,580)
Interest	225	204	(21)	250	218	(32)
Other	8,250	2,082	(6,168)	-	-	-
TOTAL RECEIPTS	24,475	22,055	(2,420)	22,250	15,638	(6,612)
DISBURSEMENTS						
Prosecuting attorney	12,000	4,739	7,261	15,000	9,281	5,719
Transfers out	15,000	15,000	-	15,000	15,000	-
TOTAL DISBURSEMENTS	27,000	19,739	7,261	30,000	24,281	5,719
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(2,525)	2,316	4,841	(7,750)	(8,643)	(893)
CASH AND INVESTMENT						
BALANCE, January 1	14,241	14,241	-	22,884	22,884	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 11,716	\$ 16,557	\$ 4,841	\$ 15,134	\$ 14,241	\$ (893)
<u>ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	\$ 635,000	\$ 619,596	\$ (15,404)	\$ 625,000	\$ 633,792	\$ 8,792
Intergovernmental	12,000	19,929	7,929	495,000	276,155	(218,845)
Interest	3,300	5,653	2,353	8,000	3,306	(4,694)
Other	-	12,000	12,000	10,000	116,014	106,014
Transfers in	-	145,000	145,000	-	300,766	300,766
TOTAL RECEIPTS	650,300	802,178	151,878	1,138,000	1,330,033	192,033
DISBURSEMENTS						
Road and bridge materials	600,000	593,855	6,145	255,000	176,603	78,397
Equipment	151,500	151,377	123	253,300	279,929	(26,629)
Bridge construction	61,000	58,831	2,169	680,000	693,980	(13,980)
Other	-	-	-	2,500	1,954	546
Transfers out	15,000	160,000	(145,000)	15,000	135,000	(120,000)
TOTAL DISBURSEMENTS	827,500	964,063	(136,563)	1,205,800	1,287,466	(81,666)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(177,200)	(161,885)	15,315	(67,800)	42,567	110,367
CASH AND INVESTMENT						
BALANCE, January 1	198,666	198,666	-	156,099	156,099	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 21,466	\$ 36,781	\$ 15,315	\$ 88,299	\$ 198,666	\$ 110,367

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
LAW ENFORCEMENT						
<u>CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	\$ 31,800	\$ 35,133	\$ 3,333	\$ 35,287	\$ 33,603	\$ (1,684)
Other	-	600	600	-	-	-
TOTAL RECEIPTS	31,800	35,733	3,933	35,287	33,603	(1,684)
DISBURSEMENTS						
Sheriff	37,594	36,562	1,032	33,287	27,202	6,085
Transfer out	-	1,800	(1,800)	2,000	2,000	-
TOTAL DISBURSEMENTS	37,594	38,362	(768)	35,287	29,202	6,085
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(5,794)	(2,629)	3,165	-	4,401	4,401
CASH AND INVESTMENT						
BALANCE, January 1	8,217	8,217	-	3,816	3,816	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 2,423</u>	<u>\$ 5,588</u>	<u>\$ 3,165</u>	<u>\$ 3,816</u>	<u>\$ 8,217</u>	<u>\$ 4,401</u>
<u>LOCAL EMERGENCY PLANNING</u>						
RECEIPTS						
Intergovernmental	\$ 3,543	\$ 6,618	\$ 3,075	\$ 7,100	\$ 1,592	\$ (5,508)
Other	150	11	(139)	-	-	-
TOTAL RECEIPTS	3,693	6,629	2,936	7,100	1,592	(5,508)
DISBURSEMENTS						
Local emergency planning	10,160	762	9,398	7,100	505	6,595
TOTAL DISBURSEMENTS	10,160	762	9,398	7,100	505	6,595
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(6,467)	5,867	12,334	-	1,087	1,087
CASH AND INVESTMENT						
BALANCE, January 1	6,472	6,472	-	5,385	5,385	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 5</u>	<u>\$ 12,339</u>	<u>\$ 12,334</u>	<u>\$ 5,385</u>	<u>\$ 6,472</u>	<u>\$ 1,087</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>CIRCUIT CLERK</u>						
<u>INTEREST FUND</u>						
RECEIPTS						
Interest	\$ 1,200	\$ 2,661	\$ 1,461	\$ 600	\$ 1,181	\$ 581
TOTAL RECEIPTS	1,200	2,661	1,461	600	1,181	581
DISBURSEMENTS						
Circuit Clerk	7,792	629	7,163	6,996	985	6,011
TOTAL DISBURSEMENTS	7,792	629	7,163	6,996	985	6,011
RECEIPTS OVER DISBURSEMENTS	(6,592)	2,032	8,624	(6,396)	196	6,592
CASH AND INVESTMENT BALANCE, January 1	6,592	6,592	-	6,396	6,396	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 8,624</u>	<u>\$ 8,624</u>	<u>\$ -</u>	<u>\$ 6,592</u>	<u>\$ 6,592</u>
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	\$ 10,000	\$ 10,903	\$ 903	\$ 7,880	\$ 10,016	\$ 2,136
Interest	200	299	99	120	130	10
TOTAL RECEIPTS	10,200	11,202	1,002	8,000	10,146	2,146
DISBURSEMENTS						
Law library	23,262	10,472	12,790	18,324	7,408	10,916
TOTAL DISBURSEMENTS	23,262	10,472	12,790	18,324	7,408	10,916
RECEIPTS OVER DISBURSEMENTS	(13,062)	730	13,792	(10,324)	2,738	13,062
CASH AND INVESTMENT BALANCE, January 1	13,062	13,062	-	10,324	10,324	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 13,792</u>	<u>\$ 13,792</u>	<u>\$ -</u>	<u>\$ 13,062</u>	<u>\$ 13,062</u>
<u>JURY FUND</u>						
RECEIPTS						
Transfers in	\$ 20,000	\$ 4,600	\$ (15,400)	\$ 22,000	\$ 7,800	(14,200)
TOTAL RECEIPTS	20,000	4,600	(15,400)	22,000	7,800	(14,200)
DISBURSEMENTS						
Jury costs	20,000	3,852	16,148	22,000	7,828	14,172
TOTAL DISBURSEMENTS	20,000	3,852	16,148	22,000	7,828	14,172
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	748	748	-	(28)	(28)
CASH AND INVESTMENT BALANCE, January 1	346	346	-	374	374	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 346</u>	<u>\$ 1,094</u>	<u>\$ 748</u>	<u>\$ 374</u>	<u>\$ 346</u>	<u>\$ (28)</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,850	\$ 1,320	\$ (530)	\$ -	\$ -	\$ -
Charges for services	2,000	1,354	(646)	12,300	2,567	(9,733)
Interest	130	57	(73)	100	121	21
TOTAL RECEIPTS	3,980	2,731	(1,249)	12,400	2,688	(9,712)
DISBURSEMENTS						
Elections	3,500	3,409	91	7,500	6,617	883
TOTAL DISBURSEMENTS	3,500	3,409	91	7,500	6,617	883
RECEIPTS OVER (UNDER) DISBURSEMENTS	480	(678)	(1,158)	4,900	(3,929)	(8,829)
CASH AND INVESTMENT BALANCE, January 1	2,865	2,865	-	6,794	6,794	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 3,345</u>	<u>\$ 2,187</u>	<u>\$ (1,158)</u>	<u>\$ 11,694</u>	<u>\$ 2,865</u>	<u>\$ (8,829)</u>
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 16,000	\$ 17,305	\$ 1,305	\$ 15,500	\$ 15,417	\$ (83)
Interest	1,300	1,298	(2)	1,000	1,116	116
Other	-	1,712	1,712	-	-	-
TOTAL RECEIPTS	17,300	20,315	3,015	16,500	16,533	33
DISBURSEMENTS						
Collector	30,000	7,746	22,254	27,000	2,753	24,247
TOTAL DISBURSEMENTS	30,000	7,746	22,254	27,000	2,753	24,247
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,700)	12,569	25,269	(10,500)	13,780	24,280
CASH AND INVESTMENT BALANCE, January 1	50,561	50,561	-	36,781	36,781	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 37,861</u>	<u>\$ 63,130</u>	<u>\$ 25,269</u>	<u>\$ 26,281</u>	<u>\$ 50,561</u>	<u>\$ 24,280</u>
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 838	\$ 838	\$ -	\$ 828	\$ 828
TOTAL RECEIPTS	-	838	838	-	828	828
DISBURSEMENTS						
Associate Circuit Court	-	236	(236)	-	1,542	(1,542)
TOTAL DISBURSEMENTS	-	236	(236)	-	1,542	(1,542)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	602	602	-	(714)	(714)
CASH AND INVESTMENT BALANCE, January 1	6,699	6,699	-	7,413	7,413	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 6,699</u>	<u>\$ 7,301</u>	<u>\$ 602</u>	<u>\$ 7,413</u>	<u>\$ 6,699</u>	<u>\$ (714)</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PASSPORT FUND</u>						
RECEIPTS						
Charges for services	\$ 900	\$ 2,382	\$ 1,482	\$ 1,475	\$ 4,500	\$ 3,025
TOTAL RECEIPTS	900	2,382	1,482	1,475	4,500	3,025
DISBURSEMENTS						
Recorder	1,950	2,015	(65)	1,000	1,268	(268)
TOTAL DISBURSEMENTS	1,950	2,015	(65)	1,000	1,268	(268)
RECEIPTS OVER DISBURSEMENTS	(1,050)	367	1,417	475	3,232	2,757
CASH AND INVESTMENT BALANCE, January 1	4,207	4,207	-	975	975	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 3,157</u>	<u>\$ 4,574</u>	<u>\$ 1,417</u>	<u>\$ 1,450</u>	<u>\$ 4,207</u>	<u>\$ 2,757</u>
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 58,565	\$ 58,565	\$ -	\$ 41,218	\$ 41,218
TOTAL RECEIPTS	-	58,565	58,565	-	41,218	41,218
DISBURSEMENTS						
County Clerk	-	77,721	(77,721)	-	22,062	(22,062)
TOTAL DISBURSEMENTS	-	77,721	(77,721)	-	22,062	(22,062)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(19,156)	(19,156)	-	19,156	19,156
CASH AND INVESTMENT BALANCE, January 1	19,156	19,156	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 19,156</u>	<u>\$ -</u>	<u>\$ (19,156)</u>	<u>\$ -</u>	<u>\$ 19,156</u>	<u>\$ 19,156</u>
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,600	\$ 1,632	\$ 32	\$ 250	\$ 1,836	\$ 1,586
TOTAL RECEIPTS	1,600	1,632	32	250	1,836	1,586
DISBURSEMENTS						
Sheriff	3,364	2,625	739	250	-	250
TOTAL DISBURSEMENTS	3,364	2,625	739	250	-	250
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,764)	(993)	771	-	1,836	1,836
CASH AND INVESTMENT BALANCE, January 1	1,836	1,836	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 72</u>	<u>\$ 843</u>	<u>\$ 771</u>	<u>\$ -</u>	<u>\$ 1,836</u>	<u>\$ 1,836</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
LAW ENFORCEMENT						
<u>SUPPLEMENTAL SALARIES FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 3,268	\$ 3,268	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	3,268	3,268	-	-	-
DISBURSEMENTS						
State fee	-	2,558	(2,558)	-	-	-
TOTAL DISBURSEMENTS	-	2,558	(2,558)	-	-	-
RECEIPTS OVER DISBURSEMENTS	-	710	710	-	-	-
CASH AND INVESTMENT BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 710</u>	<u>\$ 710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LAW ENFORCEMENT						
<u>SPECIAL RESPONSE TEAM FUND</u>						
RECEIPTS						
Transfers in	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ -
TOTAL RECEIPTS	-	-	-	2,000	2,000	-
DISBURSEMENTS						
Sheriff	706	706	-	2,000	1,294	706
TOTAL DISBURSEMENTS	706	706	-	2,000	1,294	706
RECEIPTS OVER (UNDER) DISBURSEMENTS	(706)	(706)	-	-	706	706
CASH AND INVESTMENT BALANCE, January 1	706	706	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 706</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY
BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	\$ 500	\$ 463	\$ (37)	\$ 750	\$ 485	\$ (265)
TOTAL RECEIPTS	500	463	(37)	750	485	(265)
DISBURSEMENTS						
Domestic violence shelter	695	656	39	750	290	460
TOTAL DISBURSEMENTS	695	656	39	750	290	460
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(195)	(193)	2	-	195	195
CASH AND INVESTMENT						
BALANCE, January 1	195	195	-	-	-	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ -	\$ 2	\$ 2	\$ -	\$ 195	\$ 195
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Sales taxes	\$ 560,000	\$ 553,716	\$ (6,284)	\$ 550,000	\$ 575,926	\$ 25,926
Interest	18,000	18,663	663	15,000	21,874	6,874
Other	-	20	20	-	6,271	6,271
TOTAL RECEIPTS	578,000	572,399	(5,601)	565,000	604,071	39,071
DISBURSEMENTS						
Salaries	343,069	346,326	(3,257)	342,536	341,410	1,126
Employee benefits	100,030	80,965	19,065	101,235	78,599	22,636
Equipment	-	39,347	(39,347)	-	22,520	(22,520)
Building	-	-	-	35,400	51,557	(16,157)
Office costs	54,750	46,647	8,103	54,200	47,556	6,644
Repairs and maintenance	51,300	55,650	(4,350)	45,100	42,842	2,258
Contracted services	5,500	2,205	3,295	5,500	3,045	2,455
Training	14,300	8,475	5,825	15,700	11,257	4,443
Security	-	-	-	-	1,325	(1,325)
Vehicles	1,700	904	796	1,700	1,150	550
Utilities	10,000	9,747	253	8,700	10,710	(2,010)
Insurance	10,500	9,534	966	10,000	27	9,973
Software	-	14,652	(14,652)	-	9,631	(9,631)
Grants to other governments	-	-	-	25,000	21,639	3,361
Other	71,810	5,524	66,286	44,309	9,483	34,826
TOTAL DISBURSEMENTS	662,959	619,976	42,983	689,380	652,751	36,629
RECEIPTS (UNDER)						
DISBURSEMENTS	(84,959)	(47,577)	37,382	(124,380)	(48,680)	75,700
CASH AND INVESTMENT						
BALANCE, January 1	424,519	424,519	-	473,199	473,199	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 339,560	\$ 376,942	\$ 37,382	\$ 348,819	\$ 424,519	\$ 75,700

See accompanying notes.

DALLAS COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2008

	Circuit Clerk Fund	Associate Circuit Court Probate Fund	Collector of Revenue Fund	Collector's Surtax Fund	Collector's Protested Tax Fund	Sheriff Fund
ASSETS						
Cash and investments	\$ 18,989	\$ 26,641	\$ 4,596,368	\$ 3,927	\$ 55,968	\$ 4,192
TOTAL ASSETS	<u>\$ 18,989</u>	<u>\$ 26,641</u>	<u>\$ 4,596,368</u>	<u>\$ 3,927</u>	<u>\$ 55,968</u>	<u>\$ 4,192</u>
LIABILITIES						
Due to others	\$ 18,989	\$ 26,641	\$ -	\$ -	\$ 55,968	\$ -
Due to other funds	-	-	638,697	-	-	-
Due to other governments	-	-	3,957,671	3,927	-	4,192
TOTAL LIABILITIES	<u>\$ 18,989</u>	<u>\$ 26,641</u>	<u>\$ 4,596,368</u>	<u>\$ 3,927</u>	<u>\$ 55,968</u>	<u>\$ 4,192</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS
(CONTINUED)

December 31, 2008

	Passport Execution Fund	County Employee Retirement Fund	Overplus Land Sales Fund	Sheriff's Commissary Fund	Prosecuting Attorney Tax Collection Fund	Fines and Forfeitures	Total
ASSETS							
Cash and investments	\$ 56	\$ 4,936	\$ 578	\$ 788	\$ 2,159	\$ 83,241	\$ 4,797,843
TOTAL ASSETS	<u>\$ 56</u>	<u>\$ 4,936</u>	<u>\$ 578</u>	<u>\$ 788</u>	<u>\$ 2,159</u>	<u>\$ 83,241</u>	<u>\$ 4,797,843</u>
LIABILITIES							
Due to others	\$ -	\$ 4,936	\$ 578	\$ 788	\$ 2,159	\$ -	\$ 110,059
Due to other funds	-	-	-	-	-	-	638,697
Due to other governments	56	-	-	-	-	83,241	4,049,087
TOTAL LIABILITIES	<u>\$ 56</u>	<u>\$ 4,936</u>	<u>\$ 578</u>	<u>\$ 788</u>	<u>\$ 2,159</u>	<u>\$ 83,241</u>	<u>\$ 4,797,843</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

Year Ended December 31, 2007

	Circuit Clerk Fund	Associate Circuit Court Probate Fund	Recorder of Deeds Fund	Collector of Revenue Fund	Collector's Surtax Fund	Sheriff Fund
ASSETS						
Cash and investments	\$ 72,865	\$ 35,394	\$ 3	\$ 4,407,558	\$ 3,435	\$ 6,850
TOTAL ASSETS	<u>\$ 72,865</u>	<u>\$ 35,394</u>	<u>\$ 3</u>	<u>\$ 4,407,558</u>	<u>\$ 3,435</u>	<u>\$ 6,850</u>
LIABILITIES						
Due to others	\$ 71,872	\$ 35,394	\$ 3	\$ -	\$ -	\$ -
Due to other funds	-	-	-	601,713	-	-
Due to other governments	993	-	-	3,805,845	3,435	6,850
TOTAL LIABILITIES	<u>\$ 72,865</u>	<u>\$ 35,394</u>	<u>\$ 3</u>	<u>\$ 4,407,558</u>	<u>\$ 3,435</u>	<u>\$ 6,850</u>

See accompanying notes.

DALLAS COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS
(CONTINUED)

Year Ended December 31, 2007

	Passport Execution Fund	County Employee Retirement Fund	Overplus Land Sales Fund	Sheriff's Commissary Fund	Fines and Forfeitures	Total
ASSETS						
Cash and investments	\$ 183	\$ 4,483	\$ 3,781	\$ 325	\$ 80,799	\$ 4,615,676
TOTAL ASSETS	<u>\$ 183</u>	<u>\$ 4,483</u>	<u>\$ 3,781</u>	<u>\$ 325</u>	<u>\$ 80,799</u>	<u>\$ 4,615,676</u>
LIABILITIES						
Due to others	\$ -	\$ 4,483	\$ 3,781	\$ 325	\$ -	\$ 115,858
Due to other funds	-	-	-	-	-	601,713
Due to other governments	183	-	-	-	80,799	3,898,105
TOTAL LIABILITIES	<u>\$ 183</u>	<u>\$ 4,483</u>	<u>\$ 3,781</u>	<u>\$ 325</u>	<u>\$ 80,799</u>	<u>\$ 4,615,676</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dallas County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Dallas County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor’s Office, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

Fiduciary Funds – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
 - a. Associate Circuit Court Interest Fund
 - b. Special Election Fund
 - c. Law Enforcement Supplemental Salaries Fund
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds of the County.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

NOTE B – CASH AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Cash and investments". In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2008 and 2007, all bank balances and certificates of deposit are entirely insured or collateralized with securities.

NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

Legal Matters

There are a number of claims and/or lawsuits to which the County is a party as a result of certain injuries and various other matters and complaints arising in the ordinary course of County activities. The County's management and legal counsel anticipate that the potential claims, if any, against the County resulting from such litigation would not have a material effect on the financial position of the County.

NOTE D – PENSION PLAN – CERF

STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND

Plan Description

Dallas County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo. 50.1000 to 50.1300. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF, Boone County National Bank, P.O. Box 577, Columbia, MO 65202 or by calling 1-800-357-8557.

DALLAS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE D – PENSION PLAN – CERF (continued)

Funding Policy

Dallas County's full-time employees hired before February 25, 2002, are required by state statute to contribute 0% of annual payroll to the pension plan. Dallas County's full-time employees hired after February 25, 2002, are required by state statute to contribute 4% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo. Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

NOTE E – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2008 and 2007 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

ASSESSED VALUATION	2008	2007
Real estate	\$ 111,928,206	\$ 110,015,755
Personal property	37,914,786	38,628,174
	<u>\$ 149,842,992</u>	<u>\$ 148,643,929</u>
TAX LEVY		
General Fund	<u>\$.3932</u>	<u>\$.3694</u>

The legal debt margin at December 31, 2008 and December 31, 2007, is computed as follows:

	2008	2007
Constitutional debt limit	\$ 14,984,299	\$ 14,864,393
General obligation bonds payable	-	-
LEGAL DEBT MARGIN	<u>\$ 14,984,299</u>	<u>\$ 14,864,393</u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

DALLAS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE F – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE G – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2008 and 2007, consisted of the following:

	Transfers In (Out)	
	2008	2007
General Fund	\$ (203,900)	\$ (84,352)
Special Road and Bridge Fund	(15,000)	(195,766)
Assessment Fund	77,000	80,200
Law Enforcement Sales Tax Fund	169,100	41,352
Road and Bridge Capital Improvement Fund	(15,000)	165,766
Jury Fund	4,600	7,800
Law Enforcement Civil Fees Fund	(1,800)	(2,000)
Bad Check Fund	(15,000)	(15,000)
Law Enforcement Special Response Team Fund	-	2,000
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

DALLAS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE G – LONG-TERM LIABILITIES

Compensated Absences

Compensated absences payable consists of unused vacation time and accumulated comp time for employees and totaled \$43,389 as of December 31, 2007, and \$45,730 as of December 31, 2008 for the County, and \$6,625 as of December 31, 2007, and \$4,047 as of December 31, 2008 for the E 911 Board.

**SUPPLEMENTARY SCHEDULE
AND AUDITOR'S REPORTS**



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

County Commission
Dallas County
Buffalo, Missouri

We have audited the financial statements of Dallas County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 17, 2009. The financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Dallas County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Dallas County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Dallas County, Missouri, in a separate letter dated April 17, 2009.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn: Moots, PC

DAVIS, LYNN & MOOTS, P.C.
April 17, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commission
Dallas County
Buffalo, Missouri

Compliance

We have audited the compliance of Dallas County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2008. Dallas County's major federal programs are identified in the summary of auditor's results section of the accompanying summary schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Dallas County's management. Our responsibility is to express an opinion on Dallas County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas County's compliance with those requirements.

In our opinion, Dallas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the years ended December 31, 2008 and 2007.

Internal Control Over Compliance

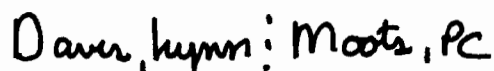
The management of Dallas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dallas County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
April 17, 2009

DALLAS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures Year Ended December 31,	
			2008	2007
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Public Partnership and Community Policing Grants	16.710	2007CKWX0148	\$ 12,202	\$ -
TOTAL U.S. DEPARTMENT OF JUSTICE			12,202	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
State Highway and Planning Commission				
Highway Planning and Construction	20.205	BRO-B030(8)	-	468,701
		BRO-B030(9)	11,966	318,915
Missouri Department of Public Safety				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	1,592	1,592
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			13,558	789,208
<u>GENERAL SERVICES ADMINISTRATION</u>				
State Office of Administration				
Surplus Property	39.003	N/A	-	20,548
TOTAL GENERAL SERVICES ADMINISTRATION			-	20,548
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Missouri Department of Public Safety				
Chemical Emergency Preparedness and Prevention				
Technical Assistance Grants Program	66.810	N/A	4,578	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			4,578	-
<u>ELECTION ASSISTANCE COMMISSION</u>				
Missouri Office of the Secretary of State				
Help America Vote Act	90.401	N/A	-	5,382
TOTAL ELECTION ASSISTANCE COMMISSION			-	5,382
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Missouri Department of Social Services				
Child Support Enforcement	93.563	N/A	268	749
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			268	749
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Missouri State Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	FEMA #DR1676	156,121	527,990
		FEMA #DR1728	-	668,437
		FEMA #DR1742	7,187	-
		FEMA #DR1749	64,129	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			227,437	1,196,427
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 258,043	\$ 2,012,314

N/A - Not Applicable

DALLAS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE
Years ended December 31, 2008 and 2007

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dallas County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted above, the schedule is presented on the regulatory basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2008 and 2007.

DALLAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years ended December 31, 2008 and 2007

Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> x </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> x </u> None reported
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> x </u> No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> </u> Yes	<u> x </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> x </u> None reported
Type of auditors' report issued on compliance for major program(s):	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> Yes	<u> x </u> No

Identification of major program(s):

CFDA or Other

<u>Identifying Number</u>	<u>Program Title</u>
---------------------------	----------------------

20.205	Highway Planning and Construction
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between Type A and and Type B program:	<u>\$ 300,000</u>
Auditee qualified as a low -risk auditee?	<u> </u> Yes <u> x </u> No

DALLAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Years ended December 31, 2008 and 2007

Financial Statement Findings

08-1 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

08-2 Reconciliation of Interfund Transfers

Condition: Some transfers between funds were recorded as revenues in the funds receiving the transfer and as expenses in the funds making the transfer. Transfers between funds are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Criteria: Transfers between funds should be recorded in separate transfer accounts instead of being recorded in revenue and expense accounts.

Effect: Expenses and revenues are overstated as a result of transfers being recorded in revenue and expense accounts.

Recommendation: Transfer accounts should be established and used when funds are transferred among funds. In addition, at year-end, the County Clerk should perform a reconciliation to ensure that the total of transfers in and transfers out equals zero.

Response: The County will implement procedures to properly record interfund transfers.

DALLAS COUNTY

SCHEDULE OF AUDITORS' RESULTS OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Years ended December 31, 2008 and 2007

08-3 Accounting for Purchases and Maturities of Certificates of Deposit

Condition: Purchases of certificates of deposit were recorded as expenses of the County and the subsequent redemption of the certificates were recorded as revenues.

Criteria: Transactions involving the purchasing and redeeming of certificates of deposit represent an exchange of one asset for another asset. When cash is disbursed to purchase a certificate of deposit, the cash account affected should be credited and a certificate of deposit account debited. When cash is received from the redemption of a certificate, the cash account where the cash is deposited should be debited and the corresponding certificate account should be credited.

Effect: The County's current practice of recording the purchase of certificates of deposit as expenses and the redemption as revenues results in both revenues and expenses being overstated. In addition, certificates held at year-end are not recorded as assets in the County's general ledger, resulting in an understatement of the County's assets of \$800,000 at December 31, 2007.

Recommendation: When cash is disbursed to purchase a certificate of deposit, the cash account affected should be credited and a certificate of deposit account debited. When cash is received from the redemption of a certificate, the cash account where the cash is deposited should be debited and the corresponding certificate account should be credited.

Response: The County will implement procedures to properly record the purchase and redemption of certificates of deposit.

Federal Award Findings and Questioned Costs

None

DALLAS COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

This section represents the summary schedule of prior audit findings. The prior audit period was for the two years ended December 31, 2004.

04-01 Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity	
Identifying Number:	1412-DR-MO
Award Years:	2004 and 2003
Questioned Costs:	Not applicable

The County did not adequately track or report federal assistance on the Schedule of Expenditures of Federal Awards.

Auditor's Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Corrective action has been taken to more accurately prepare the schedule of expenditures of federal awards.



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

Dallas County Commission
Dallas County
Buffalo, Missouri

In planning and performing our audit of the basic financial statements of Dallas County, Missouri for the years ended December 31, 2008 and 2007, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Special Revenue Funds Policies

The County currently maintains several special revenue funds for the benefit of various County offices. Although the monies are to be used for the benefit of the various offices, these monies represent County funds. Therefore the same policies of the County regarding budgeting, receipts, and disbursements should be followed for these funds as with other funds of the County. During our audit we noted that the following funds did not have formally approved budgets: Associate Circuit Court Interest Fund, Special Election Fund, and Law Enforcement Supplemental Salaries Fund.

We Recommend:

The County require these funds to be deposited with the County Treasurer in the appropriate funds. Expenditures from these funds should be budgeted and the approval process for expenditures out of these funds should follow the same procedures as with other County expenditures.

2. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50 RSMo. in 2007, as actual expenditures exceeded budgeted expenditures in the Special Road and Bridge Fund, Passport Fund and the Road and Bridge Capital Improvement Fund. The County was also not in compliance in 2008, as actual expenditures exceeded budgeted expenditures in the General Fund, Road and Bridge Capital Improvement Fund, Passport Fund and the Law Enforcement Civil Fees Fund. The budgetary statute prohibits actual expenditures exceeding budgeted expenditures for any fund maintained by the County.

We Recommend:

The County review expenditures during the year and amend the budget as necessary to avoid expending more than the budgeted amount to insure compliance with the budgetary statute (Chapter 50, RSMo.).

3. Bank Depository Agreements

As a custodian of public monies, we believe the County should review certain elements of depository agreements with the County's banking institutions to ensure proper controls are in place regarding the deposits. The County has a responsibility for the safety of County monies and the depository agreements are often not reviewed and updated appropriately.

We Recommend:

- a. The County determine that the depository agreement with the banking institution has instructions regarding when a check is valid and may be honored by the institution. If more than one signature is required on checks, then the depository agreement should reflect that requirement.
- b. The County determine that the depository agreement specify the persons authorized to make wire transfers and to whom they may be made. This is necessary to prevent unauthorized wire transfers of County funds.
- c. The County determine that the depository agreement has procedures for opening new accounts in order to prevent unauthorized accounts from being opened under the County's name.

4. Approved Vendor List

During our audit we noted that the County does not have policies and procedures in place to require purchases only from approved vendors. Maintenance of an approved vendor list is an excellent procedure to have in place to prevent fraudulent disbursements to fictitious vendors.

We Recommend:

The County develop policies and procedures in order to have an approved vendor list for purchases made by the County.

5. Disbursement Procedures

Currently the County does not require two signatures on checks from some of the County's bank accounts. Coupled with the lack of segregation of duties, this creates an environment in which the County's assets could be misappropriated and the misappropriation would not be discovered in a timely manner.

We Recommend:

The County institute a policy requiring two signatures on all checks for all County disbursements, including all Special Revenue Fund disbursements.

6. Trial Balance

During our audit, we noted that the trial balance was not in balance at year-end due to a voided check not being recorded properly in the County's financial accounting software. The trial balance was corrected once the issue was discovered.

We Recommend:

The County evaluate the financial accounting software to determine why the trial balance was not in balance, and contact the software vendor to determine if software updates or changes are necessary to ensure future trial balances are in balance.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Dallas County's independent auditor and the courtesies and assistance extended to us by the County's employees.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
April 17, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343
www.dlmcpa.com
e-mail: cpa@dlmcpa.com

County Commission
Dallas County
Buffalo, Missouri

We have audited the basic financial statements of Dallas County, Missouri for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 17, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 20, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Primary Government of Dallas County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 or 2008.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management for the following:

- Certificate of deposit activity
- Interfund transfer activity

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

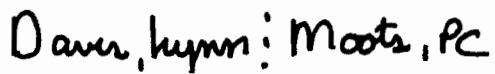
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Dallas County Commission
Dallas County
Buffalo, Missouri
Page Three

This report is intended solely for the use of the County Commission and management of the Primary Government of Dallas County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.
April 17, 2009



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Dade County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Dade County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-81

DADE COUNTY, MISSOURI

FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

DADE COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS:	
Statements of Receipts, Disbursements, and Changes in Cash and Investment Balances – All Governmental Funds – Regulatory Basis	
Year Ended December 31, 2008	5
Year Ended December 31, 2007	6
Comparative Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – Budget and Actual – All Governmental Funds – Regulatory Basis	
Years Ended December 31, 2008 and 2007	7
Statements of Assets and Liabilities Arising from Cash Transactions – Agency Funds – Regulatory Basis	
December 31, 2008	14
December 31, 2007	16
Notes to the Financial Statements	17
SUPPLEMENTARY SCHEDULES AND AUDITORS' REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133	26
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2008 and 2007	28
Notes to the Supplementary Schedule	29
Schedule of Findings and Questioned Costs Years Ended December 31, 2008 and 2007	30
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	33



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343
www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

Dade County Commission
Dade County
Greenfield, Missouri

We have audited the accompanying financial statements of Dade County, Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

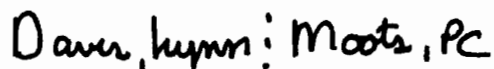
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dade County, Missouri, as of December 31, 2008 and 2007, or the changes in financial position for the years then ended.

Dade County Commission
Dade County
Greenfield, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of Dade County, Missouri, as of and for the year ended December 31, 2008 and 2007, and the receipts, disbursements and budgetary results of the governmental funds for the years ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, that were prepared on the basis of accounting described in Note A.

A handwritten signature in black ink that reads "Davis, Lynn Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
May 13, 2009

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2008

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 294,118	\$ 819,806	\$ 769,633	\$ 344,291
Special Road and Bridge	274,351	1,288,020	1,274,544	287,827
Assessment	1,642	129,582	128,298	2,926
Law Enforcement	2,296	507,922	527,771	(17,553)
Recorder's Fund	17,067	4,946	2,629	19,384
Law Library	4,259	4,095	3,680	4,674
Circuit Clerk Interest	13,450	1,194	1,175	13,469
Law Enforcement Training	1,094	1,741	2,255	580
Sheriff's Revolving Fund	2,900	2,100	3,716	1,284
Prosecuting Attorney Bad Check	5,649	8,642	9,441	4,850
Prosecuting Attorney Training	882	264	-	1,146
Prosecuting Attorney Delinquent Tax	2,215	-	-	2,215
Domestic Violence	61	121	92	90
Tax Maintenance	13,829	10,951	3,478	21,302
Election Services Fund	9,820	1,350	10,567	603
Special Election Fund	2,798	28,314	30,940	172
911 Emergency Services	87,629	294,529	233,376	148,782
TOTAL	<u>\$ 734,060</u>	<u>\$ 3,103,577</u>	<u>\$ 3,001,595</u>	<u>\$ 836,042</u>

See accompanying notes.

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS
Year Ended December 31, 2007

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 458,829	\$ 687,600	\$ 852,311	\$ 294,118
Special Road and Bridge	242,898	1,925,471	1,894,018	274,351
Assessment	(1,836)	121,744	118,266	1,642
Law Enforcement	(60,853)	603,640	540,491	2,296
Recorder's Fund	15,514	5,596	4,043	17,067
Law Library	1,978	4,033	1,752	4,259
Circuit Clerk Interest	11,806	2,452	808	13,450
Law Enforcement Training	1,395	1,699	2,000	1,094
Sheriff's Revolving Fund	-	2,900	-	2,900
Prosecuting Attorney Bad Check	5,528	9,013	8,892	5,649
Prosecuting Attorney Training	601	281	-	882
Prosecuting Attorney Delinquent Tax	2,215	-	-	2,215
Domestic Violence	106	61	106	61
Tax Maintenance	9,178	6,244	1,593	13,829
Election Services Fund	9,722	98	-	9,820
Special Election Fund	78	11,444	8,724	2,798
911 Emergency Services	16,533	313,941	242,845	87,629
TOTAL	<u>\$ 713,692</u>	<u>\$ 3,696,217</u>	<u>\$ 3,675,849</u>	<u>\$ 734,060</u>

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 108,000	\$ 106,510	\$ (1,490)	\$ 105,000	\$ 107,554	\$ 2,554
Sales taxes	289,500	281,311	(8,189)	285,000	279,555	(5,445)
Other taxes	37,500	59,384	21,884	37,000	37,418	418
Intergovernmental	67,159	98,484	31,325	62,857	81,937	19,080
Charges for services	236,725	245,354	8,629	144,180	139,341	(4,839)
Interest	22,000	1,263	(20,737)	36,433	17,512	(18,921)
Other	1,600	-	(1,600)	2,835	4,283	1,448
Transfers in	36,000	27,500	(8,500)	20,000	20,000	-
TOTAL RECEIPTS	798,484	819,806	21,322	693,305	687,600	(5,705)
DISBURSEMENTS						
County Commission	79,530	86,008	(6,478)	77,375	80,304	(2,929)
County Clerk	61,286	65,913	(4,627)	58,505	69,132	(10,627)
Elections	49,300	52,660	(3,360)	30,413	30,113	300
Buildings and grounds	81,760	69,856	11,904	72,760	71,767	993
Employee fringe benefit	45,451	24,472	20,979	45,599	23,724	21,875
County Treasurer and Collector	74,813	76,062	(1,249)	87,593	95,507	(7,914)
Recorder of Deeds	46,601	48,856	(2,255)	42,895	46,805	(3,910)
Associate Circuit Court	28,840	28,734	106	25,140	27,303	(2,163)
Public Administrator	24,950	25,364	(414)	19,090	19,596	(506)
Insurance	13,500	6,465	7,035	13,500	10,390	3,110
University Extension	10,500	10,500	-	30,110	30,110	-
Local Emergency Planning						
Commission (LEPC)	26,237	2,723	23,514	22,292	2,339	19,953
Emergency Management	22,000	67,444	(45,444)	22,450	32,307	(9,857)
Other	28,365	17,076	11,289	41,753	47,212	(5,459)
Transfers out	203,500	187,500	16,000	306,294	265,702	40,592
TOTAL DISBURSEMENTS	796,633	769,633	27,000	895,769	852,311	43,458
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	1,851	50,173	48,322	(202,464)	(164,711)	37,753
CASH AND INVESTMENT						
BALANCE, January 1	294,118	294,118	-	458,829	458,829	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 295,969	\$ 344,291	\$ 48,322	\$ 256,365	\$ 294,118	\$ 37,753

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 570,000	\$ 524,194	\$ (45,806)	\$ 563,000	\$ 565,271	\$ 2,271
Intergovernmental	507,796	744,261	236,465	1,917,315	1,332,095	(585,220)
Interest	11,571	19,565	7,994	-	15,444	15,444
Other	27,712	-	(27,712)	12,500	12,661	161
TOTAL RECEIPTS	1,117,079	1,288,020	170,941	2,492,815	1,925,471	(567,344)
DISBURSEMENTS						
Salaries	6,673	1,749	4,924	6,790	3,472	3,318
Employee fringe benefits	510	1,038	(528)	519	-	519
Supplies	-	28,332	(28,332)	2,700	938	1,762
Insurance	-	241	(241)	-	455	(455)
Road and bridge materials	72,000	19,635	52,365	47,100	35,541	11,559
Construction, repair, and maintenance	946,646	1,021,895	(75,249)	1,889,775	1,528,024	361,751
Distributions to townships and road districts	-	173,950	(173,950)	234,000	278,050	(44,050)
Other	600	204	396	500	6,538	(6,038)
Transfers out	15,000	27,500	(12,500)	20,000	41,000	(21,000)
TOTAL DISBURSEMENTS	1,041,429	1,274,544	(233,115)	2,201,384	1,894,018	307,366
RECEIPTS OVER DISBURSEMENTS	75,650	13,476	(62,174)	291,431	31,453	(259,978)
CASH AND INVESTMENT BALANCE, January 1	274,351	274,351	-	242,898	242,898	-
CASH AND INVESTMENT BALANCE, December 31	\$ 350,001	\$ 287,827	\$ (62,174)	\$ 534,329	\$ 274,351	\$ (259,978)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 109,000	\$ 111,739	\$ 2,739	\$ 107,329	\$ 91,103	\$ (16,226)
Charges for services	1,200	1,076	(124)	1,500	1,121	(379)
Interest	-	767	767	996	996	-
Other	-	-	-	1,000	24	(976)
Transfers in	18,000	16,000	(2,000)	9,000	28,500	19,500
TOTAL RECEIPTS	128,200	129,582	1,382	119,825	121,744	1,919
DISBURSEMENTS						
Assessor	134,752	128,298	6,454	112,440	118,266	(5,826)
TOTAL DISBURSEMENTS	134,752	128,298	6,454	112,440	118,266	(5,826)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,552)	1,284	7,836	7,385	3,478	(3,907)
CASH AND INVESTMENT BALANCE, January 1	1,642	1,642	-	(1,836)	(1,836)	-
CASH AND INVESTMENT BALANCE, December 31	\$ (4,910)	\$ 2,926	\$ 7,836	\$ 5,549	\$ 1,642	\$ (3,907)

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Sales taxes	\$ 245,000	\$ 226,181	\$ (18,819)	\$ 225,000	\$ 235,455	\$ 10,455
Intergovernmental	45,750	62,542	16,792	41,500	62,892	21,392
Charges for services	20,500	23,188	2,688	20,000	20,938	938
Interest	5,500	3,712	(1,788)	5,639	5,639	-
Other	40,900	20,799	(20,101)	43,350	20,514	(22,836)
Transfers in	171,000	171,500	500	293,000	258,202	(34,798)
TOTAL RECEIPTS	528,650	507,922	(20,728)	628,489	603,640	(24,849)
DISBURSEMENTS						
Sheriff	385,795	383,331	2,464	412,888	392,604	20,284
Prosecuting Attorney	90,678	93,899	(3,221)	86,940	91,600	(4,660)
Juvenile Officer	18,621	17,205	1,416	22,366	16,131	6,235
Coroner	10,500	11,372	(872)	9,620	10,486	(866)
Fringe benefits	20,475	21,964	(1,489)	20,475	29,670	(9,195)
TOTAL DISBURSEMENTS	526,069	527,771	(1,702)	552,289	540,491	11,798
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	2,581	(19,849)	(22,430)	76,200	63,149	(13,051)
CASH AND INVESTMENT						
BALANCE, January 1	2,296	2,296	-	(60,853)	(60,853)	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 4,877	\$ (17,553)	\$ (22,430)	\$ 15,347	\$ 2,296	\$ (13,051)
<u>RECORDER'S FUND</u>						
RECEIPTS						
Charges for services	\$ 5,600	\$ 4,912	\$ (688)	\$ 6,900	\$ 5,530	\$ (1,370)
Interest	34	34	-	-	66	66
TOTAL RECEIPTS	5,634	4,946	(688)	6,900	5,596	(1,304)
DISBURSEMENTS						
Recorder of Deeds	4,100	2,629	1,471	9,600	4,043	5,557
TOTAL DISBURSEMENTS	4,100	2,629	1,471	9,600	4,043	5,557
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	1,534	2,317	783	(2,700)	1,553	4,253
CASH AND INVESTMENT						
BALANCE, January 1	17,067	17,067	-	15,514	15,514	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 18,601	\$ 19,384	\$ 783	\$ 12,814	\$ 17,067	\$ 4,253

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 4,005	\$ 4,005	\$ -	\$ 3,885	\$ 3,885
Interest	-	90	90	-	148	148
TOTAL RECEIPTS	-	4,095	4,095	-	4,033	4,033
DISBURSEMENTS						
Law Library	-	3,680	(3,680)	-	1,752	(1,752)
TOTAL DISBURSEMENTS	-	3,680	(3,680)	-	1,752	(1,752)
RECEIPTS OVER DISBURSEMENTS	-	415	415	-	2,281	2,281
CASH AND INVESTMENT BALANCE, January 1	-	4,259	4,259	-	1,978	1,978
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 4,674</u>	<u>\$ 4,674</u>	<u>\$ -</u>	<u>\$ 4,259</u>	<u>\$ 4,259</u>
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 1,194	\$ 1,194	\$ -	\$ 2,452	\$ 2,452
TOTAL RECEIPTS	-	1,194	1,194	-	2,452	2,452
DISBURSEMENTS						
Circuit Clerk	-	1,175	(1,175)	-	808	(808)
TOTAL DISBURSEMENTS	-	1,175	(1,175)	-	808	(808)
RECEIPTS OVER DISBURSEMENTS	-	19	19	-	1,644	1,644
CASH AND INVESTMENT BALANCE, January 1	13,450	13,450	-	11,806	11,806	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 13,450</u>	<u>\$ 13,469</u>	<u>\$ 19</u>	<u>\$ 11,806</u>	<u>\$ 13,450</u>	<u>\$ 1,644</u>
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 525	\$ 525	\$ -	\$ 595	\$ 595
Interest	-	10	10	-	17	17
Other	1,600	1,206	(394)	1,500	1,087	(413)
TOTAL RECEIPTS	1,600	1,741	141	1,500	1,699	199
DISBURSEMENTS						
Sheriff	2,200	2,255	(55)	2,300	2,000	300
TOTAL DISBURSEMENTS	2,200	2,255	(55)	2,300	2,000	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	(514)	86	(800)	(301)	499
CASH AND INVESTMENT BALANCE, January 1	1,094	1,094	-	1,395	1,395	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 494</u>	<u>\$ 580</u>	<u>\$ 86</u>	<u>\$ 595</u>	<u>\$ 1,094</u>	<u>\$ 499</u>

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 2,100	\$ 2,100	\$ -	\$ 2,900	\$ 2,900
TOTAL RECEIPTS	-	2,100	2,100	-	2,900	2,900
DISBURSEMENTS						
Sheriff	-	3,716	(3,716)	-	-	-
TOTAL DISBURSEMENTS	-	3,716	(3,716)	-	-	-
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	-	(1,616)	(1,616)	-	2,900	2,900
CASH AND INVESTMENT BALANCE, January 1	2,900	2,900	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2,900</u>	<u>\$ 1,284</u>	<u>\$ (1,616)</u>	<u>\$ -</u>	<u>\$ 2,900</u>	<u>\$ 2,900</u>
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 600	\$ 8,587	\$ 7,987	\$ 6,500	\$ 8,926	\$ 2,426
Interest	55	55	-	-	87	87
TOTAL RECEIPTS	655	8,642	7,987	6,500	9,013	2,513
DISBURSEMENTS						
Prosecuting Attorney	11,600	9,441	2,159	8,350	8,892	(542)
TOTAL DISBURSEMENTS	11,600	9,441	2,159	8,350	8,892	(542)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(10,945)	(799)	10,146	(1,850)	121	1,971
CASH AND INVESTMENT BALANCE, January 1	5,649	5,649	-	5,528	5,528	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ (5,296)</u>	<u>\$ 4,850</u>	<u>\$ 10,146</u>	<u>\$ 3,678</u>	<u>\$ 5,649</u>	<u>\$ 1,971</u>
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 285	\$ 262	\$ (23)	\$ 285	\$ 278	\$ (7)
Interest	2	2	-	-	3	3
TOTAL RECEIPTS	287	264	(23)	285	281	(4)
DISBURSEMENTS						
Prosecuting Attorney	-	-	-	600	-	600
TOTAL DISBURSEMENTS	-	-	-	600	-	600
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	287	264	(23)	(315)	281	596
CASH AND INVESTMENT BALANCE, January 1	882	882	-	601	601	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 1,169</u>	<u>\$ 1,146</u>	<u>\$ (23)</u>	<u>\$ 286</u>	<u>\$ 882</u>	<u>\$ 596</u>

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 120	\$ 120	\$ 125	\$ 60	\$ (65)
Interest	-	1	1	-	1	1
TOTAL RECEIPTS	-	121	121	125	61	(64)
DISBURSEMENTS						
Domestic violence shelter	120	92	28	150	106	44
TOTAL DISBURSEMENTS	120	92	28	150	106	44
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120)	29	149	(25)	(45)	(20)
CASH AND INVESTMENT BALANCE, January 1	61	61	-	106	106	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ (59)</u>	<u>\$ 90</u>	<u>\$ 149</u>	<u>\$ 81</u>	<u>\$ 61</u>	<u>\$ (20)</u>
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 10,951	\$ 10,951	\$ -	\$ 6,244	\$ 6,244
TOTAL RECEIPTS	-	10,951	10,951	-	6,244	6,244
DISBURSEMENTS						
Collector	-	3,478	(3,478)	-	1,593	(1,593)
TOTAL DISBURSEMENTS	-	3,478	(3,478)	-	1,593	(1,593)
RECEIPTS OVER DISBURSEMENTS	-	7,473	7,473	-	4,651	4,651
CASH AND INVESTMENT BALANCE, January 1	13,829	13,829	-	9,178	9,178	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 13,829</u>	<u>\$ 21,302</u>	<u>\$ 7,473</u>	<u>\$ 9,178</u>	<u>\$ 13,829</u>	<u>\$ 4,651</u>
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 1,337	\$ 1,337	\$ -	\$ -	\$ -
Interest	-	13	13	-	98	98
TOTAL RECEIPTS	-	1,350	1,350	-	98	98
DISBURSEMENTS						
Elections	-	10,567	(10,567)	-	-	-
TOTAL DISBURSEMENTS	-	10,567	(10,567)	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(9,217)	(9,217)	-	98	98
CASH AND INVESTMENT BALANCE, January 1	9,820	9,820	-	9,722	9,722	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 9,820</u>	<u>\$ 603</u>	<u>\$ (9,217)</u>	<u>\$ 9,722</u>	<u>\$ 9,820</u>	<u>\$ 98</u>

See accompanying notes.

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2008			2007		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 28,314	\$ 28,314	\$ -	\$ 11,444	\$ 11,444
TOTAL RECEIPTS	-	28,314	28,314	-	11,444	11,444
DISBURSEMENTS						
Elections	-	30,940	(30,940)	-	8,724	(8,724)
TOTAL DISBURSEMENTS	-	30,940	(30,940)	-	8,724	(8,724)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(2,626)	(2,626)	-	2,720	2,720
CASH AND INVESTMENT BALANCE, January 1	2,798	2,798	-	78	78	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2,798</u>	<u>\$ 172</u>	<u>\$ (2,626)</u>	<u>\$ 78</u>	<u>\$ 2,798</u>	<u>\$ 2,720</u>
<u>911 EMERGENCY SERVICES FUND</u>						
RECEIPTS						
Sales taxes	\$ 301,450	\$ 292,297	\$ (9,153)	\$ 311,456	\$ 311,662	\$ 206
Charges for services	150	83	(67)	-	201	201
Interest	350	649	299	-	278	278
Other	1,800	1,500	(300)	1,800	1,800	-
TOTAL RECEIPTS	303,750	294,529	(9,221)	313,256	313,941	685
DISBURSEMENTS						
Salaries	193,000	177,568	15,432	200,000	182,889	17,111
Contractual services	19,550	9,353	10,197	36,282	8,037	28,245
Insurance	38,600	27,669	10,931	38,899	27,606	11,293
Office expenditures	3,120	2,253	867	3,375	2,619	756
Equipment	16,000	13,505	2,495	10,260	15,304	(5,044)
Building	3,500	-	3,500	4,700	-	4,700
Training	2,200	1,147	1,053	2,500	1,587	913
Other	25,678	1,881	23,797	16,336	4,803	11,533
TOTAL DISBURSEMENTS	301,648	233,376	68,272	312,352	242,845	69,507
RECEIPTS OVER DISBURSEMENTS	2,102	61,153	59,051	904	71,096	70,192
CASH AND INVESTMENT BALANCE, January 1	87,629	87,629	-	16,533	16,533	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 89,731</u>	<u>\$ 148,782</u>	<u>\$ 59,051</u>	<u>\$ 17,437</u>	<u>\$ 87,629</u>	<u>\$ 70,192</u>

See accompanying notes.

DADE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2008

		Tax Sale Surplus Fund	Loanable School Fund	Intangible Tax Fund	Collector of Revenue Fund	Protested Tax Account Fund
ASSETS						
Cash and investments		\$ 955	\$ 21,460	\$ 5,774	\$ 2,894,121	\$ 30,923
	TOTAL ASSETS	<u>\$ 955</u>	<u>\$ 21,460</u>	<u>\$ 5,774</u>	<u>\$ 2,894,121</u>	<u>\$ 30,923</u>
LIABILITIES						
Due to others		\$ -	\$ -	\$ -	\$ -	\$ 30,923
Due to other governments		955	21,460	5,774	2,894,121	-
	TOTAL LIABILITIES	<u>\$ 955</u>	<u>\$ 21,460</u>	<u>\$ 5,774</u>	<u>\$ 2,894,121</u>	<u>\$ 30,923</u>

See accompanying notes.

DADE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS
(CONTINUED)

December 31, 2008

	Sheriff's Office Fee Account Fund	Sheriff's Office Bond Fund	Recorder's User Fee Fund	Prosecuting Attorney's Restitution Fund	Circuit Clerk Fund	Total
ASSETS						
Cash and investments	\$ 4,367	\$ 304	\$ 4,364	\$ 725	\$ 24,826	\$ 2,987,819
TOTAL ASSETS	<u>\$ 4,367</u>	<u>\$ 304</u>	<u>\$ 4,364</u>	<u>\$ 725</u>	<u>\$ 24,826</u>	<u>\$ 2,987,819</u>
LIABILITIES						
Due to others	\$ -	\$ 97	\$ -	\$ 40	\$ 24,826	\$ 55,886
Due to other governments	<u>4,367</u>	<u>207</u>	<u>4,364</u>	<u>685</u>	<u>-</u>	<u>2,931,933</u>
TOTAL LIABILITIES	<u>\$ 4,367</u>	<u>\$ 304</u>	<u>\$ 4,364</u>	<u>\$ 725</u>	<u>\$ 24,826</u>	<u>\$ 2,987,819</u>

See accompanying notes.

DADE COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2007

	Tax Sale Surplus Fund	Loanable School Fund	Collector of Revenue Fund	Sheriff's Office Fee Account Fund	Sheriff's Office Bond Fund	Recorder's User Fee Fund	Prosecuting Attorney's Restitution Fund	Circuit Clerk Fund	Total
ASSETS									
Cash and investments	\$ 1,729	\$ 19,302	\$ 3,142,317	\$ 3,865	\$ 689	\$ 5,409	\$ 1,451	\$ 31,091	\$ 3,248,358
TOTAL ASSETS	<u>\$ 1,729</u>	<u>\$ 19,302</u>	<u>\$ 3,142,317</u>	<u>\$ 3,865</u>	<u>\$ 689</u>	<u>\$ 5,409</u>	<u>\$ 1,451</u>	<u>\$ 31,091</u>	<u>\$ 3,248,358</u>
LIABILITIES									
Due to others	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 136	\$ 31,091	\$ 63,454
Due to other governments	<u>1,729</u>	<u>19,302</u>	<u>3,142,317</u>	<u>3,865</u>	<u>189</u>	<u>5,409</u>	<u>1,315</u>	<u>-</u>	<u>3,184,904</u>
TOTAL LIABILITIES	<u>\$ 1,729</u>	<u>\$ 19,302</u>	<u>\$ 3,142,317</u>	<u>\$ 3,865</u>	<u>\$ 689</u>	<u>\$ 5,409</u>	<u>\$ 1,451</u>	<u>\$ 31,091</u>	<u>\$ 3,248,358</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dade County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Dade County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor’s Office, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

Fiduciary Funds – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Budgets are prepared and adopted on the cash basis of accounting.
2. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
 - a. Circuit Clerk Interest Fund
 - b. Law Library Fund
 - c. Tax Maintenance Fund
 - d. Sheriff Revolving Fund
 - e. Election Services Fund
 - f. Special Election Fund
3. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds of the County.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

NOTE B – CASH AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Cash and investments". In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2008 and 2007, all bank balances and certificates of deposit are entirely insured or collateralized with securities.

NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

NOTE D – PENSION PLAN – CERF

STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND

Plan Description

Dade County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo. 50.1000 to 50.1300. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF, Boone County National Bank, P.O. Box 577, Columbia, MO 65202 or by calling 1-800-357-8557.

Funding Policy

Dade County's full-time employees hired before February 25, 2002, are required by state statute to contribute 0% of annual payroll to the pension plan. Dade County's full-time employees hired after February 25, 2002, are required by state statute to contribute 4% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo. Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

DADE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE E – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2008 and 2007 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2008</u>	<u>2007</u>
ASSESSED VALUATION		
Real estate	\$ 73,720,336	\$ 73,033,000
Personal property	<u>22,829,663</u>	<u>22,911,480</u>
	<u><u>\$ 96,549,999</u></u>	<u><u>\$ 95,944,480</u></u>
TAX LEVY		
General Fund	<u><u>\$.1200</u></u>	<u><u>\$.1200</u></u>

The legal debt margin at December 31, 2008 and December 31, 2007, is computed as follows:

	<u>2008</u>	<u>2007</u>
Constitutional debt limit	\$ 9,655,000	\$ 9,594,448
General obligation bonds payable	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 9,655,000</u></u>	<u><u>\$ 9,594,448</u></u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

NOTE F – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

DADE COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE G – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2008 and 2007, consisted of the following:

	Transfers In (Out)	
	2008	2007
General Fund	\$ (160,000)	\$ (245,702)
Special Road and Bridge Fund	(27,500)	(41,000)
Assessment Fund	16,000	28,500
Law Enforcement Fund	171,500	258,202
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SUPPLEMENTARY SCHEDULE



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

County Commission
Dade County
Greenfield, Missouri

We have audited the financial statements of Dade County, Missouri as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 13, 2009. The financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Dade County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Dade County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Dade County, Missouri, in a separate letter dated May 13, 2009.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn: Moots, PC

DAVIS, LYNN & MOOTS, P.C.
May 13, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commission
Dade County
Greenfield, Missouri

Compliance

We have audited the compliance of Dade County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the years ended December 31, 2008 and 2007. Dade County's major federal programs are identified in the summary of auditor's results section of the accompanying summary schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Dade County's management. Our responsibility is to express an opinion on Dade County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dade County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dade County's compliance with those requirements.

In our opinion, Dade County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the years ended December 31, 2008 and 2007.

Internal Control Over Compliance

The management of Dade County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dade County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
May 13, 2009

DADE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Federal		Federal Expenditures	
Pass Through Grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Year Ended December 31, 2008	2007
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct				
Emergency Watershed Protection Program	10.923	EWP-057-07-003	\$ 4,238	\$ -
Emergency Watershed Protection Program		EWP-057-07-002	30,975	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			35,213	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
State Highway and Planning Commission				
Highway Planning and Construction	20.205	BRO-029(7)	358,643	40,978
Highway Planning and Construction	20.205	BRO-029(6)	-	309,938
Missouri Department of Public Safety				
Interagency Harzardous Materials Public				
Sector Training Grants	20.703	N/A	1,499	2,140
Alcohol Open Container Grant	20.607	LKK040	398	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			360,540	353,056
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Missouri Department of Public Safety				
Chemical Emergency Preparedness Grant	66.810	N/A	2,606	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			2,606	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Missouri Department of Public Safety				
Emergency Management - Performance Grants	97.042	N/A	7,798	13,706
SWMCOG				
Equipment Support Program	97.004	N/A	23,142	-
Missouri State Emergency Management Agency				
Public Assistance Grant	97.036	FEMA 1676	-	96,273
		FEMA 1748-DR	-	867,666
		FEMA 1736	15,787	-
		FEMA 1749	254,155	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			300,882	977,645
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 699,241	\$ 1,330,701

N/A - Not Applicable

DADE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE
Years ended December 31, 2008 and 2007

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dade County, Missouri.

B Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the regulatory basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2008 and 2007.

DADE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years ended December 31, 2008 and 2007

Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditors' report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major program(s):

CFDA or Other

Identifying Number Program Title

20.205 Highway Planning and Construction
97.036 Public Assistance Grant

Dollar threshold used to distinguish between Type A and and Type B program: \$ 300,000

Auditee qualified as a low -risk auditee? Yes X No

DADE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Years ended December 31, 2008 and 2007

Financial Statement Findings

08-1 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

08-2 Wire Transfers

Condition: The depository agreements with the County banking institutions do not address by whom and to whom a wire transfer may be made. They also do not include special instructions for wire transfers.

Criteria: The County should have written and signed instructions with banking institutions requiring the approval of two authorized individuals before a wire transfer is made and by whom and to whom a wire transfer may be made..

Effect: Risk is present that unauthorized wire transfers may be made.

Recommendation: The County should include in future depository agreements with its banking institutions, who is authorized to make wire transfers for the County, and to whom wire transfers are allowed, and require two authorized signatures for approval.

Response: The County will update its depository agreements with its banking institutions to include who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require two authorized signatures for approval.

DADE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Years ended December 31, 2008 and 2007

Federal Award Findings and Questioned Costs

None

DADE COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

This section represents the summary schedule of prior audit findings. The prior audit period was for the two years ended December 31, 2004.

04-02 Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Numbers:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO 029(4), BRO 029(5), COE 029(1), and COE 029(2)
Award Years:	2004 and 2003
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity	
Identifying Number:	1412-DR-MO
Award Years;	2004 and 2003
Questioned Costs:	Not applicable

The County did not adequately track or report federal assistance on the Schedule of Expenditures of Federal Awards.

Auditor's Recommendation:

The County prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Corrective action has been taken.



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

Dade County Commission
Dade County
Greenfield, Missouri

In planning and performing our audit of the basic financial statements of Dade County, Missouri for the years ended December 31, 2008 and 2007, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Special Revenue Funds of the County

The County currently maintains an Election Services Fund, a Special Election Fund, a Sheriff's Revolving Fund, a Law Library Fund, Tax Maintenance Fund, and a Circuit Clerk Interest Fund for the benefit of the various offices of the County. Although the monies are to be used for the benefit of the various offices, these monies represent County funds. Therefore the same policies of the County regarding budgeting, receipts, and disbursements should be followed for these funds as with other funds of the County.

We Recommend:

The County require these funds to be deposited with the County treasurer in their respective funds. Expenditures from these funds should be budgeted and the approval process for expenditures out of these funds should follow the same procedures as with other County expenditures.

2. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo. in the current year as a deficit was budgeted in the Assessment Fund, the Prosecuting Attorney Bad Check Fund, and the Domestic Violence Fund; and actual disbursements exceeded budgeted disbursements in the Special Road and Bridge Fund, the Law Enforcement Fund and the Law Enforcement Training Fund. The County was not in compliance with the budgetary statute, Chapter 50, RSMo. in 2007 as actual disbursements exceeded budgeted disbursements in the Assessment Fund and the Prosecuting Attorney Bad Check Fund. The budgetary statute prohibits the County from budgeting a deficit for any fund maintained by the County and actual disbursements exceeding budgeted disbursements.

We Recommend:

The County review expenditures during the year and amend the budget as necessary and to include necessary transfer amounts to ensure compliance with the budgetary statute (Chapter 50, RSMo)

3. Bank Reconciliations

Although bank reconciliations were performed for some bank accounts of the County, not all bank accounts were reconciled on a monthly basis to ensure all receipts, disbursements and reconciling items had been properly recorded in the County's financial records.

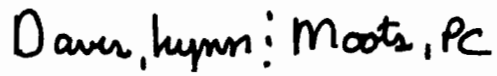
We Recommend:

The County perform monthly bank reconciliations on all of its accounts. A bank reconciliation is one of the most important internal control features that can be performed by County personnel. Reconciliations must be performed on a monthly basis. These reconciliations ensure that all accounting functions have been properly accomplished and that there are no errors or irregularities in the financial reports and statements. Bank reconciliations are performed by obtaining bank statement data from all banking institutions, adding to these statements any deposits that have been included on the County's financial statements that are not on the bank's statements, and deducting any County disbursements that have not cleared the bank as of the statement date. This amount is then compared to the County's financial statements to ensure that both sources agree. This procedure ensures that all County receipts have been properly deposited into the County's bank accounts and that all disbursement checks have been accounted for and properly recorded in the County's financial statements.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Dade County Commission
Dade County
Greenfield, Missouri
Page Two

We appreciate this opportunity to serve as Dade County's independent auditor and the courtesies and assistance extended to us by the County's employees.

A handwritten signature in black ink that reads "Davis, Lynn; Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.
May 13, 2009



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

County Commission
Dade County
Greenfield, Missouri

We have audited the basic financial statements of Dade County, Missouri for the years ended December 31, 2007 and 2008, and have issued our report thereon dated May 13, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 20, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Primary Government of Dade County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 or 2008.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management for the following:

- Unrecorded Cash Activity

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 13, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

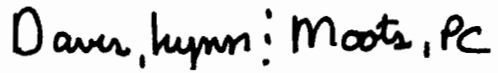
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Dade County Commission
Dade County
Greenfield, Missouri
Page Three

This report is intended solely for the use of the County Commission and management of the Primary Government of Dade County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.
May 13, 2009



Susan Montee, JD, CPA
Missouri State Auditor

Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division



August 2009

Report No. 2009-80

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Thirtieth Judicial Circuit, City of Pleasant Hope Municipal Division

Receipting and Depositing	Controls and procedures over the collection of fines, court costs, and bonds need improvement. According to municipal division records, approximately \$21,700 was processed during the year ended December 31, 2008. Receipt slips are not always issued for monies received, the correct amount and method of payment is not always recorded correctly on the receipt slip, and receipt slips are not always issued in a timely manner. In addition, receipts are not always deposited intact and on a timely basis.
Segregation and Bond Coverage	Cash custody and accounting duties are not adequately segregated, and the supervisory review performed by the Municipal Judge of municipal division records is not sufficient. In addition, the municipal division and city are not adequately protected from the risk of theft through bonding of municipal division officials.
Liabilities and Receivables	While a list of liabilities is maintained on the municipal division's computer system, month-end liabilities are not identified and reconciled to the municipal division's bank account balances. As a result, errors went undetected and bank balances do not balance with municipal division liabilities. Accounts receivable are not reviewed periodically and inaccuracies in the records are not identified by the municipal division.
Reporting and Procedures	A monthly list of all cases heard is not prepared and filed with the city as required by state law. The issuance of warrants and application of bond monies to fines and costs was not always performed in a timely manner and was sometimes performed without obtaining proper approval. As a result of not transferring the most current municipal division information to a new computer in December 2007, various municipal division records are not complete and accurate. In addition, a periodic back-up of information maintained on the municipal division's computer system has not been performed since October 2007.
Ticket Accountability	Neither the city police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

All reports are available on our Web site: auditor.mo.gov

Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	
Findings	
1. Receipting and Depositing	4
2. Segregation and Bond Coverage	5
3. Liabilities and Receivables.....	6
4. Reporting and Procedures	8
5. Ticket Accountability	11

Organization and Statistical	12
Information	



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Presiding Judge
Thirtieth Judicial Circuit
and
Municipal Judge
Pleasant Hope, Missouri

We have audited certain operations of the City of Pleasant Hope Municipal Division of the Thirtieth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Pleasant Hope Municipal Division of the Thirtieth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish

Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division

Management Advisory Report - State Auditor's Findings

1. Receipting and Depositing

Controls and procedures over the collection of fines, court costs, and bonds need improvement. According to municipal division records, approximately \$21,700 was processed during the year ended December 31, 2008.

1.1 Receipting

Receipt slips are not always issued for monies received, and the correct amount and method of payment is not always recorded correctly on the receipt slip. In addition, receipt slips are not always issued in a timely manner. For example, the municipal division received a \$200 check and acknowledged the receipt of the monies by a letter to the defendant dated October 7, 2008. The check was deposited on November 11, 2008, but a receipt slip was not issued until November 17, 2008.

Without issuing receipt slips for all monies collected immediately upon receipt, including the correct amount and method of payment, the municipal division has less assurance all monies collected are properly recorded and deposited.

1.2 Depositing

Receipts are not always deposited intact and on a timely basis. To ensure all receipts are accounted for properly and deposited intact, the composition of receipt slips should be reconciled to the composition of deposits. Additionally, the failure to deposit timely increases the risk of theft or misuse of funds.

Recommendation

The City of Pleasant Hope Municipal Division improve receipting and depositing procedures.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

The court's operating order requires the Court Clerk to issue a receipt for all collections and provide such a receipt to the payer and retain a duplicate copy with the case file information. Deviation from this procedure is due to clerical error or some extraordinary circumstance which is readily determinable. For example, the instance mentioned above was a circumstance where an arresting law enforcement agency sent an arrest bond to the wrong court, then the amount was remitted to this court by said court with no identifying or supporting information. A delay in receipting occurred while the Court Clerk investigated to whom the bond applied (the Court Clerk should have created a non-electronic generated receipt in lieu of the delay). Finally, the court agrees and accepts the recommendation to make all efforts to minimize clerical error and the effect of extraordinary circumstance and improve compliance with its operating order.

The court's operating order requires the Court Clerk to deposit all fines, costs, surcharges, and bonds collected on a daily basis, or when amount on hand reaches \$100 if not on a daily basis. When deposits are prepared, the collection is reconciled to the receipt slip form which is generated from the



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

Automated Court Management System (ACMS) data input. The receipt slip form is created as collection is receipted for the defendant and court file. The Municipal Judge reviews the deposits and corresponding receipt form along with the bank account reconciliation monthly. Deviation from this procedure is due to clerical error or some extraordinary circumstance which is readily determinable. For example, when the Court Clerk is on vacation or sick leave, collections are receipted but held in safe-keeping until such can be entered in ACMS and properly prepared for deposit by the Court Clerk. An instance of clerical error occurred when a check given to the court came back as insufficient funds after all reporting and disbursement to the State and City was completed. When the defendant submitted a cover payment by money-order it was deposited directly into the general account in order to minimize corrective paperwork and correspondence with the State and City. In another instance, a money order received was misplaced and later deposited when found.

Finally, the court agrees and accepts the recommendation to make all efforts to minimize clerical error and the effect of extraordinary circumstance and improve compliance with its operating order.

2. Segregation and Bond Coverage

2.1 Segregation of Duties

Cash custody and accounting duties are not adequately segregated, and the supervisory review performed of municipal division records is not sufficient. In addition, the Court Clerk and Municipal Judge are not bonded.

The Court Clerk is responsible for receiving and recording monies, preparing deposits and checks, and reconciling the municipal division's two bank accounts. While the Municipal Judge documents his review of bank reconciliations, he does not document his review of the composition of receipt slips to the composition of deposits, and a review of liabilities to the reconciled bank balances is not performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the cash custody and accounting duties. However, if proper segregation of duties cannot be achieved due to limited staff, the Municipal Judge should expand his supervisory reviews to include procedures such as a periodic comparison of the composition of receipt slips to the composition of deposits, and liabilities to the reconciled bank balances.

2.2 Bond Coverage

The Court Clerk and Municipal Judge are not bonded. Proper bonding of persons with access to monies would better protect the municipal division from risk of loss.



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

Recommendations

The City of Pleasant Hope Municipal Division:

- 2.1 Segregate accounting duties to the extent possible. If proper segregation is not possible, the Municipal Judge should ensure effective supervisory reviews are performed and documented.
- 2.2 Request the city to obtain adequate bond coverage for the Court Clerk and Municipal Judge.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 2.1 *The court's operating order requires the Court Clerk to request the city develop a documented independent comparison of receipt slips issued to composition of deposits, and an independent review of bank statements and month-end reconciliation. In light of the order and due to the inability to further segregate duties, the Municipal Judge provides on a monthly basis the independent reviews of the bank account reconciliation and the receipt form to the deposits. In addition, the Municipal Judge is the only person authorized to sign checks on court accounts. The Court Clerk performs all other accounting functions including collection and disbursement. Also, all case dispositions are reconciled to the City Attorney's record for his review at least annually and a monthly municipal court activity report is submitted to the Circuit Judge. Finally, the court agrees and accepts the recommendation to expand supervisory reviews as above-mentioned including review of the liabilities represented by the bond balances at least quarterly.*
- 2.2 *The court's operating order requires the Court Clerk to request the city maintain fidelity bonds covering the Court Clerk and other personnel who handle court collection. At the court's origination, the city was requested to provide coverage on the Court Clerk. Subsequently, the city failed to inform the court that such coverage had not been renewed. The court agrees and accepts the recommendation and will submit a request to the city to provide bonding of the Court Clerk and Municipal Judge.*

3. Liabilities and Receivables

Procedures related to identifying and monitoring liabilities and accounts receivable records need improvement.

3.1 Liabilities

Month-end liabilities are not reconciled to the municipal division's bank account balances. The municipal division's bond account had a reconciled bank balance of \$1,005 as of December 31, 2008. While a list of liabilities is maintained on the municipal division's computer system, it is not compared



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

and reconciled to the bond bank account balance. At our request, the Court Clerk printed a list of liabilities as of December 31, 2008, which totaled \$1,545. A review of the list showed that a \$150 bond which was applied to fines and costs in November 2007 was incorrectly included, and \$12 of start up funds deposited into the municipal division's account by the city was incorrectly excluded. After considering these errors, the identified liabilities as of December 31, 2008, were \$1,407, and exceeded the bond account balance by \$402.

Liabilities related to the municipal division's fines and court costs bank account are not identified by the Court Clerk. The account had a reconciled bank balance of \$500 as of December 31, 2008. During our review of the bank account, we identified \$354 of liabilities as of December 31, 2008, resulting in an unidentified balance of \$146.

Liabilities should be identified at each month-end and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken.

3.2 Accounts receivable

Accounts receivable are not reviewed periodically and inaccuracies in the records are not identified by the municipal division. An accounts receivable list is maintained on the municipal division's computer system; however, the Court Clerk does not routinely review the report for accuracy and ensure proper follow up on accounts receivable amounts.

The December 31, 2008, accounts receivable list included five cases totaling \$785. Our review determined costs totaling \$333 related to three of the five cases had already been collected or had been dismissed prior to December 31, 2008, and were incorrectly reported as still due.

Failure to adequately monitor accrued costs may result in lost revenue. A complete and accurate list of accrued costs would allow the Court Clerk and Municipal Judge to more easily review the amounts owed to the municipal division and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

Recommendations

The City of Pleasant Hope Municipal Division:

- 3.1 Identify month-end liabilities and reconcile liabilities to the balances in the municipal division bank accounts. Any unidentified differences should be investigated and resolved.
- 3.2 Establish procedures to routinely review the accounts receivable list for accuracy and ensure proper follow up on amounts due.



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

As previously mentioned in 2.1., the Municipal Judge will expand supervisory reviews of liabilities and will also include accounts receivable to at least quarterly. The Municipal Judge will continue to provide on a monthly basis the independent reviews of the bank account reconciliation and the receipt form to the deposits. The Court Clerk's failure to periodically review the electronic file of liabilities and receivables was in part due to the court's ACMS software developing a minor error during subsequent transfers of data and change of hardware after the flood of city hall. The State of Missouri no longer provides technical support for the software, therefore, the court must look to the private sector for technicians. The Court Clerk has corresponded with a technician that may be able to resolve the problem. In the interim, problems are resolved on a case-by-case basis and are readily determinable. For example, a receipt that should have been deposited in the bond account (and reflected as a liability) was found to have been inadvertently deposited in general funds.

4. Reporting and Procedures

The municipal division does not properly report to the city each month. The Court Clerk did not always execute court orders timely and sometimes took actions without documented approval. In addition, computer back up and data transfer procedures need improvement.

4.1 Report of cases heard

A monthly list of all cases heard is not prepared and filed with the city. Without such a report, the city cannot effectively monitor the municipal division's activity and ensure monies are properly remitted. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

4.2 Municipal Judge orders

The issuance of warrants and application of bond monies to fines and costs was not always performed in a timely manner. A review of cases identified several instances where the Court Clerk did not execute court orders timely or took actions without documented approval by the Municipal Judge. Examples include the following:

- The Municipal Judge approved a court order to issue a warrant for a defendant on May 16, 2007, for failure to appear; however, the Court Clerk did not issue the warrant until November 19, 2008.
- The Municipal Judge ordered a defendant's bond monies to be applied to fines and costs due on January 22, 2009; however, the Court Clerk did not apply the bond monies until April 27, 2009 (after our request for information related to the bond).



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

In addition, in some other cases reviewed, it appears the Court Clerk issued warrants and applied bond monies to fines and costs without obtaining an order from the Municipal Judge.

To ensure cases and monies collected are processed timely and properly handled, the Court Clerk should perform court orders in a timely manner, and all municipal division actions taken by the Court Clerk should be supported by Municipal Judge orders.

4.3 Computer back-ups and data transfer procedures

Computer back-up and municipal division data transfer procedures need improvement. The municipal division's computer crashed at the end of October 2007. The city had backed up all information and it was transferred to another computer, which was only used during November 2007. Upon receiving a new computer in December 2007, the Court Clerk only transferred the backup information from October 2007, to the new computer. Because the Court Clerk did not ensure the most current municipal division information was transferred, municipal division activity for the month of November 2007 was lost and was not recorded on the new computer system. As a result, various municipal division records are not complete and accurate. For example, printed reports indicate the municipal division issued 21 receipt slips totaling \$2,592 during November 2007; however, with the exception of activity related to three of these receipt slips (which were added back to the system at a later date) this receipt information is not included in the computer system records. Also, problems relating to municipal division liabilities and accounts receivable records (see MAR finding number 3) are due in part to the omission of November 2007 activity from the computer system.

A periodic back-up of information maintained on the municipal division's computer system has not been performed by the Court Clerk since October 2007.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup record should be periodically prepared to provide a means of recreating destroyed information. Backup records should be stored offsite to provide increased assurance any lost data can be recreated. In addition, the municipal division should consult with the computer programmer regarding the lost November 2007 data and ensure all data is properly transferred to a new computer system should similar computer problems occur in the future.

Recommendations

The City of Pleasant Hope Municipal Division:

- 4.1 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

- 4.2 Ensure court orders are performed in a timely manner and actions of the municipal division are supported by Municipal Judge orders.
- 4.3 Periodically prepare backup records and store them at an offsite location. In addition, the municipal division should consult with the programmer regarding the lost information and ensure all data is transferred to a new computer system should loss of computerized records occur in the future.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 4.1 *The court's operating order requires that the Court Clerk shall submit to the City Clerk the dockets of all cases heard with disposition. If requested by the city, the Court Clerk may substitute submission of such with a report for the previous month activities showing the income and state disbursements and the number of cases handled by the court. The city made such a request, but due to clerical error, the number of cases was omitted on the income and state disbursements letter. It should be noted however, that docket sheets were presented monthly to the City Attorney, Chief of Police, and the newspaper. Further, a monthly municipal court activity report is submitted to the Circuit Judge. The court agrees and accepts the recommendation requiring dissemination of cases and dispositions to include the City Clerk by submission of an additional document.*
- 4.2 *The court's operating order requires the Court Clerk to use best efforts to effectuate all orders by the Municipal Judge and duties of the court. Some duties have State mandated time limitations while others are left to the discretion of the court, and while still others are simply good practice standards. Further, efforts may be delayed from time to time due to the fact that the Court Clerk is part-time and is available only after normal business hours (a result of the small size of the court and the necessity to keep administrative costs down). For example, warrants ordered by the Municipal Judge are to be issued in a timely manner. Any deviation would be due to clerical error or some extraordinary circumstances which is readily determinable (i.e. the defendant's case file was misfiled and later discovered or the warrant was ordered when the Court Clerk was on vacation and issued upon return). Regarding instances that it appears that the Court Clerk issued warrants or applied bond monies to fines and costs without obtaining an order from the Municipal Judge, these are simply events where the Municipal Judge gave verbal order by phone and the Court Clerk failed to document on the case file that the order was by telephone. Finally,*



Thirtieth Judicial Circuit
City of Pleasant Hope Municipal Division
Management Advisory Report - State Auditor's Findings

the court agrees and accepts the recommendation to make best efforts to minimize clerical error and document all verbal judicial orders.

- 4.3 *The court's operating procedure requires the Court Clerk to protect and maintain court records. This includes all paper files as well as electronic files. As was mentioned in 3.1., the court's ACMS software has developed a minor error due to subsequent transfers of data and change of hardware due to the flood of city hall. The hard copy of court documents has not been compromised but there is a loss of some electronic data from November of 2007 which can easily be recreated. Also, the system is unable to back-up on disc or floppy. The State of Missouri no longer provides technical support for the software, therefore, the court must look to the private sector for technicians. The court agrees and accepts the recommendation requiring electronic data protection and will seek resolution of the software problem.*

5. Ticket Accountability

Neither the city police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the city police department cannot be assured all tickets issued were properly submitted for processing.

Recommendation

The City of Pleasant Hope Municipal Division work with the city police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

The court operating order requires that all forms used by the court shall be numbered sequentially and accounted for, including tickets. Further, the Court Clerk is to work jointly with the Police Department to perform such. All case dispositions are reconciled to the City Attorney's record at least annually. Also, a docket is provided to the City Attorney and Chief of Police monthly and used to record disposition for use by the city. Finally, the court agrees and accepts the recommendation to require the Chief of Police to provide tracking of all citation numbers for reconciliation with court records as required by its operating order.

Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division

Organization and Statistical Information

The City of Pleasant Hope Municipal Division is in the Thirtieth Judicial Circuit, which consists of Benton, Dallas, Hickory, Polk, and Webster Counties. The Honorable John W. Sims serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At December 31, 2008, the municipal division employees were as follows:

Title	Name
Municipal Judge	Randolph (Randy) Blosch
Court Clerk	Bobbie Morgan

Financial and Caseload Information

	Year Ended December 31, 2008
Receipts	\$21,735
Number of cases filed	193



Susan Montee, JD, CPA
Missouri State Auditor

Sixth Judicial Circuit

City of Tracy Municipal Division



August 2009

Report No. 2009-79

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

August 2009

An audit was conducted by our office of the Sixth Judicial Circuit, City of Tracy Municipal Division.

Controls and procedures for the handling of municipal division records can be improved. Both of the checking accounts maintained by the municipal division, a bond account and a fee account, contain unidentified monies. At December 31, 2008, the bond account had an unidentified cash balance of \$1,751 and the fee account had an unidentified balance of \$97.

The Court Clerk does not file a monthly report with the city of all cases heard in court as required by state law. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. In addition, a summary list of balances due the court is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective. Backup copies of computer programs and data are not stored at an offsite location.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SIXTH JUDICIAL CIRCUIT
CITY OF TRACY
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-6
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	7-8

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Sixth Judicial Circuit
and
Municipal Judge
Tracy, Missouri

We have audited certain operations of the City of Tracy Municipal Division of the Sixth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the City of Tracy Municipal Division of the Sixth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert E. Showers, CPA
In-Charge Auditor:	Candi Copley

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SIXTH JUDICIAL CIRCUIT
CITY OF TRACY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Municipal Division Controls and Procedures

Controls and procedures for the handling of municipal division records can be improved. The municipal division has not determined the disposition of unidentified monies held in the fee and bond accounts, and the municipal division does not file a report of cases as required by state law. Written agreements are not obtained from individuals allowed to pay court costs and fines over time, and computer backups are not maintained at an offsite location.

- A. Both of the checking accounts maintained by the municipal division, a bond account and a fee account, contain unidentified monies. While bank reconciliations for the bond and fee accounts are prepared and reconciled to lists of liabilities, at December 31, 2008, the total balance of the bond account was \$5,591 and open cash bonds per the list at December 31, 2008, were \$3,840, leaving an unidentified cash balance of \$1,751. Additionally, the fee account has an unidentified balance of \$97. The Court Clerk stated she is aware of the unidentified funds and has been attempting to identify these monies since her appointment in 2006.

The preparation of monthly lists of liabilities ensures accounting records are in balance and sufficient funds are available for the payment of liabilities. An attempt should be made to determine the proper disposition of unidentified monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid to the city treasury as provided by Section 479.210, RSMo. For any bonds which remain unclaimed, Section 447.595, RSMo, requires bonds unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

- B. The Court Clerk does not file a monthly report with the city of all cases heard in court as required by state law. Section 479.080, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the City Clerk. This list should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).
- C. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. In

addition, a summary list of balances due the court is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division.

- D. Backup copies of computer programs and data are not stored at an offsite location. Backup copies of computer information are necessary to provide a means for recreating destroyed data. These copies should be maintained and stored off-site to provide increased assurance municipal division data can be recreated.

WE RECOMMEND the City of Tracy Municipal Division:

- A. Investigate and resolve the unidentified balances in the bond and fee accounts. For those bonds for which the owner cannot be located, the unclaimed bonds should also be disposed of in accordance with state law. Fees should be distributed in accordance with state law.
- B. Prepare monthly reports of cases heard in the municipal division and file these reports with the city in accordance with state law.
- C. Obtain a written and signed payment agreement for those defendants who are allowed to pay fines and court costs over a period of time. Additionally, the Municipal Judge should regularly review the list of balances due the court.
- D. Ensure backup copies of computer programs and data are stored at a secure, off-site location.

AUDITEE'S RESPONSE

The Municipal Judge provided the following written response:

All recommendations have been reviewed and implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SIXTH JUDICIAL CIRCUIT
CITY OF TRACY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Tracy Municipal Division is in the Sixth Judicial Circuit, which consists of Platte County. The Honorable Owens Lee Hull, Jr. serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Financial and Caseload Information

	<u>Year Ended December 31, 2008</u>
Receipts	\$72,090
Number of cases filed	628

Personnel

At December 31, 2008, the municipal division employees were as follows:

Municipal Judge	J. Gregory Dorsey
Court Clerk	Susan Crowley



Susan Montee, JD, CPA
Missouri State Auditor

Vernon County



August 2009

Report No. 2009-78

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

August 2009

The following findings were included in our audit report of Vernon County.

The financial condition of the General Revenue (GR) and Special Road and Bridge (SRB) Funds is deteriorating. The 2009 amended budget projects cash balances of \$9,757 and \$71,753 at December 31, 2009, for the GR and SRB Funds, respectively.

As noted in previous audits, the SRB Fund budgets do not include reasonable estimates of disbursements; and as a result, administrative service fee transfers from the SRB Fund to the GR Fund were excessive.

The county does not have a written policy and effective monitoring procedures regarding vehicle and equipment usage. Mileage/usage and maintenance logs are not maintained for the road and bridge department vehicles and equipment or most Sheriff's department vehicles. Fuel usage is not reconciled to fuel billings. In addition, the county allows a deputy sheriff who resides outside the county to commute to and from work in a county-owned vehicle.

The County Commission does not review or approve property tax additions and abatements. Contracts with cities for collection of property taxes do not clearly define procedures for assessing and distributing penalties on delinquent city tax payments.

The Deputy Public Administrator received compensation beyond her regular compensation; however, these payments were not supported by records of work performed, were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld.

The County Clerk does not prepare minutes for closed session meetings of the County Commission.

Other findings in the audit report address accounting controls and procedures in the Prosecuting Attorney's office, the Sheriff's office, and the Circuit Clerk's office.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

VERNON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-18
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Special Road and Bridge Fund6
3.	Vehicle and Equipment Policies and Procedures.....8
4.	Property Tax Controls and City Tax Collections.....10
5.	Prosecuting Attorney's Accounting Controls and Procedures.....12
6.	Sheriff's Accounting Controls and Procedures.....13
7.	Deputy Public Administrator Compensation.....15
8.	Circuit Clerk's Accounting Controls and Procedures.....16
9.	County Commission Minutes17
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	19-21

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County

We have audited certain operations of Vernon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Vernon County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such

an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Vernon County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Eartha Taylor, MBA, CPA
	Karla Swift, MBA
	Michelle Gresham, M.Acct.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VERNON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The financial condition of the General Revenue (GR) and Special Road and Bridge (SRB) Funds is deteriorating.

The following table reflects the ending cash balances of these funds over the last five years, as reported in the budget documents:

		Ending Cash Balance, Year Ended December 31,				
		2008	2007	2006	2005	2004
General						
Revenue Fund	\$	68,775	144,934	154,954	198,739	343,902
Special Road and Bridge Fund		2,593	245,318	524,905	622,133	435,973

The 2009 amended budget projects cash balances of \$9,757 and \$71,753 at December 31, 2009, for the GR and SRB Funds, respectively.

Budgeted and actual disbursements for these funds have exceeded budgeted and actual receipts in four of the five years. GR Fund disbursements exceeded receipts in part due to increasing costs of operating the sheriff's department and the jail. The excess cost of operating the Sheriff's department and the jail over receipts designated for these purposes, increased from approximately \$460,000 in 2006 to \$585,000 projected for 2009. Although the county began collecting a one-half cent sales tax in 2007 to cover annual lease purchase payments and some Sheriff's department and jail costs, and received several new grants in 2008 and 2009, total receipts designated for the Sheriff's department and jail currently cover only approximately 56 percent of operation costs. In addition, the county's SRB Fund budgetary practices are in need of improvement and annual administrative service fee transfers from the SRB Fund to the GR Fund were excessive (see MAR finding number 2).

Some restricted special revenue funds administered by elected officials have accumulated balances significantly in excess of historical actual disbursements. Consideration should be given to working with these officials to use these monies to fund the respective office's expenses, within the restrictions set forth by state law, which are currently funded by the GR Fund.

The County Commission indicated it is aware of the concern and is monitoring the county's financial condition through preparation and review of monthly budget reports. To improve the financial condition of the GR Fund and SRB Fund, the County Commission should review disbursements and reduce discretionary spending as much as

possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of receipts.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds by reviewing disbursements and reducing discretionary spending where practical and maximizing all sources of receipts.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission will review the Treasurer's Report on a weekly basis rather than a monthly basis in order to more closely monitor fund balances.

We will review statutes which govern special funds controlled by other Elected Officials and request additional funds be appropriated to assist during the budget year.

The Commission will more closely monitor the estimated anticipated revenues to determine that they are sufficient to cover the budgeted expenses and will cut expenditures accordingly to reduce the loss of cash balances at the end of the year.

2.

Special Road and Bridge Fund

As noted in previous audits, the SRB Fund budgets continue to contain unreasonable estimates of disbursements and the administrative transfers from the SRB Fund were excessive.

- A. As noted in our prior two audit reports, the County Commission's budget preparation procedures do not ensure the SRB Fund budget documents reasonably reflect the county's anticipated financial activity and cash balances, and reduce the effectiveness of the budget as a tool for monitoring and controlling county disbursements.

The approved budget documents did not adequately project anticipated disbursements and the ending cash balances of the SRB Fund for the 2 years ended December 31, 2007. Disbursements were significantly overestimated, and as a result, the actual ending cash balances were much higher than the projected ending cash balances as follows:

	Year Ended December 31,	
	2007	2006
Budgeted disbursements	\$2,658,168	\$3,122,530
Actual disbursements	1,640,430	1,792,627
Budgeted over actual disbursements	<u>\$1,017,738</u>	<u>1,329,903</u>
Projected ending cash balance	\$ 21,240	7,404
Actual ending cash balance	245,318	524,905
Actual over projected ending cash balance	<u>\$ 224,078</u>	<u>517,501</u>

The primary reason for the significant difference between budgeted and actual disbursements appears to be delays in the start of anticipated bridge projects. Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. To be of maximum assistance to the County Commission and to adequately inform the public, the budgets should accurately reflect the actual beginning balances, estimated receipts and disbursements, and projected ending balance.

- B. Administrative service fee transfers from the SRB Fund to the GR Fund were excessive. During the years ended December 31, 2007 and 2006, the county budgeted and made administrative service fee transfers of \$126,579 and 148,692, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were equal to 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the 2 years ended December 31, 2007 and 2006, by a total of \$117,382. This situation resulted from unreasonable budget estimates for the SRB Fund. Also, because administrative service fee transfers were excessive in all years during and subsequent to our prior audit, the amount of cumulative excessive transfers totaled approximately \$217,000 during the 6 years ended December 31, 2007.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure the budgets of the Special Road and Bridge Fund include reasonable estimates of receipts and disbursements and projected ending balances.
- B. Base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund. In addition, the County Commission should

consider transferring \$217,000 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission consults with Engineers to determine the estimated percentage of completion and expenses anticipated for the current budget year. Conditions such as flooding, federal regulations (i.e. pictorial essay and historical bridges), as well as conservation programs have caused unexpected delays and extended the completion of BRO projects over multiple years.

We will review more closely the actual disbursed expenditures before determining the administrative fee transfer to general revenue.

However the law states a 3rd Class County can recoup actual administrative expenses up to 5% of the total budget of the fund and at least half the Commission's time is spent administering the Road & Bridge affairs in this County. In addition the Clerk's staff handles correspondence with the twenty different townships concerning road and bridge matters, accounts payable, payroll and benefit coordination for the employees of the department. With nine employees, they are the largest group of employees from a single department with the exception of the Sheriff's department. The normal operating expenses of this department have increased dramatically with the state of our economy and with no increase of revenue to help offset the downward spiral Vernon County is suffering as many other counties across Missouri.

The Commission will consider budgeting under the 5% administrative fee allowed by law to increase the ending cash balance of the fund.

3. Vehicle and Equipment Policies and Procedures

The county does not have a written policy and effective monitoring procedures regarding vehicle and equipment usage. During 2007 approximately \$41,000 and \$28,000 was spent on fuel for the Sheriff's 16 vehicles and for the road and bridge department's 9 vehicles and various equipment, respectively. Our review noted the following concerns regarding vehicle and equipment usage:

- A. Mileage/usage and maintenance logs are not maintained for the road and bridge department vehicles and equipment or most Sheriff's department vehicles. The Sheriff indicated when the county contracted with a new fuel vendor in 2007, he told his deputies they no longer had to prepare monthly vehicle logs because some of the vehicle information is maintained by the vendor. Some officers have continued to prepare and submit vehicle logs; however, the logs are not reviewed and reconciled to fuel vendor billings.

In addition, road and bridge department employees dispense fuel into the equipment from portable tanks. The road and bridge department does not maintain fuel inventory records or logs of fuel dispensed from the portable tanks.

- B. Fuel usage is not reconciled to fuel billings. County employees purchase gasoline for county owned vehicles through gas purchasing cards and the county receives a monthly billing statement for these purchases. Fuel purchases also include bulk purchases of diesel fuel that is pumped into portable tanks used to fuel road and bridge equipment. The monthly fuel billings are reviewed by the Sheriff, road and bridge department supervisor, and the County Commission for reasonableness prior to payment. However, because mileage/usage and maintenance logs and bulk fuel inventory records are not maintained and reviewed, a reconciliation of the bills to records of fuel used is not performed.
- C. The county allows a deputy sheriff who resides outside the county to commute to and from work in a county-owned vehicle. The Sheriff indicated the deputy is on-call for specific investigations. However, because the deputy did not prepare and submit vehicle logs, the number of trips he made while on call could not be determined. The amount of personal (commuting) mileage was not maintained for this deputy's vehicle. We estimated the deputy commutes 100 miles per day or 26,000 miles a year (100 miles*5 days*52 weeks) in a county vehicle.

All other deputies live in Vernon County, are considered on-call for all emergencies, and are allowed to use county-owned vehicles for commuting. Given the excessive amount of commuting miles driven by the deputy and the high cost of fuel, the Sheriff and the County Commission should review the costs of allowing the deputy use of a county-owned vehicle for commuting purposes.

A formal written vehicle policy is needed to inform county officials and employees of the vehicles' allowable use, outline mileage/usage log documentation requirements, and address and define personal use of vehicles.

Maintenance and review of vehicle and equipment mileage/usage and maintenance logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel and maintenance purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel or other maintenance items occurring without detection. Vehicle and equipment logs typically include the date, driver or operator; purpose and destination of each trip; daily beginning and ending odometer or hour meter readings for vehicles and equipment; and fuel purchased and maintenance services performed.

WE RECOMMEND the County Commission establish written policies and procedures for all county-owned vehicles and equipment. In addition, the County Commission should review the necessity of providing vehicles to employees living outside the county for commuting purposes.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission will see that a written policy is established which sets out procedures for all county-owned vehicles and equipment per your recommendations.

4. Property Tax Controls and City Tax Collections
--

The County Commission does not review and approve all changes to the tax books. Contracts with cities for collection of city property taxes need clarification regarding penalties assessed on delinquent city tax payments.

- A. The County Commission does not review or approve property tax additions and abatements. Addition and abatement requests are prepared by the Assessor's office and submitted to the County Clerk's office which posts the changes to the property tax system. The County Clerk's office then prints the court orders for the additions and abatements which are given to the County Collector-Treasurer and the Assessor. Taxes totaling approximately \$185,000 were added to the tax books and taxes totaling approximately \$61,000 were removed from the tax books during the year ended February 29, 2008, without the approval of the County Commission.

Section 137.260, RSMo, requires tax books only be changed by the County Clerk under order of the County Commission. Court orders should be approved timely by the County Commission for all additions and abatements to the property tax system.

- B. Contracts with cities for collection of property taxes do not clearly define procedures for assessing and distributing penalties on delinquent city tax payments. The county entered into written contracts which provide for the county to bill and collect property taxes for several cities in the county. The contracts provide for the County Collector-Treasurer to receive a fee of 1 to 5 percent withheld from all current and delinquent taxes collected for the cities, and to receive penalties which are collected from the taxpayers. These fees and penalties are retained personally by the County Collector-Treasurer. Penalties from city taxes collected and retained by the County Collector-Treasurer totaled approximately \$9,000 and \$7,100 during the years ended February 28, 2008, and 2007, respectively.

The contracts provide the County Collector-Treasurer will receive penalties as prescribed by law; however, the contracts do not clearly reference the laws, define the amount of penalties to be assessed, or address the distribution of these penalties. The County Collector-Treasurer assesses a 7 percent penalty on delinquent city taxes as he does for delinquent county taxes. However, city tax

penalties are retained personally by the County Collector-Treasurer, while county tax penalties are distributed to the General Revenue Fund, the Tax Maintenance Fund, and the County Employee's Retirement Fund, as outlined by state law.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. The contracts with the cities should clearly define the amount of penalties to be assessed, describe how the penalties should be distributed, and provide a basis for the amounts and handling.

WE RECOMMEND the County Commission:

- A. Review and approve all additions and abatements on a timely basis.
- B. And the County Collector-Treasurer work with the cities and legal counsel to amend the contracts with the cities for tax collection to clarify the assessment, distribution, and basis for penalties assessed.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

In years prior to the collection of all taxes by the Collector/Treasurer, the Commission signed additions and abatements on a monthly basis during the time the Clerk's office distributed those changes to the Township Collectors (after closing of the tax books). As shown for Oct, Nov, and Dec 2006 and Jan and Feb 2007. To the best of our knowledge the additions and abatements had never been signed after being turned over to the Collector/Treasurer in March of each year.

The Clerk's office has put procedures in place to make sure additions and abatements are reviewed and approved by the Commission each month.

The Commission will work with all interested parties to clarify the contracts between the County Collector/Treasurer and the cities throughout the county.

The County Collector-Treasurer provided the following written response:

- B. *The County Collector-Treasurer will work with the cities and legal counsel to clarify the distribution of penalties as stated in contracts.*

5. Prosecuting Attorney's Accounting Controls and Procedures

Receipts are not deposited timely, payments recorded on the computer system are not properly reconciled to deposits, and documentation is not obtained to verify restitution payments are passed through to victims. The Prosecuting Attorney's office collected fees and restitution on bad checks totaling approximately \$135,600 and \$119,000 during the years ended December 31, 2007 and 2006, respectively.

- A. Monies received are not always deposited in a timely manner. A review of deposits made from July through December 2007 noted deposits were made two to six times per month. A cash count performed on November 17, 2008, showed over 9 working days of undeposited collections, totaling approximately \$950. In addition, money orders and certified checks payable to the Prosecuting Attorney are not restrictively endorsed until the deposit is prepared. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. In addition, money orders and certified checks should be restrictively endorsed immediately upon receipt.

A similar condition was noted in our prior report.

- B. Payments recorded on the computer system are not reconciled to deposits. Instead of generating receipt reports from the computer system to reconcile to deposits, the Criminal Clerk prepares a separate spreadsheet listing each receipt included in the deposit. The Prosecuting Attorney's staff indicated they were not aware receipt reports could be generated from the computer system. To ensure all monies received are properly recorded and deposited, reports of receipts should be generated from the computer system and reconciled to deposits.
- C. The money orders and certified checks received for restitution of bad checks are not deposited but are instead forwarded directly to the victim; and documentation is not obtained from the merchant to ensure payments are received. Good internal control procedures require that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order or certified check. Failure to do so increases the risk that loss or misuse of funds will not be detected on a timely basis.

WE RECOMMEND the Prosecuting Attorney:

- A. Deposit all monies on a timely basis and ensure money orders and certified checks are restrictively endorsed immediately upon receipt.
- B. Generate and reconcile reports of receipts posted to the computer system to deposits.

- C. Obtain documentation of money orders or certified checks turned over directly to victims.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *We agree that all monies received should be deposited on a timely basis. We respectfully disagree with your finding that we have not deposited funds in a timely manner. We do agree that the very few money orders and certified checks made payable to the Prosecuting Attorney should be restrictively endorsed immediately on receipt.*
- B. *We will reconcile payments recorded to the bad check collection program to the actual deposits. The spreadsheet we have prepared in the past has served us well, but we recognize the additional benefit in the reconciliation process you suggest.*
- C. *We agree that a receipt should be obtained from a victim when we send them a check or money order received by us, but made payable to the victim. We will take steps to implement same.*

6. Sheriff's Accounting Controls and Procedures
--

Controls and procedures over receipts and inmate monies need improvement. During the years ended December 31, 2007 and 2006, the Sheriff's office collected approximately \$125,100 and \$124,200, respectively, for bonds, civil and criminal fees, and other miscellaneous receipts. In addition, inmate commissary account deposits were approximately \$25,500 and \$17,700 during the years ended December 31, 2007 and 2006, respectively.

- A. Procedures have not been established to ensure monies (other than inmate monies) received at the jail are accounted for properly. These monies are receipted by the dispatchers and jailers, placed in a locked box, and retrieved each day by the secretary or the assistant secretary to be deposited. However, the secretaries indicated they do not compare the monies in the locked box to the receipt book to ensure all receipt slips and monies are accounted for properly. In addition, generic prenumbered receipt slips are issued for all monies received at the jail, and the books are not purchased or issued in numerical order.

To ensure all monies received at the jail are properly accounted for, receipt slips should be reconciled to monies in the locked box. The reconciliation should include agreeing the composition of receipt slips (i.e., cash, checks, and money orders) to the composition of monies in the locked box. In addition, official prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for.

B. Upon incarceration, monies in the custody of an inmate are deposited into the commissary bank account. Inmate commissary account cards are maintained for each inmate to reflect monies received on the inmate's behalf, commissary purchases, the available cash balance, and the refund of monies upon inmate release. The following concerns were noted related to these monies:

- Monthly turnovers of commissary proceeds to the GR Fund are not reconciled to inmate commissary purchases per the commissary order forms. At the end of each month, the balances in each inmate account as recorded on the inmate commissary account cards are totaled, and that amount is deducted from the reconciled bank balance of the commissary account to determine the amount to transmit to the GR Fund. Documentation of the turnover calculation is not retained. In addition, the commissary order forms are destroyed after the commissary purchases have been delivered to the inmate and posted to the inmate's account.

This process provides no assurance that all monies have been accounted for appropriately. To ensure the amount turned over to the GR Fund is accurate, the calculated amount should be agreed to the total purchases noted on commissary order forms, with any differences identified and resolved prior to the turnover.

In addition, documentation of the reconciliation and the commissary order forms should be retained. Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

A similar condition was noted in our prior report.

- When an inmate is released prior to his/her monies being deposited in the commissary account, the related receipt is voided and the monies are returned to the inmate. Documentation, such as the inmate's signature, is not always retained to support the return of monies to the inmate.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, documentation of the release of inmate funds should be maintained.

WE RECOMMEND the Sheriff:

A. Reconcile the composition of monies received at the jail to the composition of receipt slips issued. In addition, official prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- B. Reconcile the amount turned over to the General Revenue Fund for the commissary account to total purchases noted on commissary order forms on a monthly basis. Any differences identified should be reviewed and resolved prior to the turnover. Documentation of the reconciliation, commissary order forms, and return of funds to the inmates should be retained.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Since moving to the new jail in June 2009, dispatchers are only receiving bonds and we have implemented procedures to reconcile bond monies received to receipt slips. We will purchase a stamp to identify Vernon County receipt slips.*
- B. *Beginning in August 2009, inmate monies and the commissary will be handled by a contractor. Commissary order forms are now being retained and spot checks will be performed to ensure commissary profits received from the vendor are proper. We will ensure inmate signatures are obtained when inmates are released prior to their monies being deposited.*

7. Deputy Public Administrator Compensation
--

The Deputy Public Administrator received compensation beyond her regular compensation; however, these payments were not supported by records of work performed, were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld.

The county employs a deputy to assist the Public Administrator with bookkeeping and other duties, as necessary. The deputy is paid \$11.35 per hour for up to 47 hours per month by the county. In addition, she is paid from the accounts of some wards for preparing annual settlements. Both the current and former Public Administrator indicated when the deputy's workload exceeds the maximum hours paid by the county, she is paid for preparing annual settlements after working hours. However, there is no record of additional time worked, and without such documentation it is unclear if these additional payments were appropriate. According to the former Public Administrator, the amount paid per annual settlement prepared is determined based upon the preparation time and the complexity of the annual settlement, with a payment of \$90 for a less complex annual settlement. Our review of three annual settlements prepared during 2007 noted the deputy was paid \$250, \$150, and \$85 from the wards' accounts.

These payments are not processed through the county's payroll system. As a result, these payments were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld from the payments. The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards

Act and ensure the propriety of payments made, time worked should be properly recorded on the monthly timesheets and paid through the regular county payroll process.

WE RECOMMEND the County Commission and the Public Administrator review the situation. The Deputy Public Administrator should be paid through normal payroll procedures for all work performed, all payments should be included on W-2 Forms, and all hours worked should be recorded on timesheets.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission was not aware prior to the audit that any additional duties were being performed by the Deputy. The County Commission has met with the Public Administrator and her deputy and the budget for the Public Administrator has been increased to accommodate the additional hours required to perform all duties associated with the deputy's responsibilities to the Wards and County. Therefore all wages will be reported as required by law on her W-2 Form. Customary fees previously charged will be deposited into General Revenue to offset the addition to their budget.

The Public Administrator provided the following written response:

I agree with your finding that the deputy public administrator's compensation should be paid thru normal payroll thru the county.

This process mentioned in your audit was started by the previous Public Administrator.

My term of Public Administrator started on January 1, 2009. I have met with the county commission. We have made adjustments to the 2009 Public Administrator's budget. The fee charged to the ward for their annual settlement is now paid to the county. All compensation now paid to the Deputy Public Administrator is recorded on her regular time sheet and paid by the county thru normal payroll.

8. Circuit Clerk's Accounting Controls and Procedures
--

Circuit Clerk procedures related to manual receipt slips and open items are in need of improvement. Circuit Clerk receipts totaled approximately \$810,000 and \$735,000 in 2007 and 2006, respectively, for civil and criminal case fees, fines, and bonds.

- A. There is no independent review to ensure all manual receipt slips are properly entered into the Justice Information System (JIS) and subsequently deposited. Receipts are usually posted to the JIS as received. However, manual receipt slips are issued for cash bonds and for transactions occurring when the computer system is not accessible. In addition, the manual receipt slips issued are not official, prenumbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. Official prenumbered receipt slips should be obtained and used when manual receipt slips are necessary.

- B. The Circuit Clerk has not adequately reviewed the status of old open items. The December 31, 2007, open items list totaled over \$144,000, including 323 closed cases with balances totaling \$18,802. Approximately 68 percent of these cases were closed prior to 2007, with some cases closed as far back as 1999.

The failure to routinely review open items and disburse monies when appropriate increases the volume of cases which must be monitored and deprives the state, county, or others the use of those monies. A procedure to routinely review open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk:

- A. Ensure manual receipt slips are recorded on the JIS and subsequently deposited. In addition, official prenumbered manual receipt slips should be obtained for use when necessary.
- B. Routinely review open items and disburse or dispose of monies as appropriate.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *We have established procedures to write the JIS receipt number on each manual receipt slip and will purchase official prenumbered manual receipt slips.*
- B. *We have implemented this recommendation.*

9. County Commission Minutes

The County Clerk does not prepare minutes for closed session meetings of the County Commission. The County Commission held five closed sessions during the 2 years ended December 31, 2007, and while the regular minutes disclosed the reason for entering into closed session, minutes were not maintained for the closed portion of the meeting.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on in an open meeting and requires

minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

WE RECOMMEND the County Commission ensure minutes are prepared and retained for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The County Commission has always followed procedures required when going into closed session as noted in the minutes. Written minutes were not previously kept during closed session as no decisions or votes were taken while in closed session.

The Commission upon the suggestion of the Auditor's office has begun keeping closed minutes and will continue the same.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VERNON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Vernon County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Nevada.

Vernon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 20,454 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 145,265,770
Personal property	54,416,070
Railroad and utilities	14,642,076
Total	<u>\$ 214,323,916</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the State Auditor; see Report No. 2007-91.

Vernon County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement	.0050	*	None	

- * The Law enforcement sales tax was passed in April 2007 to construct, furnish, equip and operate a jail and Sheriff's office. One-quarter of one percent will terminate no later than 20 years from the effective date on which the sales tax is first imposed, or from when the financing costs of the project have been paid.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Bonnie M. McCord, Presiding Commissioner		29,390
Neal F. Gerster, Associate Commissioner		27,390
Kennon R. Shaw, Associate Commissioner		26,337
Doug Shupe, Recorder of Deeds		41,500
Tammi Beach, County Clerk		41,500
Lynn M. Ewing III, Prosecuting Attorney		101,090
Ron Peckman, Sheriff		46,000
David Ferry, County Coroner		14,000
Virginia Habjan, Public Administrator		41,500
Phil Couch, County Collector-Treasurer (1), year ended March 31,	63,544	
Cherie K. Roberts, County Assessor (2), year ended August 31,		44,588

(1) Includes \$21,837 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state, and \$200 per month received from the City of Nevada for assessment of property within the city.

State-Paid Officials:

Vickie Erwin, Circuit Clerk	51,197
Neal Quitno, Associate Circuit Judge	101,090

In November 2007, the county entered into a 20-year lease purchase agreement with Southwest Trust Company, N.A. to pay for a capital improvement project for the jail and Sheriff's office. The terms of the agreement call for the trust company to issue Certificates of Participation totaling \$10 million and lease the new facility back to the county for lease payments equal to the principal and interest due on the outstanding certificates. Construction of the new facility was completed in 2009 and the lease is scheduled to be paid off in 2027. The principal and interest due on the lease at December 31, 2007, was \$10,000,000 and \$4,817,195, respectively. The lease will be paid with the revenue generated from the Law Enforcement sales tax which was passed on April 3, 2007.



Susan Montee, JD, CPA
Missouri State Auditor

Village of La Tour



August 2009

Report No. 2009-77

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Village of La Tour

In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village.

Previous Audit	A previous audit of the Village of La Tour, dated June 2005 (Report No. 2005-39) made 19 management recommendations to the city. Of those recommendations, 5 have been implemented, 13 have not been implemented, and 1 is no longer applicable. Many of those prior conditions have been repeated in this report.
Accounting Controls, Records, and Procedures	There were numerous weaknesses in the village's accounting controls, records and procedures. There was no independent oversight or adequate segregation of duties related to the Village Treasurer's activities. A complete financial accounting system was not established. Restricted funds for motor vehicle-related receipts, domestic violence fees, and law enforcement training fees were not accounted for properly. Monthly bank reconciliations were not documented and there were numerous inconsistencies in the presentation of receipts and disbursements. The Village Treasurer did not maintain a receipt log and/or receipt slips for monies collected, and receipts were not deposited on a timely basis.
Budgets and Planning	The village did not prepare and adopt annual budgets as required by state law or prepare an annual maintenance plan for village streets.
Minutes, Meetings, and Public Records	There were several weaknesses with procedures for conducting and documenting board meetings. Board minutes did not always include sufficient detail of matters discussed and actions taken. In 2008, open meeting notice agendas used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. The village did not have a formal policy regarding public access to village records.
Disbursements	The village did not have a formal bidding policy. The Board's review and approval of disbursements was not adequately documented. Invoices were usually not signed or initialed by the trustees, and a list of all disbursements approved for payment by the Board was not prepared to accompany the minutes. The village did not have a formal written agreement for legal services or with the church providing meeting space for the village. The village was not consistent in reporting to the Internal Revenue Service (IRS) compensation paid to its employees. In addition, the village did not properly report to the IRS payments, totaling \$2,946, made to its attorney. In 2008, applicable federal and state taxes were not withheld for the police officers.

All reports are available on our Web site: auditor.mo.gov

Village of La Tour

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Accounting Controls, Records, and Procedures4 2. Budgets and Planning.....6 3. Minutes, Meetings, and Public Records7 4. Disbursements8
---	---

Organization and Statistical Information	10
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the Johnson County Commission
and
Disincorporation Trustee
Village of La Tour, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of La Tour. In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the village's internal controls over significant management and financial functions.
3. Evaluate the village's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of La Tour.

A handwritten signature in black ink, reading "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Ben Douglas

Village of La Tour

Management Advisory Report - State Auditor's Findings

1. Accounting Controls, Records, and Procedures

There were numerous weaknesses in the village's accounting controls, records, and procedures.

1.1 Independent oversight and segregation of duties

There was no independent oversight or adequate segregation of duties related to the Village Treasurer's activities. During our audit period, a board member served as the Village Treasurer. The Village Treasurer performed all accounting duties related to receiving and distributing monies. There was no evidence the Board of Trustees provided adequate supervision or review of the work performed by the Village Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances are necessary.

1.2 Financial accounting system

A complete financial accounting system was not established. The village did not maintain a fund ledger for its various funds showing the beginning balances, monthly receipts by source and disbursements by type, and ending balances.

The village's accounting records were manually prepared and included a checkbook register for the village's bank account and deposit slips. The Village Clerk prepared a monthly "financial statement" which included a detailed and summary total list of the receipts and disbursements and the cash balance. Additionally, the Village Clerk maintained a cumulative month-to-date computerized spreadsheet of all receipts and disbursements, and calculated a balance for the General, Street, and Law Enforcement Funds at month-end, deciding at that time which fund should reflect the various receipts and disbursements for the month. However, during our review of the financial records, we found that similar receipts and/or disbursements were not always reflected in the same fund.

Fund ledgers and summary reports showing receipt sources and disbursement types should be prepared for each fund on a monthly basis and used for comparison to budgeted amounts and overall review of village operations. Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to village officials upon which effective management decisions may be made.

1.3 Restricted funds

The village had little assurance that restricted funds were properly used in compliance with state law.



Village of La Tour
Management Advisory Report - State Auditor's Findings

State motor vehicle-related
receipts

The village did not separately account for state motor vehicle-related receipts and disbursements and did not monitor use of these funds to ensure compliance with the Missouri Constitution. During the year ended December 31, 2008, the village deposited over \$2,500 in state motor vehicle-related receipts in its general bank account. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.

Domestic violence fees

The village did not establish a separate fund and/or accounting for domestic violence fees. During the year ended December 31, 2008, the village deposited domestic violence fees totaling \$91 in its general bank account. Section 488.607, RSMo, provides that domestic violence fees be disbursed to provide " . . . operating expenses for shelters for battered persons." According to village records, the village did not provide any funding to such a shelter in 2008.

Law enforcement training
fees

The village did not establish a separate fund and/or accounting to ensure law enforcement training receipts were expended only for the purpose of local law enforcement training. During the year ended December 31, 2008, the village received local law enforcement training fees of \$96 from the Johnson County Associate Circuit Division and Peace Officer Standards and Training Commission (POSTC) monies of \$500 from the state. These fees were deposited in the general bank account. Section 488.5336, RSMo, provides these fees are to be used solely for the purpose of local law enforcement training. According to village records, the village did not provide any funding for training of its police personnel in 2008.

To ensure compliance with applicable state laws, separate funds and/or accounting of receipts and related disbursements associated with specific activities or restricted usage should be maintained.

1.4 Bank reconciliations

Monthly bank reconciliations were not documented. According to the Board Chairman, the Village Treasurer prepared monthly bank reconciliations, but did not document the reconciliations. We reconciled the bank account to the checkbook and found numerous inconsistencies in the presentation of receipts and disbursements.

The bank account should be reconciled to the accounting records on a monthly basis. A proper reconciliation helps ensure receipts and disbursements are properly handled and recorded, and bank and book errors are detected and corrected in a timely manner. Additionally, the reconciliation should be retained.

1.5 Receipt log

The Village Treasurer did not maintain a receipt log and/or receipt slips for monies collected. To help ensure receipts are properly accounted for and errors are detected and corrected on a timely basis, a receipt log and/or receipt slips should be prepared for all monies received. The receipt



Village of La Tour
Management Advisory Report - State Auditor's Findings

logs/receipt slips can be used to record receipts in the fund ledger and details of the receipt records should be reconciled to the composition of deposits.

1.6 Deposits

Receipts were not deposited on a timely basis. Monies were generally deposited once or twice a month. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited on a timely basis.

Similar conditions
previously reported

Similar conditions to points 1.1, 1.4, 1.5, and 1.6 were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.

2. Budgets and Planning

Budgets were not prepared as required by state law. Also, the village did not prepare an annual maintenance plan for village streets.

2.1 Annual budgets

The village did not prepare and adopt annual budgets as required by state law. Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual operating budget. Also, Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

2.2 Annual maintenance plan

The village did not prepare an annual maintenance plan for village streets. In 2008, the village paid over \$1,500 for street maintenance work.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget. A formal maintenance plan serves as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate progress made in the repair and maintenance of streets throughout the year.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.



Village of La Tour
Management Advisory Report - State Auditor's Findings

3. Minutes, Meetings, and Public Records

There were several weaknesses with the board's procedures for conducting and documenting board meetings. Additionally, the village did not have a policy for public access to village records.

3.1 Detail in minutes

Board minutes did not always include sufficient detail of matters discussed and actions taken. For example, the minutes generally did not reflect records of votes, but rather "motion carried."

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and include the date, time, place, members present, members absent, and a record of votes. In addition, Section 610.015, RSMo, requires all votes be recorded and if a roll call is taken, as to attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual member of the board.

3.2 Closed meeting notice

In 2008, open meeting notice agendas used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. The statement indicated the board may have an executive session to discuss personnel " . . . pursuant to RSMo, 610.021(3)" According to the Village Clerk, no closed sessions were held in 2008.

Section 610.022, RSMo, requires the specific reasons for closing a meeting be announced publicly at an open meeting and entered into the minutes. A statement which includes a potential issue that may be discussed in a closed session appears to circumvent the intent of the law.

3.3 Public records

The village did not have a formal policy regarding public access to village records. A formal policy would establish guidelines for the village to make records available to the public. The policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making village records available to the public. Section 610.026, RSMo, allows the village to charge fees for copying public records, including document research and duplication.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.



Village of La Tour
Management Advisory Report - State Auditor's Findings

4. Disbursements

The village did not have a formal bidding policy, the Board's review and approval of disbursements was not adequate, and the village did not have written agreements for some services. In addition, the reporting of compensation was not consistent.

4.1 Bidding policy

The village did not have a formal bidding policy. As a result, the decision whether to solicit bids for a particular purchase was made on an item-by-item basis. For example, the village had not solicited bids and/or proposals for its insurance or legal services for many years. Although no significant purchases were made during the year ended December 31, 2008, overall, it appeared the village bid very few items.

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders.

4.2 Disbursement review and approval

The Board's review and approval of disbursements was not adequately documented. Although board minutes occasionally documented discussion of pending payments, board approval of disbursements was generally not documented. In addition, invoices were usually not signed or initialed by the trustees, and a list of all disbursements approved for payment by the board was not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a detailed list of disbursements should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to properly review all invoices and supporting documentation, and to document authorizations, increases the possibility of inappropriate disbursements occurring.

4.3 Written agreements

The village did not have a formal written agreement for legal services or with the church providing meeting space for the village.

The village paid its attorney a monthly retainer of \$170 plus \$105 per hour to act as the prosecuting attorney in municipal court and for other legal services. The village held board meetings in a local church and paid a monthly fee for the use of this facility. During the year ended December 31, 2008, the village paid its attorney and the church \$2,946 and \$210, respectively.

A formal written agreement, signed by both parties, should specify services to be provided and the manner and amount of compensation to be paid. Written agreements are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to prevent misunderstandings. In



Village of La Tour Management Advisory Report - State Auditor's Findings

addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

4.4 Reporting of compensation

The village was not consistent in reporting to the Internal Revenue Service (IRS) compensation paid to its employees. In addition, the village did not properly report to the IRS payments, totaling \$2,946, made to its attorney.

In 2008, the village issued Forms 1099 for compensation paid to the Village Clerk and police officers. However, in 2007, the village issued a W-2 form for one police officer and Form 1099 to another police officer and the Village Clerk. In 2008, applicable federal and state taxes were not withheld for the police officers.

The IRS requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. Also, state and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security purposes.

Additionally, Sections 6041 to 6051 of the Internal Revenue Code require non-wage payments of a least \$600 in one year to an individual be reported to the federal government on Form 1099.

Similar conditions previously reported

Similar conditions to points 4.1, 4.2, and 4.3 were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, points 4.1 through 4.3 are provided for information only.

- 4.4 The County Commission and Disincorporation Trustee should contact the IRS and/or the Department of Revenue (DOR) for guidance regarding the reporting of compensation paid to employees and payments totaling greater than \$600 in one year to non-employees.

Auditee's Response

- 4.4 *The County Commission and Disincorporation Trustee stated the IRS and DOR would be contacted during the disincorporation process.*

Village of La Tour

Organization and Statistical Information

The Village of La Tour is located in Johnson County. The village was incorporated in 1912. The population of the village in 2000 was 65.

In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village.

Board of Trustees

The village government consisted of a five-member board of trustees. The members were elected for 2-year terms. The chairman and village treasurer were trustees appointed by the board. The Board of Trustees and other officials during the year ended December 31, 2008, are identified below. The members of the Board of Trustees served without compensation.

Name and Title	Dates of Service During the Year Ended December 31, 2008
Larry Kagarice, Chairman	January to December
Vickey Emrick, Treasurer	January to December
Dawn Kagarice, Trustee	January to December
Matt Nash, Trustee	April to December
Alan Dykema, Trustee	January to April
Jackie Headley, Trustee (1)	January to April

(1) Ms. Headley resigned in April 2008, and the position remained vacant.

Other Officials

Name and Title	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Randall Jones, Village Clerk	January to December	\$ 600
Richard Meeks, Chief of Police (1)	January	920
Brian Ames, Police Officer (part-time)	April to October	395
Douglas B. Harris, City/Prosecuting Attorney (2)	January to December	2,946

(1) Chief Meeks resigned in January 2008. The Board did not appoint another Chief of Police.

(2) Mr. Harris was paid a monthly retainer of \$170 as city attorney and \$105 per hour for prosecuting and other services.

A summary of the city's financial activity for the year ended December 31, 2008, is presented on the next page.



Village of La Tour
Organization and Statistical Information

	General Fund	Street Fund	Law Enforcement Fund	Total
RECEIPTS				
Property taxes	\$ 1,117	0	0	1,117
Motor fuel and motor vehicle taxes	0	2,510	0	2,510
County law enforcement sales taxes	0	0	2,847	2,847
Franchise fees	0	2,238	0	2,238
Municipal court fines	0	0	4,109	4,109
Law enforcement training fees	0	0	96	96
Domestic violence fees	0	0	91	91
Peace officer standards and training commission fees	0	0	500	500
Interest	7	7	7	21
Dog tags	0	0	300	300
Miscellaneous	57	0	0	57
Total Receipts	<u>1,181</u>	<u>4,755</u>	<u>7,950</u>	<u>13,886</u>
DISBURSEMENTS				
Salaries	200	200	1,493	1,893
Payroll taxes	0	0	315	315
Dispatch fees	0	0	1,885	1,885
Prisoner jail expense	0	0	265	265
Vehicle payments	0	0	1,286	1,286
Rent	70	70	70	210
Telephone	0	0	320	320
Electricity (street lights)	0	1,465	0	1,465
Electricity	261	0	0	261
Street repair	0	1,582	0	1,582
Legal expense	680	680	1,586	2,946
Insurance	0	0	204	204
Election expense	25	25	25	75
Gasoline	0	0	370	370
Fuel tank rental	0	0	48	48
Auto repairs	0	0	32	32
Dog tags	0	0	45	45
Petty cash	0	0	100	100
Miscellaneous	20	20	40	80
Total Disbursements	<u>1,256</u>	<u>4,042</u>	<u>8,084</u>	<u>13,382</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(75)</u>	<u>713</u>	<u>(134)</u>	<u>504</u>
CASH BALANCE, JANUARY 1	1,873	519	1,079	3,471
CASH BALANCE, DECEMBER 31	<u>\$ 1,798</u>	<u>1,232</u>	<u>945</u>	<u>3,975</u>



Susan Montee, JD, CPA
Missouri State Auditor

Pleasant Hope R-VI School District



August 2009

Report No. 2009-76

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

August 2009

The following findings were included in our audit report on the Pleasant Hope R-VI School District.

The district spent more than it received during the 2006-2007 budget year, resulting in a decline of the district's ending fund balance in the Combined Operating Funds. As a result of the decline in the district's fund balance, the district approached the Department of Elementary and Secondary Education (DESE) "financially stressed" classification. The district's overspending was primarily caused by the construction of the sports complex.

While the district's financial condition improved during the 2007-2008 school year, the district obtained a \$250,000 loan, approved carrying some payroll payments into the next year to reflect a more positive fund balance, and did not transfer monies from the General Fund to the Special Revenue Fund each month as required by state law and DESE policy. In addition, tax rates were levied incorrectly during the 2007 tax year resulting in approximately \$107,000 being owed to the Capital Projects Fund from the district's General Fund. Also, the School Board amended its budgets after the actual disbursements had exceeded the original budgeted amounts, and budgets prepared by the district were not accurate and complete making it difficult for the district to effectively monitor its financial condition.

The district did not prepare comprehensive formal plans or adequate cost estimates and monitor the overall costs for the sports complex project which cost over \$400,000 to construct. The district did not retain adequate documentation of the various bids received or the selection process for awarding bids for many of the costs related to the sports complex project. The district also temporarily hired three employees of a local contractor to avoid paying prevailing wages.

It is questionable if one board member complied with the district's nepotism and conflict of interest policy. The board member was awarded a no-bid contract for a bus route prior to resigning from the School Board.

The district does not have formal written bidding policies and procedures, and bids were not always solicited or bid documentation was not retained for several items and professional services. The district sold bonds through a negotiated instead of competitive sale, and the board did not select the underwriter or bond counsel competitively.

Bids have not been solicited for transportation services in several years, and the district does not prepare IRS Forms 1099 Miscellaneous for payments made to the bus drivers. The district's 13 bus drivers were paid approximately \$352,000 during the 2007-2008 school year.

YELLOW SHEET

The district has not adopted formal policies and procedures for the use of its credit cards, and the board has failed to implement recommendations related to district credit cards made by its independent auditor during the past two audits. The school district has 16 credit cards, and purchases on the cards totaled approximately \$55,000 during the 2007-2008 school year.

The school district has not established policies and procedures regarding additional compensation. As a result, the district paid various employees additional compensation and did not include the payments on the employees' W-2 forms or subject the payments to payroll tax withholdings. In addition, extra duty contracts were not entered into and documentation was not prepared to support additional compensation paid.

Improvement is needed over payroll policies and procedures. Duties are not adequately segregated and timesheets and leave records were not adequately maintained. Some employees had negative leave balances at the end of the school year. District policy provides for employees to be paid for unused sick leave at the end of each school year as an incentive for not taking leave, but also compensates the employees again for unused sick leave at the time employment is terminated or at retirement. Some personnel handbooks did not agree to approved board policies.

The district has not established adequate policies for handling meal collections. In addition, controls over other district receipts, petty cash, change funds, and vending machine proceeds need improvement.

The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. Board meeting minutes did not always include sufficient detail of matters discussed, and minutes did not always appear accurate. District business was occasionally conducted outside of regular open meetings, minutes were not always prepared for study sessions, and minutes were not signed by the preparer.

Also included in the audit report are findings related to disbursements, fuel purchases, cellular phones, accounting procedures and district policies, school safety issues, and capital asset records and procedures.

All reports are available on our Web site: www.auditor.mo.gov

PLEASANT HOPE R-VI SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-50
<u>Number</u>	<u>Description</u>
1.	Financial Condition, District Budgets, and Financial Statements5
2.	Sports Complex.....9
3.	Related Party Transactions13
4.	Bidding Procedures and Bond Refinancing.....14
5.	Transportation and Fuel Costs and Procedures.....18
6.	Disbursements.....20
7.	Credit Cards26
8.	Cellular Phones27
9.	Additional Compensation29
10.	Payroll Procedures31
11.	Meal Collections34
12.	District Receipts, Petty Cash, and Change Funds.....36
13.	Accounting Procedures and District Policies.....41
14.	Board Meetings and Minutes.....43
15.	District Tax Rate46
16.	School Safety Issues46
17.	Capital Asset Records and Procedures50
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	51-53

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the Board of Education
Pleasant Hope R-VI School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Pleasant Hope R-VI School District. The school district engaged Davis, Lynn, and Moots, PC., Certified Public Accountants (CPAs), to audit the school district's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the school district has adequate internal controls over significant management and financial functions.
3. Determine if the school district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the school district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given

the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in our audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Pleasant Hope R-VI School District.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	David Olson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

PLEASANT HOPE R-VI SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition, District Budgets, and Financial Statements
-----------	--

The district spent more than it received during the 2006-2007 budget year, resulting in a financial decline. In addition, the district did not adequately budget or monitor the disbursements for construction of the sports complex. Also, the district's deficit balance in the Teachers Fund at June 30, 2008, violates state law and Department of Elementary and Secondary Education (DESE) policy. Further, the School Board did not amend its 2007-2008 and 2006-2007 budgets until after the actual disbursements had exceeded the original budgeted amounts, and district budgets were not always accurate and complete.

- A. The district spent more than it received during the 2006-2007 budget year, resulting in a decline of the district's ending fund balance in the Combined Operating Funds (General Fund and Special Revenue Fund) as shown below:

Combined Operating Funds*	Amount
Receipts	\$ 6,855,775
Disbursements	7,070,836
Receipts over (under) disbursements	(215,061)
Beginning balance	476,125
Ending balance	\$ 261,064
Ending balance as a percentage of disbursements	3.69%

* This information was obtained from the district's independent auditor's report.

As a result of the decline in the district's fund balance, the district approached the DESE "financially stressed" classification. Section 161.520, RSMo, considers a district to be "financially stressed" if the year end balance of the Combined Operating Funds is less than 3 percent of disbursements or negative.

The district's overspending was primarily caused by the construction of the sports complex. The district did not adequately budget or monitor disbursements for the construction of the sports complex as noted in MAR finding number 2. The district disbursed \$407,444 during the period July 1, 2004 through December 31, 2008, for construction of the sports complex. Some of these disbursements were paid out of the General (Incidental) Fund budget categories of operations/maintenance and athletics.

While the district's financial condition improved during the 2007-2008 school year, as shown below, the district obtained a \$250,000 loan, did not transfer monies from the General Fund to the Special Revenue Fund each month as required and approved carrying some payroll payments into the next year to

reflect a more positive fund balance. In addition, the district's General Fund owes the Capital Projects Fund approximately \$107,000.

Combined Operating Funds*		Amount
Receipts	\$	7,559,584
Disbursements		7,338,551
Receipts over (under) disbursements		221,033
Beginning balance		261,064
Ending balance	\$	482,097
Ending balance as a percentage of disbursements		6.57%

* This information was obtained from the district's independent auditor's report.

- Three board members of the district signed a \$250,000 loan agreement for one year with the district's depository bank on March 12, 2007, to finance the purchase of bleachers for the sports complex. The Board's approval for this loan was not documented in board minutes as noted in MAR finding number 14. In addition, the district did not pay the semi-annual interest payment of \$9,286 due in September 2007 until April 2008 because the district did not have the funds. The district made a principal payment of \$35,715 and renewed the loan for \$214,285 on March 15, 2008, for another year with an interest rate of 7.25 percent.
- The district's deficit balance of \$2,060,309 in the Special Revenue Fund at June 30, 2008, violates state law and DESE policy. The district did not transfer monies from the General Fund to the Special Revenue Fund each month during the 2007-2008 school year, resulting in the deficit balance. The district waited until March 3, 2009, to transfer these monies (when the district's independent auditor's advised them of the amount of the adjustment). Section 165.021(4), RSMo, states "No check shall be drawn, or order for payment issued, for the payment of any school district indebtedness unless there is sufficient money in the treasury and in the proper fund for the payment of the indebtedness." In addition, DESE policy indicates the Teachers Fund is to be zeroed out each month.

The financial information included in the table above includes the loan and an adjustment for this transfer.

- The Board approved carrying some payroll payments into the next year to reflect a more positive fund balance. The district did not issue the interim Superintendent's April, May, and June 2008 combined payroll check totaling \$14,519 and a retiring employee's final paycheck for unused leave totaling \$7,075 until July 2008, to aid the district with its financial condition. Both the interim Superintendent and the retiring employee indicated they agreed to this arrangement due to the district's poor financial condition. While these amounts are not significant, the district has misrepresented its financial

position on the Annual Secretary to the Board Report (ASBR) filed with DESE and to the public. Further, the interim Superintendent indicated he held his payroll check and did not cash it until November 2008, because he was concerned about the financial condition of the district. Also, the district held three payroll checks issued to a former employee in June and July 2007 totaling \$4,745, until we questioned the outstanding checks in October 2008. Holding these checks aided the district's cash flow.

- The district's General Fund owes the Capital Project Fund approximately \$107,000 as noted in MAR finding number 15.

The combined ending fund balance as a percentage of disbursements for the 2007-2008 school year would have been \$353,503 and 4.73 percent had the payroll payments been made in the proper year and the Capital Projects Fund been repaid.

For the 2008-2009 school year, the district's budget for the General and Special Revenue Funds reported projected total receipts and disbursements of \$6,947,302, and \$6,816,992, respectively.

It appears the district is facing serious financial problems and action is needed to increase receipts or reduce disbursements. The Board should closely monitor budgeted disbursements. In addition, the school district does not have a long-term financial plan. Although the budget process provides annual financial planning, the School Board needs long-term planning to ensure the school district has adequate funding to continue operations.

- B. The School Board informally amended its 2007-2008 and 2006-2007 budgets on June 30, 2008 and July 10, 2007, respectively, after the actual disbursements had exceeded the original budgeted amounts. The following table illustrates budget amendments made by the Board:

Fund and School Year		Original Budgeted Disbursements	Actual Disbursements and Amended Budgeted Disbursements	Amount Overspent Prior to Budget Amendment
Special Revenue 2007-2008	\$	4,453,867	4,508,995	(55,128)
Special Revenue 2006-2007		4,156,043	4,383,511	(227,468)
Capital Projects 2006-2007		289,963	375,554	(85,591)
Debt Service 2006-2007		204,845	1,522,739	(1,317,894)

In addition, the minutes for the June 30, 2008, and July 10, 2007, board meetings indicated the Board approved amending the budgets to actual disbursements; however, the district did not formally prepare amended budgets.

Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides no disbursement of public monies shall be made unless authorized in the budget.

In light of the district's financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual receipts and disbursements. The Board should refrain from approving disbursements in excess of budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

- C. The original budgets approved by the school district were not complete. The budget for the 2006-2007 school year did not include actual disbursements for the prior 2 years. In addition, the district's 2008-2009, 2007-2008, and 2006-2007 budgets did not include the district's indebtedness and budget messages.

Further, the budget for the 2008-2009 school year was prepared on the district's annual financial report for 2007-2008, and budgeted projections for receipts and disbursements were hand written by the interim Superintendent on the financial report. Projected beginning and ending fund balances were not included and the budget did not include actual receipts, disbursements, and fund balances for the 2006-2007 year. Also, the budgeted amounts did not agree to the district's general ledger, and the district failed to budget for any disbursements related to the Title I program.

For the school board to have a full understanding of all school district disbursements and properly monitor school funds, the budget should be accurate and complete. In addition, Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations by fund, the beginning available resources and a reasonable estimate of the ending available resources, and a budget message.

WE RECOMMEND the School Board:

- A. Continue to monitor the district's financial position and take all necessary steps to improve the financial condition of the district. In addition, financial statements should be prepared to accurately report the district's financial condition, and the district should discontinue holding checks and disburse monies in a timely

manner. Further, the School Board should ensure funds are transferred to the Special Revenue Fund each month as required.

- B. Ensure budget amendments are made prior to incurring actual disbursements.
- C. Ensure the budget is accurate and complete and prepared in compliance with state law.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *During the 2008-2009 school year the district put in place a financial accountability system which includes proper oversight in department budgets, and purchase order procedure, and additional oversight by the superintendent, the board treasurer, and board members. The district will no longer hold monies over into the next fiscal year and the fund balance for 2008-2009 school year will be accurate. The district is also in compliance with the DESE policy to zero out the teacher's fund monthly.*
- B. *From the beginning of the 2008-2009 school year, the budget has been closely monitored and disbursements approved only within the allotted amount allowed. An accountability system has been in place to assure the district spends its money appropriately and does not overspend in any one fund.*
- C. *The current superintendent and the school board understand the past three school years' budgets were not properly or fully prepared by the former superintendents. The current superintendent and board will ensure the 2009-2010 budget will be complete and in compliance with Section 67.010, RSMo, and available to the State Auditor's Office, DESE, and the public to ensure accountability.*

2.

Sports Complex

The district did not prepare comprehensive formal plans or adequate cost estimates for the sports complex project. In addition, the district did not retain adequate documentation of the various bids received and the selection process for the sports complex project. Also, the district temporarily hired three employees of a local contractor to avoid paying prevailing wages.

The district formed an advisory committee, consisting of three district employees and eight citizens of the community, in June 2005 to develop plans for the construction of the sports complex and advertised for various bids in September 2005. Construction of the sports complex started in the fall of 2005 and was completed in August 2007. The district spent over \$400,000 to construct the sports complex using district operating funds, endowment funds, donations, and a loan.

- A. The district did not prepare comprehensive formal plans, budgets, or adequate cost estimates for the sports complex project and did not monitor the overall costs of the project.

The former Superintendent prepared cost estimates for some of the work to be performed on the sports complex for the School Board to review; however, most estimates were significantly less than the actual costs, and estimates were not prepared and documented for some costs of construction as noted in the table below:

Type of Work	Estimate	Actual Cost	Actual (Over) Under Estimates
Excavation and dirt/rock fill	\$ 10,055	46,696	(36,641)
Irrigation/seeding/straw	6,100	19,965	(13,865)
Electrical	28,500	26,743	1,757
Bleachers	30,000	221,505	(191,505)
Interest on loan	N/A	23,697	(23,697)
Scoreboard	N/A	22,308	(22,308)
Stadium lights	N/A	12,824	(12,824)
Miscellaneous	N/A	9,470	(9,470)
Concrete	N/A	9,247	(9,247)
Sound system	N/A	4,142	(4,142)
Fuel	N/A	2,361	(2,361)
Press box	N/A	3,323	(3,323)
Employee wages	N/A	3,138	(3,138)
Architect	N/A	1,225	(1,225)
Survey	N/A	800	(800)
Total	\$ 74,655	407,444	(332,789)

N/A-no cost estimates were prepared by the former Superintendent.

The former Superintendent estimated donations of \$100,000 would be received for the sports complex; however, the district received only \$9,500 in cash donations. Materials and services were also donated from local businesses; however, the value was not tracked by the district. The district also used \$22,308 of \$50,000 in sponsorship fees received from a soda vendor to purchase a scoreboard as noted in MAR finding number 4.

Documentation supporting the former Superintendent's cost and donation estimates was not retained, and board minutes did not adequately document the district's plans for construction, bidding, and financing of the project as noted in B below.

The sports complex project was completed in August 2007; however, the district plans to make additional improvements to the project in the future and will incur additional interest costs related to the loan.

The problems noted above and in B below indicate a lack of planning for this project and overall inadequate documentation to support actions taken and reasons for making certain decisions. Good business practices require adequate planning and public input prior to approving significant capital improvement projects. The various plans should have included building needs and designs, total estimated costs, and proposed financing arrangements. Adequate planning for major capital disbursements is necessary to ensure the project is financially feasible and supported by the taxpayers, and to help prevent potential problems or misunderstandings during the project. A project of such magnitude should have been given the utmost care, attention, and scrutiny of the board. Further, the lack of planning and monitoring of the sports complex project costs has contributed to the district's deteriorating financial condition as noted in MAR finding number 1.

B. While the district advertised for bids and donations for various items relating to the construction of the sports complex in September 2005, the district did not retain adequate documentation of the various bids received or the selection process for awarding bids as follows:

- Board minutes for the October 13, 2005, meeting indicate bids were received and all bids were rejected for excavation and dirt/rock fill. Documentation of the rejected bids was not retained by the district. The district did not re-bid the work and subsequently paid ten local vendors a total of \$46,696 to provide these services.
- The district received five bids for electrical work; however, the low bid was not selected. The district paid two other vendors (who bid on the project) a total of \$26,743. The district did not document its justification for selection of these vendors.
- Board minutes for the October 13, 2005, meeting indicate bids were received for an irrigation system. Documentation of the bids was not retained by the district, and as a result, it is unclear whether the bid selected was the lowest and best. The district paid \$7,547 for the irrigation system.
- Board minutes for the October 13, 2005, meeting indicate bids were received for seeding the football field, and the Board authorized the Superintendent to negotiate the bid amount with a particular vendor. Documentation of the bids received was not retained. The district paid an employee of the vendor \$3,600 to seed the football field.
- Board minutes for the November 10, 2005, meeting indicate the district negotiated with two vendors for scoreboards for the sports complex; however, the low bid was not selected. The district did not document its justification for selection of the vendor in meeting minutes. The district paid \$22,308 for the scoreboards (the original bid of the high bidder).

- Board minutes for the January 1, 2007, meeting indicate bids were presented to the Board for bleachers. The district did not retain documentation of any bids received other than the one selected, and as a result, it is unclear whether this bid was the lowest and best. The vendor was paid \$221,505.
- There was no documentation that bids for construction of the sports complex were solicited except for stadium lighting costing \$12,824 (the district selected the low bid).

Section 177.086, RSMo, requires school districts to advertise bids for construction of facilities which may exceed a disbursement of \$15,000. In addition, bidding procedures for construction projects provide a framework for economical management of school district resources and help assure the district it receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected.

- C. The district entered into a verbal agreement with a local construction company to "loan" the district three of its employees in June 2006. The district hired these employees temporarily while the sports complex was constructed. District officials indicated this agreement was made to avoid paying prevailing wages. Two of these employees were paid \$12 per hour and the other employee was paid \$18 per hour which did not meet prevailing wage requirements as outlined by the state Division of Labor (DOL) Standards. The hourly rates for the related occupational titles outlined in the state DOL prevailing wage standards for the Polk County area were \$21 per hour. These employees were paid \$3,138 in total for this project.

Section 290.230, RSMo, requires prevailing wage to be paid to all workers employed by or on behalf of any public body, who perform construction work projects other than routine maintenance.

WE RECOMMEND the School Board:

- A. Ensure adequate planning is performed and documented and public input is obtained prior to undertaking future capital projects. All actions taken and decisions made should be fully documented during all phases of future projects.
- B. Solicit bids for all construction work in accordance with district policy and state law. Require all bid documentation be retained including the justification of the selection of the award.
- C. Ensure prevailing wage is paid for all construction projects.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The board understands the importance of planning and documenting for all construction projects. If this was done by the former superintendents, proof has been difficult to obtain. The current superintendent and board realizes the importance of community input on all projects and will do so more diligently in the future. Also, all planning, cost estimates, bidding, etc. will be properly documented in the future and kept in a secure location at the central office to ensure documentation remains on file even if personnel changes. The board would also like to state they entrusted the former superintendent to be the project manager for the sports complex and followed his recommendations and trusted the advice given to them was accurate. The board now believes not all facts were presented to them at key times during the project and the project was poorly managed. When these concerns came to their full attention, they started the process to dismiss the former superintendent.*
- B. *The current superintendent and board understand the importance of soliciting bids and the justification of the selected bid. Proper documentation has not been kept and the district in the future will keep all documentation in a secure location at the central office to ensure documentation remains on file even if personnel changes. Board minutes will reflect the bid process, bid solicited, and the justification for the award of any said bid in the future.*
- C. *The district will comply with Section 290.230, RSMo, on all future construction projects.*

3. Related Party Transactions

Improvement is needed in the district's handling of related party transactions.

- A. It is questionable if one board member complied with the district's nepotism and conflict of interest policy. Board policy provides for board members to make a good faith effort to avoid a conflict of interest, and if a situation arises which involves the potential for a conflict of interest, the board member will declare his interest and refrain from debating or voting upon the transaction in question.

We noted a situation where a former Board Member became aware of a district bus route vacancy while serving on the Board. The August 9, 2006, board minutes indicate the Board approved transferring the bus route to the Board Member without soliciting bids. The Board Member then agreed to resign from the board the next month. The Board accepted his resignation on September 12, 2006; however, the Board Member signed the bus transportation contract on August 10, 2006, while still serving on the Board. The Board Member was paid \$20,833 for bus services during the 2006-2007 school year. It is unclear whether

the Board Member abstained from approving the transfer of the bus route because a roll call vote was not documented.

Officers and agents of a school district serve in a fiduciary capacity. Personal interests in business matters of the school district create the appearance of conflicts of interest and a lack of independence that could harm public confidence in the board and reduce its effectiveness. The district should strictly enforce its policy on conflicts of interest.

- B. Rental charges for use of district property is mentioned in the district's building use policy; however, the policy does not indicate how much is to be charged. The district allowed a not-for-profit (NFP) baseball academy to use school grounds without charge for a 6 week training camp. Three of the six NFP board members include the former Athletic Director, who served as president of the NFP, the current district Board President, and a high school teacher. The district Board President and the high school teacher indicated they received no compensation from the NFP. Participants in the 6 week training camp were charged \$98 each. To ensure the equitable treatment of district property users, the district should ensure its building use policy is adequately detailed.

WE RECOMMEND the School Board:

- A. Strictly enforce the district's nepotism and conflict of interest policy. The district should review all transactions that are not in accordance with district policy and take appropriate action.
- B. Ensure the district's building use policy is adequately detailed.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *As of January 01, 2009, the school board adopted the Missouri School Board's Association policy and procedures which is more clean and detailed than the previous policy concerning conflict of interest and nepotism. This new policy will be strictly enforced.*
- B. *The district's building use policy will be amended and adequately detailed.*

4. Bidding Procedures and Bond Refinancing

The district does not have formal written bidding policies and procedures, and bids were not always solicited or bid documentation was not retained for several items and professional services. In addition, the district did not enter into a written agreement for

attorney services. The district sold bonds through a negotiated instead of competitive sale, and the board did not select the bond underwriter or bond counsel competitively.

- A. The district does not have formal written bidding policies and procedures for non-capital disbursements. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the school district did solicit bids for many purchases, the following purchases made during the 2 years ended June 30, 2008, were not bid or adequate bid documentation was not retained:

Item or Service	Cost
Food for school meals	\$ 118,584
Copiers	33,417
Refinishing and painting gym floor	26,065
Sporting equipment	22,893
Computer desks	18,383
Computers	17,113
School supplies	15,652
Two vehicles	11,923
Paper supplies	11,420
Office supplies	9,788
Fuel	7,130

While district employees indicated in some instances bids were solicited through telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the vendor was not retained.

Also, while the district solicited bids for the elementary building project costing approximately \$1.2 million, it did not retain documentation of the bids received. The district's architect provided the bid documents for our review.

In addition, although bank services were bid, the district did not document its reason for selecting the bank awarded the district's business.

Further, the district did not solicit bids before entering into a 6-year contract with a local vendor in December 2005 to provide and service soda vending machines. The terms of the contract were renegotiated from an existing contract, and required the vendor to pay the district \$50,000 in sponsorship fees to be used toward the cost of scoreboards and monthly commissions based on the volume of sales. The district is paid approximately \$3,800 annually in commissions. In addition to the sponsorship fees, the district is provided with annual donated items such as tickets to the Springfield Cardinals games, giveaway items for project graduation, classroom calendars, sports schedules and posters, cups, sport packages for athletic teams (i.e. water bottles, cooler, and cups), and concession menu boards and letters. The contract provides the vending company with the

exclusive rights to distribute its products on the district campus which requires the district and all school booster clubs to distribute this vendor's product. Because this contract was not bid, district officials have no assurance the current agreement offers the most benefits to the district.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help assure the district receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in district business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based upon the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the bid. Furthermore, district officials should reconsider long-term agreements that obligate the district to a single vendor.

B. The district has not solicited proposals for various professional services.

- 1) The district used the services of the same architectural firm for several years without any documentation of the consideration of other firms. Payments to this firm totaled \$31,199 for the 2007-2008 school year. This firm also worked on several capital improvement projects for the district in previous years, including construction of the elementary school and the sports complex. District personnel indicated they use this firm because of past performance and a good working relationship.

District policy states when hiring an architect the school can rely on past performance to promote continuity, efficiency, and quality but does not require the consideration of more than one architect. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating such services. These sections, in part, require the district to obtain annual statements of qualifications and performance data from interested firms and consider at least three highly qualified firms. The district should revise its policy to require the consideration of more than one architectural firm when selecting a firm.

- 2) The district has contracted for audit services with the current independent auditor for approximately 5 years without conducting a selection process. The district paid \$8,400 for audit services during the 2007-2008 school year.

In addition, the district has not periodically solicited proposals for legal services, and does not have a contract with its attorneys outlining the types of services to be provided and at what cost. The district paid attorney fees of \$16,901 during the 2007-2008 school year.

Selection processes are necessary to ensure the district is receiving the best services and rates. The process should include advertising and soliciting proposals and evaluating these proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the school district. Information concerning the selection process should be documented and retained. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- C. The school district refinanced \$1,275,000 in general obligation refunding bonds in August 2006. The district sold these bonds through a negotiated instead of competitive sale. In addition, the School Board did not select the bond underwriter or bond counsel competitively. The Board used an underwriter they were familiar with and relied upon the advice of the bond underwriter instead of seeking open bids assuring the most competitive rate of return for the taxpayers.

Historically, negotiated bond sales result in increased interest costs. While Missouri law does not require competitive bond sales or competition in selecting bond advisors, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the school district.

WE RECOMMEND the School Board:

- A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids. In addition, the School Board should solicit bids for district vending services and reevaluate the practice of entering into long-term contracts.
- B. Consider revising district policy to require the solicitation of proposals for architectural services from more than one firm. In addition, the School Board should periodically solicit proposals for audit and legal services and enter into written contracts detailing the duties to be performed and the costs associated with the services.
- C. Pursue fair and open competition in any future bond sales.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *On January 01, 2009, the district completely revised its policy and procedures by adopting the Missouri School Board's Association's policies and procedures. The bidding policies are more detailed than in the previous policy, but the superintendent and board recognizes additional details should be considered. Policy review will take place and revisions will be added. Vending services and long-term contracts will also be reviewed.*
- B.1. *The board will solicit bids from numerous firms for future architectural services.*
- 2. *The district will comply with the State Auditor's recommendation to periodically solicit proposals for audit services. The district will annually solicit proposals for legal services and have a detailed written contract.*
- C. *All future bonds sales will be open to any bidder and bids will be solicited.*

5.	Transportation and Fuel Costs and Procedures
-----------	---

Bids have not been solicited for transportation services in several years. Payments made to the 13 bus drivers for transportation services were not reported to the Internal Revenue Service (IRS), and written agreements with the bus drivers were not adequately detailed. In addition, adequate documentation of fuel purchases is not obtained, and fuel and mileage logs are not maintained for district vehicles.

- A. The school district contracted with 13 bus drivers to provide bus transportation at a cost of approximately \$352,000 during the 2007-2008 school year. We noted the following areas of concern:

- 1) Bids have not been solicited for transportation services in several years. District officials indicated bids are only advertised when there is a bus route vacancy. The district has renewed bus contracts for several years without soliciting bids.

In addition, 3 of the 13 bus drivers own a second bus and provide additional transportation for other district activities such as sporting events and field trips. The school district did not solicit bids or enter into written contracts for these additional services. These three bus drivers received approximately \$56,000 (included in the \$352,000 above) for the additional transportation services.

- 2) The district does not prepare IRS Forms 1099 Miscellaneous for payments made to the 13 bus drivers.
- 3) The Board President indicated fuel is to be provided by the contracted bus drivers; however, the written agreement with each bus driver does not address this requirement. In addition, the district provided each of the 13

bus drivers a fuel allowance when the cost per gallon of fuel exceeded \$3, which was not addressed in the written agreements. Fuel allowances provided to the 13 bus drivers during the 2007-2008 school year totaled \$3,638.

- 4) Written agreements with each of the 13 bus drivers were not signed by the board secretary, and the board president's signature stamp was applied by the superintendent's secretary.

Competitive bidding provides a framework for economical management of the school district's resources, and ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. In addition, Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099. Also, written contracts should address all rights and responsibilities, such as who is responsible for providing fuel. Written contracts should be signed by the board secretary and president.

- B. Controls over fuel purchases need improvement. The district utilizes a local vendor for fuel for its two vehicles and lawn mowers. The district purchased approximately \$7,000 in fuel during the 2007-2008 school year.

- 1) An adequate review of fuel charged to the district's account is not performed. A monthly hand written summary bill, prepared by the vendor indicating the date and dollar amount of fuel purchased, is received to support fuel purchases; however, the employees purchasing the fuel do not review and approve the vendor's summary invoice before it is paid.
- 2) Fuel and mileage logs are not maintained for the district's two vehicles.

An adequate review of fuel purchases should be performed to ensure the obligation was actually incurred and the disbursements represent appropriate uses of public funds. Fuel and mileage logs documenting the date, destination, purpose of the trip, and mileage should be maintained for all vehicles. These logs should be periodically and independently reviewed to ensure vehicles are properly used for business purposes. In addition, information on the logs should be reconciled to fuel purchases.

WE RECOMMEND the School Board:

- A. Ensure bids are solicited for all transportation services, payments made to the bus drivers are properly reported to the IRS, and written agreements address all rights and responsibilities, such as who is responsible for providing fuel. In addition, contracts should be signed by the board secretary and president.

- B. Ensure an adequate review of the fuel bill is performed. In addition, the Board should ensure logs are maintained for district vehicles which include the purpose and destination of each trip, and daily beginning and ending odometer readings. The logs should be periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for district business.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The current superintendent and board understand the need to evaluate and revise how we have been conducting transportation services. The district will comply with the State Auditor's recommendation and solicit bids annually, properly report to the IRS on Forms 1099, and revise all contracts to include, but not limited to, drivers providing fuel and how fuel allowances will be provided.*
- B. *Fuel purchases will be reviewed by comparing fuel and mileage logs. These logs will be developed and put into use as soon as possible and maintained at the central office.*

6. Disbursements

The district's procedures for reviewing and approving disbursements are in need of improvement. Some payments were not supported by an invoice or other adequate supporting documentation, and purchase orders were not always prepared. Controls over district checks, contracts, and certificates of deposit (CDs) need improvement. The former Superintendent purchased items exceeding his spending authority after being placed on administrative leave. The district has not established formal written policies for meal expenses, and some meal expenses did not appear to be prudent and necessary uses of district funds. The district has no procedures in place to ensure Forms 1099 are filed with the IRS. The district did not always enter into written agreements defining services to be provided and benefits to be received.

- A. A list of disbursements is provided to the board each month; however, the list does not include payroll disbursements and the board does not document its review and approval of the list. Board minutes generally indicate bills were approved for payment; however, the list of disbursements provided to the board is not signed or initialed by the board members and retained with the official board minutes. As a result, board approval of disbursements is not adequately documented. In addition, the Board President and Treasurer indicated they review all invoices; however, their review is not documented, and other board members do not review invoices unless a specific disbursement is questioned.

While district policy provides for the superintendent to review and authorize all invoices prior to payment, the former superintendents' reviews were rarely

documented. Forty-one of 44 disbursements reviewed were not approved by the former superintendents.

The district also does not perform a reconciliation of the list of bills reviewed by the school board, the approved invoices, and the actual checks written.

To adequately document the board's review and approval of all disbursements, complete lists of bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes. In addition, the board president, treasurer, and superintendent should document their review of each invoice, and an independent reconciliation of the approved list of bills, invoices, and actual checks written should be performed.

B. Some payments were not supported by an invoice or other adequate supporting documentation, purchase orders were not always prepared as required by district policy, and receipt of goods or services was not always documented.

- Payments totaling \$12,824 for sports complex lights, \$11,750 for district vehicles, \$6,804 for heating and cooling repairs, \$5,400 for straw to mulch the football field, and \$250 for food for referees and game workers were not supported by invoices or other documentation.
- The district allows employees to charge purchases at a local convenience store and does not require employees to obtain and submit itemized invoices for the purchases. Further, an adequate review of purchases charged to the district's account is not performed. A monthly hand written summary bill, prepared by the vendor indicating the date, general description of items purchased, and dollar amount is obtained to support the purchases; however, the employees purchasing the items do not review and approve the vendor's summary invoice before it is paid. During the period August 2007 through January 2008, 166 purchases of snack food, sodas, paper products, hardware, and other miscellaneous items totaling \$1,696 were charged by district employees.
- Itemized invoices of food purchased for student and faculty cafeteria meals, which are received by the director of food service, are not reconciled to the vendor summary statements received by the district bookkeeper.
- Purchase orders were not prepared for 40 of 46 purchases reviewed.
- Receipt of goods or services was not indicated on 39 of 44 invoices reviewed.

To ensure the validity and propriety of disbursements, adequate supporting documentation and purchase orders should be obtained and reconciled to payments and monthly billing statements. In addition, district policy requires a purchase order to be prepared for all disbursements. To ensure goods and services have been properly received by the district, all invoices and other

supporting documentation should be properly initialed or signed by a district employee indicating receipt of goods or services. Also, district policy indicates payment for goods or services will not be made unless both an itemized invoice and a receiving document bearing the signature of an authorized school employee are obtained.

C. Controls over district checks, contracts, and CDs need improvement.

- 1) A list of payroll disbursements is not reviewed by the board. In addition, the signatures of the board president, treasurer, and secretary are applied electronically to all payroll checks. To decrease the potential for unauthorized disbursements, the district should prepare a list of payroll disbursements, and the board or someone independent of the payroll process should compare the list to the checks and document the review and approval.
- 2) The Board President has asked the district bookkeeper to apply his signature to all district checks (excluding payroll) and the superintendent's secretary to apply his signature to all district contracts using a facsimile stamp. In addition, the Board President does not review the bookkeeper and secretary's use of the stamp. Allowing the use of the facsimile stamp by the district bookkeeper and superintendent's secretary diminishes the control intended by multiple signatures. In addition, if the Board President is unavailable to sign checks and contracts, he should document his review of all documents on which his signature is applied.
- 3) School district policy requires the signature of the board president and board treasurer on all checks; however, a check totaling \$5,400 for straw to mulch the football field was issued without the signature of the board treasurer. Dual signatures help provide assurance that checks represent payment for legitimate district disbursements.
- 4) Only the district bookkeeper's signature was required to redeem 4 CDs totaling \$114,610. While the Board approved these redemptions, to safeguard district assets the district should require the board president and treasurer to sign for all redemptions of CDs.

D. Purchases made by the former Superintendent for a lawnmower costing \$5,500 and classroom furniture costing \$5,044 exceeded his spending authority. In addition, the purchase of classroom furniture was made on the Internet by the former Superintendent after being placed on administrative leave by the Board. The Board was unaware of the purchase until the classroom furniture was delivered. District policy allows the superintendent/designee to authorize payments for materials or services necessary for normal business operations not individually exceeding \$500.

In addition, a previously signed requisition order with the former Superintendent's signature was used by the district bookkeeper on August 18, 2008, to approve the furniture purchase noted above after the Superintendent's employment was terminated in March 2008.

To ensure disbursements are properly authorized and district assets are adequately safeguarded, the board should approve disbursements in accordance with district policy, monitor the activities of employees placed on administrative leave, and properly dispose of facsimile stamps of former board members and superintendents after termination of service.

- E. The district does not have formal written policies for meal expenses. The district frequently provides food at various meetings involving district personnel. Local meals were paid by the district with no indication of the business purpose, reason why the meals were necessary, or individuals in attendance. The district purchased meals totaling \$1,689, including dinner for referees and game workers (\$411), an annual middle school faculty meeting (\$879), and board and administrator study sessions (\$399).

The lack of a formal written meal policy and detailed supporting documentation, including the purpose and list of individuals attending, makes it difficult for the district to ensure the propriety of payments made for local meal expenses. In addition, given the district's financial condition, the above disbursements may not be necessary and prudent uses of districts funds. The School Board should ensure school district funds are spent only on items which are necessary and beneficial to the school district. Further, the district's residents have placed a fiduciary trust in their public officials to spend school funds in a necessary and prudent manner.

- F. The district has no procedures in place to ensure Forms 1099 are filed with the IRS when required. As a result, the district did not file Forms 1099 for construction services, legal services, and snow and ice removal totaling approximately \$860,315, \$11,232, and \$1,000, respectively, during the year ended December 31, 2008, and cleaning services totaling \$47,309 during the year ended December 31, 2007.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Forms 1099.

- G. The district did not always enter into written agreements defining services to be provided and benefits to be received.
- The district did not enter into a written agreement with a local college for vocational teaching services provided to district students. The district paid the college \$33,150 during the 2007-2008 school year.

- The district did not enter into a written agreement to purchase paper from another local school district. The district paid the other school district \$11,420 during the 2007-2008 school year.
- The district did not enter into a written agreement with the local fire department to provide emergency services during football games. The district paid the fire department \$1,200 during the 2007-2008 school year.
- The district did not enter into a written agreement with its former cleaning service provider. The district paid the cleaning service \$92,083 during the 2006-2007 school year.
- The district has not entered into a written agreement with the Good Samaritans Boys Ranch for teaching services provided to ranch students. The district receives tuition from other school districts for the services provided and pays for all teaching expenses.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

WE RECOMMEND the School Board:

- A. Ensure detailed and complete lists of bills are prepared, the board's approval is reflected on the list, and the list is retained. In addition, the Board should review the invoices or assign someone independent of the check preparation and signing process to perform and document this review. Approved lists of bills should also be compared to checks written.
- B. Ensure adequate supporting documentation is submitted before payments are made. Itemized invoices should be reconciled with vendor summary billings. The School Board should ensure purchase orders are prepared for all disbursements, and compare invoices received with the approved purchase orders. The School Board should require all invoices be initialed or signed by a district employee to indicate acceptance of goods or services.
- C. Ensure a list of payroll disbursements is prepared and reconciled to district checks. Either the Board or someone independent of the payroll process should perform this reconciliation. The board president should sign or apply his facsimile signature stamp to district checks and contracts. If the board president is unable to sign checks or apply his signature stamp, he should review use of his facsimile stamp. The School Board should ensure dual signatures are required for all district checks and redemptions of CDs.

- D. Ensure district disbursements are approved in accordance with district policy, monitor the activities of employees placed on administrative leave, and dispose of facsimile stamps of former board members and superintendents upon termination of service.
- E. Establish and maintain appropriate policies and procedures regarding meal expenses and ensure disbursements are necessary and prudent uses of school district funds.
- F. Ensure Forms 1099 are prepared and submitted to the IRS as required.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *Since the beginning of the 2008-2009 school year, much improvement has been made in the accountability process of bills. However, we recognize we still have to improve on this process and will follow the State Auditor's recommendation.*
- B. *Since the beginning of the 2008-2009 school year, we have put in place a purchase order system which has been enforced. We believe this has greatly improved our accountability, but we recognize the need for better reconciliation. We will continue to improve this process and will follow the State Auditor's recommendation.*
- C. *The district will comply with the State Auditor's recommendation to ensure a listing of payroll disbursements is prepared and reconciled to district checks. The district has stopped all signature stamps and dual signatures are required.*
- D. *The district will comply with the State Auditor's recommendation. The facsimile stamps have been destroyed.*
- E. *The board will evaluate meal expenses and determine whether or not this practice will continue. Regardless of the evaluation, the district will implement a policy.*
- F. *The district will implement the use of Forms 1099 on all payments of \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees.*
- G. *The current superintendent and board understand the necessity to enter into written agreements detailing services, compensation, and benefits. It is our intention to implement the State Auditor's recommendation and review all services the district receives.*

The district has not adopted formal policies and procedures for the use of its credit cards, and the Board has failed to implement recommendations related to district credit cards made by its independent auditor during the past two audits for the 2006-2007 and 2007-2008 school years. The school district has 16 credit cards, and purchases on these credit cards totaled approximately \$55,000 during the 2007-2008 school year. We noted the following concerns regarding the use of credit cards:

- Adequate supporting documentation was not maintained for \$10,045 of the \$14,206 of credit card purchases reviewed. For several charges including meals, hotels, computer equipment, and teaching supplies, documentation was either not adequate or not retained. In addition, individual credit card receipt slips are not reconciled to the credit card statement each month.
- Only one of six credit card statements we reviewed had been reviewed by the superintendent. While the School Board indicated it had reviewed some credit card purchases, documentation of the reviews were not maintained.
- The school district carried balances on some of its credit card accounts during the 2007-2008 school year, and incurred finance charges totaling approximately \$200 on the six credit card statements reviewed. In addition, some of these credit card accounts maintained large credit limits. For instance, a bank card had a \$15,000 credit limit.
- The district paid an annual fee of \$170 for ten credit cards to a local wholesale vendor during the 2007-2008 school year. In addition, two employees left the district on June 30 and December 19, 2008; however, credit card fees of \$30 were paid for those individuals during the 2008-2009 school year. The district has subsequently received a refund of these fees. In addition, these credit cards were not returned to the central office by the employees, and the district had not cancelled the cards until we brought this to its attention in January 2009.
- The district spent a total of \$4,118 for 109 gift cards, 6 bicycles, and a boom box/cd player which do not appear to be prudent or necessary uses of district funds. District officials indicated some of these items were given away as attendance and employee awards; however, documentation of who received the awards was not retained. Given the district's financial condition, the above disbursements may not be necessary and prudent uses of districts funds.
- Credit card check-out procedures are not adequate. The district bookkeeper maintains the discount store credit card which is available to all district employees. The bookkeeper maintains a check-out log; however, it is not accurate and complete. For example, the date the credit card is checked out is

recorded on the log; however, the date the credit card was checked back in is not recorded. In addition, we noted instances where employees used the card but had not checked the card out.

Given the lack of controls over credit cards, the School Board and Superintendent should closely evaluate the need for each credit card and costs associated with the cards. In addition, complete and detailed written credit card policies and procedures are necessary to provide guidance to employees and help ensure credit cards are used only for school district business. The School Board should develop policies which require credit receipt slips be submitted prior to payment and compared to the credit card statements, and purchases to be approved by someone other than the cardholder. Also, credit card payments should be made in a timely manner and credit limits should be reviewed for reasonableness.

WE RECOMMEND the School Board evaluate the need for each credit card and cancel any cards which are determined unnecessary. Formal policies and procedures should be adopted for credit card use, including policies which require all credit receipt slips be submitted prior to payment and compared to the credit card statements and purchases be approved by someone other than the cardholder. In addition, the Board should ensure credit card payments are made in a timely manner and disbursements are a necessary and prudent use of district funds, and review credit limits for reasonableness.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The current superintendent upon entering the district evaluated the credit card situation and eliminated all but four, from the original sixteen. Credit card use has been very limited during the 2008-2009 school year. Since January 1, 2009, the district has implemented a credit card usage policy and procedure. This policy will be reviewed to ensure it complies with the State Auditor's recommendation.

8.

Cellular Phones

The district has not developed a formal written policy regarding cellular telephone use or guidelines to determine whether cellular phones are needed or of benefit to the district. The district provides cellular phone service to the superintendent, three principals, the athletic director, the technology director, the Good Samaritan Boys Ranch director, and the maintenance director. A spare cellular phone and a bag phone were also available to be checked out for other employee use during the 2007-2008 school year. The district owns eight of the ten cellular phones for which it pays for service. The middle school principal and athletic director purchased their own cellular phones. The district disbursed approximately \$5,000 during the year ended June 30, 2008, for the use of cellular phones. We noted the following concerns regarding cellular phone use:

- During our review of the high school principal's cellular phone bill paid in September 2007, we noted 131 calls totaling 1,105 minutes were made to a single phone number, and the principal could not provide documentation of the business use of the calls.
- Cellular phone plans utilized by the district do not provide for text messaging, and as a result, additional charges are incurred when text messaging is used.
- The district allowed the middle school principal to utilize a \$100 vendor rebate provided to the district to purchase her own cellular phone, while the athletic director purchased his own phone without the use of a district rebate. Vendor rebates should only be utilized by the district.
- The district did not require the former Superintendent to return the district's bag phone when he was placed on administrative leave. His service was cancelled by the district, but the phone was not returned.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment, use, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel and properly used for business purposes. In addition, the district should review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so, it should be included in the cellular phone plans. Also, vendor rebates should only be utilized by the district, and the district should establish written procedures to ensure cellular phones are returned to the district when employment is terminated.

WE RECOMMEND the School Board develop a formal written policy regarding the use of cellular phones. In addition, the Board should establish a monitoring system for the assignment, use, and acquisition of cellular phones. Also, vendor rebates should only be utilized by the district, and the Board should establish written procedures to ensure cellular phones are returned to the district when employment is terminated.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The district does not have a policy which addresses the use of employee cell phones. The board will review cell phone use and develop a policy in accordance to the State Auditor's recommendation; or, upon review if the board believes it is financially prudent to not provide cell phones to certain employees, they can eliminate the use.

9.**Additional Compensation**

The school district has not established policies and procedures regarding additional compensation, extra duty contracts, and education assistance.

A. The school district has not established policies and procedures regarding additional compensation. As a result, the district paid various employees additional compensation and did not include the payments on the employees' W-2 forms or subject the payments to payroll tax withholdings. In addition, extra duty contracts were not entered into to support additional compensation paid.

- Additional compensation totaling \$2,700 was paid to 21 employees for mentoring fellow educators during the 2007-2008 school year. Mentors for first year teachers were paid \$125, mentors for second year teachers were paid \$50, mentoring buddies for experienced teachers new to the district were paid \$50, mentoring building leaders were paid \$75, and the mentoring coordinator was paid \$500. Some employees mentored multiple teachers and served as buddies and leaders, and the coordinator also served as a mentor and a building leader.
- Additional compensation totaling \$8,739 was paid to 25 employees for working at various ball games during the 2007-2008 school year.
- The district paid a teacher a stipend of \$1,100 during the 2007-2008 school year for writing a grant which provided funds to purchase new desks for her classroom. In addition, it is unclear how the work performed was not within the normal job duties outlined in her employment contract.
- The district paid its librarian \$1,200 annually to record the minutes of board meetings.

The School Board should establish policies and procedures to address additional compensation. The policy should require any additional compensation received by employees of the district be reported on the employees' W-2 forms. In addition, the policy should require extra duty contracts be prepared and reviewed to support any additional compensation.

The district also paid an employee \$5,856 to renovate the resource officer's office during the 2007-2008 school year without soliciting bids. Section 105.454, RSMo, states that no employee, shall receive more than \$500 per year for the performance of any service, except pursuant to an award on a contract let to the lowest competitive bidder.

- B. The district provided an employee \$691 in education assistance during the 2008-2009 school year and plans to provide the same employee an additional \$691 during the 2009-2010 school year without adopting an education assistance policy or entering into a written agreement with her regarding any employment requirements of the education assistance. The education assistance was provided so she could teach drivers education. In addition, the assistance was only approved by the High School Principal and Superintendent. Further, the district did not report the value of the education assistance provided to the teacher on her W-2 form as a taxable benefit during the year ended December 31, 2008.

The district should establish an education assistance policy and enter into written agreements with employees receiving education assistance to ensure the district receives some benefit from its investment. In addition, IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, indicates if the employer does not have an education assistance policy and the benefits received by the employee are not a working condition of employment, the entire amount of education assistance would be a taxable benefit to the employee.

- C. The district entered into a 1 month extra duty contract for \$4,122 with the current Athletic Director (in addition to his 9 month contract for this same position); however, the contract did not specify the services to be rendered. Upon questioning district officials and the employee, there seems to be some confusion as to the duties required to be performed. Two district officials indicated the extra duty contract was for the Athletic Director to mow the athletic fields, while the Athletic Director indicated the contract was for the 2 weeks prior to and after the school year to prepare and complete reports. To avoid any misunderstandings, written extra duty contracts should clearly specify the services to be rendered.

WE RECOMMEND the School Board:

- A. Establish policies and procedures regarding additional compensation paid to employees. The policy should require any additional compensation paid to employees be processed through the payroll system, and extra duty contracts be prepared and reviewed. The School Board should ensure employees' W-2 forms are amended. In addition, the School Board should ensure bids are obtained and the low bid is awarded for services provided by employees for more than \$500 per year.
- B. Establish an education assistance policy and enter into written agreements with employees receiving education assistance. In addition, the Board should ensure an amended W-2 form is prepared and filed with the IRS for the teacher's education assistance.
- C. Ensure extra duty contracts clearly specify the services to be provided.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The current superintendent and board are greatly concerned with the recommendations given in this section. We understand great improvement is needed with our contracts and payroll system. These deficiencies will be attended to and corrected as soon as possible. All recommendations made by the State Auditor's office will be followed.

10. Payroll Procedures

Improvement is needed over payroll policies and procedures.

A. Duties are not adequately segregated to provide the necessary internal controls over payroll functions. The district bookkeeper handles all payroll duties including preparation, record keeping, disbursing checks, and distributing employee W-2 forms. In addition, the Board does not review or approve any payroll reports prepared by the district bookkeeper. The district's lack of adequate review procedures over payroll increases the risk potential errors and misstatements may not be detected. Proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, comparison of payroll disbursements to the payroll register and employee timesheets should be performed and documented by an independent individual.

B. Timesheets are prepared and maintained for the high school and elementary secretaries, meal staff, and custodians. Other support staff do not prepare timesheets. Also, timesheets are not signed by the employee or the employee's supervisor. Further, timesheets are not submitted to the district bookkeeper and used to prepare payroll checks. The district bookkeeper pays each employee their contracted salary.

Timesheets for support staff are necessary to document hours actually worked, substantiate payroll disbursements, and provide the board with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with Fair Labor Standards Act (FLSA) requirements. In addition, timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month. Further, timesheets should be used to prepare payroll disbursements and track leave earned and taken.

C. Leave records are not adequately maintained for all employees. The maintenance department supervisor and employees do not maintain leave records, and the bookkeeper maintains the leave records of the administrative office employees on a piece of notebook paper. Also, leave requests are not signed by the employee or

the employee's supervisor. Further, leave records maintained are not submitted to the district bookkeeper until the end of each school year.

Without centralized records of leave balances, the board cannot ensure employee vacation and sick leave balances are accurate and all employees are treated equitably. Centralized leave records also aid in determining unused leave upon termination of employment, in the event disputes arise, and in demonstrating compliance with the FLSA. In addition, leave requests should be signed by the employee and the employee's supervisor to indicate their agreement to the leave taken each month. Further, leave records should be submitted to the administrative office each month to aid in reconciling the timesheets and payroll disbursements.

- D. Some employees had negative leave balances at the end of the school year. At the end of the 2007-2008 school year, an employee had a negative leave balance of 8 days. At the end of the 2006-2007 school year, 15 employees had negative leave balances totaling 158 days, with one employee having a negative balance of 41 days. Employee payroll checks are adjusted at the end of the school year for the negative balances.

In addition, due to the lack of adequate leave records noted in C above, the district adjusted an employee's payroll check at the end of the 2007-2008 school year for a negative leave balance in error. However, when the district corrected the error, the \$768 payment was not processed through the payroll system, payroll taxes were not withheld, and the payment was not reported on the employee's W-2 form.

To ensure employees receive leave benefits only as allowed by the district's policy, employees should not be allowed to carry negative leave balances. In addition, the Internal Revenue Code requires employers to report all wages on W-2 forms and withhold federal income taxes.

- E. District policy provides for employees to be paid for unused sick leave at the end of each school year as an incentive for not taking leave; however, district policy also allows employees to accumulate sick leave from year to year and compensates the employees again for unused sick leave at the time employment is terminated or at retirement. Unused sick leave at the end of each year is compensated at the rate of \$25 and \$10 per day depending on employee status (certified/non-certified). Accumulated unused sick leave at retirement is compensated at the rate of \$50 and \$20 per day depending on employee status and at termination (other than retirement) at \$10 per day in accordance with board policy.

For example, an employee, who retired at the end of the 2007-2008 school year, was paid \$6,950 for an accumulated sick leave balance of 139 days. At the end of

each school year employed, the employee had been previously compensated for unused sick leave earned that year.

Given the district's poor financial condition, the Board should reconsider the necessity of paying employees twice for unused leave and revise district policy as necessary.

- F. Some personnel handbooks do not agree to the approved board policies. The 2007-2008 aides and secretaries/faculty personnel guide indicates any unused personal leave cannot accumulate; however, board policy number 4310 indicates unused personal leave may accumulate to 5 days, with any personal leave accumulated in excess of 5 days to be added to the employee's sick leave balance.

In addition, multiple personnel guides are used by the district, and the policies are not always the same. The 2007-2008 aides and secretaries/faculty personnel guide indicates certified personnel leaving the district for reasons other than retirement shall receive \$25 per day of accumulated leave, while another personnel guide indicates certified personnel shall receive \$10 per day of accumulated leave. Due to the discrepancies, some employees were paid inconsistently for accumulated leave upon termination.

To ensure employees are treated equitably, district personnel guides and board policies should be reviewed for accuracy and consistency.

WE RECOMMEND the School Board:

- A. Adequately segregate payroll duties. At a minimum, there should be a documented independent review of the reconciliation between timesheets and payroll records.
- B. Require district support staff to prepare timesheets which reflect actual time worked. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and submitted to the administrative office.
- C. Require leave records be maintained for all district employees and filed with the administrative office monthly. In addition, leave requests should be signed by the employee and their applicable supervisor, and reviewed for accuracy. Leave records should be reconciled with employee timesheets.
- D. Discontinue the practice of allowing employees to use unearned leave. In addition, the School Board should ensure all compensation paid to the employee is subject to payroll taxes and amend the employee's W-2 form.
- E. Reconsider the necessity of paying employees twice for unused leave and revise district policy, if necessary.

- F. Review personnel guides and board policies for consistency and accuracy.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The superintendent will provide a supervisory review of the payroll disbursements to the payroll register and employee timesheets.*
- B&C. *The district will comply with the State Auditor's recommendations.*
- D. *The district will no longer allow employees to have a negative leave balance. Any days over the contracted days will be taken out of their next paycheck instead of being taken out of their summer checks. All compensation will be subject to payroll taxes.*
- E. *The board will review this policy and consider alternatives.*
- F. *The district plans on reviewing all faculty and staff handbooks to make sure board policies are being followed and for consistency throughout the district.*

11. Meal Collections

The district has not established formal policies and procedures for handling meal collections. As a result, meal collections are not always deposited intact and in a timely manner, daily collection reports are not reconciled to deposits, an initial record or log of meal collections is not maintained, and meal collections are not accurately posted to the district's general ledger and Student Information System (SIS).

District offices at each school processed approximately \$130,000 in meal receipts during the year ended June 30, 2008. Employees from each district office credit student and teacher meal accounts in the SIS for meal collections and deposit monies. A copy of the deposit ticket is transmitted to the central office. The deposit is to be recorded in the district's general ledger which is maintained on a computerized reporting system separate from the SIS.

Due to the poor controls over meal collections, there is no assurance all district meal collections have been properly recorded and deposited.

- Meal collections were not always deposited intact and in a timely manner. District employees indicated cash is routinely held out of meal collections for change funds for meals and numerous sporting events. In addition, the middle school only makes deposits weekly. Also, meal collections were not always deposited in a timely manner at the elementary school. For example, meal collections received by the elementary office from October 8 through October 14, 2008, totaling \$679 were not deposited until October 16, 2008. Other

monies received on October 8 and 9 in the elementary office were deposited on October 10, 2008, and it is unclear why some meal monies were held.

- The method of payment (i.e., cash, check, or money order) received is not recorded on the daily collection reports, and the composition of receipts is not reconciled to the composition of deposits.
- Daily meal collection reports are generated from the SIS by each district office; however, these reports are not reconciled to deposits and are not transmitted to the central office. Although, the central office does receive a month end report from each of the district offices, these reports are not reconciled to amounts deposited. The amount of receipts on the daily meal collection reports generated from the SIS for the high school did not agree to the daily amount deposited during the period September through October 2008. For example, daily collection reports for September 30, 2008, totaled \$207, deposits for this day totaled \$871, resulting in an overage of \$664; daily collection reports for October 20, 2008, totaled \$530, deposits for this day totaled \$132, resulting in a shortage of \$398; and a net overage of \$266 was noted during September and October 2008.
- As a result of not reconciling meal collections recorded on the SIS system to the general ledger and deposits, errors in posting collections to the district's general ledger were not discovered. For example, two checks totaling \$75 were received and deposited on October 10, 2008, for high school meal collections; however, only \$52 was posted to the general ledger for meal collections (\$23 difference). The high school clerk indicated \$162 in cash was also collected on this day for student activity concessions; however, only \$139 cash was deposited (\$23 was believed to be held out for change). The clerk indicated her regular depositing procedure is to first record all concession or activity receipts and any remaining monies included in the deposit are then recorded as meal collections, resulting in recording errors for meal collections.

In addition, some meal collections received were not always posted to the SIS system. For example, a high school teacher paid for meals for her children, who are students of the district, and herself. The students' meal collections were posted to the SIS by the district; however, the meal collection for the teacher was not posted to the system. Several other instances where meal collections were not posted to the SIS were identified.

- An initial record or log of meal collections is not maintained. Meal monies sometimes pass through various employees before being recorded and subsequently deposited by each district office. For example, meal collections in the elementary school are initially received by each classroom teacher and are then turned over to the district office. Additionally, the high school clerk records meal monies on an envelope (because she does not have time to post

meal collections to the SIS system as high school students and faculty go through the meal line); however, the envelope is thrown away after she posts meal collections to the SIS system.

To adequately account for meal collections, the district should establish formal policies and procedures including depositing meal collections intact and in a timely manner, recording the method of payment on the daily collection reports, reconciling deposits to the composition of receipts and daily collection reports, posting meal collections accurately to the general ledger and the SIS or reconciling the two systems, and recording initial meal collections on a receipt log and subsequently reconciling the log with deposits.

WE RECOMMEND the School Board should establish formal policies and procedures for handling meal collections.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The district has established formal policies and procedures for handling meal collections. All of the recommendations made by the State Auditor are in place.

12. District Receipts, Petty Cash, and Change Funds
--

Controls over district receipts, petty cash, change funds, and vending machine proceeds need improvement. The various school offices act as collection points for student fees and maintain petty cash funds.

A. The district has not established policies for monies collected at each of the district offices. Our review noted the offices hold numerous cash funds without adequate records to account for the funds on hand. During October and November 2008, we counted all funds on hand at all district locations which included 27 separate cash funds totaling approximately \$16,000.

1) Official prenumbered receipt slips are not issued for some monies received. The elementary school secretary issues generic prenumbered receipt slips only for lost book fees (receipt slips are not issued for any other monies received). The middle school secretary issues generic unnumbered receipt slips only upon request. The high school secretary issues generic unnumbered receipt slips for all monies except meal collections.

Also, all copies of voided receipt slips were not retained by the high school office, and four receipt slips were removed from the receipt book and discarded.

- 2) The method of payment (i.e., cash, check, or money order) is not recorded on receipt slips issued by the elementary, middle, or high schools and the composition of receipts is not reconciled to the composition of deposits.
- 3) Monies received are not always deposited intact or in a timely manner. For example, during a cash count at the elementary office:
 - Cash of \$500 was on hand for the district to purchase a trophy case. These monies had been held since June 2006 (over 2 years).
 - A \$471 check was on hand from a local restaurant which had sponsored a school fundraiser. The check had been held since March 24, 2008 (approximately 7 months).
 - Picture monies totaling \$476 cash were on hand. Pictures were taken in April 2008, and the secretary indicated most of these monies were collected in April. Because receipt slips were not issued, it was unclear how long these monies had been on hand or if all picture monies were accounted for properly. In addition, an invoice and a note included in the bank bag of picture monies indicated \$64 of the monies had been used to purchase curtains, bulletin board items, and meal bags.

Additionally, during a cash count at the middle school office:

- Magazine fundraising monies totaling \$1,063 were on hand including \$44 in cash and \$1,019 in checks. Some of the checks appeared to have been on hand for up to 12 days. In addition, customer orders for the magazine fundraiser totaled \$1,349 and only \$1,267 was deposited for the fund raiser. A \$40 cash prize was given to the top selling student, resulting in \$42 not accounted for properly.
 - Student magazine monies totaling \$166 were on hand including \$98 in cash and \$68 in checks. Thirteen checks counted appeared to have been on hand at least 37 days.
- 4) Checks and money orders are not always restrictively endorsed immediately upon receipt by the elementary, middle, or high school secretaries. The endorsement is applied at the time the deposit is prepared.
 - 5) Personal checks are cashed from school receipts. The elementary school office did not provide all monies on hand for us to count when requested. The elementary secretary indicated she instructed the meal accountant to take deposits already prepared totaling \$3,022 to the bank during our cash count so we could not count those monies. A subsequent review of this deposit identified eight personal checks totaling \$339 cashed by the

elementary meal accountant (4 checks) and four elementary teachers. In addition, during another cash count we noted a personal check of \$95 was cashed by the preschool for an employee.

Failure to adequately record, reconcile, deposit, and monitor receipts increases the risk of loss, theft, or misuse of funds. As a result of the lack of accountability over the monies collected in each district office, there is no assurance all monies collected were accounted for properly.

- B. Improvement is needed over the handling of concession and gate fee monies. During our cash counts, concession and gate fee monies totaling \$2,292 were on hand; however, six concession and gate fee reports prepared indicated \$2,307 should have been on hand, resulting in a shortage of \$15. In addition, concession and gate fee monies pass through various employees before being recorded and deposited, and the transfer of these monies between employees is not documented.

Also, season passes are sold at ballgames and are included with gate fee collections. The athletic director is responsible for tracking season passes sold; however, season passes are not sold in numerical order and the numerical sequence of season passes is not accounted for properly. Further, the number of season passes sold is not reconciled to the related amount of monies received and deposited. Season passes are sold to students, adults, and families for \$15, \$35 and \$80, respectively.

To properly account for all concession and gate fee monies collected, differences in amounts recorded and received should be investigated and receipts or other records should be maintained to track the transfer of monies between employees. Also, the numerical sequence of season passes should be accounted for properly, and the number of season passes sold should be reconciled to monies received and deposited.

- C. Controls over the central office petty cash fund need to be improved. The central office maintains a \$400 petty cash fund to be used for small emergency purchases or supplies. The fund is replenished by writing checks from the district's general checking account. For the school year ended June 30, 2008, \$2,226 was disbursed from the petty cash fund.

- 1) Petty cash fund duties are not adequately segregated. The district bookkeeper maintains the petty cash fund and writes the checks to replenish the petty cash fund from the general checking account. In addition, a review of petty cash invoices is not performed by the Superintendent or School Board for the replenishment of the fund. To ensure proper handling of the petty cash fund, the duties of handling, recording, and distributing petty cash funds should be segregated. If the duties cannot be adequately segregated, at a minimum, there should be

documented independent reviews of the petty cash fund. Failure to adequately segregate duties or provide a supervisory review increases the risk of possible loss, theft, or misuse of funds.

- 2) The petty cash fund is taken home by the bookkeeper each night and stored in the trunk of her car. To safeguard against possible loss or misuse of funds, petty cash funds should be maintained at the district in a secure location.
- 3) The central office does not maintain a petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund. Some petty cash fund disbursements were not supported by a vendor invoice. To ensure all activity of the petty cash fund is properly accounted for, the district should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. In addition, all disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- D. Controls over the district's change funds need to be improved. Each school office maintains a change fund. The district does not have a list of approved change funds and a written policy regarding these change funds. In addition, the change funds are not maintained at a constant amount. The high school regularly holds monies out of meal collections for various sporting events (gate and concession). The middle school and elementary school hold monies out of district receipts to make change for meals.

Written policies should be established outlining the procedures for maintaining, using, and accounting for change funds. The district should also maintain a list of all authorized change funds and amounts as well as procedures for adding funds or changing fund amounts. In addition, to safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount. Periodically, the funds should be counted and reconciled to the authorized balance by an independent person. Separate change funds should be established for sporting events.

- E. Controls over the proceeds received from vending machines need improvement. The district operates various vending machines at the middle school and elementary school. District employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. Our review of vending machine proceeds disclosed the following:

- 1) Most vending machine proceeds are not deposited. Some proceeds are deposited by the middle school to pay for vending inventories. The remaining proceeds are maintained by the middle school and elementary offices and are used to make purchases at the discretion of each school

principal. We counted vending machine monies on October 16, 2008, at the middle and elementary schools totaling \$359 and \$461, respectively.

- 2) The middle school does not maintain a ledger of vending machine proceeds and disbursements. The elementary school maintained a spreadsheet of vending machine proceeds and disbursements; however, as of October 16, 2008, it had not been updated since December 20, 2007.
- 3) Numerous purchases were made by the middle and elementary schools from vending machine monies. Since the district has not established petty cash funds for these offices or authorized vending machine proceeds to be used in this manner, these purchases appear to circumvent the district's purchasing process. The spreadsheet maintained by the elementary school indicated \$4,042 was spent from vending machine proceeds during the period August 1, 2006 through December 20, 2007.
- 4) Adequate supporting documentation was not maintained for nine purchases reviewed totaling \$270 and purchases made by the elementary school totaling \$957 did not appear to be prudent uses of public funds. Examples include payments for meals, massages, gift certificates, food, and retirement gifts. Sixty dollars of the \$270 was given to the former Elementary School Principal by the Elementary School Secretary, and no documentation was maintained to support how these monies were spent.

Given the district's financial condition, the above disbursements may not be necessary and prudent uses of district funds. Additional disbursements which did not appear to be a prudent or necessary use of district funds were noted during our review of credit cards in MAR finding number 7.

Vending machine monies represent district monies and should be deposited into the district bank account. If petty cash funds are needed for small or emergency purchases in the middle school and elementary school offices, the funds should be maintained on an imprest basis and written guidelines should be adopted for the use of petty cash. In addition, all disbursements should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and represent appropriate uses of public funds.

WE RECOMMEND the School Board:

- A. Establish policies and procedures for monies collected at each of the district offices.
- B. Ensure differences in gate fees and concessions recorded and received are investigated, ensure records to track the transfer of these monies between employees are maintained, account for the numerical sequence of season passes, and reconcile season passes sold to amounts received and deposited.

- C.1. Adequately segregate the duties of the petty cash fund, or at a minimum, require independent documented reviews of the petty cash fund.
- 2. Ensure petty cash funds are maintained in a secure location at the district.
- 3. Ensure a petty cash fund ledger is maintained and retain adequate documentation of all petty cash disbursements.
- D. Establish written procedures governing the accounting for change funds. Also, the district should maintain a list of each change fund and the authorized balance of each fund, and establish procedures for adding funds or changing fund amounts. In addition, the School Board should ensure the change funds are periodically counted and reconciled to the authorized balance by an independent person.
- E. Ensure vending machine proceeds are deposited into the district bank account. If petty cash funds are deemed necessary for the middle school and elementary school offices, the funds should be maintained on an imprest basis and written guidelines should be adopted. The School Board should ensure all disbursements are processed through the district's disbursement process, require adequate documentation for all disbursements, and ensure disbursements are a necessary and prudent use of district funds.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The district has worked throughout the 2008-2009 school year improving district receipts, petty cash, and change funds. Most of the State Auditor's recommendations have been implemented, but there are some recommendations which still need improvement and/or implementation. It is our goal to comply with all the State Auditor's recommendations.

13. Accounting Procedures and District Policies
--

Accounting duties are not adequately segregated. In addition, accounting controls and procedures over district student activity funds and fundraisers need improvement. Also, the district violated its student fees policy by charging students science lab fees.

- A. Accounting duties are not adequately segregated. The district bookkeeper processes monies received in the mail, records district receipts and disbursements in the district's accounting system, prepares checks, stamps the board president's signature on checks, and reconciles the district's bank accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating

accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by the superintendent or a board member.

B. Accounting controls and procedures over district student activity funds and fundraisers need improvement.

- While the district has a written policy for student activity funds, the policy does not address the types of records that should be maintained and the accounting procedures to be followed by the sponsor of each student activity/fundraiser.
- Fundraising monies were not collected prior to the distribution of fundraising products in October and November 2008, and as a result, as of January 26, 2009, only 79 percent of total sales were collected. Approximately \$2,000 had not been collected.
- The band director indicated he took band fundraising monies home.
- Supporting documentation for nine fundraising orders totaling \$963 was not retained.

To provide guidance to student activity sponsors and to properly account for student activity monies, the district should amend its student activity policy to address records to be maintained and policies to be followed by the sponsor of each student activity, and to require monies be collected prior to distribution of fundraising products, fundraising proceeds be maintained at the district in a secure location, and adequate supporting documentation be maintained.

C. The district violated its student fees policy by charging middle school students a \$5 science lab fee. This fee was charged so each student could have a frog to dissect. According to the teacher, students who were not able to pay the fee were requested to clean the lab and equipment. District records indicated \$400 in science lab fees were collected in August and September 2008. District policy indicates no fees shall be charged for enrollment, supplies, equipment, or costs attributable to course of study which are offered for credit. To ensure equitable treatment of all students and compliance with district policies, science lab fees should not be charged for supplies.

WE RECOMMEND the School Board:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the superintendent or a school board member should perform documented reviews of the accounting records.

- B. Amend the district's student activity policy to address the types of records to be maintained and policies to be followed by the sponsor of each student activity/fundraiser. In addition, the School Board should ensure fundraising products are not distributed until monies are collected and deposited, student activity fees are kept at the district in a secure location, and adequate supporting documentation is retained for fundraisers.
- C. Ensure fees are not charged for enrollment, supplies, equipment, or costs attributable to course of study in compliance with district policy.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *This recommendation will be evaluated by the school board. No determinations have been made at this time, but it is recognized the district accounting and bookkeeping duties need to either be segregated or reviewed by the superintendent or board member.*
- B. *It has been told to district employees who sponsor fundraisers at the beginning of the 2008-2009 school year to keep records and to collect money before any products are bought or distributed. However, this has not been implemented as written policy and the board will implement such policy as soon as possible which follows the State Auditor's recommendations.*
- C. *The practice of charging a \$5 science lab fee has been terminated. The district will ensure fees are not charged in the future.*

14.	Board Meetings and Minutes
------------	-----------------------------------

The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. Board meeting minutes did not always include sufficient detail of matters discussed, and minutes did not always appear accurate. District business was occasionally conducted outside of regular open meetings, minutes were not always prepared for study sessions, and minutes were not signed by the preparer.

- A. The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the March 17, 2008, closed session meeting, the Board discussed the district's budget with its bonding company. In addition, during the September 10, 2008, closed session meeting, the Board discussed an upcoming study session.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session.

- B. Meeting minutes did not always include sufficient detail of matters discussed. There were instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against.

In addition, district meeting minutes indicated bids were received for various purchases of services and supplies; however, the meeting minutes did not document the final decision and reasons to award bids. Also, three district board members entered into a \$250,000 loan agreement with the district's depository bank in March 2007; however, board meeting minutes do not document any discussion or the Board's approval of this loan as noted in MAR finding number 1.

Also, meeting minutes did not always appear to be accurate. For example, the March 17, 2008, closed session minutes indicate a board member left early; however, the minutes subsequently indicate the same board member (in a roll call vote) had voted to return to open session.

Further, meeting minutes were not prepared or retained for the sports complex advisory committee. It is unclear how often the committee met and what decisions were made.

Complete and accurate meeting minutes provide an official record of the board and district advisory committees' actions and decisions. Care should be taken to ensure meeting minutes are complete and document discussions or reasons behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the board's intentions, possible incorrect interpretation of the board's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions. In addition, Chapter 610.020.6, RSMo, requires minutes to at least include the date, time, place, members present, members absent, and a record of any votes taken.

- C. District business was sometimes conducted outside of regular open meetings. For example, the School Board and district administrators held study sessions on the first Thursday of November 2007, and February and November 2008, at restaurants located in Springfield. No documented public notice of these meetings was retained. In addition, meeting minutes were not maintained for two of these study sessions.

The governing bodies of all political subdivisions in Missouri are required by the Sunshine Law, Chapter 610, RSMo, to conduct business in regular open meetings. Any time a quorum of board members meet in person or by phone and transact public business, they are subject to the Sunshine Law. In addition, the Sunshine Law requires public notice of all meetings to assure public access to meetings.

- D. Board meeting minutes are prepared by the district's librarian, but are not signed by the preparer. The board meeting minutes are only signed by the board

president and board secretary. The board meeting minutes should be signed by the preparer and a member of the board to provide an attestation the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the School Board:

- A. Ensure only allowable topics are discussed in closed meetings.
- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.
- C. Ensure district business is conducted in compliance with the Sunshine Law, and minutes are maintained for all meetings.
- D. Ensure meeting minutes are signed by the preparer and a member of the board.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The current superintendent and board believe topics allowed during closed session are only being discussed as of the 2008-2009 school year. The discussion that took place on September 10, 2008, was not for a study session, but a board retreat which only discussed the goals for the superintendent, which he would be held accountable for during his evaluation later in the school year. It is our belief that this is an allowable topic since it pertained to his possible contract renewal, dismissal or discipline. The superintendent and board are very aware of the Sunshine Law and will make every effort to discuss only allowable topics during closed session.*
- B. *The board understands the need for complete and accurate meeting minutes. The board will take the care and time to ensure the minutes are well documented and the reasons behind board decisions included.*
- C. *The district is no longer conducting study session meetings. They did have one board retreat in the fall of 2008 to discuss the superintendent's goals for evaluation purposes. No other such meetings have taken place, and none are planned in the future. It is the superintendent's position to have any special session, regardless of its purpose, at the regular board meeting location.*
- D. *The district will follow the State Auditor's recommendation and have the preparer sign all board minutes.*

15. District Tax Rate

While the total tax rate levied by the district was correct for the 2007 tax year, the district's Operating Fund tax rate levy was set \$.2863 too high and the Capital Projects Fund tax rate levy was set \$.2863 too low. As a result, based on the 2007 assessed valuation of \$37,428,410, the district received approximately \$107,000 of restricted (capital project) monies for general operating purposes.

The State Auditor's office (SAO) is required to review the tax rates of all taxing authorities in the state, including school districts, to determine whether taxes have been levied in accordance with state law. The tax rates submitted by the district to the SAO for 2007 were in accordance with state law; however, the district submitted different rates to Polk and Greene Counties and these were the actual rates levied. The 2007 actual rate levied for the Operating Fund exceeded the amount certified by the SAO by \$.2863. The \$.2863 was originally included with an additional amount levied for the Capital Projects Fund which was certified by the SAO.

WE RECOMMEND the School Board ensure certified tax rates are levied. In addition, the School Board should discontinue using designated capital projects funds for operating funds and repay amounts owed to the Capital Projects Fund from the Operating Fund.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The district believes the current superintendent has corrected all tax levy issues with the State Auditor's office and is in compliance with the State Auditor's recommendations. The district will try to repay the amounts owed to the Capital Projects Fund over a period of time.

16. School Safety Issues

Improvements are needed in the school district's policies, procedures, and programs related to school safety.

- A. The district's discipline policy does not address all issues required by state law and does not always agree to information contained in student handbooks.
- The district's suspension policy does not prohibit suspended students with serious violations from being within 1,000 feet of any school within the district during the suspension period. Section 160.261, RSMo, provides for school districts to clearly establish a written policy of discipline, and the policy should not allow suspended students with serious violations to be within 1,000 feet of any public school in the school district.

- Some information in student handbooks does not agree with the district's discipline policy. The high school student handbook indicated the punishment for bullying is a warning for the first offense and 1 day in-school suspension for the second offense; however, the district's antibullying policy indicates punishment of a 10 to 30 day out-of-school suspension for the first offense, a 180 day suspension for the second offense, and expulsion for the third offense. The district should ensure student handbooks are in compliance with district policies.

In addition, the district's anti-bullying policy does not require district employees to report any known instance of bullying and does not address training of employees in the requirements of the district's policy. Section 160.775, RSMo, requires each district's antibullying policy to require district employees to report any known instances of bullying and address training of employees in the requirements of the district's policy.

Comprehensive discipline policies, which comply with the safe schools provisions, can benefit both students and school district employees by outlining the school districts expectations for student conduct and consequences for violating the policies. Clear and complete policies would help ensure policies are fairly and consistently applied to all students.

- B. Although violence prevention programs have been established for the elementary and middle schools, the district has not established a program for the high school. Effective school violence prevention programs can provide a foundation for a safer environment for students to learn. It is important that all students, teachers, and staff are trained to recognize and respond accordingly to the signals of potential problems related to violent behavior. In addition, Section 161.650, RSMo, provides DESE adopt a program of educational instruction regarding violence prevention to be administered by school districts. Pursuant to this section, DESE adopted the Missouri Violence Prevention Curriculum Framework in 1998. The district should consider adopting violence prevention programs for the high school in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.
- C. The district should better monitor sex offender registries for sex offenders living near or coming onto school property. While the district indicated it reviews the sex offender registry at the beginning of each school year, documentation of the district's review and the results were not documented.

The Missouri Center for Safe Schools recommends school districts monitor the sex offender registries two times a year. To ensure the safety of students, district officials need to identify and report noncompliance to law enforcement.

- D. District policy and state law requires all persons employed by the school district to satisfactorily complete background checks and child abuse/neglect record

checks and screenings; however, criminal background checks and child abuse/neglect record checks were not always completed by the district. State law and board policy requires persons employed by the district after January 1, 2005, who are authorized to have contact with children to have a criminal background check completed before having any unsupervised contact with a child.

- E. The district does not have a safety coordinator and has not established a safety committee. Section 160.660, RSMo, requires each school district to designate a safety coordinator, who shall have knowledge of all federal, state, and local school violence prevention programs and resources available to students, teachers, or staff in the district.

In addition, the Missouri Center for Safe Schools recommends a safety committee be formed for each district selected from administrators, teachers, school resource officers, nurses, counselors, bus drivers, custodial and maintenance staff, students, parents, and local law enforcement and emergency services personnel. The committee should meet at least twice a year to evaluate various school district safety issues, establish plans for action, and ensure those plans are implemented.

- F. The district does not correct safety deficiencies identified in a timely manner. A safety survey was conducted by the district's insurance provider on September 21, 2007, and 11 deficiencies were noted. The survey further indicated 5 of the 11 deficiencies had subsequently been corrected; however, the district did not have documentation to show the remaining 6 deficiencies had been corrected. To ensure the safety of students and faculty, the district should review the deficiencies noted in the safety survey, document any corrective actions taken, and correct any remaining deficiencies.
- G. The district does not have adequate procedures in place to ensure school buildings are secure from unauthorized entry. The high school building has multiple entries and is not adequately secured. The district should develop policies and procedures to help ensure school buildings are secure from unauthorized entry to the extent possible.
- H. While district officials indicated Internet safety training is provided to students, parents, and employees, documentation of the training was not retained by the district, and policies and procedures regarding Internet safety have not been established. To ensure the safety of students while using the Internet, policies, procedures, and safety training should be established by the district.

WE RECOMMEND the School Board:

- A. Ensure discipline policies comply with the safe schools provisions and student handbooks agree with the discipline policies adopted by the school district.

- B. Consider adopting violence prevention programs for the high school in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.
- C. Establish adequate policies and procedures for monitoring sex offender registries.
- D. Ensure criminal background checks and child abuse/neglect record checks are performed for all district employees.
- E. Appoint a safety coordinator and establish a safety committee.
- F. Review the safety survey for uncorrected deficiencies, document corrective action taken, and correct any remaining deficiencies.
- G. Develop policies and procedures to help ensure school buildings are secure from unauthorized entry to the extent possible.
- H. Develop Internet safety training procedures for students, parents, and employees.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The district adopted the Missouri School Board's Association policy and procedures on January 1, 2009. It is the district's goal to have all handbooks updated to comply with board policy and safe schools provisions by the start of the 2009-2010 school year.*
- B. *The high school will consider adopting a violence prevention program.*
- C. *As of January 1, 2009, the district does have policy regarding sex offenders. However, the policy does not specifically state the district should check sex offender registries at least two times a year. The board will amend the policy to include this provision.*
- D. *The district will review all personnel files to ensure background and child abuse/neglect record checks are documented for all employees.*
- E. *The district now has a safety coordinator and safety committee.*
- F. *The new director of maintenance has reviewed the safety survey and corrected all deficiencies. The district will ensure safety concerns are addressed in a timely manner and documented.*
- G. *The safety committee will investigate building security concerns and report to the board as soon as possible.*

- H. *The district will develop Internet training procedures for students, parents, and employees.*

17. Capital Asset Records and Procedures

A permanent detailed record of the property owned by the district has not been properly maintained. Teachers conduct annual physical inventories of property located in each classroom; however, physical inventories of other district capital assets have not been performed for several years. The last physical inventory of all district capital assets was performed in 2002. In addition, the district has not tagged or otherwise identified all property items as belonging to the district.

Adequate property records are necessary to secure better internal control over district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district. Pre-numbered tags or other similar devices, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of district assets.

WE RECOMMEND the School Board ensure capital asset records are maintained on a current basis, an annual physical inventory is performed, and pre-numbered inventory tags are attached to all property and equipment.

AUDITEE'S RESPONSE

The School Board provided the following written response:

A proper inventory of district assets was conducted in December 2008. This inventory will be done on an annual basis. The district has not started tagging district property, but will do so starting in the summer of 2009.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

PLEASANT HOPE R-VI SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Pleasant Hope R-VI School District is located approximately 15 miles north of Springfield on Highway H. The district includes students living in both Polk and Greene Counties.

The district operates a senior high school (grades 9-12), a middle school (grades 5-8), and an elementary school (grades K-4). In addition, the district operates a school for students of the Good Samaritan Boys Ranch (grades 5-12) and an early childhood special education program (ages 3-4). Enrollment was approximately 950 for the 2007-2008 school year. The district employed 148 full- and part-time employees, including 5 administrators, 103 teachers, and 40 support staff during the 2007-2008 school year.

The Pleasant Hope R-VI School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2008, were as follows:

School Board	Dates of Service
Fred Brown, President	July 2007-June 2008
David Calhoun, Vice President (1)	July 2007-June 2008
Leo Baum, Treasurer	July 2007-June 2008
Tammy Hillenburg, Member	July 2007-June 2008
Stacy Dohle, Member (1)	July 2007-June 2008
Cindy Pendergrass, Secretary (2)	July 2007-June 2008
Karen Stillings, Member (3)	April 2008-June 2008
Daphne Press, Member	July 2007-March 2008

- (1) Stacy Dohle served as Vice President from April 2007 until April 2008 when David Calhoun was appointed as Vice President.
- (2) Michael Owens replaced Cindy Pendergrass in April 2009. Cindy Pendergrass served as Secretary until April 2009.
- (3) Karen Stillings was elected Secretary in April 2009.

The district's other officials during the year ended June 30, 2008, are identified below. The compensation of these officials is established by the school board.

Other Officials	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for the Year Ended June 30, 2008
Gene Rice, Interim Superintendent (1)	April 14-June 30	\$ 20,000
Dr. Bob Biggs, Superintendent (2)	July 1-March 13	78,507
Gary Jenkins, High School Principal	July-June	73,960
Jessica McIntyre, Middle School Principal	July-June	66,391
Jessica Robertson, Elementary School Principal	July-June	68,391
Vera Kerr, Good Samaritan Boys Ranch Director	July-June	55,511
Heath Waters, Athletic Director	July-June	44,606
Theresa Greene, Technology Director	July-June	36,000
Glenn Bailey, Maintenance Director	July-June	28,467

(1) Tom Allen became Superintendent in July 2008.

(2) In addition to this base salary, the Superintendent's contract provided for the district to pay insurance premiums for his family totaling \$3,765. The district also provided health insurance benefits for the Superintendent totaling \$3,765. The Superintendent's total compensation for fiscal year 2008 was \$86,037.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

	2008	2007
Assessed valuation	\$ <u>38,133,387</u>	\$ <u>37,428,410</u>
Tax rates:		
Incidental	\$ 2.5029	\$ 2.7500
Capital projects	.6626	.3700
Debt service	.6000	.6000
Total	\$ <u>3.7655</u>	\$ <u>3.7200</u>



Susan Montee, JD, CPA
Missouri State Auditor

Village of Sibley



July 2009

Report No. 2009-75

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

July 2009

The following findings were included in our audit report on the Village of Sibley.

A written contract was not obtained regarding a fusion machine, costing \$6,141, purchased for use by a contractor. In addition, the use of the machine is not monitored, and the machine is located on the contractor's property. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Invoices, timesheets, and other supporting documentation to support some disbursements could not be located for the period prior to employment of the current Village/Water Clerk and Treasurer (May 2008). Invoices are not filed in an orderly manner, and individual charge receipts were not reconciled to billing statements for gasoline purchased on a fuel credit card. Formal bidding or purchasing policies have not been established. Disbursements are not approved by the Board before payment is made.

Payroll liabilities were not paid timely to the IRS resulting in additional costs. Check writing procedures need to be improved because village checks require only one signature, and some checks are written for cash. Capital asset records are not maintained and an annual physical inventory is not performed.

Annual budgets are not prepared despite the specific guidelines for preparation of budgets outlined by Missouri law. The village has accumulated more cash than is needed for its operations in the Road Fund and Town Fund. Based on current disbursements and the cash available for the Road Fund, the village has sufficient cash available for almost 2 years without collecting any additional receipts, and an annual maintenance plan for village streets has not been prepared. At December 31, 2008, the village had accumulated a balance of \$254,954 in the Town Fund, while total disbursements for 2008 were only \$35,706. Semi-annual financial statements are not published or posted. The village did not require the bank to pledge adequate collateral for its accounts. In addition, the village does not have a written agreement with its current depository bank. At December 31, 2008, the village had approximately \$132,000 in four non-interest bearing checking accounts.

Receipt slips are not issued for monies received; therefore, there is no assurance all monies collected are accounted for properly and deposited. Monies received are not deposited in a timely manner, and village officials are not bonded.

Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. In addition, a formal review of the adequacy of the water rates has not been performed. A monthly reconciliation of total amounts billed, payments received, and amounts unpaid for water services is not performed. Controls over water deposits need improvement, and a formal reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the

YELLOW SHEET

village is not documented. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. Written policies regarding non sufficient funds checks and the disconnection of service have not been established.

Ordinances have not been adopted to set the compensation of village officials, and a board member was compensated for work performed on water meters. The village ordinances are not complete and up-to-date. The village does not have a formal policy regarding public access to village records. Board minutes are prepared and signed by the Village/Water Clerk; however, they are not signed by the Board Chairman. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented in the open meeting minutes. Additionally, minutes maintained for the closed meetings indicated other business was discussed during the closed meetings that was different than the reason the meeting was closed and the other business should have been discussed in an open meeting. Board minutes did not always contain sufficient detail of matters discussed and actions taken.

All reports are available on our Web site: auditor.mo.gov

VILLAGE OF SIBLEY
TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-20
<u>Number</u>	<u>Description</u>
1.	Disbursements and Capital Assets.....5
2.	Financial Condition, Budgeting, and Reporting.....9
3.	Receipts.....12
4.	Water Department.....13
5.	Ordinances and Minutes17
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	21-24

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
The Board of Trustees
Village of Sibley, Missouri

The State Auditor was requested by former Governor Matt Blunt, under Section 26.060, RSMo, to audit the Village of Sibley. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Sibley.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Richard Stuck

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF SIBLEY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Disbursements and Capital Assets
-----------	---

A written contract was not obtained and other concerns were noted regarding a fusion machine purchased for use by a contractor. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Various records could not be located. Formal bidding or purchasing policies have not been established, and disbursements are not approved before payment is made. Also, payroll liabilities to the Internal Revenue Service (IRS) were not paid timely resulting in additional costs. Check writing procedures need to be improved. Capital asset records are not maintained and an annual physical inventory of property is not performed.

- A. A written contract was not obtained regarding a fusion machine, costing \$6,141, purchased for use by a contractor. In addition, the use of the machine is not monitored, and the machine is located on the contractor's property. The fusion machine was purchased with an unwritten understanding the contractor would provide the labor and use the fusion machine for necessary repairs and not bill the village for the labor costs. In addition, the unwritten understanding was for the machine to be located on the contractor's property, and when the labor costs exceeded the cost of the machine, the machine would then become the property of the contractor. The use of the machine has not been monitored and the village does not know how often it has been used or the labor costs associated with the use to know if and when the unwritten agreement will be satisfied. The contractor has not submitted invoices to the village regarding labor costs incurred when using the machine. As of December 31, 2008, the contractor had accumulated unpaid invoices, which were provided upon our request, for labor totaling \$4,075. Also, since the machine is located on the contractor's property, the village has no assurance the machine is only used for village purposes.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- B. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Village Ordinance 29.020 indicates employees are to be paid the last day of the month. Generally, all employees were paid prior to the end of the month. Some examples of early payment include, the former Treasurer was paid on February 8, 2007, and March 9, 2007, for salary payments related to February and March, respectively. In addition, the former Treasurer received salary payments for two months salary

on December 31, 2007, although the former Treasurer ended employment at December 31, 2007. There was no documentation to support why the former Treasurer received the extra month's pay of \$250. Village management indicated the former Treasurer did additional work for the village in January 2008.

Paying employees in advance could result in paying for services not received. In addition, employees should be paid the last day of the month in accordance with village ordinances.

- C. Invoices, timesheets, and other supporting documentation to support some disbursements could not be located for the period prior to employment of the current Village/Water Clerk and Treasurer. Documents for payroll and water billings prior to May 2008 could not be located. In addition, invoices to support disbursements are not filed in an orderly manner, making it difficult to locate invoices and to ensure invoices are maintained for each disbursement. The records that were provided were kept in various storage boxes and file cabinets, and invoices were not filed in any particular order.

Also, individual charge receipts were missing and there appeared to be no reconciliation of receipts to billing statements for gasoline purchased on a fuel credit card. Generally, the actual charge receipt is not submitted to support the charges.

To ensure the propriety of all disbursements and water billings, supporting documentation should be retained and filed in an orderly manner. All individual charge receipts should be retained, and a reconciliation of these receipts to the credit card statement should be performed.

- D. Formal bidding or purchasing policies have not been established. Although most purchases are small or routine, formal bidding and purchasing policies would help ensure goods and services are obtained at a reasonable price.

For example, a snow plow and salt spreader was purchased for \$9,877 in December 2008. Bids were not solicited nor was other documentation (such as calling other vendors for price quotes) available to show a reasonable price was paid. In addition, a mower costing \$650 was purchased in August 2007 from a brother of a board member and bids were not solicited or documented. Although the price of the mower was not significant, bids should have been obtained to ensure there was no conflict of interest when purchasing the mower. Also, property and liability insurance, banking services, attorney services, and accounting services were purchased without obtaining bids or the solicitation of those services.

Formal bidding and purchasing procedures provide the framework for economical management of resources and help ensure fair value is received for all purchases. For purchases in which soliciting bids may not be practical, price quotes or other

documentation of the fair market value of the item should be obtained and documented to ensure a reasonable price is paid.

- E. Disbursements are not approved by the Board before payment is made. While a monthly report is prepared for board meetings that provides financial information based on bank activity, a detailed list of disbursements and the supporting documentation is not provided for the board's approval.

Disbursements should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs. To adequately document the board's review and approval, a complete list of all bills (including each check number) to be paid should be prepared and included in the board minutes. The list should also include disbursements which the board has determined are routine bills which may be paid prior to the monthly meetings. In addition, supporting documentation should be attached and reviewed to support the disbursements indicated on the list. The list should be signed after review by the Treasurer and the Chairman of the Board of Trustees to provide an independent attestation that the disbursements are a correct record of the village's financial obligations.

- F. Payroll liabilities were not paid timely to the IRS resulting in additional costs. In August 2008, a tax penalty of \$110 and interest of \$10 were incurred for late payment.

Procedures should be in place to ensure liabilities are paid timely to avoid late charges and interest. Payroll transactions should be closely monitored to ensure payroll liabilities are remitted on a timely basis.

- G. Check writing procedures need to be improved. Village checks require only one signature. The Board Chairman, Treasurer, and another member of the Board of Trustees have the authorization to sign checks. The Treasurer in 2007 wrote his own paycheck and also signed the check with little to no oversight. As indicated in MAR 1A, the former Treasurer paid himself two months salary with no documentation to support the additional amount. In addition, checks are issued for cash to replenish the petty cash fund and make transfers from one fund to another. Also, a truck was purchased with a check for \$11,500 issued for cash to obtain a cashier's check. To reduce the risk of misuse of monies, more than one signature should be required on a check and the practice of writing checks payable to cash should be prohibited.

- H. Capital asset records are not maintained and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased, provide better internal controls over village property, and provide a basis for proper financial reporting.

To develop appropriate records and procedures for capital assets, the village needs to undertake a comprehensive review of all property owned. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. In addition, capital asset records should be maintained on a perpetual basis, accounting for capital asset acquisitions and dispositions as they occur. Periodically, physical counts of the assets should be performed and compared to the detailed records. A physical inventory would also help identify outdated, obsolete, or idle assets.

WE RECOMMEND the Board of Trustees:

- A. Enter into a contract which describes the details of the agreement, and ensure equipment purchased by the village is kept on village property. Also, invoices should be submitted by the contractor so that use can be properly monitored.
- B. Ensure employees are not paid in advance and are not paid extra salary without proper documentation of the work performed.
- C. Require disbursement documentation, payroll and water billing documentation, and individual charge receipts be retained. In addition, charge receipts should be reconciled to the credit card billing statement.
- D. Establish formal bidding and professional service procurement procedure policies and maintain documentation to ensure fair value is received for all major purchases.
- E. Review and approve all disbursements of village funds, and ensure the review and approval is documented.
- F. Implement procedures to ensure liabilities are paid timely.
- G. Adopt procedures to require two signatures on all checks. In addition, the practice of writing checks for cash should be discontinued.
- H. Maintain capital asset records that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. In addition, annual physical inventories should be performed and compared to the detailed records, and the village should properly tag, number, or otherwise identify all applicable village property.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. The fusion machine was purchased for our convenience to help make repairs and the contractor is the individual that makes the repairs. The fusion machine being kept on the contractor's property was also a convenience so that repairs could be made more quickly. We intend to bring the fusion machine back to village property and pay the contractor for work already performed. We will not let the fusion machine become the property of the contractor.*
- B. We will update the ordinance to reflect when employees are currently being paid and not pay employees in advance. If for some reason an extra salary is paid, we will ensure documentation is maintained to support the payment which will indicate the extra work performed.*
- C. We are currently retaining all documentation. Charge receipts will be reconciled to the credit card billing statement.*
- D. We do shop around and check prices. We will maintain documentation of phone bids or any other bids obtained, and adopt an ordinance regarding bidding procedures.*
- E. Regular bills, such as utilities, are paid without board approval and the Chairman is contacted for other out of the ordinary payments. A report listing all expenditures along with the invoices is now presented to the Board of Trustees and this listing is approved by the Board of Trustees.*
- F. This has been implemented.*
- G. Currently, for convenience purposes, one signature works the best for us. The truck purchase was an unusual circumstance but we will discontinue writing checks for cash.*
- H. A listing has been started and will be updated to include the information requested. Physical inventories will be performed, and capital assets will be assigned a number.*

2. Financial Condition, Budgeting, and Reporting

Annual budgets are not prepared, and excessive cash balances have accumulated in the Road Fund and Town Fund. In addition, an annual maintenance plan for village streets has not been prepared, and semi-annual financial statements are not published or posted. Also, the village did not require the bank to pledge adequate collateral, and does not have a written agreement with its current depository bank. Approximately \$132,000 is held in non-interest bearing checking accounts.

A. Annual budgets are not prepared. Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and receipt expectations for each area of village operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. It will also assist in setting tax levies and informing the public about the village operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

B. The village has accumulated more cash than is needed for its operations in the Road Fund and Town Fund.

- 1) Based on current disbursements and the cash available for the Road Fund, the village has sufficient cash available for almost 2 years without collecting any additional receipts, and an annual maintenance plan for village streets has not been prepared. Disbursements from the Road Fund totaled \$22,759 (\$21,377 in equipment purchases) and \$1,115 in 2008 and 2007, respectively, and the Road Fund balance was \$43,815 at December 31, 2008. While accumulating funds for future use may be desirable, the board should review the overall financial condition of the Road Fund to provide sufficient operating funds yet not create an excessive cash balance. As part of the budget process, a formal maintenance plan should be prepared and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

Information regarding future plans for monies accumulated and a formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan also provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

- 2) At December 31, 2008, the village had accumulated a balance of \$254,954 in the Town Fund, while total disbursements for 2008 were only \$35,706. Based on current disbursements and the cash available, the village has sufficient cash available for over 7 years without collecting any additional receipts. While accumulating funds for future use may be desirable, the

board should review the overall financial condition of the Town Fund and set the village tax rate to provide sufficient operating funds yet not create an excessive cash balance. In addition, plans for the use of these monies should be included in the budget message and be approved by the board.

- C. Semi-annual financial statements are not published or posted. Section 80.210, RSMo, requires the Board of Trustees to prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- D. The village did not require the bank to pledge adequate collateral for its accounts. In addition, the village does not have a written agreement with its current depository bank. Six certificates of deposits held at one bank totaled \$635,461 at December 31, 2008. FDIC coverage was \$250,000 leaving \$385,461 unsecured and subject to possible loss in the event of bank failure.

Section 110.020, RSMo, requires the value of securities pledged to be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to possible loss in the event of bank failure.

In addition, a written depository agreement helps both the bank and the village understand and comply with the requirements of any banking arrangement. The village should ensure the depository agreement includes provisions that detail any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds. The agreement should also include requirements to ensure adequate collateral securities are pledged by the bank to secure all village monies.

- E. At December 31, 2008, the village had approximately \$132,000 in four non-interest bearing checking accounts. To maximize the amount of interest earned, the board should require all funds be invested in some type of interest-bearing account.

WE RECOMMEND the Board of Trustees:

- A. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village.
- B.1. Review the overall financial condition of the Road Fund to provide sufficient operating funds but not create an excessive cash balance, and prepare a formal maintenance plan for village streets at the beginning of the year and periodically update the plan throughout the year. In addition, the Board of Trustees should

review the progress made to streets to make appropriate decisions on future projects.

2. Review the overall financial condition of the Town Fund and set the village tax rate to provide sufficient operating funds but not create an excessive cash balance.
- C. Publish or post semi-annual financial statements as required by state law.
- D. Ensure the depository bank pledges adequate securities at all times in accordance with state law. In addition, the Board of Trustees should enter into a written agreement with the village's depository bank.
- E. Deposit monies into interest-bearing accounts.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We will start preparing budgets.*
- B. *The Road Fund excess monies may be needed for possible bridge work and the Town Fund excess monies may be needed to purchase some land for building a new building. An annual maintenance plan is not needed since road work is just for repairs.*
- C. *This will be implemented.*
- D. *This has been implemented. Monies have been split out into different banks so having collateral securities pledged is no longer an issue. We will consider obtaining written agreements with the banks.*
- E. *This has been implemented. Money market accounts have been opened so most monies are now in money market accounts versus non-interest bearing checking accounts.*

3. Receipts

Receipt slips are not issued for monies received, and monies received are not always deposited in a timely manner. In addition, no village officials are bonded.

- A. Receipt slips are not issued for monies received; therefore, there is no assurance all monies collected are accounted for properly and deposited. Monies received by the Village/Water Clerk and deposited into the village accounts totaled \$123,341 and \$124,038 in 2008 and 2007, respectively. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies received, the method of payment

should be recorded on each receipt slip, and the composition of the receipt slips should be reconciled to the composition of deposits.

- B. Monies received are not always deposited in a timely manner. The village office is open 3 days each week and monies are usually collected each of those business days, but deposits are normally made only two or three times per month. In 2008, 28 deposits were made to the Water Fund account and the deposits averaged approximately \$2,040. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis.
- C. No village officials are bonded. Section 80.250, RSMo, requires bond coverage of at least \$1,000 for the village treasurer. Failure to properly bond all persons with access to assets exposes the village to risk of loss.

WE RECOMMEND the Board of Trustees:

- A. Ensure official prenumbered receipt slips are issued for all monies received. In addition, the method of payment should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of deposits.
- B. Ensure all receipts are deposited intact on a timely basis.
- C. Obtain bond coverage for all officials with access to village assets.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *This was implemented on January 30, 2009. Prenumbered receipt slips are issued, the method of payment is indicated, and the composition is reconciled.*
- B. *Deposits are being made intact weekly.*
- C. *We will check into being bonded once the audit has been completed.*

4. Water Department

Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. A formal review of the adequacy of the water rates has not been performed, various reconciliations are not performed, and controls over water deposits need to be improved. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. In addition, written policies regarding non sufficient fund checks and the disconnection of service have not been established.

- A. Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. Wages of \$16,384 and \$17,406 in 2008 and 2007, respectively, were split between the Town Fund and Water Fund with the Water Fund contributing \$5,692 or 35 percent in 2008, and \$8,703 or 50 percent in 2007. Village Ordinance Chapter 29 states the allocation shall be 45 percent from the Town Fund and 55 percent from the Water Fund. No detail of the activities performed by these employees was maintained and no documentation was maintained on how the percentages in the ordinance were determined. Additionally, the parking lot resurfacing costing \$600 was paid from the Water Fund instead of the Town Fund. Liability insurance is allocated equally between the Town Fund and Water Fund. Petty cash is replenished from both the Town Fund and Water Fund without determining which petty cash disbursements were applicable to each fund. The village has no support or reasons for these allocations.

The funds of the village are established as separate accounting entities to account for specific activities. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations of specific activities; thus, enabling the village to establish the level of taxation and/or user fees necessary to meet all operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes. Salary expense should be allocated to the various village funds based on actual time or estimated time based on historical data.

- B. A formal review of the adequacy of the water rates has not been performed. The village's financial statements reported \$471,710 in the Water Fund as of December 31, 2008, with no planned capital disbursements. Although board minutes reflect the City of Independence raised the water rates to the City of Buckner who then passed the rate increases on to the village which were passed on to the customers, there is no documentation that raising the water rates was justified. Water Fund receipts for 2008 totaled \$65,067, with \$57,118 related to water charges, while expenses totaled \$35,443. Based on current disbursements and cash available, the village has adequate cash available for over 13 years of disbursements without collecting any additional receipts.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service. Water fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The village should perform and document a detailed review of its water costs, including depreciation, and establish rates to cover the total costs of operations without generating excessive profits. This review would also ensure there are adequate reserves for repair and replacement of the system. Preparation of a statement of costs would allow the village to determine the rates necessary to support current and future operations, as well as provide documentation to customers of the rationale behind the rates.

- C. A monthly reconciliation of total amounts billed, payments received, and amounts unpaid for water services is not performed. Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. These reconciliations should be documented in a clear and consistent manner with any discrepancies identified and resolved in a timely manner.
- D. Controls over water deposits need improvement. Village residents are required by Village Ordinance 69.040 to pay a service deposit before connecting any water service lines to the water lines and meters of the village. Water deposits are deposited into the Water Fund. The water deposit fee was raised to \$60 during the February 22, 2005, board meeting and should have been set by ordinance as well; however, the water deposit is still sometimes collected at the old rate of \$40. In addition, village officials have indicated the water deposit is refunded in 2 years if all bills are paid timely. However, water deposits are not tracked and the village is unable to determine which customers have paid a water deposit or when those deposits are to be refunded. As a result of not preparing an open items list for water deposits, the village does not know the amount of monies held related to water deposits.

To ensure the village can properly account for water deposits from customers, an accurate list of water deposits held should be maintained, which includes the deposit amounts, the dates received, and the dates and amounts of deposit refunds. The deposit list should be reconciled monthly to the monies held to ensure records are in balance and water deposits are accounted for properly. In addition, any differences should be investigated and resolved.

- E. A formal reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the village is not documented. Attempts at this reconciliation have been made; however, the reconciliation of the amounts billed and purchased have indicated large differences. Currently, records indicate more water has been billed than purchased. Generally, water purchased should be more than water billed due to possible water loss.

To help ensure water usage is properly billed, the village should reconcile gallons of water purchased to the gallons of water billed on a monthly basis. This reconciliation will also detect significant water loss on a timely basis. Significant differences should be investigated.

- F. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. Some adjustments have been made to correct inaccurate water billings. To ensure all adjustments are valid, someone independent of the receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for all adjustments.

- G. Written policies regarding non sufficient funds checks and the disconnection of service have not been established. The village had bad checks and fees totaling \$556 and \$387 in 2008 and 2007, respectively. If someone pays their water bill with a non sufficient funds check and later comes in to make payment, they are not assessed late fees. Although the board stated there is a policy for disconnection of service, that policy is not written or supported by village ordinance.

Written policies or ordinances regarding the handling of non sufficient funds checks and the disconnection of service should be established to ensure equitable treatment of customers.

WE RECOMMEND the Board of Trustees:

- A. Ensure all disbursements are properly allocated to the various funds and the allocations are properly documented. This documentation should include conducting a formal analysis of overhead and services to determine the percentage of costs related to each fund and a formal time study to ensure payroll costs are charged to the appropriate funds.
- B. Perform and document formal reviews of water rates periodically to ensure receipts are sufficient to cover all costs of providing these services and to support rate increases. In addition, the Water Fund cash balance should be considered as part of this review and future plans for these monies should be documented to ensure the water rates are not excessive.
- C. Ensure monthly reconciliations of total amounts billed, payments received, and amounts unpaid for water services are documented, and ensure any discrepancies identified are resolved in a timely manner.
- D. Ensure adequate records of water deposits are maintained, including deposits received, disbursed, and the balance, which should be reconciled to the amounts held for deposit on a periodic basis. In addition, the ordinance should be updated and the correct deposit amount collected.
- E. Ensure the gallons of water purchased is compared to the gallons billed on a monthly basis and investigate any significant differences.
- F. Require an independent review of all adjustments to customer water accounts be performed and ensure adequate documentation is retained.
- G. Adopt written policies and/or ordinances relating to non sufficient fund checks and disconnection of services.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. Wages are now being split as per the ordinance. The petty cash split will be reviewed, and we will consider a formal analysis to determine if the split percentages are still reasonable.*
- B. We will perform a formal review of the water rates the next time a water rate increase is considered. Funds are being accumulated for updating pipes (lines) and for a possible water tower or holding tank. The reason for accumulating monies will be documented in the budget.*
- C. The new software purchased is helping us know what has been billed and paid. This reconciliation will be documented and any discrepancies will be resolved.*
- D. The software is now keeping track of water deposits. We will review the software to determine if it can generate a report that can be used for returning deposits after two years. The ordinance will be updated.*
- E. This will be done.*
- F. An adjustment report will be generated and presented to the Board of Trustees for review and approval.*
- G. A written policy will be adopted by the end of the month (June) regarding non sufficient fund checks and the disconnection of services.*

5. Ordinances and Minutes

Ordinances have not been adopted to set the compensation of village officials, and additional compensation was paid to a board member. In addition, village ordinances are not complete and up-to-date. Various concerns were noted regarding Sunshine Law compliance.

- A. Ordinances have not been adopted to set the compensation of village officials. Officials indicated the board members are paid \$10 for attending each board meeting. Section 79.270, RSMo, provides that village officials salaries be set by ordinance.*

In addition, a board member was compensated on April 15, 2007, for \$50 and again on October 20, 2007, for \$45 for work performed on water meters. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for

compensation other than the compensation provided for the performance of his official duties.

To ensure compliance with state law, the board should establish the compensation of all village officials by ordinance. In addition, the board should refrain from providing additional compensation to board members for services beyond the performance of their official duties.

- B. The village ordinances are not complete and up-to-date. For example, the Village/Water Clerk receives \$10.50 per hour while a village ordinance states the rate is \$7 per hour. Policies regarding duties, rates of pay, and date employees are to be paid have changed and the corresponding ordinances have not been updated. In addition, village officials have custody of an ordinance book, but the ordinances are old and are not updated. An index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help keep track of additions and changes made to the village ordinances.

- C. The village does not have a formal policy regarding public access to village records. A formal policy would establish guidelines for the village to make records available to the public. The policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making village records available to the public. Section 610.026, RSMo, allows the village to charge fees for copying public records, including document research and duplication.

- D. Board minutes are prepared and signed by the Village/Water Clerk; however, they are not signed by the Board Chairman. Board minutes should also be signed by the Board Chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- E. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented in the open meeting minutes. Open meeting minutes sometimes indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented. Additionally, minutes maintained for the closed meetings indicated other business was discussed (for example, purchasing an external hard drive) during the closed meetings that was different

than the reason the meeting was closed. The other business should have been discussed in an open meeting.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that the board shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo, lists the topics which may be discussed in closed session.

- F. Board minutes did not always contain sufficient detail of matters discussed and actions taken. For example, petty cash increased from \$250 to \$500 without an explanation in the minutes and then decreased back to \$250 with no mention of this in the minutes. In addition, a Village/Water Clerk was employed from September 2007 to October 2008 and received wages of \$5,174 during that time, but there was not anything in the minutes documenting the appointment or the hiring process. Also, the minutes for January 2008 indicated the board had accepted the clerk's resignation, but she continued to be employed for another 9 months. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Trustees are adequately documented and recorded.

Section 610.020.7, RSMo, requires minutes of open and closed meetings to be taken and retained by all governmental bodies and to include the date, time, and place; members present and absent; and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

WE RECOMMEND the Board of Trustees:

- A. Establish all officials' compensation by ordinance and refrain from providing compensation to board members for services performed beyond their official duties.
- B. Update and codify the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the Board of Trustees should consider establishing an index of all village ordinances passed and rescinded.
- C. Develop written policies regarding procedures to obtain access to, or copies of, public village records.
- D. Ensure board minutes are also signed by the Board Chairman to attest to their completeness and accuracy.
- E. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session. In addition, the Board of Trustees should ensure only allowable specified subjects are discussed in closed session.

- F. Ensure detailed minutes of all meetings are prepared and retained.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *Generally, a board member does not get paid but this needed to be done so a board member did the work. This was done very little. An ordinance will be established regarding the officials' compensation.*
- B. *Ordinances will be updated, codified, and an index of ordinances will be completed.*
- C. *A written policy has been written for this and will be adopted soon.*
- D-F. *These recommendations will be implemented.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF SIBLEY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Village of Sibley is located in Jackson County. The village was incorporated in 1957. The population of the village in 2000 was 347.

The city government consists of a five member board of trustees. The members are elected for 2-year terms. The Chairman and Chairman Pro Tem are appointed by the board from the members. Members of the Board of Trustees received \$10 compensation for each board meeting attended. The members of the Board of Trustees during the 2 years ended December 31, 2008, are identified below.

Board of Trustees	Dates of Service During the Years Ended December 31, 2008 and 2007	Compensation Paid for the Year Ended December 31,	
		2008	2007
Troy Jeffries, Chairman	January 2007 – December 2008	\$ 150	120
Farron Brooker, Chairman Pro Tem	January 2007 – December 2008	150	120
Daniel Jeffries, Board Member	January 2007 – December 2008	150	110
David Jeffries, Board Member	January 2007 – December 2008	110	90
Mary Ruth Dobbins, Board Member	January 2007 – December 2008	150	120

Other Officials	Dates of Service During the Years Ended December 31, 2008 and 2007	Compensation Paid for the Year Ended December 31,	
		2008	2007
Heather Bunting, Village/Water Clerk	June 2008 – December 2008	\$ 4,329	N/A
Cathy Bulman, Village/Water Clerk	February 2008 – May 2008	2,552	N/A
Jana Kaiser, Village/Water Clerk	September 2007 – October 2008	2,932	2,882
Annita Davis, Village/Water Clerk	September 2007 – February 2008	1,047	4,011
Shelly Meier, Village/Water Clerk	January 2007 – December 2007	N/A	6,906
Stacey Brooker, Treasurer	May 2008 – December 2008	2,204	N/A
Celeste Newberg, Treasurer	January 2008 – May 2008	1,025	N/A
Michael Meier, Treasurer	January 2007 – December 2007	N/A	3,250
Daniel Brown, Village Attorney	January 2007 – December 2008	2,820	N/A

In addition to the officials identified above, the city employed three part-time employees on December 31, 2008.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 2,380,392	2,386,852
Personal property	829,954	852,366
Total	<u>\$ 3,210,346</u>	<u>3,239,218</u>

TAX RATE PER \$100 ASSESSED VALUATION

	2008 Rate	2007 Rate
General Fund	\$.3883	.3845

A summary of the village's financial activity for the years ended December 31, 2008 and 2007, is presented below:

		Year Ended December 31, 2008					Year Ended December 31, 2007				
		Town	Water	Road	Payroll	Total	Town	Water	Road	Payroll	Total
		Fund	Fund	Fund	Fund		Fund	Fund	Fund	Fund	
RECEIPTS											
Property taxes	\$	14,132	0	0	0	14,132	13,227	0	0	0	13,227
Motor fuel and vehicle fees		0	0	13,401	0	13,401	0	0	14,650	0	14,650
Franchise taxes		19,374	0	0	0	19,374	17,253	0	0	0	17,253
Donation		0	0	6,000	0	6,000	0	0	6,000	0	6,000
Water charges		0	57,118	0	0	57,118	0	53,384	0	0	53,384
Interest		4,260	7,949	0	0	12,209	6,409	12,017	0	0	18,426
Other		1,107	0	0	0	1,107	338	760	0	0	1,098
Transfers in		0	0	0	16,384	16,384	0	0	0	17,406	17,406
Total Receipts		38,873	65,067	19,401	16,384	139,725	37,227	66,161	20,650	17,406	141,444
DISBURSEMENTS											
Payroll and payroll taxes		0	0	0	13,758	13,758	0	0	0	17,007	17,007
Utilities		6,950	16,614	0	0	23,564	6,304	16,873	0	0	23,177
Supplies		716	1,981	0	0	2,697	507	7,455	0	0	7,962
Professional services		4,070	0	0	0	4,070	0	0	0	0	0
Fuel, maintenance, and parts		1,356	0	1,382	0	2,738	162	0	313	0	475
Propane and propane services		2,839	0	0	0	2,839	1,908	0	0	0	1,908
Newspaper advertising		500	0	0	0	500	92	0	0	0	92
Workmans compensation		863	0	0	0	863	956	0	0	0	956
Animal control		264	0	0	0	264	390	0	0	0	390
Building supplies		1,490	0	0	0	1,490	0	0	0	0	0
Election expense		1,050	0	0	0	1,050	800	0	0	0	800
Insurance		2,106	2,106	0	0	4,212	2,599	2,599	0	0	5,198
Mosquito spray		1,447	0	0	0	1,447	105	0	670	0	775
Post office		98	0	0	0	98	119	0	0	0	119
Computer software		0	4,107	0	0	4,107	35	0	0	0	35
Contracted services		0	3,070	0	3,429	6,499	0	3,195	0	0	3,195
Meter refunds		0	122	0	0	122	0	54	0	0	54
Parking lot resurfacing		0	600	0	0	600	0	0	0	0	0
Bad checks and fees		0	556	0	0	556	0	387	0	0	387
DNR primacy fee		0	537	0	0	537	0	530	0	0	530
Missouri one call		0	58	0	0	58	0	74	0	0	74
Equipment purchases		0	0	21,377	0	21,377	839	0	132	0	971
Repairs		0	0	0	0	0	435	4,668	0	0	5,103
Miscellaneous		1,265	0	0	20	1,285	200	2,161	0	0	2,361
Transfers out		10,692	5,692	0	0	16,384	8,703	8,703	0	0	17,406
Total Disbursements		35,706	35,443	22,759	17,207	111,115	24,154	46,699	1,115	17,007	88,975
Receipts over (under) disbursements:		3,167	29,624	(3,358)	(823)	28,610	13,073	19,462	19,535	399	52,469
Cash Balance, January 1,		251,787	442,086	43,815	1,499	739,187	238,714	422,624	24,280	1,100	686,718
Cash Balance, December 31, \$		254,954	471,710	40,457	676	767,797	251,787	442,086	43,815	1,499	739,187



Susan Montee, JD, CPA
Missouri State Auditor

Cooper County



July 2009

Report No. 2009-74

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Cooper County

Sheriff's Compensatory Time	The current Sheriff had a balance of 1,225 hours of compensatory time that was earned while he was a deputy. Upon becoming Sheriff, the Sheriff and County Commission entered into a verbal agreement that the Sheriff would not seek payment for his compensatory time earned as a deputy. However, this agreement and the nonpayment of compensatory time earned while he was a deputy may be in violation of the Fair Labor Standards Act.
Allocation of Costs	The county has not documented its basis for transferring amounts from the Law Enforcement Center (LEC) Fund to the Enhanced 911 (E911) Fund for salary and benefit costs. The county pays the salaries and benefits of most employees in the E911 Center from the E911 Fund and transfers monies from the LEC Fund to the E911 Fund to reimburse for the non-emergency dispatching performed. In addition, the county has no documentation to support the reasonableness of costs shared by the E911 and the General Revenue Funds for the salary of one employee performing services for both funds. No timesheets are prepared and the county has no record of actual time spent by this employee in performing the duties related to the two county funds. Similar conditions were noted in our prior report.
Disbursements	The county does not have a formal policy regarding reimbursement to Sheriff deputies for use of their personal cellular phones for county business. A cost analysis of leasing versus purchasing a 2006 Harley Davidson motorcycle to determine which method was the most cost effective was not performed. The motorcycle was purchased for \$13,500 and does not appear to be an efficient use of public monies as leasing was significantly less than purchasing. Records of fuel use by the Road and Bridge Department are not adequately reviewed, and gallons purchased are not reconciled to gallons dispensed as recorded in fuel logs. In addition, the logs contain no information regarding odometer or operating hour readings with which to review the reasonableness of the fuel use. Inventory records and a log of plat books sold or given away are not maintained.
Capital Assets	The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate. Although the County Clerk does maintain capital asset lists for each office, the lists are not complete and procedures have not been established to ensure their accuracy.
Sheriff's Accrued Costs	Procedures related to the monitoring of unpaid accrued costs for jail board billings, jail medical billings, and mileage reimbursement for serving criminal and civil papers are not adequate. By not adequately monitoring unpaid accrued costs, these costs could remain uncollected and may result in lost revenue.

All reports are available on our Web site: auditor.mo.gov

Cooper County Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Sheriff's Compensatory Time4 2. Allocation of Costs.....4 3. Disbursements6 4. Capital Assets10 5. Sheriff's Accrued Costs11
---	---

Organization and Statistical Information	12
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Cooper County

We have audited certain operations of Cooper County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Cooper County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Cooper County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Jennifer Carter
Audit Staff:	Wayne Kauffman
	Mariam Ahmedbani
	Kenneth Erfurth

Cooper County Management Advisory Report State Auditor's Findings

1. Sheriff's Compensatory Time

The current Sheriff had a balance of 1,225 hours of compensatory time as of December 31, 2008, which was earned while he was a deputy. Upon becoming Sheriff in January 2009, the Sheriff and County Commission entered into a verbal agreement that the Sheriff would not seek payment for his compensatory time earned as a deputy. However, this agreement and the nonpayment of compensatory time earned while he was a deputy may be in violation of the Fair Labor Standards Act (FLSA) that states any compensatory time in excess of 480 hours must be paid to the employee. As Sheriff, compensatory time is no longer earned; however, to ensure compliance with the FLSA, the County Commission should consult with legal counsel and consider paying the Sheriff any compensatory time earned while he was a deputy.

Recommendations

The County Commission consult with its legal counsel to ensure compliance with the FLSA.

Auditee's Response

The County Commission provided the following written response:

The Commission is aware of the potential salary liability existing in the Sheriff's Department due to a compensatory time balance in excess of 480 hours. The Commission will consider approving payment if included in the Department 2010 budget request after consulting legal counsel.

2. Allocation of Costs

The county has not adequately documented its methods for allocating certain costs related to emergency communications and operations among the various county funds.

Cooper County has an enhanced 911 emergency dispatching system located in the county's Law Enforcement Center (LEC). The system is funded by the Enhanced 911 (E911) Fund and the LEC Fund. Disbursements from the E911 Fund for the 2 years ended December 31, 2008, totaled approximately \$1,021,000 for employee salaries and benefits, equipment, telephone service charges, and other costs.

2.1 Law Enforcement Center Fund transfers

The county has not documented its basis for transferring amounts from the LEC Fund to the E911 Fund for salary and benefit costs. The county pays the salaries and benefits of most employees in the E911 Center (an assistant administrator, three supervisors, and seven dispatchers) from the E911 Fund and transfers monies from the LEC Fund to the E911 Fund to reimburse for the non-emergency dispatching performed. During the 2 years ended December 31, 2008, \$100,000 was transferred each year.

The Presiding Commissioner indicated the amounts transferred roughly represent the salary and benefit costs for several of the E911 staff. The county believes it is appropriate for the LEC Fund to reimburse the E911 Fund for these costs because the E911 employees dispatch for law



Cooper County Management Advisory Report - State Auditor's Findings

enforcement services. However, the county has no documentation to demonstrate how the annual transfer amount was derived and has undertaken no study to determine whether the amounts transferred are fair based on the relative work load of the E911 staff.

The county should base transfer amounts on a measure of actual activity and document the basis to ensure amounts charged to each fund for these shared expenses are reasonable.

2.2 Enhanced 911 Fund transfers

The county has no documentation to support the reasonableness of costs shared by the E911 and General Revenue (GR) Funds for the salary of one employee performing services for both funds. The county employs one person to direct both the county's E911 operations and emergency management operations (GR Fund). His salary and benefits are paid from the GR Fund, with the E911 Fund reimbursing the GR Fund for his salary related to his duties as E911 Director. For the 2 years ended December 31, 2008, salary expenses paid from the GR Fund for this employee totaled approximately \$82,000 with reimbursements from the E911 Fund of approximately \$56,000. No timesheets are prepared and the county has no record of actual time spent by this employee in performing the duties related to the two county funds. The county should require the employee prepare timesheets detailing his hours spent by function to determine the appropriate division of costs between the two funds.

Statutory restrictions and documentation

The LEC and E911 Funds have statutory restrictions on their allowable uses. To ensure compliance with these statutory restrictions, adequate documentation is needed to support the basis for each fund's portion of shared expenses.

Similar conditions were noted in our prior report.

Recommendations

The County Commission:

- 2.1 Base transfers from the LEC Fund to the E911 Fund for salary reimbursements upon an estimate of actual activity and maintain documentation of the calculation. Future transfers should be made in accordance with documented plans. In addition, a periodic comparison of estimated activity to actual activity should be performed.
- 2.2 Require the Emergency Management/E911 Director prepare timesheets documenting hours worked by function. The County Commission should allocate the Director's salary costs between the funds based on actual time worked.



Cooper County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following written responses:

- 2.1 *The LECF was established with voter approval, authorizing a sales tax for the purpose of providing law enforcement services, including operation of a law enforcement and communication center.*

For Law enforcement, the communications staff (911/Emergency Management) provides multiple services including but not limited to:

- a.) Receiving and relaying all non-emergency law enforcement calls during the Sheriff's Department non-business hours (approximately 6,500 hours per year).*
- b.) Providing all law enforcement dispatching services 24/7/365.*
- c.) All MULES transactions including warrant registry. Total input and response transactions per Missouri State Highway Patrol 2008 summary was 92,578 transactions.*

The Commission continues to monitor the work activity level involved and believe that the level of funding (approximately 10% of the LECF) transferred to the E911 Fund for law enforcement services is supportive and reasonable. We feel maintaining the exact work activity documentation implied in the audit would be burdensome and counter productive.

- 2.2 *The Commission does not require timesheets from salaried department heads. The responsibilities of these positions often requires time commitments in excess of normal working hours. The Commission and the employee support the current salary mix between the GRF and the E911 Fund as fair and reasonable. We will discuss with the Department Head setting up a system of weekly recordkeeping to allocate the percentage of time spent in support of each function. At the end of each year, the calculated percentage for each function will be used in the budget process. We propose an implementation date of July 1, 2009.*

3. Disbursements

The county does not have a formal policy regarding reimbursement to Sheriff deputies for use of their personal cellular phones for county business, and a motorcycle was purchased by the county without performance of a cost analysis. In addition, records of fuel use by the Road and Bridge Department employees are not adequately reviewed, and inventory records are not maintained to account for plat books.



Cooper County Management Advisory Report - State Auditor's Findings

3.1 Cellular phones

The county does not have a formal policy regarding reimbursement to Sheriff deputies for use of their personal cellular phones for county business.

The county reimburses the Sheriff deputies for the use of their personal cellular phones. However, the deputies are not consistent in the amount they request for reimbursement. Some deputies request full reimbursement of their cellular phone bill while others request reimbursement for half of their phone bill or a portion of their bill. Generally, two to five deputies monthly request reimbursement. For the 2 years ended December 31, 2008, deputies were reimbursed \$2,408 which is approximately 67 percent of the total bill for those instances where supporting documentation was included. Additionally, \$203 was paid without supporting documentation. Based on possible use of personal cellular phones for business use, this rate of reimbursement does not appear reasonable. However, without a policy in place, it is not possible to determine the reasonableness of the amounts reimbursed.

Consideration should be given of the need to reimburse the deputies for their personal cellular phone use. If the need exists, a formal written policy should be developed regarding cellular phones which includes reimbursement and documentation provisions.

3.2 Cost analysis

A cost analysis of leasing versus purchasing a motorcycle to determine which method was the most cost effective was not performed. A 2006 Harley Davidson motorcycle costing \$13,500 was purchased in April 2007 with monies from the Sheriff's Fund. Prior to this, the motorcycle was leased during 2006 for only \$500 per year. The motorcycle was purchased in 2007 after notification was received that the 2007 annual lease amount would increase to \$1,100. This does not appear to be an efficient use of public monies as leasing was significantly less than purchasing.

3.3 Fuel use

Records of fuel use by the Road and Bridge Department are not adequately reviewed. Gallons purchased by the Road and Bridge Department are not reconciled to gallons dispensed as recorded in fuel logs. During the 2 years ended December 31, 2008, the county spent approximately \$326,000 on fuel for approximately 20 pickups and dump trucks and a number of graders, tractors, loaders, and other equipment items used by the Road and Bridge Department. The Road and Bridge Department employees dispense fuel into the equipment and vehicles from fuel tanks leased by the county and located at various sites in the county. Procedures provide for the employees to record the date, employee name, vehicle description, and gallons pumped on logs maintained at the sites. However, there is no reconciliation of gallons purchased to gallons dispensed. In addition, the logs contain no information regarding odometer or operating hour readings with which to review the reasonableness of the fuel use.



Cooper County Management Advisory Report - State Auditor's Findings

To ensure the reasonableness and propriety of fuel use and disbursements, fuel logs should be reconciled to fuel purchased and on hand. In addition, odometer or operating hour readings should be recorded and reviewed. Failure to account for fuel use could result in loss, theft, or misuse going undetected.

This condition was noted in our prior report.

3.4 Plat books

Inventory records and a log of plat books sold or given away are not maintained. A total of 750 plat books were purchased in February 2007 at a cost of \$13,700 (approximately \$18 each). These plat books are sold for \$20 each.

To ensure all monies collected are accounted for adequately, the County Clerk should reconcile the number of plat books on hand to the total number of plat books sold or given away. Any differences should be investigated.

Recommendations

The County Commission:

- 3.1 Work with the Sheriff to develop formal policies and procedures for cellular phone reimbursement. The policy should address the reimbursement of county business calls to ensure reimbursements are handled in a consistent manner.
- 3.2 Perform a cost analysis when determining whether to lease or buy equipment.
- 3.3 Ensure the Road and Bridge Department fuel use logs are periodically reconciled to fuel purchased and on hand. In addition, the County Commission should ensure odometer or operating hour readings are recorded and reviewed.
- 3.4 And the County Clerk maintain adequate and complete records of the number of plat books sold, given away, or used by the county and periodically reconcile the number of plat books reported on the inventory to the number of plat books on hand.

Auditee's Response

The County Commission provided the following written response:

- 3.1 *The Commission agrees. The Sheriff's Department has entered into a "Local Government Entity Authorized User Agreement" with a vendor to provide cell phones to department personnel. A Policy is being developed. Reimbursement for business use of personal cell phones will cease. We expect the new policy to be in place by July 1, 2009.*



Cooper County
Management Advisory Report - State Auditor's Findings

The Sheriff provided the following written response:

- 3.1 *While the Sheriff's office did not previously have a policy regulating reimbursement to Deputies for use of their personal cell phones they did make attempts to be fair to the citizens in regard to reimbursements. Deputies routinely use their cell phones for county business.*

In response to the State Auditor's findings, the Sheriff's office has, with the approval of the County Commission, purchased cellular phones for use by the Sheriff's office personnel for county business. A cellular phone policy is currently being developed and is nearing draft form and will be adopted by the Sheriff's office by July 1, 2009.

Reimbursement for calls made on personal cell phones for county business will no longer be reimbursed except for certain definable emergency situations.

The County Commission provided the following written responses:

- 3.2 *The Commission agrees with the audit finding and did not endorse the motorcycle purchase. However, the purchase was funded from the "Sheriff's Civil Fund" created by statute as a special use fund at the discretion of the Sheriff. The County Commission has no responsibility in administering this fund.*
- 3.3 *The Commission agrees with the audit finding. The Commission will revise the current fuel log system to ensure that the Road and Bridge Department fuel use logs, to include odometer/hour meter readings, are periodically reconciled to fuel purchases and on hand. Expected implementation date is August 1, 2009.*

The County Commission and the County Clerk provided the following response:

- 3.4 *The number of plat books were counted on May 1, 2009. A spreadsheet was developed to track the number of plat books sold, supplied to other agencies at no cost, and for county use. Periodically, this will be reconciled to the number of plat books remaining.*

4. Capital Assets

The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate. Although the County Clerk does maintain capital asset lists for each office, the lists are not complete



Cooper County
Management Advisory Report - State Auditor's Findings

and procedures have not been established to ensure their accuracy. In addition, each county official or their designee is responsible for performing periodic inventories and inspections.

The County Clerk maintains inventory lists of capital assets held by county officials. To aid in the recordkeeping process, the County Clerk has a practice of sending yearly letters to all elected officials and department heads requesting the performance of physical inventories; however, the County Collector, Sheriff, Circuit Clerk, Associate Circuit Judge, Public Administrator, Prosecuting Attorney, and the E911 and Emergency Management Department did not perform inventories or submit reports for 2008. In addition, several capital assets purchased during the 2 years ended December 31, 2008, were not added to the list, including a boom mower costing \$26,796 and a copier in the Prosecuting Attorney's Office costing \$4,754. Capital asset purchases are not reconciled to capital asset records, and records are not maintained in a manner that balances can be reconciled from period to period. Capital asset dispositions are supposed to be indicated on the inventory lists, but this is not always done since the inventory lists are not submitted to the County Clerk.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital asset records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure assets are properly identified as belonging to the county.

This condition was noted in our two prior reports.

Recommendations

The County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and recordkeeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions.



Cooper County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following written response:

The County Commission agrees that all county elected officials and department heads should positively adhere to the statutory responsibilities and guidelines for property inventory set forth in Section 49.093. However, the Commission respectfully disagrees that a County written policy be established for inventorying of County assets when the State statute is so clear in its directive.

5. Sheriff's Accrued Costs

Procedures related to the monitoring of unpaid accrued costs for jail board billings, jail medical billings, and mileage reimbursements for serving criminal and civil papers are not adequate. The accrued costs are billed for all services provided. However, unpaid accrued costs are not tracked and no procedures are performed to monitor outstanding or to follow up on past due billings. The Sheriff's Department has not determined the total costs due.

By not adequately monitoring unpaid accrued costs, these costs could remain uncollected and may result in lost revenue. A complete and accurate list of accrued costs would allow the Sheriff to more easily review the amounts due to the county and take appropriate steps to ensure amounts are collected on a timely basis. To ensure fees received by the Sheriff's Department are maximized, the fees should be billed in a timely manner and procedures implemented to pursue delinquent amounts due.

Recommendations

The Sheriff establish adequate procedures to routinely follow up and pursue collection of accrued costs.

Auditee's Response

The Sheriff provided the following written response:

The Sheriff is currently investigating methods of more closely monitoring unpaid accrued costs. The Sheriff's office is investigating software programs to assist in this effort. The office is currently looking at methods for becoming more aggressive in its collection efforts of outstanding jail billings and jail medical costs. The Sheriff's office has already implemented a module within its Records Management System to closely track civil and criminal process and the associated costs.

Cooper County

Organization and Statistical Information

Cooper County is a county-organized, third-class county and is part of the Eighteenth Judicial Circuit. The county seat is Boonville.

Cooper County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

Elected Officials and Their Compensation Paid

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2009	2008
County-Paid Officials:		
Eddie Brickner, Presiding Commissioner	\$	39,787
Bill Embry, Associate Commissioner		37,538
Charles Schlotzhauer, Associate Commissioner		37,538
Darryl Kempf, County Clerk (1)		69,159
Douglas Abele, Prosecuting Attorney		81,345
Paul Milne, Sheriff		63,510
Stanley Serck, County Treasurer		40,878
Larry D. Jones, County Coroner		18,933
Wade E. Davis, Public Administrator		56,875
Carol Nauman, County Collector (2), year ended February 28,	70,152	
James R. Lachner, County Assessor (3), year ended August 31,		56,835
State-Paid Officials:		
Jammey Brandes, Circuit Clerk and Ex Officio Recorder of Deeds		52,668
Keith Bail, Associate Circuit Judge		107,641

(1) Includes \$12,284 of commissions earned for collecting city property taxes.

(2) Includes \$13,087 of commissions earned for collecting city property taxes.

(3) Includes \$688 annual compensation received from the state.



Cooper County
Organization and Statistical Information

Bonds used to construct the Law Enforcement Center in 1998 are currently paid through UMB Bank, N.A. Surplus revenues from the General Revenue Fund were invested in a \$228,725 certificate of deposit in August 1998. The interest earned from the certificate of deposit pays a portion of the debt payment and the remainder is paid from the Law Enforcement Center Fund. The bonds are scheduled to be paid off in 2018. The remaining principal and interest due on the bonds at December 31, 2008, was \$2,262,770.

A lease-purchase agreement was entered into with UMB Banc Leasing Corp. to lease two graders on February 11, 2008. The terms of the agreement are for UMB Banc Leasing Corp. to purchase the graders and lease the graders back to the county for payments totaling the principal and interest on the purchase price of the graders. Payments are made from the Special Road and Bridge Fund. The lease-purchase is scheduled to be paid off in 2011. The remaining principal and interest due on the lease-purchase agreement at December 31, 2008, was \$118,989.



Susan Montee, JD, CPA
Missouri State Auditor

Jennings School District



July 2009

Report No. 2009-73

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Jennings School District audit findings

Financial Condition

The financial condition of the district has declined in recent years, with the operating funds balance declining \$12.6 million (56 percent) from the beginning of fiscal year 2005 through 2008. Operational disbursements exceeded receipts every year for the past 4 years by an average of \$3.1 million per year. Several factors which contributed to this situation are noted in the audit report.

We recommend the School Board closely monitor the financial condition of the district and take appropriate action to ensure the long-term stability of the district's financial condition.

Hand-Held Computer Project

The district spent a total of approximately \$1,254,000 to implement a hand-held computer project, including 2,572 hand-held units, cases for the units, wireless keyboards, other equipment, classroom modifications, and software training sessions. The project significantly exceeded its budget, was not properly bid, was mismanaged, and the usage of the units is low.

We recommend the School Board evaluate whether to continue with the hand-held computer project. If the program is discontinued, proper disposal of the units should be considered. In addition, the board should require documented cost/benefit analysis for future large scale projects and require competitive bidding for goods and services.

Administrative Expenses

Administrator salaries increased by a total of approximately \$988,000 from fiscal year 2006 to 2008. The increase is primarily due to the creation of nine administrative positions. In addition, the severance package paid to the former Superintendent appears excessive. The board agreed to pay \$238,817 to buy out the remainder of the contract (through June 2009) and to pay \$10,892 for her and half of her spouse's health insurance through June 30, 2009. The contract with the former Superintendent did not specify any severance conditions. The \$500 monthly car allowance included in the current and former Superintendents' contracts also does not appear reasonable.

We recommend the School Board evaluate the current administrative salary structure to determine if costs can be reduced to more reasonable levels and ensure future employment contracts contain reasonable severance conditions.

Disbursements

Several purchases were not competitively bid or competitive requests for proposals were not obtained. In addition, the district has incurred significant costs to purchase, renovate and operate a new alternative high school building. The board also approved the purchase of an empty real estate lot next to the Central Office for \$172,500. Documentation in the board minutes contained no stated purpose for the purchase and as of



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

February 2009, the land was unused. Mowing services costing \$4,410 appeared unnecessary and/or unauthorized. Documentation of change orders for several projects was not maintained by the district.

Accounting Procedures and Controls at the School Level

There is a lack of district-wide policies and procedures related to the receipt and disbursement of monies at the school level. Monies collected and disbursed at two schools are not reported to the Business office or the state. Procedures for receipting and depositing monies and maintaining petty cash funds need improvement. In addition, security officers and custodians working athletic events at the high school are paid in cash and the payments are not reported to the Internal Revenue Service. Invoices for student activity account disbursements are not submitted to the Business office before payments are made.

Cellular Phone Use and Controls

The district does not have a written cellular phone use policy and weaknesses exist in the district's controls over the use of its cellular phones. A list of district-owned cellular phones, showing each number and the person assigned the phone, is not kept up-to-date. For the year ended June 30, 2008, the district paid \$32,500 in cellular phone charges for 60 phones.

Business Office Accounting Procedures and Controls

Improvements are needed in the Business Office's accounting controls and procedures. Prenumbered receipts slips are not issued for all monies received and deposits are not made on a timely basis. The petty cash funds have excessive balances and are used to pay for items which should be purchased through the normal disbursement process. Procedures have not been established to routinely follow up on outstanding checks.

Computer Controls and Emergency Plan

The district's computer and data controls need improvement. Access to computer systems and data is not adequately restricted to only authorized users. Backup disks of information used to provide a means of recreating destroyed master disks are not stored offsite. The district does not have a formal emergency contingency plan for its computer systems.

All reports are available on our Web site: auditor.mo.gov

Jennings School District

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Financial Condition4 2. Hand-Held Computer Project5 3. Administrative Expenses6 4. Disbursements8 5. Accounting Procedures and Controls at the School Level 13 6. Cellular Phone Use and Controls 17 7. Business Office Accounting Procedures and Controls..... 19 8. Computer Controls and Emergency Plan21
---	--

Organization and Statistical Information	23
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
The Board of Education
Jennings School District

The State Auditor was requested by former Governor Matt Blunt under Section 26.060, RSMo, to audit the Jennings School District. The school district engaged Michael Cummins, Certified Public Accountant (CPA), P.C., to audit the district's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Determine if the school district has adequate internal controls over significant management and financial functions.
3. Determine if the school district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in our audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Jennings School District.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert E. Showers, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	Robert Graham

Jennings School District Management Advisory Report State Auditor's Findings

1. Financial Condition

The financial condition of the district has declined in recent years, with the operating fund balance declining approximately \$12.6 million (56 percent) from the beginning of fiscal year 2005 through 2008. The following table reflects the receipts, disbursements, and cash balances for the 4 years ended June 30, 2008:

	2005	2006	2007	2008
Beginning Balance \$	22,495,290	19,682,437	17,184,181	12,999,687
Receipts	29,057,301	31,012,641	31,169,743	33,702,852
Disbursements	(31,870,154)	(33,510,897)	(35,354,237)	(36,802,594)
Ending Balance \$	19,682,437	17,184,181	12,999,687	9,899,945

While receipts have generally increased, an increase in spending has led to the decline in the district's financial condition. Operational disbursements have exceeded receipts every year for the past 4 years, by an average of approximately \$3.1 million per year. Spending has been greater than receipts due to several factors, including the creation of new administrative positions and the severance package for the former Superintendent (see MAR finding number 3), the purchase and renovation of a building to house the district's alternative high school, increased costs of operating the alternative school (see MAR finding number 4), a questionable real estate purchase (see MAR finding number 4), and implementation of the hand-held computer program (see MAR finding number 2). In addition, numerous construction projects and service contracts were not properly bid, which resulted in less assurance the district contracted with the lowest and best bidders (see MAR finding number 4).

The Jennings School District has been classified under the Missouri School Improvement Program (MSIP) as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education (DESE). A provisionally accredited district has not met enough MSIP standards and indicators to be accredited. To help improve the district's accreditation, the School Board must take responsibility to ensure the district's financial condition is secure to provide needed resources to improve the district.

Recommendations

The School Board closely monitor the financial condition of the district and take appropriate action to ensure the long-term stability of the district's financial condition.

Auditee's Response

The School Board provided the following written response:

At the start of the 2008-09 school year, the District faced a \$3 million budgeted deficit. Various cost cutting measures were implemented throughout the current year. Due to the savings, we anticipate our actual deficit to be \$1.5 million.



Jennings School District
Management Advisory Report – State Auditor's Findings

The Board of Education has already approved approximately \$2.5 million of budget cuts for the 2009-2010 school year including reductions in personnel, a two percent salary cut for administrators and teachers, and cutting purchased services and supplies. Additional cuts will be made to ensure that the 2009-2010 operating budget has a deficit of not more than \$300,000.

2. Hand-Held Computer Project

The district's 2006 hand-held computer project significantly exceeded its budget, was not properly bid, and was mismanaged. In addition, the usage of the units is low. On the recommendation of the former Superintendent, and in coordination with the district's Technology Department, the School Board approved a plan to provide each student in grades 3 through 12 a hand-held computer to assist the students with their school work. The preliminary work on the project was performed from August 2006 through November 2006. Overall, the district spent approximately \$1,254,000 to implement the project, including 2,572 hand-held units, cases for the units, wireless keyboards, other equipment, classroom modifications, and software training sessions.

2.1 Project budget

The district significantly exceeded the approved \$950,000 budget for the project. The cost of the units went over budget by approximately \$101,000, while software and training costs went over budget by approximately \$85,000 and \$80,000, respectively, and the cost of a \$16,700 server was not budgeted at all. In addition, the budget relied on \$31,700 in federal grants, which the district did not receive. One grant application was canceled for unknown reasons and district personnel do not know why they did not receive the other grant.

The budget process provides a means to allocate and monitor financial resources. Failure to adhere to the project budget reduces the effectiveness of this process. District officials should ensure budgets for future projects include all potential costs and adhere to the budget limits established.

2.2 Sole source bid

The district solicited bids from only one vendor for the units. According to district personnel, an analysis was performed to determine which type of hand-held computer would be the most cost-effective option for implementing the project; however, this analysis was never documented. Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

2.3 Project management

Overall mismanagement of the project led to significant inefficiencies. According to Technology Department personnel, the former Superintendent rejected a suggestion to use a smaller test group and requested a district-wide launch, leading to significant inefficiencies. The district purchased a server for \$16,700 and hand-held learning environment software and



Jennings School District
Management Advisory Report – State Auditor's Findings

licenses for each unit at a total cost of \$60,575. The software program would allow the hand-held units to use the server so teachers could download the students' files to their own computers. However, the server did not work as planned because the students' units were not properly formatted. After one year, the software licenses were canceled. While the hand-held computers can still function without the software, the server is now useless. A test launch of the units would have identified the software issues and allowed the district to save on software costs.

In addition, the district intended to spend \$572,800 for 2,200 hand-held computers and cases and utilize a rebate to receive 312 free units. However, program administrators failed to take advantage of the rebate offer, resulting in additional costs totaling \$77,500. Overall, the district actually spent \$673,800 for 2,500 hand-held computers and cases and received 72 free units.

The usage of the units is currently very minimal. Each classroom is stocked with hand-held computers for students to use; however, according to district personnel, the units are used at the discretion of each teacher. According to district staff, some teachers use them on a regular basis, but the majority of teachers only use them occasionally as calculators and for note taking. According to district staff, the students cannot complete assignments on the units due to the length of time it would take for teachers to individually transfer assignments from each hand-held computer to their own computer. As of January 2009, there were 324 hand-held computers in storage.

Recommendations

The School Board evaluate whether to continue the hand-held computer project. If the program is discontinued, proper disposal of the units should be considered. In addition, the School Board should require documented cost/benefit analyses for future large scale projects and require competitive bidding for goods and services.

Auditee's Response

The School Board provided the following written response:

The palm project was an attempt to bridge the technology disparity among the demographic of our students in order to boost student achievement. The District is currently in the process of hiring a Chief Academic Officer who will review curriculum to determine how the hand-held computers can be integrated into classroom use for the 2009-10 school year.

3. Administrative Expenses

An increase in administrative costs of the district has contributed to the district's declining financial condition. Significant increases in administrative salaries, an excessive contract buyout of the former Superintendent, and an excessive Superintendent's car allowance have contributed to the increases in administrative costs.



Jennings School District Management Advisory Report – State Auditor's Findings

3.1 Administrator salaries

Administrator salaries increased by a total of approximately \$988,000 from fiscal year 2006 to 2008. The increase is primarily due to the creation of nine administrative positions. The new positions were created and filled by the previous Superintendent and approved by the School Board. The new positions include four principal positions¹, two Directors of Curriculum (one for math and one for communication arts), a Communication Arts Specialist, and a Director of Human Resources. In addition, the district hired a second Director of Technology despite already having one on staff. The existing Director of Technology remained on staff at the same salary. In addition, when the Director of Federal Programs and Facilities Director positions were refilled in fiscal year 2007, the individuals placed in those positions were given raises of approximately \$44,000 and \$47,000, respectively, over their predecessors. The reasons for the addition of these positions are not clear, and the necessity of the positions is questionable, given the small size of the district. To ensure the financial condition of the district does not decline further, the board should evaluate and make appropriate adjustments to its administrative salary structure.

3.2 Superintendant severance package

The severance package paid to the former Superintendent appears excessive. The School Board terminated the contract of the former Superintendent in February 2008, citing mismanagement and declining student test scores. As part of the Superintendent's severance package, the board agreed to pay \$238,817 to buy out the remainder of her contract (through June 2009) and \$10,892 for her and half of her spouse's health insurance through June 30, 2009. The severance package paid by the district appears excessive considering the reasons cited by the board for the termination. The district's contract with the former Superintendent did not specify any severance conditions, and it is unclear why the board agreed to pay the health insurance costs. An administrative employment contract which contains clear severance conditions is in the best interest of the district and may help avoid unnecessary severance costs and related misunderstandings.

3.3 Superintendant car allowance

The \$500 monthly car allowance included in contracts of the current and former Superintendents does not appear reasonable. The payment is intended to cover the Superintendent's district-related travel costs within St. Louis County. Travel outside St. Louis County is reimbursable separately. At the district mileage rate of 42 cents per mile, the Superintendent would have to drive 1,190 miles per month, or 60 miles per work day to earn a \$500 travel reimbursement. Setting up the Superintendent's contract in this manner appears to be a supplement to the Superintendent's salary. To ensure the Superintendent's monthly car allowance is reasonable, the board should

¹ In fiscal year 2007, there were 5 principal positions, for the majority of fiscal year 2008 there were 9 principal positions, and currently there are 8 principals.



Jennings School District
Management Advisory Report – State Auditor's Findings

base the car allowance on the estimated number of miles actually traveled per month.

Recommendations

The School Board:

- 3.1 Evaluate the current administrative salary structure to determine if costs can be reduced to more reasonable levels.
- 3.2 Ensure future employment contracts contain reasonable severance conditions.
- 3.3 Set the Superintendent's car allowance at a reasonable rate, based on the estimated number of business miles driven per month.

Auditee's Response

The School Board provided the following written responses:

- 3.1 *There will be a net reduction of at least four administrative positions for 2009-2010, for a savings of approximately \$400,000. Other positions are still under review, so additional cuts are possible. Also for next year, administrator salaries have been cut by two percent, saving an additional \$50,000.*
- 3.2 *The School District of Jennings has changed legal counsel, and any future employment contracts will contain a reasonable severance condition.*
- 3.3 *The car allowance included in the superintendent's contract is similar to those found in other school districts throughout the St. Louis metropolitan area. Nineteen of 23 school districts in St. Louis County pay this allowance ranging from \$250-\$833. However, the superintendent's contract will be amended reducing the car allowance from \$500 to \$200 effective July 1, 2009.*

4. Disbursements

Competitive bids or competitive requests for proposals were not obtained for several purchases. The district has incurred additional costs to purchase and operate the alternative high school, and on a questionable land purchase without maintaining adequate documentation to justify the purchases. The district also incurred unnecessary costs for mowing services which were not authorized by the board, and documentation of change orders for several projects was not maintained.

4.1 Bidding procedures

Several purchases were not competitively bid or competitive requests for proposals were not obtained. The district's bidding policy only requires competitive bidding for insurance contracts, bank depository services, and construction of facilities projected to exceed \$15,000, as required by state law. The district's current bidding procedures could be made more effective



Jennings School District
Management Advisory Report – State Auditor's Findings

by formally adopting a more comprehensive policy. The following are examples of purchases during the year ended June 30, 2008, for which the district did not follow a competitive bid process or request competitive proposals:

Item	Cost
Installation of power in high school computer labs	\$130,373
Carpet installation at both Fairview schools	71,305
Carpet installation at the alternative high school	35,850
Electrical work at the alternative high school	30,715
Carpet installation at the high school	12,828
Carpet installation at the Facilities Department	12,086
Electrical work at Woodland Elementary	11,040
HVAC system work at the alternative high school	9,653
Parking lot repairs	9,458

We also noted the proposal for the installation of power in the high school computer labs was submitted after the work was completed.

Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

A more comprehensive policy would require bidding or competitive requests for proposals and would identify specific procedures that are required for all types of disbursements. Bids could be handled by telephone quotation, sealed bids, or advertised sealed bids. Different approaches may be appropriate depending on the dollar amount of the purchase.

Written documentation of bids also provides evidence the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. In addition, all bids and competitive requests should be received and evaluated by district officials before work has started.

4.2 Alternative high school costs

The district has incurred significant costs to purchase, renovate, and operate a new alternative high school building. In June 2007, the district purchased two tracts of land costing \$507,800 for the purpose of housing the alternative high school. The land contained an old bank building that was to be converted into a school. The district spent \$348,000 from July 2007 through January 2009 on improvements to the building. In addition, the



Jennings School District Management Advisory Report – State Auditor's Findings

district spent approximately \$466,800² to operate the alternative high school program for approximately 90 students during fiscal year 2008. Prior to fiscal year 2008, the district contracted with a vendor to house and operate the alternative high school at an annual cost of \$338,700, for approximately 80 students. School Board members indicated a cost analysis was performed, which stated that while significant monies would be spent at the beginning of the project, the benefits would outweigh the costs over time. However, documentation of the analysis could not be found during audit work.

Performing a complete cost analysis prior to undertaking a significant project, such as the alternative high school project, can help ensure management has considered all relevant costs and factors. Documentation of any analysis performed should be maintained to provide evidence to support the board's decision and assist in ongoing monitoring of the project.

4.3 Land purchase

In May 2007, the district purchased an empty real estate lot next to the Central Office for \$172,500. Documentation presented to the board for approval contained no stated purpose for the purchase. According to district personnel, neither an engineering study nor soil testing was performed on the lot prior to the purchase to determine whether construction could be performed on the property. School Board members indicated they were advised to purchase the land to prevent a business from being built on the property. However, this discussion was not documented in the board minutes. As of February 2009, the land was unused.

To ensure significant land or building purchases are necessary and in the best interest of the district, the purpose of the purchase should be documented and all necessary studies or testing should be performed prior to the purchase.

4.4 Mowing service

Mowing services appeared unnecessary and/or unauthorized. The district authorized three weeks of mowing service at \$315 per week; however, the vendor was allowed to mow for 14 weeks and bill the district for \$4,410. According to district personnel, the district's maintenance staff could have performed all of the mowing. To justify contracting for the services, a memo from the former Director of Facilities indicated the district would have to purchase a new mower for \$9,580; however, approximately two weeks before the memo was written, a new mower had already been purchased for \$7,160. No documentation was present to explain the need for the additional 11 weeks of services, and no explanation was given of why the vendor was paid for unauthorized services.

² Does not include utility or other incidental costs which are not tracked to the individual school building level.



Jennings School District
Management Advisory Report – State Auditor's Findings

To ensure payments for services are necessary and authorized, the reasons for increases in existing services should be adequately documented.

4.5 Change order documentation

Documentation of change orders for several projects was not maintained by the district. Invoices and memos reference change orders, but no details could be provided to explain why the change orders were necessary. Examples of projects for which change orders were not documented during the year ended June 30, 2008, are as follows:

Project	Original Contract Amount	Amount Paid
Roof replacement at Woodland Elementary	\$318,872	322,296
Carpet installation at both Fairview schools	69,937	71,305
Asbestos abatement at the alternative high school	66,720	74,320

The district should obtain contract amendments or change orders for all significant changes to contracts to ensure additional disbursements represent valid and appropriate costs to the district. If the scope of a project changes substantially, consideration should be given to rebidding the project.

Recommendations

The School Board:

- 4.1 Adopt a more comprehensive bid policy which requires bidding and establishes bid guidelines for other types of disbursements. Such bid policies should include criteria on how bids are to be solicited and when formal advertising should be used. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of these circumstances. In addition, the School Board should ensure all bids and proposals for services are received and evaluated before services have started.
- 4.2 Perform and maintain documentation of a cost analysis of the alternative high school program to determine if options exist to implement the program in a more cost-effective manner.
- 4.3 Specify the purpose of any future land or property purchases at the time of purchase.
- 4.4 Ensure all disbursements are necessary and authorized.
- 4.5 Review requests for proposals for completeness to minimize the need for change orders. In addition, the School Board should obtain, review, and approve contract amendments or change orders for all



Jennings School District
Management Advisory Report – State Auditor's Findings

significant changes to contracts and consider rebidding projects that change substantially in scope.

Auditee's Response

The School Board provided the following written responses:

4.1 *Prior to the start of the 2009-2010 fiscal year, the District will have in place a more comprehensive bid policy. Appropriate documentation will be retained for all bids performed. Procedures will be implemented in the Business Office to monitor purchases to ensure the bid policy is being followed.*

4.2 *Prior to the creation of the current alternative program, the District contracted with a private vendor to provide alternative education to secondary students. Because it was operated by an outside vendor, District control over the curriculum and the students was limited. A District operated program appears to be a much more effective way of serving the needs of the students.*

The Board was informed by a former administrator that a cost benefit analysis had been performed that supported the creation of the alternative school. Documentation of such study is not available. Cost is a concern and one position has been eliminated in that program for the 2009-2010 school year. Review of the program continues.

4.3 *It was the understanding of the Board that there was interest from other parties to purchase the land and construct a facility that would not be appropriate next to an elementary school. So the land was purchased to prevent development by others.*

There are no plans currently for the purchase of additional land or property. Any future purchases will be subject to complete review outlining the purpose and cost benefit.

4.4 *All major expenditures will be subject to the bidding process. Business Office procedures are being modified to ensure compliance for the 2009-10 school year.*

4.5 *As part of the revised bid policy, procedure and practice, proposals will be thoroughly reviewed for completeness and accuracy. Change orders, if needed, will be reviewed and approved prior to any additional work being performed.*



5. Accounting Procedures and Controls at the School Level

There is a lack of district-wide policies and procedures related to the receipt and disbursement of monies at the school level. As a result, weaknesses were noted in accounting controls and procedures at the four schools visited including Jennings High School, Gary Gore Elementary, Fairview Primary, and Fairview Intermediate. Monies collected and disbursed by Fairview Primary and Fairview Intermediate are not reported to the Business Office or the state. Procedures for receipting and depositing monies and maintaining petty cash funds need improvement. In addition, security officers and custodians who work athletic events at the high school are paid in cash and invoices for student activity account disbursements are not submitted to the Business Office before payments are made.

5.1 Fairview schools bank accounts

There is a lack of district-wide policies regarding bank accounts at the school level. All schools in the district collect student activity receipts. Every school except Fairview Primary and Fairview Intermediate deposits receipts into a district-wide bank account and submits payment requisitions to the Business Office. The following concerns were noted during a review of the Fairview schools' bank accounts:

- The student activity monies collected and disbursed by these two schools are not entered into the district's accounting system, and therefore, are not reported on the Annual Secretary of the Board Report (ASBR) filed with the DESE. For the year ended June 30, 2008, Fairview Primary collected and disbursed \$19,932 and \$24,683, respectively, and Fairview Intermediate collected and disbursed \$24,487 and \$22,175, respectively.
- Bank reconciliations are not performed on either of the school accounts. Fairview Primary maintains a checkbook balance for each type of receipt they collect. A review of the fundraiser balance revealed the balance was \$924 higher than it was supposed to be due to a mathematical error made in September 2008. This would have been discovered much sooner had monthly reconciliations been performed.

Fairview Intermediate does not maintain a checkbook balance. School personnel indicated they rely on the monthly bank statements for the account balance. A review of checks issued by Fairview Intermediate revealed two outstanding checks as of January 2009. One check had been outstanding since February 2008. The payee had lost the check and was issued another; however, a stop payment was never placed on the original check. Another check has been outstanding since June 2008. School personnel were not aware the check was outstanding.

- Accounting duties are not adequately segregated at Fairview Intermediate. One employee receives and disburses most monies



Jennings School District Management Advisory Report – State Auditor's Findings

with no periodic documented reviews by the principal or assistant principal.

Section 165.011, RSMo, establishes four funds to be used for the accounting of all school monies including the teachers' fund, incidental fund, capital projects fund, and debt service fund. The district has designated the incidental fund for accounting for student activity monies. By not turning over all student activity monies to the Business Office, the district cannot properly account for the monies. The failure to turn these funds over to the Business Office has also resulted in the understatement of district receipts and disbursements on the ASBR. Due to the lack of reporting and poor internal controls related to the bank accounts, the School Board should require Fairview Primary and Fairview Intermediate close the bank accounts and transfer the balances to the district-wide student activity bank account.

5.2 Receipt slips

Receipt slips are not issued for monies received at Fairview Primary. Receipt slips are only issued for yearbook commissions and upon request at Gary Gore Elementary and primarily for field trip fundraisers at Fairview Intermediate. To properly account for all receipts, official prenumbered receipt slips should be issued for all monies received.

5.3 Timeliness of deposits

None of the four schools reviewed deposit monies received in a timely manner. In addition, Jennings High School uses undeposited receipts as change funds for athletic events. The amounts withheld for the change funds are not documented. Deposits are usually made once per month.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount each time a deposit is made.

5.4 Activity receipts

Jennings High School and Gary Gore Elementary do not maintain attendance sheets or use tickets for entrance to after-school events to help ensure all monies collected are eventually deposited. A cash count at Gary Gore Elementary on November 11, 2008, revealed \$560 on hand from a 6th grade dance; however, we were unable to determine if all funds were accounted for due to a lack of records.

To ensure proper accountability over entrance fees and reduce the potential for loss, theft, or misuse of funds, entrance fees received should be recorded on a collection log and reconciled to either the number of names on the attendance sheet or the number of tickets sold. Any differences should be investigated and resolved.



Jennings School District
Management Advisory Report – State Auditor's Findings

5.5 Petty cash controls

Controls over several petty cash funds reviewed were not adequate.

- Jennings High School periodically withholds receipts from deposits when its petty cash fund is low. For the year ended June 30, 2008, \$1,984 in receipts were added to the petty cash fund instead of deposited, according to student activity account reports. Additionally, a log of petty cash transactions is not maintained and there are no records indicating the proper balance of the petty cash fund. A cash count on December 2, 2008, revealed a petty cash balance of \$357.
- Fairview Intermediate withholds \$100 for the petty cash fund when a deposit is made. While paid receipts are maintained for petty cash disbursements, a record is not maintained indicating the proper balance of the fund. A cash count on December 17, 2008, revealed a petty cash balance of \$429.
- Gary Gore Elementary starts the school year with a \$200 petty cash balance and requests additional funds from the Business Office when the fund gets low. The amount requested depends on what school officials feel is sufficient. A log is maintained to track the fund; however, it is not reconciled to the cash on hand. A cash count on November 11, 2008, revealed a petty cash balance of \$94; however, the log indicated the balance should have been \$87.

Petty cash funds should be operated on an imprest basis, meaning cash and invoices should always total the established balance. To replenish the fund, a check should be issued from the Business Office for the amount of the invoices. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are accounted for properly, detect errors, and prevent misuse.

5.6 Cash payments to employees

Security officers and custodians who work at high school events are paid in cash immediately after the events are over. The cash payments are not reported to the Internal Revenue Service (IRS) and there are no records maintained tracking how much cash is paid and to whom. To reduce the risk of misuse of funds, the practice of cash payments for services rendered should be prohibited. The payments should be processed through the Business Office payroll system and reported to the IRS for tax purposes.

IRS regulations require employers to report taxable compensation on W-2 forms, and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting compensation and withholding state income taxes. State and federal laws require employers to withhold and pay the employer's share of Social Security and Medicare taxes on compensation paid to employees. If those paid are not considered employees of the district, the compensation should be reported on Form 1099 Miscellaneous.



Jennings School District
Management Advisory Report – State Auditor's Findings

5.7 Invoices

Invoices are maintained at the schools and not submitted to the Business Office for disbursements made from the district-wide student activity bank account. The only documentation available at the Business Office is a copy of the requisition for payment prepared by the individual schools. Without reviewing the invoices, the Business Office cannot adequately determine the propriety and accuracy of disbursements.

Recommendations

The School Board implement policies to:

- 5.1 Require Fairview Primary and Fairview Intermediate to close their bank accounts and transfer the balances to the district-wide student activity bank account. All future student activity monies collected by the schools should be deposited to the district-wide account and payment requisitions should be transmitted to the Business Office.
- 5.2 Ensure receipt slips are issued for all monies received at the school level.
- 5.3 Ensure schools deposit all receipts intact on a timely basis. If a change fund is needed, it should be maintained at a constant amount.
- 5.4 Ensure entrance fees for all events at all schools are reconciled to either attendance sheets or tickets sold.
- 5.5 Ensure schools maintain petty cash funds on an imprest basis and the funds are periodically counted and reconciled to the imprest balance by an independent person. Logs of petty cash fund transactions should be maintained to properly document the financial activity of the funds.
- 5.6 Prohibit cash payments for services rendered. Payments for compensation should be processed through the Business Office payroll system and reported to the IRS.
- 5.7 Ensure schools submit adequate documentation for all student activity disbursements to the Business Office before processing.

Auditee's Response

The School Board provided the following written responses:

- 5.1 *These two bank accounts will be closed by June 30, 2009 and all deposits and expenditures will be made through the Business Office.*
- 5.2 *The District will develop a procedure for the 2009-10 school year to properly record receipts at the schools that will include the issuance of receipt slips.*



Jennings School District
Management Advisory Report – State Auditor's Findings

- 5.3 *Standards will be set for the deposit of school funds into the District's bank accounts for the 2009-10 school year. Change funds, if needed, will be set and maintained at a constant dollar amount.*
- 5.4 *Procedures will be established for the 2009-10 school year for recording and monitoring entrance fees.*
- 5.5 *All petty cash funds will be reviewed and evaluated to determine appropriate amounts for the 2009-10 school year. The funds will be maintained on an imprest basis and the Business Office will establish procedures to periodically review all petty cash accounts.*
- 5.6 *Cash payments for services rendered will be terminated with the 2009-10 school year. All such payments will be made by check through the Business Office.*
- 5.7 *Procedures are being modified for the 2009-10 school year to require all student activity disbursement documentation to be sent to the Business Office before processing.*

6. Cellular Phone Use and Controls

The district does not have a written cellular phone use policy and district personnel do not regularly review cellular phone use or take the necessary steps to reduce costs. Also, a list of district cellular phone users is not kept up-to-date. For the year ended June 30, 2008, the district paid \$32,500 in cellular phone charges for 60 phones.

6.1 Use policy

The district has not developed a written cellular phone use policy. A written cellular phone use policy is necessary to prevent misuse of district assets by ensuring there is no misunderstanding among district staff regarding cellular phone use, providing criteria for determining which employees should be assigned a cellular phone, and establishing billing review procedures.

6.2 Controls over use

Weaknesses exist in the district's controls over the use of its cellular phones. The following concerns were noted during a review of cellular phone invoices:

- The district uses three separate carriers. Consideration should be given to consolidating the cellular phones to one carrier as a way of reducing costs and improving administrative efficiency.
- For the year ended June 30, 2008, one phone was on a pooled (shared minutes) plan. All other phones with this carrier had 900 anytime minutes. The district paid \$5,871 in use charges for excessive minutes, which could have possibly been avoided if all phones had been on a pooled plan. In October 2008, the phones were placed on a pooled plan.



Jennings School District Management Advisory Report – State Auditor's Findings

- Use of district phones was not regularly reviewed, leading to unnecessary costs. For example, three phones had over 5,000 rollover minutes due to the purchase of excessive minutes packages. Costs could have been reduced by regularly reviewing use and adjusting plans accordingly.
- Six monthly invoices could not be located.

To ensure the efficient and effective use of cellular phones, district officials should routinely monitor cellular phone use patterns and ensure the most cost-effective plan is used. District officials should also periodically solicit bids from cellular phone carriers to ensure the district receives the best rates possible. In addition, invoices for all disbursements should be retained. Retention of records is necessary to provide evidence transactions are valid and to provide an audit trail.

6.3 List of phones

A list of district-owned cellular phones, showing each number and the person assigned the phone, is not kept up-to-date. The list of cellular phones for the 2008-2009 school year, which was updated for the first time in two years, does not include six phones. District personnel have not been able to determine who has one of the six phones. An up-to-date list is necessary to secure better internal control over district property. The district should periodically reconcile the phone numbers listed on the monthly invoices to the numbers on the list, with any differences investigated.

Recommendations

The School Board:

- 6.1 Develop a written policy regarding cellular phone use and establish billing statement review procedures.
- 6.2 Revise current controls and procedures regarding cellular phones to include a thorough review process. In addition, invoices for all disbursements should be retained.
- 6.3 Periodically reconcile the cellular phone list to the phone numbers listed on monthly invoices.

Auditee's Response

The School Board provided the following written responses:

Policy and procedures will be established addressing the use of cellular phones to include monthly review of the cellular phone billing statements. All invoices will be properly reviewed and retained.



7. Business Office Accounting Procedures and Controls

Improvements are needed in the Business Office accounting controls and procedures. Prenumbered receipt slips are not issued for all monies received and deposits are not made on a timely basis. The petty cash funds have excessive balances and are used for items which should be purchased through the normal disbursement process. A former employee reimbursed herself \$275 for an expense that was also paid to a vendor with a district check. Also, procedures have not been established to follow up on old outstanding checks. The Business Office deposited receipts of approximately \$824,500 for the year ended June 30, 2008.

7.1 Receipt slips

Prenumbered receipt slips are not issued for all monies received. Receipt slips are only issued for bus passes. To properly account for all receipts, official prenumbered receipt slips should be issued for all monies received immediately upon receipt.

7.2 Timeliness of deposits

General Fund receipts are not deposited on a timely basis. Deposits are generally made twice a month. The average deposit for the year ended June 30, 2008, was \$34,353. In addition, checks and money orders received at various collection points in the district are not restrictively endorsed until transmitted to the Business Office.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited on a timely basis. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

7.3 Petty cash balances

The balances of the petty cash funds maintained in the Superintendent's Office and the Business Office appear excessive. Each office maintains a \$1,500 petty cash fund. For the year ended June 30, 2008, seven reimbursements totaling \$7,239 were made to the funds. Lowering the petty cash balances would reduce the amount of cash held and the risk of loss or misuse of funds. In addition, petty cash balances and receipts are not independently reviewed periodically to ensure all funds are accounted for properly.

7.4 Petty cash use

Petty cash funds are used to pay for items which should be purchased through the district's normal disbursement process. For example, employees are frequently reimbursed for expenses and mileage through the petty cash funds and funds are used to pay for meals for the School Board on meeting nights. The use of petty cash funds in this manner can lead to potential misuse of the funds. For example, a former employee paid herself \$275 by submitting an invoice for a school board meeting meal. The same invoice was submitted to the Business Office for payment.



Jennings School District
Management Advisory Report – State Auditor's Findings

To ensure all disbursements are properly approved, disbursements from the petty cash fund should be made only for items which cannot be reasonably obtained through the district's normal purchasing and disbursement process.

7.5 Outstanding checks

Procedures have not been established to routinely follow up on outstanding checks. At January 31, 2009, the General Fund bank account had 38 outstanding checks totaling \$10,292 and the Activities Fund bank account had 14 outstanding checks totaling \$2,908 that were older than one year.

These old outstanding checks create additional and unnecessary recordkeeping. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

Recommendations

The School Board:

- 7.1 Implement policies to ensure receipt slips are issued for all monies received by the Business Office.
- 7.2 Implement policies to ensure all monies collected are deposited on a timely basis. In addition, the School Board should ensure personnel at all collection points restrictively endorse checks and money orders immediately upon receipt.
- 7.3 Evaluate petty cash needs of both the Superintendent's Office and Business Office and set the balances to more reasonable amounts. In addition, the School Board should ensure petty cash funds are periodically counted and reconciled to the imprest balance by an independent person.
- 7.4 Implement policies to ensure petty cash funds are used only for supplies and purchases that cannot be obtained through the normal district disbursement process.
- 7.5 Establish procedures to routinely follow up on outstanding checks. In addition, an attempt should be made to contact the payees of old outstanding checks. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions.



Jennings School District
Management Advisory Report – State Auditor's Findings

Auditee's Response

The School Board provided the following written responses:

- 7.1 *The District will develop a procedure for properly recording receipts in the Business Office that will include the issuance of receipt slips.*
- 7.2 *Standards will be set for the deposit of school funds into the District's bank accounts. All buildings will be issued endorsement stamps so checks can be restrictively endorsed immediately upon receipt.*
- 7.3 *The Business Office petty cash fund has already been reduced to \$500. For the next school year, there will be only one \$500 petty cash fund covering both the Central and Business Offices. Procedures will be established for independent review of all transactions.*
- 7.4 *Procedures will be developed on the proper use of petty cash funds and the Business Office will develop a review process to ensure compliance.*
- 7.5 *The Business Office is in the process of reviewing the status of old outstanding checks and procedures will be developed to monitor and review outstanding checks on a regular basis.*

8. Computer Controls and Emergency Plan

The district's computer and data controls need improvement. Computer systems and data are vulnerable to unauthorized use, modification, and destruction. Passwords are not periodically changed, backup disks of information are not stored at an offsite location, and the district has not developed a formal emergency contingency plan.

8.1 Access restrictions

Access to computer systems and data is not adequately restricted to only authorized users. Although the use of passwords to access computer systems is required, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and district data.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.



Jennings School District
Management Advisory Report – State Auditor's Findings

8.2 Backup procedures

Backup disks of information used to provide a means of recreating destroyed master disks are not stored offsite. As a result, damage to the district's computer systems in the event of a disaster could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data. Offsite storage would provide increased assurance that methods are available to restore any lost data or program modifications.

8.3 Formal emergency contingency plan

The district does not have a formal emergency contingency plan for its computer systems. As a result, the district has not formally negotiated arrangements for backup facilities in the event of a disaster. Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power use. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the district to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the district. Because of the district's degree of reliance on technology, the need for contingency planning is evident.

Recommendations

The School Board:

- 8.1 Require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the district's computer systems and data.
- 8.2 Ensure backup disks are stored in a secure offsite location.
- 8.3 Work with district officials to develop a formal contingency plan for the various computer systems.

Auditee's Response

The School Board provided the following written responses:

- 8.1 *The district has established a plan to enforce periodic change of passwords for all network users. It will be in place prior to the start of the 2009-10 school year.*
- 8.2 *A backup and disaster-recovery plan has been developed and will be implemented by the 2009-10 school year. The current implementation of fiber enables the district to have a state of the art backup and disaster recovery plan.*
- 8.3 *A backup and disaster-recovery plan has been developed by the Director of Technology working with surrounding school districts and will be implemented by the start of the 2009-10 school year.*

Jennings School District

Organization and Statistical Information

The Jennings School District is located in St. Louis County and covers approximately 4 square miles in the cities of Jennings, County Club Hills, and Flordell Hills.

The district operates a senior high school (grades 9-12), an alternative high school (grades 9-12), a middle school (grades 7-8), 3 intermediate schools (grades 4-6) and 3 primary schools (grades K-3). Enrollment was approximately 3,100 for the 2007-2008 school year. The district employed 412 full- and part-time employees, including 27 administrators, 231 teachers, and 154 support staff.

The Jennings School District has been classified under the Missouri School Improvement Program as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education. A provisionally accredited district has not met enough MSIP standards and indicators to be accredited.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2008, were as follows:

School Board Officials

Name and Title	Dates of Service During the Year Ended June 30, 2008
Miranda Jones, President	July 2007-June 2008
Rose Mary Johnson, Vice-President	July 2007-June 2008
Joseph Turner, Treasurer	April 2008-June 2008
Yolonda Fountain-Henderson, Secretary	July 2007-June 2008
Harold Austin, Member	July 2007-June 2008
Tamara Thomas, Member	July 2007-June 2008
John Schlereth, Member	April 2008-June 2008
William Coleman, Jr., Member	July 2007-April 2008
Jackie Simmons, Member	July 2007-April 2008

The district's other officials during the year ended June 30, 2008, are identified below. The compensation of these officials is established by the school board.



Jennings School District
Organization and Statistical Information

Other Officials

Name and Title	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for the Year Ended June 30, 2008
Clarence Holman, Superintendent (1)	February 2008-June 2008	\$151,909
Dr. Kay Royster, Superindendent (2)	July 2007-February 2008	332,276
Roger Reese, Chief Financial Officer (3)	July 2007-June 2008	139,717
Joan Hubbard, Facilities Director (4)	July 2007-June 2008	115,093
Norris Roberts, Director of Technology	July 2007-June 2008	102,576
Steve Schmitz, Director of Technology	July 2007-June 2008	91,727
Lavon Hardy, Director of Human Resources	July 2007-June 2008	126,619
Shelia Nicholson, Director of Federal Programs	July 2007-June 2008	109,154
Pat Jones, Director of Curriculum-Communication Arts	July 2007-June 2008	109,154
Winifred Deavens, Director of Curriculum-Math	July 2007-June 2008	109,154
Shirley Harvey, Communication Arts Specialist	July 2007-June 2008	74,160

- (1) Includes \$83,230 earned as the Jennings High School principal from July 2007-January 2008. Mr. Holman also receives a \$500 monthly car allowance since becoming superintendent.
- (2) Terminated in February 2008. Her final pay included \$238,817 for the remainder of her contract. Also, she received \$500 per month (\$4,000 total) for a car allowance while employed.
- (3) Michael O'Connell became the Chief Financial Officer in July 2008.
- (4) Terminated in April 2008. She was paid for the remainder of the year and for 21 vacation days. Replaced by Ted Vytlačil in July 2008.



Susan Montee, JD, CPA
Missouri State Auditor

Liberty 53 School District



July 2009

Report No. 2009-72

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

July 2009

The following findings were included in our audit report on the Liberty 53 School District.

The district's financial condition has declined and is expected to further deteriorate. The operating funds balance at June 30, 2008, was \$12.7 million and is projected to be deficient by \$12.9 million at June 30, 2011, if major modifications are not made to disbursements. Prior administrations have spent irresponsibly during prosperous times, failing to make concessions needed to maintain financial stability during leaner times. In addition, prior administrations did not have adequate long-term financial plans. According to district officials, significant, unsustainable raises have been given to teachers and administrators in the past several years. The district's 5-year strategic plan is now out-of-date, having last been updated in fiscal year 2004.

Costs of capital improvements to be paid from various bond issues were not adequately tracked, causing cost overruns and contributing to the deteriorating financial situation of the district. Subsequent bond issues and other financing measures were used to pay for some of these capital improvements. Over \$7.25 million in capital improvement disbursements reviewed by the independent CPA for the period July 1, 2004 through June 30, 2008, were coded to the Operating Fund, rather than the Capital Improvement Fund. Additionally, budget amendments were not prepared timely.

"550-Retiree" employment contracts did not appear reasonable and were not supported by documentation of time worked. In addition, the consulting provision in former Superintendent Taveau's amended contract was not adequately defined. Travel allowances paid to executives/directors, principals, and assistant principals are not included in contracts or approved by the School Board and travel allowances paid the principals and assistant principals are not supported by actual mileage and are not included on W-2 forms.

Several purchases were not competitively bid or competitive requests for proposals were not obtained. The district does not periodically solicit engineering/architectural and surveying/planning services for its construction projects, as required by district policy and state law. Per district officials, the services of the same two firms have been used since at least 1999. The district has not conducted, or periodically re-conducted, a selection process for other professional services, and the same vendors have been used for several years. In fiscal year 2008, the school district issued \$15.2 million in Missouri School Boards' Association Insured Lease Participation Certificates and \$58 million in general obligation school building bonds. The district sold these certificates and bonds through a negotiated sale instead of a competitive sale. In addition, since at least 1997, the School Board has been using the same bond underwriter who also acts in a dual capacity as

YELLOW SHEET

financial advisor.

Credit cards were frequently used to purchase meals at local restaurants and the district often provided food for meetings involving district personnel. The purpose of the meals and those attending were not always documented. The district has not developed a mechanism to track these local food purchases and we were unable to gather information regarding the extent of such purchases. Supporting documentation was not retained for some credit card purchases and purchasing card transaction limits for some individuals may be excessive. Several invoices approved for payment by the district included state sales tax.

There were several real estate contracts entered into without board approval and a request for proposal (RFP) was not issued soliciting the real estate services of the firm handling real estate transactions.

The district did not analyze the cost-effectiveness of the proposed contract with the local country club versus building tennis facilities in the city park. Additionally, the district did not properly bid for the construction of the tennis courts and the construction of the project was allowed to begin before a written agreement between the district and contractor was executed.

Other audit findings in the audit report relate to vehicle and fuel usage, transportation costs, wireless communication devices, follow up actions regarding our safe school initiative review, the Flintlock Flyover Project, contracts with Scientific Learning for implementation of the Fast Forward program, and contracts with the Cooperating School District of Greater Kansas City.

All reports are available on our Web site: www.auditor.mo.gov

LIBERTY 53 SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-47
<u>Number</u>	<u>Description</u>
1.	Financial Condition and Planning.....5
2.	Financial Monitoring and Budgets8
3.	Compensation and Travel Allowances13
4.	Bidding and Contracts16
5.	Disbursements.....21
6.	District Vehicle and Fuel Procedures25
7.	District Transportation.....27
8.	Wireless Telecommunication Devices.....28
9.	Safe Schools.....31
10.	Real Estate Transactions.....31
11.	Flintlock Flyover Project34
12.	Fast Forward Program.....36
13.	Tennis Courts.....37
14.	Cooperating School District of Greater Kansas City.....39
General Response to State Audit	41
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	48-52

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Board of Education
Liberty 53 School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Liberty 53 School District. The school district engaged Westbrook and Co., P.C., Certified Public Accountants (CPAs), to audit the school district's financial statements for the year ended June 30, 2008. In addition, Westbrook and Co., P.C., was engaged to perform an agreed upon procedures audit of the district's accounting and financial systems for the period ended July 1, 2005, to March 10, 2008. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the school district has adequate internal controls over significant management and financial functions.
3. Determine if the school district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the school district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and its audited financial reports and was not subjected to the procedures applied in our audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Liberty 53 School District.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Brian S. Huff

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

LIBERTY 53 SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition and Planning
-----------	---

The district's financial condition is declining resulting in the need for significant budget cuts. In addition, the district needs to update its strategic plan and adopt a formal, long-range district facility use plan.

- A. The district's financial condition has declined and based on the fiscal year 2009 budget, amended in November 2008, and fiscal year 2010 and 2011 projections, is expected to further deteriorate. The operating funds balance at June 30, 2008, was \$12.7 million and is projected to be deficient by \$12.9 million at June 30, 2011, if major cuts are not made to disbursements.

A school district with a fund balance of less than 3 percent of the amount expended the previous fiscal year is considered to be "financially stressed" per Section 161.520, RSMo. The following table depicts actual fiscal year 2007 and 2008, amended budget fiscal year 2009, and projected fiscal year 2010 and 2011 financial information for the operating funds.

		Actual	Actual	Amended	Projection	Projection
		Fiscal Year	Fiscal Year	Budget	Fiscal Year	Fiscal Year
		2007	2008	Fiscal Year	2010	2011
				2009		
Beginning						
Fund Balance	\$	15,647,903	15,801,952	12,739,822	11,735,918	4,000,475
Receipts		90,334,887	98,933,814	109,151,065	109,553,754	113,490,955
Disbursements*		90,180,838	101,995,944	110,154,969	117,289,197	130,418,947
Ending						
Fund Balance	\$	15,801,952	12,739,822	11,735,918	4,000,475	(12,927,517)

- * Fiscal year 2010 and 2011 projected disbursements do not include \$17.5 million in possible reoccurring reductions (permanent cuts of \$7.5 million for fiscal year 2010 and every year thereafter, plus \$10 million additional permanent cuts for fiscal year 2011 and every year thereafter, for a total of \$17.5 million in reoccurring reductions) that may be needed in order to maintain an operating funds balance which is 10 percent of operating funds disbursements (approximate amount needed to make payroll at calendar year end without borrowing).

Prior administrations have spent irresponsibly during prosperous times, failing to make concessions needed to maintain financial stability during leaner times (see

discussion of salaries below and capital improvements/use of bond proceeds discussed in Management Advisory Report (MAR) finding number 2). In addition, prior administrations did not have adequate long-term financial plans. Although the budget process provides annual financial planning, future year projections were not adequate to ensure the stability of district fund balances. For example, the district has been planning for over a year to construct and open its tenth elementary school in fiscal year 2010 and second high school in fiscal year 2011. Construction costs of these two facilities will be paid with funds from the 2008 bond issue approved by voters in April 2008. However, due to the increasing costs of construction, no bond monies will remain to pay for the combined start-up costs of the facilities, estimated at \$7.5 million. New teacher salaries for these two facilities have been estimated at an additional \$3.5 million per year. These costs were not figured into prior disbursement projections and now must be paid with district operating funds. Therefore, \$11 million of the \$17.5 million in cuts needed to maintain the district's operating funds balance at an acceptable level can be directly related to the additional costs that will be incurred with the opening of the two new facilities.

Another area of concern is salaries. According to district officials, significant, unsustainable raises have been given to teachers and administrators in the past several years. The mindset of continually giving large annual pay increases appears supported by one of the objectives/strategies of the district's 2004 strategic plan. The plan indicates the district should continue to improve and maintain a high level of personnel compensation that will rank in the top three of comparable school districts in the Kansas City metropolitan area. Data gathered annually by the Missouri National Education Association actually ranks Liberty 53 School District teachers' potential career earnings as Number 1 in the Kansas City metropolitan area (based on fiscal year 2008 salary schedules). Salaries and employee benefits account for over 78 percent of the district's operating funds disbursements for fiscal year 2008 (not including transfers to the Capital Projects Fund). As a result, the district is now faced with cutting programs and terminating employees to meet estimated required reductions.

The School Board should ensure policies, procedures, and records are in place to address the areas of concern included in this report that may also have contributed to the financial decline of the district including inadequate planning and financial monitoring, unreasonable compensation or consulting contracts, not obtaining bids and proposals for many purchases, and inappropriate or unreasonable purchases and disbursements.

While reductions in disbursements appear necessary, the district's financial condition can also be improved with more effective management practices and more effective controls and procedures. Various needed improvements are discussed throughout this report.

- B. The district's 5-year strategic plan is now out-of-date, having last been updated in fiscal year 2004. In addition, the district has failed to adopt a formal, long-range district facility use plan as proposed in the 2004 strategic plan.

Since 2004, the district has completed construction of a new middle school and junior high, constructed two new elementary schools, made additions to three other elementary schools, purchased what is commonly referred to as the Blue Jay Tower (BJT), and purchased a new Early Childhood Center (previously the United Auto Workers (UAW)-Ford Family Service and Learning Center). In addition, the district has installed energy management systems in most of the district buildings, purchased land for future middle/junior high school development, and recently begun construction of another elementary school, as well as a second high school.

Long-term strategic planning is necessary to ensure the district can provide and maintain sufficient facilities to address increases or decreases in enrollment. In 2004, when the last strategic plan was prepared, district-wide enrollment was 7,786 students. In the fall of 2008, enrollment was 9,532 students.

WE RECOMMEND the School Board:

- A. Closely monitor and take appropriate action to ensure the long-term stability of the district's financial condition. The School Board should implement the various recommendations throughout this report to help improve the financial condition of the district.
- B. Update the 5-year strategic plan and adopt a formal, long-range district facility use plan. The facility use plan should be prepared, reviewed, and updated annually in conjunction with the preparation of the annual budget.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board has aggressively taken action to work toward attaining long-term stability in the District with current year and future year reductions. In addition to working toward establishing an adequate fund balance, the Board recognizes that balances must also ensure the opening and operation of two new schools in the next two years; Kellybrook Elementary School and Liberty North High School. As of April 2009, the Board has approved total operating expenditure reductions to the current year budget in the amount of \$3,667,713 while the operating funds revenue budget has been reduced by \$890,656, resulting in a net increase to the operating fund balance of \$2,777,057. With these amendments, the projected June 30, 2009 ending operating fund balance percentage is 10 %. A fund balance of approximately 18-20 percent is necessary to allow the District to fund operational obligations and avoid borrowing prior to receiving local tax revenue in December and January of each year. The Board anticipates this percentage will*

increase as the year ends and additional unused funds are identified. The Board and administration have implemented a multi-tiered approach to the budget reduction process. By February 2009, the Board approved Tier I Budget Reductions for a 2009-2010 school year implementation, estimated at \$6 million. The directive of the Board to administration through this process emphasized the necessity to minimally impact student learning; protect the quality instructional programs and meet the needs of all children. Decisions to eliminate programs and positions as part of the first tier of budgetary reductions were intended to minimize the effect on our students as a whole while reducing recurring expenses the District simply could not continue to incur.

The Board has directed administration to continue identifying additional budget reductions necessary to create a sustainable financial future for the District. Administration is in the process of developing a team for a comprehensive review of Tier II Budget Reductions for recommendation to the Board. The Tier II reductions will be implemented the 2010-2011 fiscal year. The District's growth and assessed valuation are significant factors to be considered in the formulation of additional reductions. Specific recommendations in this report have been implemented and other suggestions will be studied and seriously considered for implementation.

- B. *The Board will be provided an updated strategic plan from administration in the coming months. Steps are underway to form a facility study team and recommendations from this team will be incorporated into the overall strategic plan. Five-year financial projections will be updated to align with this strategic plan and will be published to the Board and the public.*

2. Financial Monitoring and Budgets
--

The use of bond proceeds was not adequately tracked and capital improvement disbursements were improperly coded. In addition, budget amendments were not prepared in a timely manner.

- A. Costs of capital improvements paid from various bond issues were not adequately tracked, causing cost overruns and contributing to the financial situation discussed in MAR finding number 1. Subsequent bond issues and other financing measures were used to pay for some of these capital improvements.

In November 2005, Assistant Superintendent of Support Services Brewer determined capital improvement costs to be paid from the 1997 and 2000 bond issues were approximately \$13.5 million more than the bond issues, resulting from a combination of cost overruns and unplanned projects. In addition, it was determined the remaining balance in the Bond Fund at that time would not be adequate to fund the remaining unfinished projects promised to voters prior to their approval of the \$31.5 million 2004 bond issue.

Subsequent to the identification of this shortage, the district paid for the majority of the \$13.77 million cost to build and equip the new South Valley Junior High School from a combination of the district's Capital Projects Fund (\$5 million) and proceeds of the 2004 bond issuance (\$8.77 million). The district originally told the public proceeds of the 2000 bond issue would pay for this project. The district then paid approximately \$4.5 million of the cost of constructing the new Warren Hills Elementary School from the Capital Projects Fund. Again, the district told the public the proceeds of the 2004 bond issue would pay for this project. In the mailer to the public requesting voters approve the 2004 bond issue was a statement indicating the district had a history of keeping its promises and the 2000 bond issue was used to construct, among other projects, a new junior high school; however, the bond monies were not used for this building.

Other projects the district promised would be paid from the 2004 bond issue were delayed. The Lillian Schumacher Elementary (LSE) second floor addition (\$1.4 million) was not completed until fiscal year 2008. The Liberty Junior High School auditorium renovation (\$1.3 million) was not completed until March 2009. Because the 2004 bond funds had already been expended, both of these projects, as well as various technology upgrades throughout the district, were funded from other sources (i.e., Capital Projects Fund and lease purchase discussed below).

In September 2007, to cover the previously identified shortfalls and pay for additional purchases not originally planned, the district entered into a \$15.2 million lease purchase agreement. This lease purchase covered the majority of the costs of the LSE second floor addition, the purchase of a new Early Childhood Center at a cost of approximately \$4.8 million, the purchase of BJT at a cost of approximately \$4.25 million, and the purchase of district buses and various technology upgrades. As a result of the \$15.2 million lease purchase agreement, the district is now left with an annual lease payment of approximately \$1.25 million for the next 20 years, decreasing the district's ability to make capital improvements in the future.

The chart below shows the projects the district planned to finance with the issuance of the 2000 and 2004 bonds, the actual funding source of the projects, the projects' costs, and unplanned projects paid for from these bond issues.

	Projects' Funding Source			
	2000 Bonds \$36 million	2004 Bonds \$31.5 million	Capital Projects Fund	Lease Purchase
2000 Bond Issue Planned Projects -				
<u>Phase I</u>				
South Valley Middle School Construction, including land	\$16,065,272	233,085	1,507,371	0
Early Childhood Center/Administrative Center				
Construction	4,532,931	4,850	0	0
Support Service Center	3,937,622	0	0	0
<u>Phase II</u>				
South Valley Junior High Construction	0	8,770,730	5,019,707	0
Alexander Doniphan Elementary Addition	1,298,379	308,844	0	0
Lewis and Clark Elementary Addition	1,080,429	182,239	11,990	0
Lillian Schumacher Elementary Addition	1,278,947	313,775	8,175	0
Shoal Creek Elementary Addition	1,284,234	197,872	10,475	0
2004 Bond Issue Planned Projects -				
Liberty Oaks Elementary Construction		9,989,574	0	0
Warren Hills Elementary Construction		6,980,116	4,534,887	0
Liberty Junior High School Improvements (auditorium) *		0	827,637	400,430
Early Childhood Center Improvements		0	197,804	0
Franklin Elementary Improvements		1,895,053	106,340	0
Manor Hill Elementary Improvements		1,893,316	106,340	0
Lillian Schumacher Elementary 2nd Floor Addition *		0	329,753	1,080,941
Technology Updates **		0	758,662	Unknown
Purchase Land for Second High School		933,018	39,986	0
Additional Projects (planned funding source) -				
Shoal Creek Elementary (1997 Bonds)	4,032,814	0		
Lillian Schumacher Elementary (1997 Bonds)	143,718	0		
Liberty Junior High School Phase II (Capital Projects Fund)	1,508,479	0		
Liberty Junior High School Air Conditioning (Capital Projects Fund)	1,856,079	0		
Warren Hills Elementary Land (unplanned)	249,735	260,000		
Technology/Phone (Capital Projects Fund)	90,582	0		
Other Acquisition, Construction or Site Improvement Costs (unplanned)	39,238	1,294,467		
Bond Issuance Costs	538,552	398,945		

* Amounts as reported through October 2008.

** Exact amount classified as technology upgrades could not be determined.

As previously noted, adequate financial planning was lacking. In addition, budgets for capital improvements were usually a lump sum total classified as "All District." There were usually no individual budget line items for each project or purchase under consideration. When more detail was added to the district budget, various projects were simply not budgeted. Potential budget concerns such as

overspending were always taken care of by the district through its budget amendment process in June each year as discussed below in Part C.

In addition, ballot language for each bond issue is generic, allowing the district to use the funds for basically any capital improvement. For future bond issues, the district should closely adhere to its original promises for use of the bond funds, if for no other reason than to maintain the public's trust. In addition, each proposed project to be paid for from bond proceeds should be separately budgeted and tracked.

To ensure bond monies are spent for their promised purposes, the district should develop a system for budgeting and tracking costs related to each project paid from each bond issue. In addition, monitoring of these reports periodically will help identify how projects are progressing and point out potential shortfalls in a timely manner.

- B. The district did not code capital improvement disbursements properly. In addition, the ASBR submitted to the DESE was inaccurate. Accounting codes are used to help track disbursements by budget area including fund and object code, and to report the disbursements on the Annual Secretary of the Board Report (ASBR) to the Department of Elementary and Secondary Education (DESE). Over \$7.25 million in capital improvement disbursements reviewed by the independent CPA for the period July 1, 2004 through June 30, 2008, were coded incorrectly. Capital improvement disbursements were coded to the Operating Fund rather than the Capital Improvements Fund to further offset the overruns and shortages discussed in Part A above.

Improper coding of transactions causes the actual disbursement information for the various accounts to be inaccurate. As a result, the actual account balances are unknown and cannot be accurately compared to the budgets and the board cannot effectively monitor the district's financial condition.

To establish consistency and accountability among school districts, the DESE provides districts with financial recording guidelines in the Missouri Financial Accounting Manual. The DESE has established account codes to track receipts, disbursements, and other transactions. The DESE account code structure is designed as a means of efficient record keeping, as well as a basic management tool. It also allows comparability of financial transactions among districts. Without consistent adherence to the DESE account code guidelines, the district's financial reports do not properly reflect the financial transactions of the district.

- C. Budget amendments were not approved in a timely manner. District officials indicated amending the district's budget at the end of the fiscal year has been standard practice for several years. In addition, district officials indicated prior budget amendments were often significant.

The School Board amended its 2007-2008 budget on June 23, 2008. With this budget amendment, total budgeted receipts increased approximately \$46 million while budgeted disbursements decreased approximately \$12 million. The amendments were primarily the result of the district's 2008 bond issuance. The 2006-2007 budget was also amended late in the fiscal year on June 18, 2007. With this amendment, budgeted receipts increased \$4.1 million while budgeted disbursements increased \$3.8 million. The increase in budgeted disbursements was primarily the result of additional operating expenses, including special projects, grants, instruction, legal fees, maintenance, and transportation costs.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual receipts and disbursements. If necessary, budget amendments should be adopted in a timely manner.

WE RECOMMEND the School Board:

- A. Complete proposed capital improvements as promised, separately tracking the budget and actual cost of each proposed project or purchase to support the use of applicable bond proceeds. In addition, ballot language for future bond issues should be more specific.
- B. Establish procedures to ensure disbursements are coded to the proper accounting codes.
- C. Ensure amendments to the budget are identified and approved in a timely manner.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board receives specific reporting of the current 2008 Bond issue proceeds and will continue to receive a detailed accounting of all bond monies on a monthly basis. All documentation is available for public view on the District Web site. Communication between administration and Board is now open and transparent. The Board is now apprised of needed adjustments as they occur and only projects authorized by the Board will be funded with bond proceeds.*
- B. *General ledger accounts were previously in place for appropriately coding expenditures and staff has a clear understanding of appropriate coding. The Board has been advised by administration that directives for inappropriate coding were made due to the absence of bond funds in the audited time frame. With accurate and transparent monthly reporting to the Board, appropriate codes are used to track bond expenditures.*
- C. *Since October 2008, the Audit and Finance Committee and Board receive budget amendments on a monthly basis. Comprehensive financial reports are now provided to*

the Board on a monthly basis and allow for more transparent communication. These reports are available for public view on the District's Web site.

3. Compensation and Travel Allowances
--

The employment contracts/addendums of two former administrators did not appear reasonable and were not supported by documentation of time worked. In addition, consulting services were not adequately defined and Non-Certified Employment Agreements ("550-Retiree" contracts) were not approved by the School Board. Travel allowances were not included in employee contracts, were not always reported on employees W-2 forms, and appear unreasonable in some instances.

- A. Employment contracts with former Superintendent Taveau and former Director of Communications Dunn did not appear reasonable. An addendum, dated October 17, 2005, to former Superintendent Taveau's contract required him to work no more than 550 hours as Superintendent during fiscal year 2007 and act as a consultant to the new Superintendent from July 1, 2007 to December 31, 2007. An addendum to former Director of Communications Dunn's contract required a similar 550 hour provision from January 1, 2007 to July 31, 2007. He was then contracted as a non-certified employee to work 550 hours from August 1, 2007 to May 29, 2008.

Per Section 169.560, RSMo, a teacher or school employee retired and currently receiving a retirement allowance may be employed in any capacity in a school district on either a part-time or temporary-substitute basis not to exceed a total of 550 hours in any one school year, and through such employment may earn up to 50 percent of the annual compensation payable under the employing district's salary schedule for the position or positions filled by the retiree, given such person's level of experience and education, without a discontinuance of the person's retirement allowance.

During our review of these contracts, we noted the following concerns:

- 1) While "550-Retiree" employees, these individuals received compensation equaling 50 percent of their normal salary while they were supposed to be working less than 50 percent of the normal hours. During this time, had they been paid an hourly rate it would have almost doubled what they were earning per hour under their previous contracts. For example, for fiscal year 2007, former Superintendent Taveau earned approximately \$86,500 for working 550 hours, or \$157 per hour. While full-time this individual was paid a rate of approximately \$83 per hour.

In addition, former Superintendent Taveau was also provided benefits similar to a full-time employee, including:

- An automobile for use in connection with district business.
- Paid dues to one local service club, paid expenses for attending local service and civic functions, paid expenses for various associations, and paid expenses at national, state, and local conferences.
- Medical and dental insurance coverage.

While the "550-Retiree" contracts are specifically allowed by Section 169.560, RSMo, and may fill a need for a part-time employee, the district is not required to pay 50 percent of the normal salary for only 550 hours of work, nor continue to provide benefits similar to those received by a full-time employee. In light of the district's financial condition, the reasonableness of these contracts should be reviewed.

- 2) Neither of the "550-Retiree" employees submitted documentation supporting the number of hours worked. In general, exempt employees of the district are not required to prepare time sheets. However, because the "550-Retiree" employees were employed in accordance with state law and capped at 550 hours, it is necessary to document the hours worked and provide the district with a method to monitor the hours worked, regardless of position. Each "550-Retiree" employee or consultant should be required to prepare and sign appropriate documentation to be reviewed and approved by their supervisor or the board to ensure compliance with state law.
- 3) The consulting provision in former Superintendent Taveau's amended contract was not adequately defined. The amended contract included no provisions to ensure the consulting services were actually provided and measurable. The contract required former Superintendent Taveau to serve as a consultant to the then acting or new superintendent from July 1, 2007 through December 31, 2007; however, he was not required to report the extent of his consulting activities to anyone.

Addendums to employee contracts should be reviewed and approved by the district's legal counsel, requiring provisions be included to measure the services to be provided and ensure the contract has been fulfilled (i.e. supporting documentation of the services provided).

- 4) Former Director of Communications Dunn's Non-Certified Employment Agreement was not approved by the School Board. Prior to fiscal year 2009, Non-Certified Employment Agreements or "550-Retiree" contracts were not presented to the School Board for approval. These contracts were approved by the Assistant Superintendent of Human Resources. Addendums to Non-Certified Employment Agreements should be approved by the board as required by district policy.

- B. Travel allowances paid to executives/directors, principals, and assistant principals are not included in their contracts or approved by the School Board. In addition, travel allowances, which are taxable compensation if not supported by actual mileage, are not reported on the principals' and assistant principals' W-2 forms. Finally, the district has no documentation to show travel allowance amounts are reasonable compared to actual expenses incurred.

The district pays a travel allowance to various employees who use their personal vehicles to conduct official business within the school district. When employees use their personal vehicles to travel outside the district, they receive a separate mileage reimbursement. During our review of travel allowances we noted the following concerns:

- 1) Travel allowances are not included in employee contracts or approved by the School Board as additional compensation. Beginning in 2005, travel allowances were awarded to executives/directors (\$200-400 per month), principals (\$800 per year), and assistant principals (\$500 per year). These allowances were approved by the Superintendent.

In order to fully disclose the total compensation of each administrator, travel allowances provided should be included in annual employment contracts and approved by the board.

- 2) Travel allowances paid to principals and assistant principals are not included on W-2 forms. The district does not require the principals and assistant principals to report their actual mileage. Internal Revenue Service (IRS) regulations require travel and expense reimbursements to be reported on the recipient's W-2 form unless the recipient is required to report related expenses to their employer.
- 3) Travel allowances paid to various employees during fiscal year 2008 appear unreasonable. Using an average district mileage reimbursement rate of 50 cents per mile, the monthly allowance paid to executives/directors represents approximately 400 to 800 miles per month. Considering the district only covers approximately 85 square miles and the travel allowance is to cover in-district travel, it seems unreasonable that some executives/directors are traveling 800 miles per month conducting school district business. The district should review the reasonableness of the travel allowances paid and set the allowances to reasonably reflect the actual expenses incurred by the employees.

WE RECOMMEND the School Board:

- A. Ensure "550-Retiree" contracts, including proposed salaries, are reviewed for reasonableness and adequacy. In addition, the School Board should require

supporting documentation of time worked or consulting services provided to support compensation and approve all contracts.

- B. Ensure travel allowances are included in employee contracts and reported on W-2 forms. In addition, the School Board should review travel allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *All 550-Retiree Working agreements have been reviewed by administration and monthly documentation for time worked is being submitted to the appropriate department. Additionally, the Board has directed administration to ensure that 550-Retiree employments are necessary and receive an appropriate hourly rate of pay.*
- B. *Effective December 2008, all travel allowances were paid as taxable income and included on employee W-2 forms. The Board will approve travel allowances for administrators as a scheduled rate of pay for future consideration. Measures will also be taken to ensure that all regular compensation is identified in the employee contract.*

4. Bidding and Contracts

Several purchases were not bid or documentation of bidding was not retained, selection processes for professional services were not always adequate, bond sales were negotiated instead of sold competitively, and the district does not have a formal written contract with the Liberty School District Foundation.

- A. Several purchases were not competitively bid or competitive requests for proposals were not obtained. The district's bidding policy only requires competitive bidding for construction of facilities that are projected to exceed \$15,000, insurance contracts, and bank depository services, as required by state law. In addition, the Technology Department has an informal policy of requesting three quotes for purchases that are expected to exceed \$12,500. The district's current bidding procedures could be made more effective by formally adopting a more comprehensive policy. The following are examples of purchases during the year ended June 30, 2008, for which the district did not follow a competitive bid process:

<u>Item</u>	<u>Cost</u>
12 vehicles	\$175,000
Furniture	100,176
Fencing	80,895
Plumbing	75,415

Carpet	75,105
Student activity insurance	59,857
Orchestra instruments	53,895
Contract work – administrative center	53,383
Mulch and playground material	22,836
Contract work – modular classrooms	15,682
Walking trail	15,000
Audio/visual equipment	13,105
Janitorial supplies	11,352
Soft drinks	9,228
Utility vehicle	8,000

For many of the examples noted, the district indicated it obtained a proposal from one vendor, many times a local vendor, and no other vendors were considered. In some instances, additional quotes were obtained but problems were noted. For example, the district obtained quotes from two vendors for carpet, but this purchase was not advertised, and quotes were obtained from three vendors for the utility vehicle, but this information was not retained. The purchase of orchestra instruments was identified as a sole source procurement, but this information was not documented.

Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

A more comprehensive policy would require bidding or competitive requests for proposals and would identify specific procedures required for all types of disbursements. Bids could be handled by telephone quotation, sealed bids, or advertised sealed bids. Different approaches may be appropriate depending on the dollar amount of the purchase. Written documentation of bids also provides evidence the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

- B. The district does not periodically solicit engineering/architectural and surveying/planning services for its construction projects, as required by district policy and state law.

Per district officials, the services of the same two firms have been used since at least 1999, and a Request for Proposal (RFP) for these services has not been issued since then. Payments to these firms totaled approximately \$1.74 million during the year ended June 30, 2008. In addition, payments to these firms have totaled approximately \$6.68 million since 1999. These firms have worked on all district capital improvement projects during this time. District officials indicated they use these firms because of past performance and a good working

relationship. However, rates charged to the district for the services provided by one of these firms have increased as much as 89 percent over the last 9 years.

District policy FEB states that when considering the need for architectural, engineering, and/or land surveying services, the School Board or designee shall prepare a written description of the services desired by the district. Interested firms may be requested to submit statements of their qualifications and performance data with respect to the above criteria and also to submit a fee schedule. The School Board or designee shall analyze the data received and list the top three qualified firms. When hiring such a firm the selection shall be made on the basis of demonstrated competence and qualifications for the types of services specified by the district at fair and reasonable prices. Sections 8.285 to 8.291, RSMo, provide that when obtaining professional services at least three highly qualified firms should be considered. The firms should be evaluated based on specified criteria and qualifications for the type of service required. The best proposal should be selected based on experience, type of service to be provided, and any other relevant information.

The district should periodically evaluate and re-consider qualified firms in accordance with its policy and state law to ensure these services continue to be received at fair and reasonable prices.

- C. The district has not conducted, or periodically re-conducted, a selection process for other professional services, and the same vendors have been used for several years. The following are examples of purchases during the year ended June 30, 2008, for which the district did not follow a competitive bid process or request competitive proposals:

<u>Service</u>	<u>Cost</u>
Insurance/Web site administration	\$73,961
Monthly pest control	49,275
Tree service	12,868
Scanning	12,670

In addition, prior to fiscal year 2008, the district used the services of the same audit firm since at least 1999. The total payments to this firm and the other firms providing the services listed above since the point in time they became the preferred vendors of the district totaled approximately \$1.63 million.

Selection processes are necessary to ensure the district is receiving the best services and rates. The process should include advertising and soliciting proposals and evaluating these proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the school district. Information concerning the selection process should be documented and retained.

- D. In fiscal year 2008, the school district issued \$15.2 million in Missouri School Boards' Association Insured Lease Participation Certificates and \$58 million in general obligation school building bonds. The district sold these certificates and bonds through a negotiated sale instead of a competitive sale. In addition, since at least 1997, the School Board has been using the same bond underwriter who also acts in a dual capacity as financial advisor. Having the same provider serve in the dual capacity of financial advisor and underwriter for a bond issue may create a conflict of interest. Additionally, the lack of independent financial advice could result in the School Board not always being adequately informed of bond issuance options or being able to adequately evaluate bond proposals. Further, the School Board relied upon the advice of the bond underwriter instead of seeking open bids to assure the most competitive rate of return for the taxpayers.

Historically, negotiated bond sales result in increased interest cost. While Missouri law does not require competitive bond sales or competition in selecting bond advisors, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the school district.

- E. The district provides office space in the District Administration Center (DAC), as well as computers and phones, to the Liberty School District Foundation (Foundation) free of charge. The district does not have a written agreement with the Foundation for the use of district facilities and equipment.

The mission of the Foundation is to provide an organization outside the public school system which generates and guides alternative resources for new and expanded educational opportunities for the benefit of students, teachers, employees, and residents of the district.

In addition, the Foundation is not required to maintain insurance coverage. As a result, the district may be liable for any loss or damage of assets or facilities. To adequately safeguard district assets, the School Board should enter into a written agreement with the Foundation, including requiring adequate insurance coverage be maintained. In addition, Section 432.070, RSMo, requires all contracts to be in writing.

WE RECOMMEND the School Board:

- A. Adopt a more comprehensive bid policy which establishes bidding guidelines for other types of disbursements. Such a bid policy should include criteria on how bids are to be solicited and when formal advertising should be used. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of the circumstances.
- B. Periodically evaluate and reconsider engineering/architectural services provided for the district.

- C. Periodically solicit proposals for professional services.
- D. Pursue open competition in any future bond sales.
- E. Ensure formal written agreements are prepared for use of district facilities and equipment.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *At the Board's direction, the Audit and Finance Committee and administration developed new Purchasing and Distribution Procedures. The procedures were communicated District-wide February 2009 and include specific bid and quote guidelines for purchases of supplies and services as well as instructions for sole source procurement. The procedures are available to the public on the District's Web site under Financial Accountability, Improved Policies and Procedures at <http://www.liberty.k12.mo.us/about/business-operations/financial-accountability> and include the following directives:*
 - 1. *Purchases under \$2,000 do not require bids or quotes; however, a building principal or department Budget Agent (Budget Agent) may elect to do so to obtain the best price. Bids and quotes may be processed by the Budget Agent or the Director of Purchasing and kept on file in the Purchasing Department in accordance with the General Records Retention Schedule of the Secretary of the State of Missouri.*
 - 2. *Purchases \$2,000 through \$15,000 require bids or quotes. Bids or quotes may be obtained by the Budget Agent or the Director of Purchasing and kept on file in the Purchasing Department in accordance with the General Records Retention Schedule of the Secretary of the State of Missouri. Under no circumstance may purchases or projects be divided in an attempt to circumvent the dollar value limits requiring bids.*
 - 3. *The District attempts to participate in cooperative purchasing programs to the extent that the items purchased meet the District's specifications and needs. The bids taken by these cooperative organizations shall satisfy the District's bidding requirements for the period of time the cooperative bid is accepted.*
 - 4. *Non-construction and non-renovation purchases of goods or services, where the purchase exceeds \$15,000, shall be bid. All bids will be publicly opened and will be retained in accordance with the General Records Retention Schedule of the Secretary of the State of Missouri. Under no circumstances may projects be divided in an attempt to circumvent the dollar value limits requiring bids.*
 - 5. *For construction or renovation of District facilities, where the purchase exceeds \$15,000, a request for sealed bids will be publicly advertised for two successive weeks in a newspaper of general circulation located in Clay County, Missouri. All bids will be publicly opened and will be retained in accordance with the General Records Retention Schedule of the Secretary of the State of Missouri. Under no circumstances may projects*

be divided in an attempt to circumvent the dollar value limits requiring bids. All legal notices shall be processed and retained in the Construction Management Department.

- 6. Vendor contracts, exceeding \$15,000, shall be reviewed by legal counsel and approved by the Board. Contracts and agreements, \$15,000 or less shall be reviewed by legal counsel at the discretion of the Superintendent, Chief Financial Officer, or designee. The Chief Financial Officer will ensure that all contracts and agreements are appropriately reviewed and Board approved.*
- B. The Board has advised administration to appropriately evaluate and bid all services including engineering/architectural services. The Request for Proposal will be implemented in September 2009.*
- C. The Board has advised administration to appropriately evaluate and bid all professional services. A comprehensive list of professional services has been developed and implementation of individual Request for Proposals or Quotes will begin May 2009.*
- D. The Board has advised administration to appropriately evaluate and bid open competition in any future bond sales.*
- E. The Board has advised administration to ensure formal written agreements are prepared for use of District facilities and equipment. Specifically, the District is working with the Liberty School District Foundation to develop a usage agreement. The Liberty School District Foundation is a not-for-profit organization outside the public school system which generates and guides alternative resources for new and expanded educational opportunities for the benefit of students.*

5.	Disbursements
-----------	----------------------

Areas of concern noted during our review of district disbursements included the lack of a comprehensive district food and/or beverage purchase policy, lack of supporting documentation for some credit card disbursements, excessive purchasing card limits, the inclusion of state sales tax on several district invoices approved for payment, and the lack of a reconciliation of beverage purchases to sales at the DAC.

In February 2008, the School Board engaged Westbrook and Co., P.C., Certified Public Accountants (CPA), to perform an agreed upon procedures audit. One of the major areas of focus on the audit was expenditures, especially credit card charges made by, and reimbursements made to, various prior administrators. Therefore, to minimize duplication of effort, we focused on other disbursements not already reviewed by the CPA firm.

The CPA firm reported to the School Board in two phases. The phase one report was dated April 2, 2008. The phase two report was dated July 7, 2008. As a result of the CPA firm's efforts, the district moved away from traditional credit card accounts and

adopted a purchasing card program. By July 2008, a handbook had been developed, and the district had begun using the new cards. All the old credit card accounts were cancelled. Please refer to the CPA firm's reports for its comments, conclusions, and recommendations.

- A. The district has not established a separate account within its accounting system to easily track local food expenses; therefore, we were unable to gather information regarding the extent of such expenses. The district also does not have written policies indicating when food will be provided for meetings or imposing any limits on such purchases. During the year ended June 30, 2008, district credit cards were frequently used to purchase meals at local restaurants and the district often provided food for meetings involving district personnel.

In October 2007, one employee made 10 food purchases, totaling \$961, at local restaurants. During this same month, another employee made three purchases of food for staff meetings at a cost of \$611, and in December 2007 paid \$301 for an employee Christmas dinner. The purposes of the meals and those attending were not always documented. In addition, numerous disbursements were made to a local vendor for catered meals during the year ended June 30, 2008. The meals were for award ceremonies, department appreciation functions, training sessions, workshops, administrator or staff meetings, new teacher orientations, back-to-school meetings, and end-of-year gatherings.

The district should establish a separate account to track food purchases to better monitor such expenses. In addition, the district should develop a comprehensive policy covering food purchases to ensure public funds are spent wisely. Food expenses paid by the district should be reasonable and necessary for conducting district business and limits should be established for all such purchases. Attendance lists and business purposes should also be documented for all food purchases.

- B. Supporting documentation was not retained for some credit card purchases. In addition, some payment documentation was not itemized. Charges totaled \$373,708 on 24 credit cards authorized by the district during the year ended June 30, 2008. We haphazardly selected three district employees and reviewed their credit card activity for October 2007, as well as other unusual activity in fiscal year 2008. We noted receipts were missing for 28 purchases totaling \$3,872. One employee was missing 13 of 61 receipts (21 percent) for October 2007 alone. These charges were for hotels, parking, transportation, food for staff, and expenses at various restaurants and other businesses. In addition, another restaurant receipt for \$35 was not itemized.

Without itemized supporting documentation, the district cannot determine whether credit card purchases are reasonable and necessary uses of public funds.

- C. Purchasing card transaction limits for some individuals may be excessive. The district currently has 63 purchasing cards assigned to various personnel throughout the district with individual transaction limits ranging from \$100 to \$3,000 and monthly cycle limits of \$500 to \$10,000. However, two employees reviewed had monthly cycle limits of \$2,500 and \$5,000, respectively, but made less than \$2,500 in credit card purchases each during the entire year ended June 30, 2008.

To further strengthen controls over purchasing cards, the district should compare the actual purchasing card activity of each employee versus the individual transaction and monthly cycle limits currently established. Adjustments to the limits should be made accordingly.

- D. Several invoices approved for payment by the district included state sales tax, including payments to its wireless carrier. In October 2008, the district's wireless account was credited a total of \$12,990 for sales taxes paid over a 2 year period. In addition, we noted 22 credit card transactions, totaling \$1,855, which included state sales tax. In these instances, the district did not provide proof of its tax exempt status to vendors and invoices were not closely reviewed before the payment was made. To avoid paying unnecessary costs, the district should review invoices and ensure sales tax is not charged on exempt purchases.
- E. Refrigerated beverage sales at the DAC are not reconciled to purchases. In addition, as with food, the district does not have a written policy indicating when beverages will be provided for meetings or imposing any limits on such purchases.

The district operates three refrigerated beverage cases at the DAC. Staff are allowed to purchase these products on the honor system. We attempted to perform a reconciliation of monies collected to the number of products sold; however, the total receipts generated from sales was only \$1,446 compared to \$9,228 in purchases. Some of the difference is related to the policy of allowing beverages free of charge to participants at various district meetings.

Vending machines are used at other district facilities. Per district staff, the administration has discussed replacing the refrigerated cases with vending machines and has recently raised the price for these beverages.

In light of the district's financial condition, the district should reconsider its policy of allowing courtesy beverages to participants of various district meetings. If the district continues to allow this practice, controls need to be put in place to ensure the district is not losing money. Documentation should be maintained of beverage usage to facilitate a reconciliation of purchases to sales and/or courtesy

beverages. In addition, a comprehensive food and beverage policy should be adopted.

- F. Adequate documentation was not provided to support the reimbursement of some expenses related to the retirement party for former Superintendent Taveau. Donations were solicited from local businesses to cover some costs of the party and invitations were sent to various district officials requesting \$25 to cover the cost of their meal. While an invoice was available to support the cost of the meals paid to the local county club where the party was held, a reimbursement made to former Superintendent Taveau's wife, totaling \$2,471, was not supported by an itemized invoice. District officials indicated this amount was the approximate cost of the alcohol served to guests at the retirement party.

Without itemized supporting documentation, the district cannot determine whether all expenses were reasonable and necessary.

WE RECOMMEND the School Board:

- A. Develop a comprehensive policy regarding district-provided food purchases and properly account for this type of expense. This policy should establish specific guidelines regarding proper and allowable disbursements, along with documentation requirements including the business purpose and individuals in attendance.
- B. Require detailed supporting documentation be submitted and retained for all disbursements.
- C. Evaluate and adjust employee purchasing card limits as deemed appropriate.
- D. Ensure state sales tax is not included on invoices approved for payment.
- E. Ensure a reconciliation of beverage sales to purchases is performed at the DAC. In addition, the policy of allowing courtesy beverages at district meetings should be discontinued or additional controls should be put in place regarding beverage usage, including a written beverage policy.
- F. Consider pursuing reimbursement of the unsupported retirement party expenses.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *Comprehensive policies for travel and purchasing have been implemented district-wide and include specific guidelines regarding proper and allowable expenditures. Itemized receipts and other appropriate documentation are required. Additionally, separate codes are being established for tracking purposes. Purchases by employees for personal use*

are prohibited. Accounts payable disbursements, with certain Board approved exceptions, are released only upon Board approval.

- B. Itemized receipts are required for all purchases. All previous District credit cards have been replaced with purchasing cards. All employees provided District purchasing cards are required to attend specific training on appropriate purchase use, recordkeeping requirements, and statement reconciliation. Employees are required to sign documentation regarding responsibilities for being entrusted with the card and the rules of use. In the event improper usage of the purchasing card should occur, the District is authorized to withhold funds from the employee's paycheck. Additionally, the Purchasing Card Coordinator shall provide written notification to the employee and the employee's supervisor. The employee will be required to attend additional training. Any subsequent improper use will result in revocation of the card in addition to any legal or disciplinary action deemed necessary. All documentation for direct reimbursements as well as documentation for purchasing card purchases for the Superintendent and Chief Financial Officer is now signed by the Board of Education President. Additionally, travel procedures have been revised requiring original, itemized receipts for all reimbursements with the exception of mileage and per diem meals. All participants must be identified when costs for multiple employees are reimbursed to a single employee.*
- C. Purchasing card limits are reviewed quarterly. To ensure continued review, this requirement has been added to the perpetual calendar of reviews by the Audit and Finance Committee.*
- D. Accounts Payable staff is reviewing all invoicing to ensure no state sales tax is paid.*
- E. Vending machines were placed in operation at the District Administration Center on January 19, 2009. Courtesy beverages have been reduced to providing bottled water and coffee for a limited number of meetings.*
- F. The Board will consider pursuing reimbursement of the unsupported retirement party expenses.*

6. District Vehicle and Fuel Procedures
--

The district does not maintain mileage records for each vehicle used for district business and has not analyzed vehicle use to ensure all district-owned vehicles are used efficiently (vehicles other than buses). In addition, the amount of fuel pumped from the district's metered tanks is not reconciled to gallons purchased.

- A. Controls over vehicle usage need improvement.
 - 1) Mileage records that include the purpose and destination of each trip and the daily beginning and ending odometer readings are not maintained to document the use of district-owned vehicles. Usage logs are maintained

for DAC vans, but odometer readings are not recorded. In addition, the Transportation Department requests the mileage of each vehicle on a monthly basis to track and schedule preventative maintenance, but no other detail regarding daily use is required.

- 2) The district has not analyzed vehicle use to ensure all district-owned vehicles are used efficiently. The district provided us with maintenance logs for its 44 vehicles. Based on the mileage information on these logs, we estimated several vehicles were driven less than 5,000 miles during the year. Low mileage may indicate a district has too many vehicles or is not efficiently utilizing vehicles.

Complete and detailed mileage records for all district-owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all district-owned vehicles are used efficiently and for district business.

- B. A log is not maintained to record the amount of fuel pumped from the district's gasoline tank. All employees with access to a district-owned vehicle have a key to unlock this pump. In addition, while logs are maintained to record the amount of diesel pumped from the district's metered tank, the logs are not reconciled on a periodic basis to the gallons purchased.

The district purchases gasoline and diesel in bulk and stores the fuel in district-owned tanks located across from the DAC and at the support services facility, respectively. The district purchased more than \$58,000 in gasoline and \$470,000 in diesel fuel during the year ended June 30, 2008.

As of June 30, 2008, the district did not maintain a fuel log at the gasoline bulk tank. However, the district implemented a log at the pump to record all purchases during fiscal year 2009.

To ensure gasoline and diesel fuel disbursements are reasonable and properly accounted for, the district should maintain fuel logs, reconcile fuel purchased to fuel pumped on a periodic basis, and investigate significant differences. Without proper controls, the district cannot adequately monitor for theft or misappropriation.

WE RECOMMEND the School Board:

- A. Require complete and detailed mileage records be maintained for all district-owned vehicles and periodically analyze vehicle use to ensure district-owned vehicles are used efficiently and appropriately.
- B. Continue to strengthen controls in place to adequately safeguard the gasoline tank. In addition, periodic reconciliations should be performed of the fuel purchased to the amount pumped.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. Practices used at the Transportation Department have been expanded to provide adequate controls for the Grounds Department tank. A process for compiling complete and detailed mileage was provided to the school operations directors and the implementation for recordkeeping is in process. Staff is required to log data related to vehicle and purpose for use. A reconciliation process ensures accounting for all fuel used.*
- B. Controls were implemented in February 2009 to safeguard the access to the fuel tank and reconciliation procedures are being performed. Specifically, the pump is now secured by a locked cabinet and the key is secure as well.*

7. District Transportation

In light of the district's current financial condition, the district recently performed a cost analysis of the district owned and operated student Transportation Department in an attempt to identify potential cost savings. However, the district has not performed a similar analysis to determine the potential cost savings of contracting for student transportation. During school year 2007-2008, the district spent approximately \$4 million to transport students.

The district currently operates a three-tier system in which the district has three distinct schedules for the various schools. The cost analysis of the Transportation Department analyzed the potential cost reduction if the district changed to a four-tier system in which schools would have four distinct schedules, or bell times (i.e., 7:15 a.m. - 2:25 p.m., 7:50 a.m. - 3:00 p.m., 8:25 a.m. - 3:25 p.m., and 9:15 a.m. - 4:15 p.m.). In addition, the district currently has a one mile walk zone and provides free transportation to students living at least one mile from a school (students living within one mile of a school are not provided with free transportation). Per Section 167.231 (1), RSMo, the district is only required to provide free transportation to students living more than 3.5 miles from school. Therefore, the Transportation Department's review analyzed the potential cost reduction if the district increased the walk-zone up to 2.5 miles. Based on this preliminary analysis, substantial cost savings could be realized if the district implemented a four-tier system and/or increased the walk-zone.

In performing the cost analysis, the Transportation Department identified costs could be cut as a result of staffing requirements, number of buses, fuel and maintenance costs, etc. The significance of the cost reductions is determined by the significance in the change of the policies and procedures in place such as the number of tiers and walk-zone distance. Below is a schedule of potential cost savings:

<u>Number of Tiers</u>	<u>Walk-Zone Distance</u>	<u>Potential Cost Reduction</u>
4	1.0	\$ 350,000 – 525,000
4	1.5	630,000 – 980,000
4	2.0	770,000 – 1,120,000
4	2.5	910,000 – 1,260,000

The above potential cost reduction figures are estimates based on data available to the Transportation Department as of October 24, 2008.

Although district officials have performed a cost analysis of changing policies and procedures within the Transportation Department, they have not performed a cost analysis of owning versus contracting transportation services. Although we have not found evidence to support a significant cost reduction of owning or contracting, in light of the district's current financial condition all options should be considered in an attempt to reduce transportation costs.

WE RECOMMEND the School Board continue to review policies and procedures in place to determine areas of potential costs savings. In addition, a cost analysis of owning versus contracting transportation services should be performed. Based on these reviews, the School Board should consider appropriate adjustments to reduce costs within the Transportation Department.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The Board approved changes to school attendance boundaries at the February 17, 2009 Board meeting. Additionally, the Board approved new school start and end times at the March 16, 2009 meeting which will improve efficiencies and reduce costs by implementing a five-tier transportation system as opposed to the three-tier system currently in place. These changes will result in significant savings for the District.

8.	Wireless Telecommunication Devices
-----------	---

The district does not adequately monitor the use or evaluate the distribution of wireless telecommunication devices, including cellular phones, data cards, pagers, and tracking devices. During the year ended June 30, 2008, the district owned approximately 590 wireless telecommunication devices. The district was charged approximately \$55 per phone, \$57 per data card, \$7 per pager, and \$30 per tracking device. For the cellular phones, all employees shared pooled plans each month. The district paid approximately \$295,000 during the year ended June 30, 2008, for wireless telecommunication devices.

- A. The district does not have a policy prohibiting nor does it adequately monitor or track personal use of wireless telecommunication devices. In addition, the district

does not have a policy regarding extra charges, including text messaging, data transfers, and directory assistance calls.

During a review of the May 2008 wireless telecommunication device charges, we noted overage charges of \$336 for directory assistance calls and \$994 for text messaging. A Technology Department employee indicated when overage charges are incurred an email will be sent to those users indicating the reason for the overage and reminding them of their planned minutes/usage. However, the district does not attempt to collect reimbursement for any overage charges.

Although reviews of overage charges are documented, the devices are not monitored or tracked for personal use. In addition, the district does not analyze the plans based on business use to determine if rate changes could be made to reduce costs.

A formal written policy should be developed regarding the proper use of wireless communications devices. Without procedures to adequately review detailed phone bills, the district has less assurance disbursements for wireless telecommunication services are reasonable and necessary, and the possibility of not detecting improper use is increased.

- B. The district does not follow IRS regulations regarding personal use of wireless telecommunication devices. Wireless telecommunication devices are considered listed items per IRS guidelines (Internal Revenue Code (IRC) Section 280F (d)(4)(A)(v)). Therefore, any personal use of these devices should be reported as income on the employee's W-2 form. Further, the IRS requires usage be classified as business or personal on an itemized statement for all devices (IRC Section 274 (d)). This information should be submitted to the employer to support the exclusion of the usage from the employee's wages.

Although the district maintains itemized records of wireless telecommunication charges, the district does not require employees to indicate the purpose of the usage as either business or personal. As a result, the entire cost should have been reported as wages for all employees for their respective device.

- C. The district has not evaluated the cost and distribution of wireless telecommunication devices. The district provides approximately 400 cellular phones and 27 data cards (Internet access for laptops) to various district employees.

The district does not have a formal policy indicating to whom services are provided. Without proper controls in place to evaluate the cost and distribution of wireless telecommunication devices the district may incur costs that are not necessary. For example, as of May 2008, the district has a cellular phone plan which includes 91,600 pooled anytime minutes. However, based on our review of

activity for 5 months, the district only utilized 64 to 72 percent of the pooled minutes each month.

In addition, our review of May 2008 wireless telecommunication charges noted the district issued 27 data cards to various district employees including all board members, superintendents, directors, and security personnel. The total cost of these data cards for May 2008 was approximately \$1,550. The estimated annual cost of data cards is in excess of \$18,000. All of these employees, with the exception of board members, have local access to the Internet using the district's Internet provider. The district could potentially reduce costs by limiting the number of data cards.

While wireless telecommunication devices can help increase employee productivity, they are also costly. Effective procedures should be implemented by the Purchasing Division to properly monitor wireless telecommunication device usage. Additionally, the district should periodically evaluate the cost and distribution of wireless telecommunication devices to employees to ensure all devices are necessary or of benefit to the district.

WE RECOMMEND the School Board:

- A. Establish a formal policy regarding the proper use of wireless telecommunication devices. The district should also consider requiring reimbursement for any overage charges resulting from personal use. In addition, the district should ensure procedures are in place to allow the Purchasing Division to perform and document routine and periodic reviews to analyze wireless telecommunication devices based on business use.
- B. Include the pro rata share of personal usage of wireless telecommunication devices as wages on employee W-2 forms.
- C. Performs an assessment of wireless technology devices for distribution and usage on a periodic basis.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board has directed administration to implement a formal policy regarding the proper use of wireless telecommunication devices to include a requirement for reimbursement for any overage charges resulting from personal use. Procedures will be developed for the performance of periodic reviews to analyze wireless telecommunication devices based on business usage with an anticipated completion date of May 2009.*
- B. *A personal usage fee for wireless telecommunication devices will be considered.*

- C. *As part of the Tier I Budget Reductions approved January 2009, the Board directed administration to reduce the number of telecommunication devices. As of March 2009, approximately 300 devices have been eliminated at a cost savings of over \$140,000 per year. Parameters have been developed for authorizing new telecommunication devices.*

9. Safe Schools

The State Auditor's office issued report No. 2008-52, *Safe Schools Initiatives*, in August 2008. During the Safe Schools Initiative audit, it was noted the district had significant weaknesses including incomplete discipline policies, insufficient violence prevention programs, insufficient anti-bullying policies, insufficient emergency management plans and drills, and inconsistencies between student handbooks and board policies. Subsequently, we reviewed the concerns noted during the Safe Schools Initiatives audit and noted the district is currently addressing the weaknesses. However, there are some outstanding items, such as inconsistencies between student handbooks and board policies, which have not been corrected.

In addition, the district had a safety review performed in August 2006 by the Missouri Center for Safe Schools (MCSS), which included concerns regarding specific items such as fire alarms, playground equipment, etc. We were unable to determine if the concerns addressed by the MCSS have been corrected. The district does not have documentation of follow-up work or a corrective action plan addressing the weaknesses identified by MCSS.

WE RECOMMEND the School Board continue to follow-up on the weaknesses identified and take appropriate actions to resolve any outstanding concerns.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The Board has directed administration to continue follow-up on weaknesses identified through the Safe Schools Initiatives August 2006 review and provide a report in the coming months regarding necessary improvements to student handbooks, board policies and other required changes.

10. Real Estate Transactions

Several real estate contracts were entered into with the same broker without board approval, and the services of a real estate broker were solicited without a formal selection process. In addition, the district purchased three properties without properly obtaining appraisals.

- A. The district entered into several real estate contracts with the same broker without board approval. In addition, it appears other real estate negotiations were initially conducted with little or no knowledge of the board.

The following exclusive contracts were executed without board approval:

- June 7, 2005 – Purchase of BJT for \$4.25 million (the building currently houses the Academy and the technology center, as well as Northwest Missouri State University (NWMS), which occupies the third and fourth floors).
- July 31, 2005 - Exclusive Buyer Agency Contract for July 2005 through July 2006.
- August 14, 2006 - Exclusive Buyer Agency Contract for August 2006 through August 2007.

Other real estate purchase and/or sale negotiations also appear to have been conducted with little knowledge of the board.

- In April 2006, a real estate contract was entered into without board approval for the purchase of a small piece of land to be used for a parking lot at the Lewis and Clark Elementary School (LCE). The cost of this property was \$200,000. The purchase was not approved by the board until July 24, 2006, the day prior to closing.
- In July 2006, negotiations began with a local businessman to sell approximately 12 acres of unused district property near the South Valley Middle School to the businessman to resolve a boundary issue. The board approved listing the property for sale in November 2006 and later approved the real estate contract in December 2006. The property sold for \$180,000.

In September 2006, the district also entered into a letter of agreement with NWMS for use of the building commonly referred to as BJT. The agreement provided that NWMS, in lieu of rental payments, would reimburse the district for the cost of renovating the third and fourth floors. This amount was not to exceed \$600,000 and reimbursement was to be spread over 5 years. This agreement was negotiated by former Assistant Superintendent Wright and signed by former Superintendent Taveau. This agreement was also not approved by the board.

Board policy DJF explicitly states no contract will be made without an affirmative vote from a majority of the whole board. The policy does not authorize anyone other than the board to approve contracts. The board should be more involved in significant real estate transactions.

- B. A RFP was not issued soliciting the real estate services of the firm given the contracts noted in part A above. As a result of district real estate purchases or sales between August 2005 and May 2008, this firm was paid approximately \$493,000 in real estate commissions.

For example, this firm received commissions on the following real estate transactions:

- \$120,000 on 16.61 acres of land located at 10801 North Eastern Avenue (Kellybrook Elementary) that was donated to the district in December 2007. Despite the land being donated by a local developer, the commission was paid by the district as part of the closing costs. In addition, the appraisal of the property which dictated the commission was obtained by the developer not the district.
- \$144,188 on the district's purchase of the UAW-Ford Family Service and Learning Center in August 2007. Approximately half the commission was paid directly by the district (without knowledge of the board as the payment was indirectly approved as a consent agenda item).
- \$12,000 on the district's purchase of the land for the LCE parking lot noted above in part A. The commission was paid by the seller, not the district.

Procurement and selection processes are necessary to ensure the district is receiving the best services and rates. The process should include soliciting proposals and evaluating these proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the school district.

- C. The district did not obtain appraisals for two properties purchased. As noted above in part A, in July 2006, the district purchased a small piece of land to be used for a parking lot at the LCE for \$200,000. The district purchased another small piece of land in December 2007 for \$20,000 which would allow district buses another access to the high school and alleviate some traffic problems. Neither of these properties was appraised prior to purchase. District officials indicated these purchases were negotiated with the respective seller.

Without an independent appraisal of property purchased, the district has less assurance the price paid is reasonable and represents the fair value of the property. To provide assurance a reasonable price is paid for land and buildings, the board should obtain appraisals prior to purchase for all potential sites under serious consideration.

WE RECOMMEND the School Board:

- A. Ensure all real estate contracts are approved by the majority of the board and included in board meeting minutes to document compliance with board policy.
- B. Periodically request proposals for real estate broker services.
- C. Obtain appraisals prior to purchase for any sites under serious consideration for purchase.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board and administration agree that all real estate contracts must be approved by the Board and included in board meeting minutes to document compliance with board policy. All future real estate contracts will be processed as recommended.*
- B. *As with all purchases and services, requests for proposals for services will be obtained to ensure open competition.*
- C. *Appraisals will be obtained for real estate under serious consideration for purchase prior to entering into an agreement to purchase or receive donated property.*

11. Flintlock Flyover Project

District property taxes were committed to help fund a proposed road construction project (i.e., Flintlock Flyover Project) without board approval. In addition, traffic studies performed do not appear to justify this commitment.

The proposed Flintlock Flyover Project (project) is located between the intersection of 76th Street across Interstate 35 and connecting to the north-south alignment of Liberty Drive. Preliminary traffic impact assessments of the proposed residential development (Whitehall Station), middle school, and junior high school were completed in December 2000 and January 2001. In May 2001, a report was issued concerning the feasibility of the project. Conclusions drawn from this analysis indicated the project provided the district with an alternative route to serve its school population west of I-35 and the district would also have the advantage of more convenient travel.

In November 2003, former Superintendent Taveau sent a letter to the Tax Increment Financing (TIF) Commission of Kansas City requesting taxpayer dollars, in the form of payments in lieu of taxes (PILOTS), be used to reimburse certain costs related to the construction of the project. However, a written intergovernmental agreement between the district, city, and TIF Commission allowing PILOTS to be used to reimburse costs of

the project upon the district's written consent was not approved by the School Board until July 2004 and later signed by the School Board in December 2004.

Project costs were estimated at \$18.5 million, with \$14.8 million coming from federal and/or state funds and \$3.7 million from local matching funds. Provisions of the intergovernmental agreement included:

1. A commitment from the district totaling \$200,000, for one-third of the local portion of the engineering costs.
2. The district would be responsible for 50 percent of any excess engineering costs above \$600,000 (local match).
3. Upon substantial completion of the engineering services, the parties would enter into a separate agreement providing for payment of the remaining portion of the local match, or \$3.1 million in construction costs (the district's portion of these costs were estimated at \$2 million).

Subsequent to the agreement, the proposed project was delayed and former Superintendent Taveau retired. The district had not entered into the separate construction agreement noted above which would have further committed the district to funding a portion of the remaining local match (i.e., construction costs). Per district officials, former Superintendent Wright wanted to withdraw from the agreement. As a result, in November 2007, the district sent a letter to the TIF Commission withdrawing any further authorization previously granted to collect and expend PILOTS for construction of the project. District officials acknowledged a portion of the PILOTS currently held by the TIF Commission could be expended for the local engineering match; however, they requested all remaining funds (after engineering costs were paid) collected from PILOTS be declared surplus and paid to the district.

A termination and release agreement, dated October 2008, was agreed to by all parties. Provisions of this agreement include the following:

1. The maximum amount the city of Liberty will be entitled to receive from PILOTS in connection with the design of the project will be \$1,198,000, subject to certification of these costs by the TIF Commission when the engineering phase of the project is complete.
2. In excess of this amount, \$300,000 of PILOTS shall be dedicated to reimburse costs related to improvements contemplated by the TIF plan, as well as the TIF Commission's expenses related to the collection and disposition of such PILOTS.
3. Any surplus PILOTS remaining will then be paid to the district.

However, there is no provision in the agreement for the district to be paid interest accrued on the PILOTS while they were held by the TIF Commission. Per district officials, the remaining PILOTS to be returned to the district, not including interest, have been estimated at \$1.75 million.

Property taxes are restricted for educational purposes. As a result, a school district should not be in the business of building roads that promote economic development. In addition, the district should ensure the provisions of the termination and release agreement are fulfilled and should consider requesting a refund of all interest earned on the PILOTS withheld by the TIF Commission.

WE RECOMMEND the School Board refrain from committing future property tax receipts to build roads promoting economic development. In addition, the Board should ensure the engineering costs are certified as reimbursable, and surplus PILOTS, including accrued interest, due the district are returned in full.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The Board will refrain from committing funds to build roads promoting economic development. The Liberty Public School District is no longer a participant in this project. The District has received reimbursement of the funds allocated for the Flintlock Flyover project in the amount of \$1,583,408.

12. Fast Forward Program

Contracts with Scientific Learning for implementation of the Fast Forward program were not approved by the School Board. In addition, no documented analysis was performed to support the district's decision to purchase this program.

The Fast Forward program offered by Scientific Learning is marketed as a reading intervention software package that strengthens brain processing and literacy skills to increase reading proficiency in students of all ages. In March 2006, former Superintendent Taveau signed the contract initially committing the district to the purchase of the program. The initial payment, totaling approximately \$299,000, was approved by the School Board as a consent agenda item; however, the contract was not approved. District officials indicated when questioned about this initial disbursement former Superintendent Taveau explained he was going to replace the Teacher and Assistant Practice (TAP) program, but information was not provided to them concerning subsequent contracts entered into and costs incurred to implement the Fast Forward program district-wide. Through September 2008, the district has invested approximately \$835,000 in this program and the equipment needed to run the software (not including salaries).

Board policy DJF explicitly states no contract will be made without an affirmative vote from a majority of the whole board. The policy does not authorize anyone other than the board to approve contracts.

In addition, bids or requests for proposals were not solicited for the purchase of this program. There is also no discussion or analysis concerning the replacement of the TAP program and the benefits of the Fast Forward program versus other similar reading programs. According to district officials, the decision to purchase the Fast Forward program was made solely by former Superintendent Taveau.

Policy DJC states that other purchases or contractual services (other than required by law to be bid) may be advertised and submitted for bid as directed by the board or when, in the opinion of the superintendent, the welfare of the district will be served. While a curriculum program of this sort may not be required to be bid, an evaluation process should have been undertaken and documented prior to the actual purchase of the Fast Forward program.

WE RECOMMEND the School Board approve all contracts as required by district policy. In addition, documented discussion and analysis should be performed prior to making curriculum changes requiring a significant financial investment.

AUDITEE'S RESPONSE

The School Board provided the following written response:

The Board now receives all contracts for approval and administrators understand that approving contracts is exclusively the authority of the Board as outlined in Board Policy DJF.

13.	Tennis Courts
------------	----------------------

During the process of acquiring tennis courts for use by its athletes, the district failed to analyze the cost-effectiveness of the proposed contract with the local country club versus building facilities in the city park, did not properly bid for the construction of the tennis courts, and allowed the contractor to start construction of the tennis courts without an executed contract.

Prior to the 2007-2008 school year, the district had a long-standing agreement with a local country club for use of tennis court facilities. During the 2006-2007 school year, the local country club built new facilities and planned to develop new agreement terms with the district. However, the district decided to contract with the City of Liberty to allow the district to build tennis courts in a city park and have priority usage.

- A. The district did not analyze the cost-effectiveness of the proposed contract with the local country club versus building facilities in the city park. During our review of the tennis court agreements, we estimated the total cost for use of the local country club's facility for 20 years at approximately \$370,000. These costs included a one-time fee of \$270,000 for the country club's construction of four outside courts (\$67,500 per court) and an estimated annual maintenance fee of

approximately \$5,000. This facility would have allowed the district to use eight outdoor courts and two indoor courts in case of inclement weather.

We estimated the total cost for construction and use of the tennis courts at the city park for the same 20 years at approximately \$566,000. These costs included district construction costs of approximately \$466,000 (approximately \$77,600 per court) and one-half the estimated annual maintenance costs of \$10,000 (the city pays for the other half of the annual maintenance costs). However, the projected cost does not include future costs associated with the agreement such as bleachers, restrooms, concession stands, and improvements to the parking lot. In addition, the city park facility only has six outdoor tennis courts and no indoor courts.

By contracting with the city, the district paid upfront costs of approximately \$466,000 for construction of tennis courts it does not own and may be required to commit future funds for additional improvements. Had the district entered into the agreement with the country club, it could have saved at least \$196,000, had access to more courts (including indoor courts), and paid less in upfront costs.

- B. The district did not properly bid for the construction of the tennis courts. The district advertised for RFPs with a closing date of October 17, 2007. This advertisement was posted on the district's Web site, but was not advertised in a newspaper. As a result of this request, the district received one proposal before the closing date and one proposal on November 19, 2007. The district awarded the contract to the lowest bidder, a North Kansas City firm, on December 17, 2007; however, the lowest bidder submitted its proposal after the closing date. Per district officials, former Superintendent Wright preferred to use local vendors for contract work if possible; however, no documentation was provided for our review explaining why the closing date had been extended or why the local vendor was the preferred contractor.

In January 2008, Assistant Superintendent of Support Services Brewer determined the tennis court project was not advertised in a newspaper. The district attempted to resolve this issue by advertising in the local newspaper in February 2008. Again, the district received two bids from the same firms and the lowest bidder, who happened to be the same firm awarded the original contract, was awarded the bid on March 13, 2008.

According to Section 177.086, RSMo, any school district authorizing the construction of facilities which may exceed an expenditure of \$15,000 shall publicly advertise, once a week for two consecutive weeks, in a newspaper of general circulation.

- C. Construction of the project was allowed to begin before a written agreement between the district and contractor was executed. We noted evidence that construction of the tennis courts began in December 2007. The contract states

work contemplated by the agreement shall start on or after April 1, 2008. However, the final contract was not fully executed until April 28, 2008. In addition, 2 days after the date the contract was signed, the contractor submitted two invoices totaling \$127,658, further evidence the work was started before there was a fully executed contract in place. These invoices were paid May 14, 2008.

Authorizing work to start before a contract is signed places unnecessary risk on the district. Liabilities could result if disputes arise related to a contract that has not been formally approved and signed.

WE RECOMMEND the School Board:

- A. More effectively analyze and document purchase/lease options before entering into written agreements. The district should enter into an agreement with the most cost-effective and efficient alternatives.
- B. Ensure all capital projects are bid in accordance with state law.
- C. Ensure a contract is fully executed before authorizing work to begin on a construction project.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board shall be provided analytical information for determining the greatest cost benefit alternative regarding purchase and lease options prior to entering into written agreements.*
- B. *All capital projects shall be bid in accordance with state statute (§ 177.086 RSMo). The new Purchasing and Distribution procedures provide clear instruction on the appropriate action required for purchase of goods and services, as well as construction and renovation projects.*
- C. *The Board shall have the sole authority to commit the district to any contract and such authority shall be obtained prior to the start of any construction project.*

14. Cooperating School District of Greater Kansas City

The district did not provide proper monitoring of pass-through grant funds and did not enter into a contract with the Cooperating School Districts of Greater Kansas City (CSDGKC) for use of the grant funds. The district also did not enter into a timely agreement with the CSDGKC for membership to its organization.

The CSDGKC represents 24 school districts stretching from St. Joseph on the north to Harrisonville on the south. Its mission is to leverage its members' combined strengths to provide high quality and cost-effective services and resources to maximize learning for all students.

- A. The district did not properly monitor expenditure of Kauffman Foundation grant funds by the CSDGKC.

The district was designated as the official recipient for the Kauffman Foundation grant funds, which were to be passed through to the CSDGKC in August 2007. Per the terms of the grant agreement, the district was required to ensure no indirect expenses were incurred; no grant funds were used for lobbying or political activities; and budgetary line items were not exceeded by more than 10 percent without prior approval.

During our review of grant files, there was no indication the district did anything other than obtain a copy of and forward the CSDGKC's final report of grant disbursements to the Kauffman Foundation in April 2008. As a result, the district allowed the CSDGKC to expend \$100,000 without reviewing or monitoring disbursements related to the grant. District officials indicated former Superintendent Taveau applied for this grant on behalf of the CSDGKC shortly before joining that organization as its Executive Director.

By not properly monitoring the CSDGKC's activity related to the Kauffman Foundation grant, the district cannot ensure grant monies are expended in accordance with grant requirements. As the grant recipient, the district is ultimately responsible for ensuring compliance with these requirements.

- B. The district did not enter into timely written contracts with the CSDGKC.

As noted in part A, the district was ultimately responsible for ensuring compliance with the Kauffman Foundation grant requirements. However, the district did not enter into a contract with the CSDGKC for use of the grant funds.

In addition, in July 2007 the district paid \$18,192 to become a member of the CSDGKC. However, the School Board did not approve a contract with the CSDGKC for educational services until December 2007.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. The written agreements should be prepared and signed before services are rendered.

WE RECOMMEND the School Board:

- A. Provide documented oversight of pass-through grants and properly monitor expenditures.
- B. Enter into timely written pass-through agreements documenting the responsibilities of each party.

AUDITEE'S RESPONSE

The School Board provided the following written responses:

- A. *The Board requires all pass-through grants be appropriately documented and expenditures monitored. The Cooperating School District grant was the only grant handled in this manner.*
- B. *The Board requires that pass-through agreements documenting the responsibilities of each party be entered into in a timely manner.*

The School Board also provided the following general response to the audit:

GENERAL RESPONSE TO STATE AUDIT

The Liberty Public School District No. 53 Board of Education (Board) appreciates the opportunity to respond to the information provided in this report. For an understanding of the events preceding the audit conducted by staff of the State Auditor's Office, a summation of the Board's knowledge and actions has been included in this general response. The Board has taken aggressive measures to ensure that comprehensive financial information is being received from Liberty Public School District (District) administration. Administrative procedures are being reviewed for appropriateness and assurance of alignment with Board policy. While the Board accepts responsibility for oversight of the district-at-large, it is important to note that many specific concerns reported in this document were limited to behaviors and decisions of a few administrators. The Board appreciates the cooperation of the current administration and staff in working toward District goals while imparting a significant reformation of the overall culture, governance and operating policies of the District.

In response to information revealed to the Board through inquiries of district patrons, February 19, 2008, the Board requested an independent auditor perform an analysis of the District that included inquiries of personnel, a review of policies and procedures, and an analysis of certain accounting data and other financial records. This review was separate from the regular financial audit of the 2007-2008 fiscal year. While the District had employed the services of the same auditing firm, Marr and Company, since the 1985-1986 fiscal year audit, the Board contracted with Westbrook and Co., P. C., Richmond, Missouri, for this performance review. Additionally, at a special meeting held March 27, 2008, the Board approved Travel Procedures, Purchasing Card Procedures, Vehicle Use Procedures and procedures for reporting Fraud, Theft & Misuse of District Assets.

In April 2008, the Board directed administration to competitively bid the services of an auditing firm for the regular fiscal financial audit. Bid invitations were issued April 23, 2008, and firms were rated based on areas including 1) audit firm experience, 2) organization, size and structure of the firm, 3) staff skills and experience, 4) understanding of the work to be performed, 5) peer reviews, and 6) cost. Prior to receiving the final report for the agreed upon procedures from Westbrook and Co., P.C., the Board established an Audit Oversight Committee to receive audit reports, to review recommendations, to develop an implementation plan, and to assist in the selection of an audit firm when necessary. The Board officially established the Audit Oversight Committee at the May 26, 2008 Special Board Meeting after interviewing qualified applicants. Five community members were appointed to serve on the committee. The Chief Financial Officer, a non-voting member, and two board members completed the membership of the committee. At the June 5, 2008 Audit Oversight Committee meeting, a review of auditing firms was conducted and the committee agreed to unanimously recommend Westbrook and Co., P.C. to perform the annual financial audit of the District. On June 6, 2008, the Board awarded the contract for audit services to Westbrook and Co., P.C. for the 2007-2008 financial audit with four, one-year renewal options. The auditing process began shortly after the award.

The Board held a work session on September 6, 2008, at which time the administration presented a comprehensive assessment of the financial condition of the District. An explanation of funds and revenue sources was presented as well as budget projections through June 2012. This work session represented the first disclosure to the entire Board that the financial condition of the District was concerning. Data presented reflected realistic projections for revenues and expenditures based on trends. At the September 15, 2008 meeting, the Board adopted a policy to begin meeting twice monthly to afford additional opportunity to receive accurate monthly projection data as well as addressing the budget reductions required to minimize the decline of the fund balance. Since that time, District administration has continued to provide updated financial information to the Board. Through these discussions, administration has identified significant contributing factors to the financial challenges of the District including:

- 1) State Revenue Concerns - The new state funding formula being phased in for all Missouri school districts is less generous to certain school districts than in prior years. The District has experienced smaller increases in state funding. The funding formula was previously a levy driven formula, and the new formula is a "student-needs driven formula." Districts having a higher percentage of free and reduced lunch students, special education students, and English Language Learner students receive more of the state allocation, and other districts, including Liberty, receive less. The District is currently in a "Hold Harmless" status meaning that the new formula provides for no less than the revenue received in the 2005-2006 fiscal year. The District anticipates receiving additional state funding beginning in the 2011-2012 fiscal year, contingent upon the formula is fully funded by the State of Missouri. Until that time, the district will need to rely on student growth for additional state funding.*
- 2) Local Revenue Assessed Valuation Concerns - School districts throughout the state of Missouri are seeing decreases in the assessed valuation of the property. Approximately forty percent of the District's revenue, excluding capital projects sources, is funded by local taxes. The assessed valuation of the real and personal property within District boundaries determines how much local tax revenue we receive; therefore, any decrease*

adversely affects District finances. Furthermore, assessed valuation projections for future years are not favorable. Although we are fortunate to have more new construction than many area school districts, the anticipated increases in assessed valuation will not support our present budget requirements. Current budget projections account for minimal increases in assessed valuation.

- 3) Recurring Financial Commitments Reliant Upon Unsustainable Revenue Increases – Programs, salary increases, additional benefits, and other recurring expenses were added in the past when revenue streams were very generous, yet these revenues have been slowing for the past few years. Instead of reducing expenditures to match revenues, funds were borrowed in July 2007 to balance the 2007-2008 budget. The Board understood this financing agreement to be an Advanced Funding Tax Anticipation Note; however, in actuality it was a 20 year lease purchase. This loan payment is an additional burden on the rapidly growing expense of running the District.*
- 4) Lack of Accurate and Transparent Budget Projections - Less than transparent financial reporting was provided to the school board, staff, and patrons. Additionally, projections were not based upon reality, but were simply percentage increases applied to revenues and expenditures and were not accurate.*
- 5) Recent Economic Downturn - A slowing economy has further exacerbated the financial concerns facing the District. The State of Missouri will be using Federal Stimulus dollars to fund the basic formula payment to public school districts in the 2009-2010 fiscal year. Funding for the future is difficult to predict. The Federal Stimulus is designed to provide support during the next two years for public education.*

The Board and administration recognize the problems now faced by the District have developed over a period of years, and the challenges presented by these problems will not evaporate on their own. Due to the information presented on the district's financial condition, the Board directed administration to develop a list of recommendations for budget reduction. The reductions were to be made with special consideration for protecting classroom instruction and preparing for continued increases in student enrollment.

At the September 15, 2008 meeting, the Board voted to accept a recommendation from administration to restructure the Audit Oversight Committee to the Audit & Finance Committee (Committee) and accepted a charter developed by administration in conjunction with the Audit Oversight Committee describing the scope of service of the Audit & Finance Committee. The Board was determined to address patron concerns and wanted to provide the new administration with the necessary support in establishing systems and procedures to ensure compliance with all federal, state and local regulations. The expanded responsibilities of the committee included monthly meetings to review and recommend to the Board any matters of audit or financial concern within the operation of the District. The Committee functions under the requirements of Board policy BCE-R Board-Appointed Committees. The overall responsibility of the Committee consists of making recommendations, including, but not limited to, the following: District policies and procedures, awarding of contracts, financial reports of revenue and expenditures, non-bond capital improvement reports, bond issue capital improvement reports, investment

reports, annual budget, long range financial planning objectives, audit reports, and internal control reports.

November 17, 2008, at the recommendation of the Audit & Finance Committee, the Board approved an agreement with EthicsPoint for fraud, waste and abuse or misuse reporting services. The system was fully implemented January 2009. All reports through this service are reviewed by the Audit and Finance Committee.

The Board received an updated charter from the Committee in February 2009 to modify membership to include, as a non-voting member, the District's Internal Control Specialist. The Internal Control Specialist directly reports to the Audit and Finance Committee on internal auditing and fraud, waste and abuse reporting and assists in reviewing and improving procedures and policies. The Audit and Finance committee meets monthly prior to the regular Board of Education meeting and makes a report to the Board regarding the data reviewed. Committee meetings are open to the public. The Audit and Finance Committee charter, minutes of meetings, board report, a prioritized review list of procedures and policies, Purchasing and Distribution Procedures, Travel Procedures, and Purchasing Card Procedures, as well as a link to the fraud, waste and abuse reporting system are posted on the District's Web site under Financial Accountability and available to the public at <http://www.liberty.k12.mo.us/about/business-operations/financial-accountability>. All documentation from Board of Education meetings and Audit and Finance Committee meetings is posted under BoardDocs and available for public view by accessing the District's Web site under Board of Education at <https://www.boarddocs.com/mo/lpsdmo/Board.nsf/Public?OpenFrameSet>.

At the direction of the Board, the Audit & Finance Committee and District administration have developed a prioritized list of procedures and policies for review and have aggressively worked since September 2008 to address areas identified by administration as well as by Westbrook and Co., P.C. through the procedural review and the 2007-2008 Financial Audit. In addition to the development of a perpetual calendar for ensuring continued review of procedures and policies, the following has been achieved:

1. Reviewed Investment Policy (May 2009)
2. Monthly Internal Audit Summary presented to Audit & Finance Committee (April 2009)
3. Updated signature cards and created annual review for insuring changes as needed (April 2009)
4. Ensure petty cash audits are performed on a timely basis (April 2009)
5. Updated Nutrition Services codes on General Ledger to reflect additional revenue categories (March 2009)
6. Accounts payable disbursements, with certain Board approved exceptions, are released only upon Board approval (March 2009)
7. Additional review of purchasing card distribution list and other cards (March 2009)
8. Addressed System Administrator internal control regarding financial processes (March 2009)
9. Establish fuel log procedures for grounds fuel pump (March 2009)
10. Implemented procedures to maintain debt schedules reflecting all current debt obligations ensuring the District is paying the correct principal and interest payments and ensuring all debt is being reported correctly on financial statements (February 2009)

11. *Set up a scholarship fund on the general ledger to account for the activity of Charles Taylor scholarship. Update the signature card to reflect the change in district personnel (February 2009)*
12. *Implementation of a Purchasing Procedures Manual and Board Policy (February 2009)*
13. *Addressed purchase of items for personal use through district vendor and receipt of district discount and/or tax exemption status in Purchasing Procedures Manual (February 2009)*
14. *All new employee record set-up for payroll processing is performed by the Human Resources Department (February 2009)*
15. *Alerted all principals and secretaries to the importance of keeping passwords confidential and only performing functions for which the Keystone system permissions allow (February 2009)*
16. *Reviewed previous practice of paying contractor from bid (no invoice created by vendor) and payments in advance of work being performed, appropriate certificates of insurance, mechanic's lien (February 2009)*
17. *Addressed purchase of used district furniture, equipment or other items including technology equipment by staff or departing staff in Purchasing Procedures Manual (February 2009)*
18. *Review of Board of Education policy and procedures regarding charitable donations (February 2009)*
19. *Review of Board of Education policy and procedures regarding consulting agreements (February 2009)*
20. *Review of Travel Procedures to update and monitor the list of disallowed or unacceptable expenses, improved guidelines for meal reimbursements, changes to improve efficiencies for all staff (January 2009)*
21. *Designated a department to handle all travel arrangements for the district (January 2009)*
22. *Addressed receipt of gifts from vendors or other purchasing incentives (January 2009)*
23. *Review of Board Policy regarding bid requirements (January 2009)*
24. *After a review of Board Policy DJF and DA regarding fraud reporting a process for reporting was established through EthicsPoint (January 2009)*
25. *Revised system permissions to allow personnel to have either input permissions or approval permissions, not both (December 2008)*
26. *Implementation of improvements to financial reporting options to BOE (December 2008)*
27. *Monthly Budget Amendment communication to BOE (October 2008)*
28. *Board President or designee approves all expenditure reimbursements for Superintendent and CFO (October 2008)*
29. *Board President or designee approves all credit card payment requests for Superintendent and CFO (October 2008)*
30. *Expanded the responsibilities and renamed the Audit Oversight Committee to Audit & Finance Committee. The expanded responsibilities of the committee include reviewing and making recommendations to the Board any matters of audit or financial concern within the operation of the District. (September 2008)*
31. *Implemented procedures to review final expenditure reports and requests for reimbursement and record grant revenue accordingly (September 2008)*

32. *Monitor all credit card activity to insure proper documentation is provided as to the purpose of the expense and detail of all attendees and their relationship to the District (July 2008)*
33. *Require all credit card activity be substantiated by detailed receipt and that it includes an explanation of the purpose of the expenditure (July 2008)*
34. *Implemented procedures to limit access to stored check stock (July 2008)*
35. *Developed monthly procedures to allocate interest to each fund based on beginning cash balances each month (July 2008)*
36. *Recording service charge expenses to an expenditure account and record interest income to a revenue account (July 2008)*
37. *Established Audit Oversight Committee for review of audits and selection of auditing firm (May 2008)*
38. *Established process for work inspection of capital projects to ensure work has been completed in satisfactory manner before signing to approve payment (May 2008)*
39. *Long-Range Projections (April 2008)*
40. *Vehicle Use Policy (March 2008)*
41. *Purchasing Card Procedures and required detailed receipts for all purchases (March 2008)*
42. *Travel Procedures and process for approval (March 2008)*
43. *Updated board policy DA regarding reporting fraud, theft and misuse of district assets (March 2008)*

All improved procedures and policies are listed on a perpetual calendar for continual review by the Audit and Finance Committee. In addition to reviewing the regular monthly financial reports and reviewing procedures and policies, the Audit and Finance Committee receives from administration a 2008 Bond Issue report, Financial Projection data and a monthly Budget Amendment report. In previous years, budget amendment increases would be provided primarily in June of each year. Beginning October 2008, administration began providing to the Board a monthly budget amendment for approval.

Workflow processes have been revised to ensure compliance with the new Travel Procedures and Purchasing and Distribution Procedures. All travel for instructional staff is now arranged by staff in the Curriculum and Instruction department while travel for other staff is handled through the Business Operations Department. A committee has been formed to address Student Related Travel procedures with an implementation target of the start of the 2009-2010 school year. Reimbursements to employees now flow through the Purchase Order process for documentation review by the Purchasing Department staff and to ensure that appropriate purchasing avenues, including those for Stores Inventory, are not circumvented and that purchases comply with the Purchasing and Distribution Procedures.

In summary, the Board is extremely pleased with the efforts of the Audit and Finance Committee members and the administration. During the fourteen month period beginning March 2008, the Board has conducted approximately 48 meetings. Additionally, the Audit and Finance committee has met 14 times during the nine-month period beginning August 2008. The actions stated in this report could not have been accomplished without the hard work and dedication of the committee members, administration, and staff. The dedication and commitment of all of our

stakeholders, including our staff, parents, and community patrons have allowed our District to rise above many of the challenges that have confronted us during the past several months. Great teaching and learning has served as the mainstay of the District operation as these challenges have been overcome and will remain our focus as the Board and supporting teams work toward reinstating financial stability and the trust of District patrons.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

LIBERTY 53 SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Liberty 53 School District is located in Clay County, Missouri, and covers 85 square miles and nine municipalities.

The district operates a senior high school (grades 10-12), two junior high schools (grades 8-9), two middle schools (grades 6-7), nine elementary schools (grades K-5), and an early childhood center. Enrollment was approximately 9,700 for the 2007-2008 school year. The district employed 1,526 full- and part-time employees, including 44 administrators, 635 teachers, and 847 support staff.

The Liberty 53 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2008, were:

School Board	Dates of Service During the Year Ended June 30, 2008
John Sedlock, President	July 2007-June 2008
Bren Abbott, Vice President	July 2007-June 2008
Jeff Akright, Member	July 2007-June 2008
Cindy Dunlap, Member (1)	July 2007-June 2008
Ken Robinson, Member	July 2007-June 2008
Evan Tripp, Member	July 2007-June 2008
Robert Young, Member (2)	July 2007-June 2008

(1) Served as Vice President from July 2007 through April 2008.

(2) Served as President from July 2007 through April 2008.

The district's other officials during the year ended June 30, 2008, are identified below. The compensation of these officials is established by the school board.

Other Officials	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for the Year Ended June 30, 2008
Michael Brewer, Interim Superintendent (1)	July 2007-June 2008	\$ 126,775
Dr. Phil Wright, Superintendent of Schools (2)	July 2007-April 2008	180,085
Eileen Houston-Stewart, Assistant Superintendent Communications	July 2007-June 2008	89,028
Dr. Steven Fleming, Assistant Superintendent Human Resources (3, 10)	July 2007-June 2008	163,880
Gregory Dufoe, Assistant Superintendent Curriculum and Instruction (4, 10)	July 2007-June 2008	122,500
Carol Embree, Chief Financial Officer (5, 10)	July 2007-March 2008	118,152
James Hammen, Executive Director Personnel (6, 10)	July 2007-June 2008	127,100
Colleen Jones, Executive Director Professional Development (10)	July 2007-June 2008	94,417
Dee Rosekrans, Director Community Development (7, 10)	July 2007-June 2008	84,600
Chester Walker, Director Custodial Services	July 2007-June 2008	72,700
Steve Aldrich, Director Maintenance	November 2007-June 2008	37,926
Jason Maeder, Director Maintenance	July 2007-November 2007	22,400
Justin Presson, Director Grounds	July 2007-June 2008	51,984
Rick Fletcher, Director Safety and Security (9)	July 2007-June 2008	27,227
Curt Roberts, Director Transportation (10)	July 2007-June 2008	85,400
Debbie Ervay, Director Kids Zone (10)	July 2007-June 2008	64,400
Lawrence Katzer III, Director Technology	July 2007-June 2008	80,700
Cindy Hormel, Director Nutritional Services (10)	July 2007-June 2008	94,600
Kathy Ellermeier, Director Health Services (9)	July 2007-June 2008	26,374
Barbara Wippich, Director Assessment (8, 10)	July 2007-June 2008	118,900

Eunice Johnson, Director Special Education (10)	July 2007-June 2008	92,308
Roger Kelley, Director Fine Arts (10)	July 2007-June 2008	75,675
Rebecca Gossett, Director Early Childhood	July 2007-June 2008	81,900
Jason Breit, Director Purchasing/Warehousing	July 2007-June 2008	72,820
Robert Citro, Director Information Technology (10)	July 2007-June 2008	75,500

- (1) Michael Brewer, former Assistant Superintendent Support Services, became Interim Superintendent of Schools in April 2008, until he was permanently appointed Superintendent of Schools in December 2008. Michael Brewer is also acting as Assistant Superintendent Support Services as the position is currently unfilled. Compensation includes sick leave payout of \$1,000.
- (2) Dr. Phil Wright resigned in April 2008, but was paid his full compensation through the end of fiscal year 2008.
- (3) Dr. Steven Fleming was placed on paid administrative leave beginning April 2008, and retired from the district in January 2009. Compensation includes sick leave payout of \$1,000. Dr. Robert Vogelaar, former principal, filled the role of this position in April 2008 until he became Interim Assistant Superintendent Human Resources in July 2008.
- (4) Gregory Dufoe resigned in June 2008. Colleen Jones was promoted to Assistant Superintendent Curriculum and Instruction in July 2008.
- (5) Carol Embree resigned as CFO in March 2008 and was rehired as CFO in July 2008. During the period she was not CFO, Ms. Embree was completing CFO duties in a temporary capacity as an hourly employee pending the hiring of a new CFO. Her compensation included \$6,338 of accrued vacation.
- (6) James Hammen was placed on paid administrative leave in April 2008 and rehired as Director of Student Services in September 2008. His compensation includes a \$1,000 sick leave payout and \$1,000 of accrued vacation. The Executive Director of Personnel position has been eliminated.
- (7) Compensation includes a \$1,000 sick leave payout and \$1,200 of accrued vacation.
- (8) Compensation includes a \$1,000 sick leave payout.
- (9) Hourly paid employee working in a part-time capacity.

(10) Various employees received travel allowances, included in the salary amounts above, ranging from \$200-\$400 per month. The total travel allowances paid to these employees for fiscal year 2008 was \$39,200.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

	2008	2007
Assessed valuation	\$ <u>750,177,180</u>	\$ <u>674,411,384</u>
Tax rates:		
Incidental	\$ 4.6450	\$ 4.6500
Debt service	<u>0.9950</u>	<u>0.9900</u>
Total	\$ <u>5.6400</u>	\$ <u>5.6400</u>



Susan Montee, JD, CPA
Missouri State Auditor

HIGHER EDUCATION

Three Rivers Community College



July 2009

Report No. 2009-71

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

July 2009

The following findings were included in our audit report on the Three Rivers Community College.

Various concerns were noted involving expenditures. The college's current bidding policy requires competitive bidding procedures based on the cost of individual items rather than the total amount of the purchase, resulting in some significant purchases not being bid and/or advertised. In addition, the college did not always obtain bids or document efforts to obtain bids for the purchase of goods and services as required by the college's purchasing policy. Examples of expenditures which were not properly bid or where bidding documentation was not properly retained, included: satellite campus construction costs (\$261,528), laboratory renovations (\$191,468), bleachers renovation (\$99,100), and laboratory equipment (\$73,202). Also, the college did not document its evaluation and selection of engineering services costing \$20,661.

During fiscal year 2006, the college made regular purchases of gas and other items (such as oil and tires) from a local gas station owned by a member of the Board of Trustees, with the related payments totaling over \$13,000. Because competitive bids were not obtained for these purchases, this situation appears to represent a conflict of interest and may violate state law. Some expenditures were noted which may not be necessary or prudent uses of college funds. In addition, the college did not enter into, or could not locate written contracts with various entities with which it does business. Also, improvements are needed related to controls over credit cards.

The college has not bid banking services and does not have a written agreement with any of the banks holding college funds. In addition, it appears the college has an excessive number of checking accounts. Bank accounts have not been reconciled on a timely basis. As of May 2008, the college's primary checking account and payroll account had not been reconciled since September 2007 and June 2007, respectively. Receipts collected and recorded by the cashiers in the business office are not always deposited intact because the college allows students and employees to cash personal checks from daily cash receipts. Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability of monies received.

The on-campus housing operation has incurred substantial losses each year since it began housing students in 2002. As a result of this situation, the college's Current Fund absorbed over \$370,000 in housing operation losses during the 3 years ended June 30, 2008. The college's child care operation has also incurred substantial operating losses (over \$200,000 during the 3 years ended June 30, 2008) and is subsidized by other college funds. In addition, as of August 2008, the college had not received any state payments since at least January 2005 for child care services provided for children eligible for state

YELLOW SHEET

subsidies. This may have been due to the child care operation not billing the state until late 2008. The college's contracted cafeteria vendor has not paid commissions owed since March 2006. Prior to March 2006, the college received commissions of approximately \$200 per month from this vendor.

The college does not have a formal capital assets policy and has not established adequate records and procedures to account for, track, and control capital assets. Prior to fiscal year 2008, the college did not maintain any type of internal listing or record of most of its capital assets. Beginning in fiscal year 2008, using the capital asset information maintained and provided by its independent auditors, the college assumed control and maintenance of the capital asset records. However, those records do not provide sufficient detail and other information to adequately account for and control the capital assets of the college. In addition, the college has not established adequate records and procedures to account for the disposition of capital asset items or to ensure such dispositions have been properly authorized.

Due to inadequate controls and little oversight of the campus bookstore by the business office, a former bookstore manager misappropriated a substantial amount of monies through fraudulent textbook buyback and refund transactions for several years prior to June 2007. According to a forensic investigation conducted by the college's independent auditors in 2007, approximately \$130,000 was misappropriated. The college was subsequently able to recover most of the amount lost through a fraud insurance policy. After the discovery of the fraud and the forensic investigation, the bookstore and the business office made changes to improve the controls and procedures related to textbook buybacks and refunds.

In 2005 and subsequent years, the college spent at least \$807,000 on start-up costs of new centers and legal fees related to a dispute with Southeast Missouri State University (SEMO) that could not be resolved through negotiation or other means. The audit recommended the college make a concerted effort to resolve any future differences it might have with another public institution of higher education. If the differences cannot be resolved, the matter should be submitted to the state Department of Higher Education for binding dispute resolution in accordance with a 2007 provision added to state law.

The college has not adequately documented how the rates in its current 5-year tuition rate plan were determined, nor does it review the 5-year plan periodically to ensure the rates remain appropriate in light of changing financial conditions.

The college's budget documents did not include some operating funds, did not include some information required by state law, and were not adopted timely. In addition, the college did not adequately review or monitor actual expenditures compared to budgeted expenditures by department.

Other findings in the audit report relate to booster club activities and expenditures, closed meeting minutes and public access to records, vehicle usage, and computer security issues.

All reports are available on our Web site: www.auditor.mo.gov

THREE RIVERS COMMUNITY COLLEGE

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-39
<u>Number</u>	<u>Description</u>
1.	Expenditures and Contracts5
2.	Bank Accounts and Controls Over Receipts12
3.	Auxiliary Operations and Use of College Facilities18
4.	Capital Asset Records and Procedures23
5.	Misappropriation of Monies by Former Bookstore Manager25
6.	Dispute with Southeast Missouri State University27
7.	Booster Club28
8.	Tuition Rates31
9.	Budgetary Practices32
10.	Closed Meeting Minutes and Other Record Issues35
11.	Vehicle Usage and Related Matters.....36
12.	Computer Security38
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	40-44
<u>Appendix</u>	Revenues, Expenses, and Changes in Net Assets, Three Years Ended June 30, 200844

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Trustees of the Three Rivers
Junior College District
and
Dr. Devin Stephenson, President
Three Rivers Community College
Poplar Bluff, Missouri

We have audited the Three Rivers Junior College District (Three Rivers Community College). The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the college's internal controls over significant management and financial functions.
2. Evaluate the college's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures of the college.
4. Review and evaluate selected records and activities of the college's Foundation and Booster Club.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the college, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the college's management and was not subjected to the procedures applied in our audit of the college.

The accompanying Management Advisory Report presents our findings arising from our audit of the Three Rivers Community College.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Susan J. Beeler, CPA
Audit Staff:	Jennifer L. Carter
	Patrick M. Pullins, M.Acct.
	Jesse Jett

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THREE RIVERS COMMUNITY COLLEGE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Expenditures and Contracts
-----------	-----------------------------------

Various concerns were noted involving college expenditures. These concerns included the need for the college's formal bidding policy to be revised, competitive bids/proposals not being obtained for some significant purchases, a conflict of interest situation involving a former board member, some expenditures which may not be necessary or prudent, and a lack of controls over credit cards. In addition, the college has not entered into written contracts with various entities with which it does business or could not locate written contracts with some entities.

- A. The college's current bidding policy requires competitive bidding procedures based on the cost of individual items rather than the total amount of the purchase, resulting in some significant purchases not being bid and/or advertised. The policy states that where practical, single items costing over \$200 require three competitive prices to be obtained. In addition, the policy provides that for single items costing over \$2,000, bids will be solicited by advertising in a newspaper.

Based on the wording of this policy, when the college purchases a large quantity of lower priced items from an individual vendor (costing less than \$200 each), no bidding is required. Similarly, if the college purchases a number of items costing between \$200 and \$2,000 from an individual vendor, competitive prices are required but the purchase does not have to be advertised. For example, in December 2006 the college bookstore purchased 350 books at a total cost of \$13,675 (or \$39 per book), without obtaining any competitive prices or bids because each individual item cost less than \$200. In addition, in September 2005, the college purchased 24 microscopes and accompanying equipment at a total cost of \$23,884 without advertising the purchase (though competitive prices/bids were solicited) because each individual item was less than \$2,000. When we asked college officials about the manner in which these purchases were procured, they referred us to the wording in the policy.

To ensure appropriate competitive procurement practices are employed for all significant purchases, the college should review its current bidding policy and consider revising it to base the required procurement practices on the total amount of the purchase rather than the cost of individual items.

- B. The college did not always obtain bids or document efforts to obtain bids for the purchase of goods and services as required by the college's purchasing policy. In addition, the college did not follow Chapter 8, RSMo, guidelines for procuring engineering services.

- 1) Various significant expenditures were noted in which competitive bids or proposals were not solicited and/or bidding documentation was not retained in accordance with the college's policy. Examples include the following:

Satellite campus construction costs	\$261,528
Laboratory renovations	191,468
Bleachers renovation	99,100
Laboratory equipment	73,202
Building additions/renovations	28,606
Interactive TV equipment	22,772
Satellite campus furniture	22,658
Surveying equipment	22,108
Elevator upgrades	17,119
Transcription equipment	9,480

For a portion of the laboratory renovations noted above, college officials indicated that bids had been obtained; however, documentation supporting these bids was not maintained. In addition, for other expenditures we were told that bids were not obtained because of time constraints; however, no documentation to support the need for an emergency purchase was maintained. In other instances, college personnel indicated some of the equipment purchases noted above were only available from one provider due to compatibility issues; however, these sole source procurements situations were not documented.

According to a college official, business office personnel are supposed to ensure bids or price quotes are attached to all requisitions sent to the business office for payment; however, the documentation is not always attached.

Competitive bidding for significant expenditures helps ensure the college receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the college's business. Complete documentation should be maintained of all bids received and reasons why the winning bid was selected. If a situation arises in which competitive bidding is not practical (such as sole source or emergency purchases), the reasons or circumstances for not soliciting bids should be documented.

- 2) During the fiscal year ended June 30, 2006, the college did not document its evaluation and selection of the engineer for a \$136,000 construction/renovation project related to the Bess Activity Center. The fees paid to the engineering firm for this project totaled \$20,661.

Sections 8.289 and 8.291, RSMo, require that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. According to Section 8.291.5, RSMo, the above provisions do not apply to any political subdivision which adopts a formal qualification-based selection procedure for the procurement of engineering services.

A college official stated that each year the Board of Trustees designates an engineer who will be used for all projects throughout the year. However, the board minutes did not document any discussions or decisions related to the selection of an engineering firm. In addition, these procedures did not appear to meet the requirements of Section 8.291.5, RSMo.

The college should ensure the criteria used and the basis for selecting engineering services is adequately documented to provide evidence of its efforts to obtain quality services at a reasonable price and demonstrate compliance with state law.

- C. During fiscal year 2006, the college made regular purchases of gas and other items (such as oil and tires) from a local gas station owned by a member of the Board of Trustees. From July 2005 to April 2006 (the part of the audit period this individual served on the board), payments totaling over \$13,000 were made by the college to this business. Competitive bids were not obtained for these purchases. We also noted similar purchases were made from this board member's gas station in years prior to fiscal year 2006. This board member's term ended in April 2006.

This situation appears to represent a conflict of interest and may violate Section 105.458.2, RSMo, which states "No sole proprietorship, partnership, joint venture, or corporation in which any member of any legislative body of any political subdivision is the...partner...or owner...shall... (2) Sell, rent or lease any property to the political subdivision or any agency of the political subdivision where the consideration is in excess of five hundred dollars per transaction or **five thousand dollars per annum** (emphasis added)...unless the transaction is made pursuant to an award on a contract let or a sale made after public notice and in the case of property other than real property, competitive bidding, provided that the bid or offer accepted is the lowest received."

The college should ensure conflict of interest situations are avoided by members of the Board of Trustees and appointed college officials. If the college does business in the future with a board member or appointed official (in an amount in excess of \$500 per transaction or \$5,000 in a year) the transaction(s) must be competitively bid and the lowest bid received accepted to comply with state law.

D. Some expenditures were noted which may not be necessary or prudent uses of college funds. These expenditures included the following:

- The college paid \$648 to a local restaurant for a catered Christmas meal in December 2006 for Board members, members of the college's foundation, some top college officials, and their guests. We were told by college officials that a similar function is held each December and paid for every other year by the college or the Foundation, respectively.
- The college paid \$600 in October 2006 for concert tickets given to board members and members of their families for shows held at the college.
- According to college personnel, the members of the Board of Trustees and the college president usually go to dinner at a local restaurant prior to the board's monthly meetings. We determined the college pays for these meals, which generally total about \$100 per month.

The public places a fiduciary trust in the college's officials to expend college funds in a necessary and prudent manner. The college should ensure its funds are spent only on items which are necessary to meet the critical educational needs of the college.

E. Controls over the credit cards issued to the college need improvement. As of May 2008, the college had been issued a total of 72 credit cards by various vendors, of which 43 were gas cards, 8 were general credit cards, and 21 were store credit cards. Seven of these credit cards were assigned to college executives or staff and the rest are available for check out by college employees. Credit card purchases totaled over \$116,000, \$103,000, and \$82,000, during the fiscal years ended June 30, 2008, 2007, and 2006, respectively.

- 1) College personnel were not fully aware of the number of credit cards issued to the college until after a break-in at the business office in May 2008.

College personnel were unsure if any credit cards had been stolen during the break-in because adequate records had not been maintained. The college has a 3-ring binder with a listing of college credit cards available for check out. When a college employee checks out a credit card it is supposed to be documented in the binder; however, this was not always done. In addition, the cards issued to the college were in numerical sequence for each vendor. However, some of the cards within those sequences were missing.

After the break-in, college personnel contacted each credit card vendor to determine how many cards had been issued to the college by the applicable vendors. College personnel then attempted to determine which

employees had possession of the cards that were not in the business office. All cards that could not be accounted for were cancelled.

While no unauthorized purchases were identified, the college needs to better monitor and control credit cards by ensuring all cards are either permanently assigned to specific employees or are properly checked out for temporary use. In addition, the college should reevaluate the number of active credit cards it currently holds and cancel any credit cards that are not needed.

2) We noted the following additional problems with controls over the college's credit cards:

- Individual credit card slips are not reconciled to the credit card statements each month. In addition, adequate supporting documentation was not always maintained to support the credit card purchases made. We reviewed 81 credit card purchases totaling \$9,580. For 21 purchases totaling \$2,246, neither a credit card receipt slip nor a detailed invoice or receipt was submitted. In addition, 14 purchases totaling \$795 were supported by a credit card receipt slip, but no detailed invoice or paid receipt.
- The college has not adopted formal policies and procedures for the use of credit cards.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure credit cards are used only for college business. Given the lack of controls over credit cards, the college should develop formal policies which include clarification of allowable purchases, procedures for checking out a card, a requirement that purchases be approved by someone other than the cardholder, and procedures that require reconciliation of credit card statements to detailed charges, supported by paid receipts or appropriate other documentation prior to payment.

F. The college did not enter into written contracts with various entities with which it does business or could not locate written contracts with some entities. Those situations included the following:

- The college pays monthly health insurance premiums for college employees. For fiscal year ended June 30, 2008, premiums totaled over \$820,300. While the college was able to locate the health insurance bid documentation, a copy of the related contract could not be located.

- The college contracts with two vending service companies to provide snack vending services; however, the college could not locate a copy of the applicable contract with either of these vendors. The college receives approximately \$4,300 per year related to these two contracts.
- The college bookstore currently has a verbal agreement with an outside vendor to handle book buybacks at the end of each semester. The college is to receive a 20 percent commission on all buyback purchases the company makes. It appears the bookstore did not enter into a written contract with the vendor for this service.
- The college rents classroom space to several 4-year colleges or universities to hold classes so students can pursue a bachelor's degree at the college's campus. However, it appears the college has not entered into written agreements with some institutions.
- The college's foundation owns a building on campus that the college uses and pays insurance on. In addition, the college provides office space to the foundation. However, there is no formal agreement between the college and the foundation.
- The college's booster club helps support the various athletic programs on-campus. The booster club uses the college's facilities for booster club sponsored tournaments and collects season ticket revenues for the college. However, there is no formal agreement between the college and the booster club.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. The college should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered or benefit obtained and the manner and amount of compensation to be paid, if applicable. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND Three Rivers Community College:

- A. Reevaluate the college's formal bidding policy and consider revising it to base the required procurement practices on the total amount of the purchase rather than the cost of individual items.
- B.1. Solicit competitive bids for purchases of goods or services. Documentation of the bids received and justification of bid awards should be retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, the

business office should ensure appropriate comparative pricing or bidding documentation is submitted with requisitions before payments are made.

2. Ensure engineering services are procured in accordance with state law and adequate documentation is maintained to support the procurement and selection process.
- C. Ensure conflict of interest situations are avoided by members of the Board of Trustees and appointed college officials. If the college does business in the future with a board member or appointed official, the college should ensure the business is conducted in accordance with state law.
- D. Ensure all expenditures of college monies are necessary and prudent uses of public funds.
- E. Reevaluate the number of active credit cards and cancel any credit cards that are not needed. Any credit cards determined necessary should be either permanently assigned to specific employees or properly checked out for temporary use. In addition, formal policies and procedures should be adopted for credit card use, including procedures which require reconciliation of credit card statements to detailed charges, supported by paid receipts or other appropriate documentation prior to payment.
- F. Enter into and retain written agreements with other entities the college does business with as required by state law.

AUDITEE'S RESPONSE

- A. *Three Rivers Community College (TRCC) understands and respects its responsibility to be good stewards of the district's funds. TRCC's current bidding policy requires competitive bidding and has served TRCC well in the past. TRCC will review and revise its current policy to ensure that it receives the best value for its expenditures.*
- B. *TRCC will ensure that the competitive bids or proposals are solicited for purchases in accordance with TRCC's purchasing policies and that all processes are fully documented. It should be noted that TRCC was in compliance with Sections 8.289 through 8.291, RSMo, which states in subsection 5 of 8.291 that: "Sections 8.285 to 8.291 shall not apply to any political subdivision which adopts a formal procedure for the procurement of architectural, engineering and land surveying services." TRCC will ensure that the criteria used and the basis for selecting professional services or sole source purchases will be adequately documented to provide evidence of its efforts to obtain quality services and products at a reasonable price.*
- C. *TRCC understands the importance of avoiding conflicts of interests by members of the Board of Trustees and appointed college officials. TRCC has a Conflicts of Interest and Substantial Interest Disclosure Policy which the board renews annually. In the future,*

when appropriate, TRCC will track even small purchases (such as vehicle gas fill ups or other services) that may be purchased from covered individuals to ensure compliance with the statutes.

- D. TRCC will continue to ensure that all expenditures are necessary and prudent uses of public funds and that we continue to be good stewards of the public trust. It should be noted that TRCC feels that it is important to maintain a good working relationship with TRCC foundation and donors to TRCC. Expenditures will be monitored and measured for their effectiveness and impact on creating a positive environment to work and learn.*
- E. TRCC has changed its credit card system instituting tighter controls and reducing the number of outstanding cards. TRCC is implementing a purchase card system with tight regulations which should further address these issues.*
- F. TRCC understands the importance of proper documentation of its business interactions and will obtain and retain documentation supporting its action. TRCC plans to enter into contracts concerning facilities with the Booster Club and the Foundation.*

AUDITOR'S COMMENT

- B. In regard to the college's assertion that TRCC was in compliance with the applicable statutes cited in this finding, we noted no formal selection procedure established by the college in the procurement of engineering services nor documentation to support the selection of engineering services retained by the college during the audit period.

2. Bank Accounts and Controls Over Receipts
--

The college has not bid banking services and does not have written agreements for these services. Monthly bank reconciliations were not prepared for an extended period of time. Receipts are not always deposited intact because the college allows personal checks to be cashed from the daily receipts. Frequently cash overages and shortages are noted when daily deposits are prepared by the business office. In addition, the college is not complying with policies limiting the amount of cash maintained overnight in the business office. Also, controls over other receipts collected both on and off campus could be improved.

- A. The college has not bid banking services and does not have a written agreement with any of the banks holding college funds. In addition, it appears the college has an excessive number of checking accounts.
 - 1) There is no indication the college has ever solicited competitive bids for banking services. It appears that each year the college historically rotated its primary checking account between the major banks in the area; however, during the past several years that account has been maintained at the same bank with other accounts spread among other banks in the area.

Also, the college does not have a written depositary agreement with any of the banks holding college funds.

To ensure the quality of banking services and maximize interest earnings, the college should consider procuring banking services through a competitive bid process. In addition, the college should enter into a written agreement with its depositary bank(s).

- 2) As of June 30, 2008, the college maintained 15 different checking accounts at various banks. Except for separate accounts required by bond covenants, it appears the remaining checking accounts could be consolidated to help simplify record keeping and reduce the number of accounts that must be monitored and controlled.

An excessive number of bank accounts requires additional administrative effort by college employees. The college should consider reducing/consolidating its bank accounts to a more reasonable number.

- B. Bank accounts have not been reconciled on a timely basis. During our initial discussions with business office personnel in May 2008, we were told the primary checking account had not been reconciled since September 2007. The Controller stated that when she tried to reconcile the account for October 2007, she had noted a relatively small difference and had not had time to identify the reason(s) for the difference. The Controller indicated that since the difference had not been resolved, she had not attempted to reconcile the bank account in the months that followed. Also as of May 2008, bank reconciliations had not been completed for the payroll bank account since June 2007.

Timely bank reconciliations are important to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. Lengthy delays in reconciling bank accounts could result in significant errors or discrepancies going undetected for an extended period of time.

According to the Controller, as of September 2008 the primary checking account had been reconciled through June 2008, and as of July 2008 the payroll account had also been reconciled through June 2008. The Controller stated that as of July 2008, the college started on-line banking and bank accounts are now monitored daily and reconciled monthly.

- C. Receipts collected and recorded by the cashiers in the business office are not always deposited intact. We noted the college allows students and employees to cash personal checks from daily cash receipts.

Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability of monies received. To help ensure cash receipts are accounted for properly, daily receipts should be deposited intact. If the college wishes to

continue providing check-cashing services for its students and employees, the checks should be cashed from a separate cash drawer maintained on an imprest basis and not from daily cash receipts.

It should be noted there is an automated teller machine (ATM) on campus where students and employees may obtain cash, if needed.

- D. The business office prepares a daily reconciliation showing overages and shortages at each cashier's workstation; however, the office personnel do not document the investigation of, or reasons for, the differences identified. Office personnel stated such differences are frequent and likely due to errors in counting and disbursing change; however, they indicated the amounts are usually small (under \$20) and tend to offset each other. During fiscal years 2006 and 2008, the total net overage/shortage was about \$100 each year; however, the records for fiscal year 2007 indicated there was a total cash shortage of approximately \$1,640 during that year.

Officials in the business office should make a concerted effort to reduce the frequency and amount of cash overages and shortages in that office. When overages or shortages are identified, personnel in that office should document their investigation of the discrepancies and document the reasons the differences occurred, if possible.

- E. The college has a policy that states no more than \$2,000 should be kept on campus overnight. While the business office is aware of the policy, at the time our review the business office kept the change fund as well as the current day's receipts on campus overnight. As a result, the monies maintained on campus overnight were generally well over the \$2,000 limit. Business office personnel indicated they did not follow this policy because of concerns about the security of leaving deposits in the bank's drop box and because personnel did not feel comfortable leaving campus after work with the large amounts of monies to be deposited.

The need to limit the amount of money maintained at the college overnight was demonstrated in May 2008, when the business office was broken into and approximately \$2,800 was stolen. Had the business office limited the amount of cash maintained on campus over night, it could have reduced the extent of the loss.

The college and business office should take steps to ensure the amount of money maintained on campus overnight is kept to a minimum. This might include ending business for the current day early enough in the afternoon to make the bank deposit before the bank closes for the day. Any monies collected after that designated time would be included in the next day's business.

F. The college's business office is the primary collection point for receipts; however, there are other locations, both on and off campus, where monies are initially received prior to being turned over to the business office for deposit. Our review of the controls over these receipts disclosed the following concerns:

- 1) The athletic department charges admission to various athletic events on campus. Collections related to such events totaled over \$42,000 during the three years ended June 30, 2008, most of which is collected in cash. Adequate procedures have not been established to account for and handle the revenues collected at the athletic events.

Admission to these events is collected at the door in the form of gate receipts. Prenumbered tickets are not issued to account for the number of people charged admission to the athletic events. Consequently, there is no procedure to reconcile paid admissions to the cash received and remitted for deposit. In addition, it appears gate receipts are generally taken home after an event by an individual responsible for collecting these monies and turned over to the business office the next day. This practice increases the risk of loss, theft, or misuse of college monies.

To ensure all gate receipts are accounted for properly, the college should issue prenumbered tickets for gate admissions and reconcile tickets issued to monies remitted for deposit. In addition, receipts from athletic events should be kept in a secure location until deposited.

- 2) The theatre box office collects monies related to music and theatre productions or guest concerts. During the three years ended June 30, 2008, theatre production receipts totaled approximately \$73,000. Adequate procedures have not been established to account for and handle collections related to these events/concerts.

Tickets are required for admission to the productions or programs; however, no reconciliation is performed of tickets printed and paid admissions. While some tickets are purchased by attendees in advance, tickets may be reserved and paid for at the door. Patrons of the Arts (those individuals who have donated \$1,000 or more) receive two free tickets. In addition, some free tickets are given to students from surrounding high schools. While tickets for patrons are tracked separately, other tickets distributed at no cost are not tracked separately from those tickets that are sold. In addition, the duties of receiving, recording, and transmitting monies to the business office are not adequately segregated for theatre/concert receipts. One person in the advancement office is primarily responsible for all of these duties.

To ensure theatre ticket sales are accounted for properly, the number of printed tickets should be reconciled to the number of tickets purchased and

the actual receipts remitted for deposit. Further, the duties related to the handling of these monies should be properly segregated to help ensure all transactions are accounted for properly and assets are adequately safeguarded.

- 3) Monies are received by employees at satellite campuses and are remitted to the business office by courier. The receipt slips issued to students at these off-campus sites are not prenumbered. As a result, there is less assurance the fees paid by these students are accounted for properly and deposited.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received and the receipts slips should be reconciled to amounts remitted and deposited.

- 4) The admissions and registrar offices are the initial point of receipt for various fees related to those offices, including application fees, ID replacement fees, transcript fees, graduation fees, and incomplete grade fees. Each office processes the monies received and then remits the monies to the business office for deposit. During the year ended June 30, 2008, the admissions and registrar offices collected a total of \$33,354 and \$14,365, respectively.

An official in the business office indicated that with the exception of application fees, the fees could be handled through student accounts in the business office. To better control and centralize the collection of monies on the college's main campus, the business office should be the primary location where monies are initially received and recorded to the extent practical.

WE RECOMMEND Three Rivers Community College:

- A.1. Periodically solicit competitive bids for banking services and enter into a written agreement with its depository bank.
2. Reduce the number of bank accounts maintained.
- B. Ensure bank accounts are reconciled on a timely basis.
- C. Discontinue the practice of cashing personal checks from daily cash receipts. Daily receipts should be deposited intact and the composition of monies received should be reconciled to the composition of bank deposits.
- D. Make a concerted effort to reduce the frequency and amount of cash overages and shortages in the business office. When overages or shortages are identified,

personnel in that office should document their investigation of the discrepancies and the reasons the differences occurred.

- E. Take steps to ensure the amount of money maintained on campus overnight is kept to a minimum.
- F.1. Ensure prenumbered tickets are issued for gate admissions and reconcile tickets issued to monies remitted and deposited. In addition, receipts from athletic events should be kept in a secure location on campus until deposited.
- 2. Ensure printed tickets for theatre events are reconciled to the number of tickets purchased and the actual receipts remitted and deposited. Further, the duties related to the handling of these monies should be properly segregated.
- 3. Ensure prenumbered receipt slips are issued for all monies received at off-campus sites, and those receipts are reconciled to the amounts remitted and deposited.
- 4. Consider collecting the fees currently collected at the admissions and registrar offices at the business office, to the extent practical.

AUDITEE'S RESPONSE

- A. *TRCC is in the process of reviewing and revising its banking procedures. TRCC has always tried to be inclusive with its banking services. As the volume and types of banking services increases, the need to consolidate accounts and bid services has reached a point which indicates a benefit from packaging and bidding banking services. TRCC plans to bid banking services.*
- B. *TRCC agrees that the accounts should be reconciled frequently. In July 2008, TRCC started on-line banking and bank accounts are now monitored daily and reconciled monthly.*
- C. *In July 2008, TRCC discontinued the practice of cashing personal checks. Deposits and reconciliations are handled as listed in item 2B.*
- D. *TRCC has revised its procedures for cash overages and shortages. For fiscal year 2009 the total net current overage/shortage is \$1.40.*
- E. *TRCC is revising its banking procedures which will address this issue.*
- F. *TRCC takes its fiduciary responsibilities very seriously. Background checks are performed on new employees and TRCC bonds employees handling money. We agree that controls should always be in place when money is involved and will now use prenumbered tickets and receipts. TRCC will also reconcile tickets and receipts against deposits to ensure transactions are accounted for properly and assets are adequately*

safeguarded. TRCC is also reviewing online payment systems which would reduce the number of offices receiving cash without restricting our customer service philosophy.

3. Auxiliary Operations and Use of College Facilities

The on-campus housing and child care operations are incurring substantial operating losses and are subsidized by other college funds. In addition, the child care operation has not received state subsidy payments for services provided to eligible children since 2005, which may be due to the failure to bill the state until recently. The contracted cafeteria service vendor has not paid commissions to the college as required by the related contract since December 2005. Also, the college's policy regarding use of college facilities by outside parties is not complete and the related rental fees have not been kept up-to-date.

- A. The on-campus housing operation has incurred substantial losses each year since it began housing students in 2002. As a result of this situation, the college's Current Fund is absorbing a portion of housing operation losses.

The college established the Three Rivers Building Corporation (TRBC) as a separate legal entity in 1994 for the purpose of obtaining financing for the construction of buildings on the college campus. The TRBC financed the construction of the student housing complex at a cost of about \$5.4 million. The facility can house up to 192 students. The TRBC is legally responsible for making payments on the construction bonds; however, bond payments are made directly by the college on the TRBC's behalf from the Student Housing Fund. Upon payment of the bonds in 2025, the TRBC will transfer ownership of the housing facility to the college.

The following table presents a breakdown of Student Housing Fund revenues and expenditures for the 3 years ended June 30, 2008. This information was obtained from the college's annual audited financial statements:

		Year Ended June 30,		
		2008	2007	2006
Operating Revenues	\$	428,559	457,734	540,704
Operating Expenses		(432,805)	(451,992)	(476,092)
Operating Income (Loss)		(4,246)	5,742	64,612
Net non-operating				
Revenues (Expenses)		(291,425)	(298,648)	(273,368)
Loss Before Transfers		(295,671)	(292,906)	(208,756)
Transfers from Current Fund		124,698	119,303	129,280
Change in Net Assets	\$	(170,973)	(173,603)	(79,476)

Note – The operating expenses noted above include depreciation and amortization expenses of approximately \$217,000 to 254,000 annually. In addition, the non-operating expenses include interest expense on the bonds of approximately \$302,000 to \$327,000 annually.

According to college officials, the rental rates were initially set by the contracted management company which administered the on-campus housing complex when it opened and the rates have not been changed or reviewed since that time. The housing facility has been running well below full capacity and college officials told us some students consider the current rental rates to be excessive; therefore, if the college raises the rates it could lose some student residents. The rental rates have been \$346 per month for a nine month lease since the housing facility opened in 2002. When the facility initially opened, the college was only paying interest on the related bonds. However, principal maturities on the bonds began in fiscal year 2006, resulting in increased debt service payments and the need for increased housing revenues to fund the payments.

College officials indicated they are aware of the shortfall in revenue for the student-housing complex; however, they have yet to develop a formal plan to discontinue or reduce the subsidies to the Student Housing Fund.

- B. Since 2000, the college has operated the Early Childhood Learning Center (ECLC), a state-licensed facility on campus, which provides child care and learning services for children of students, college faculty and staff, and members of the community. Approximately 40 children are served by this facility. A review of the ECLC disclosed the following concerns:

- 1) The on-campus child care operation has incurred substantial operating losses and is subsidized by other college funds. During the 3 years ended June 30, 2008, the child care facility incurred operating losses of over \$200,000.

As of June 2008, the ECLC had two full-time employees, six part-time employees, two work study employees, and one community member (who is paid by a federal grant). Besides providing child care services, college officials indicated the ECLC provides training and classroom opportunities for various college departments, including classes for the Early Childhood Program, Basic Psychology, Child Psychology, Child Literature, and Art for Elementary. The ECLC charges fees for child care services of \$2.15 per hour for up to 5 hours or \$14 per day. In addition, lunch is available for each child at an additional cost of \$1.50 per meal.

The following table presents the revenues, expenditures, and operating losses of the ECLC for the 3 years ended June 30, 2008. This information was obtained from the college's financial records.

		Year Ended June 30,		
		2008	2007	2006
Revenues	\$	51,165	76,638	80,751
Expenditures		(139,775)	(132,865)	(137,400)
Operating Losses	\$	<u>(88,610)</u>	<u>(56,227)</u>	<u>(56,649)</u>

Note – Both fiscal year 2006 and 2007 revenues include about \$20,000 for day care fees assessed to most students. The college fee structure was changed in fiscal year 2008, and a common fee replaced several specific fees that were earmarked to fund certain college operations/activities. A portion of this common fee was not specifically allocated to the day care operation for fiscal year 2008. In addition, the operating losses presented above may be understated because state billings that may be denied are included in revenue amounts (see B.2. below).

Operating the child care facility at a deficit requires other college funds to subsidize its operations and activities. The college should perform a cost-benefit analysis to determine whether the education, research, or other benefits of the child care operation justify the continued operation of this facility. The college should also review the adequacy of fees currently charged for these services.

- 2) As of August 2008, the college had not received any state payments since at least January 2005 for child care services provided for children eligible for state subsidies. It appears this may be due to the ECLC not billing the state until late 2008. The charges related to eligible child care services totaled over \$39,000 for the period from January 2005 through June 2008.

A number of individuals who utilize the ECLC are eligible for state aid to pay child care fees through the state's Child Care Assistance Program. According to college officials, 12 children served by the ECLC during August 2008 were eligible for this state aid. If a child is determined eligible for the program, the state will reimburse the care provider directly for child care services. To receive this reimbursement, the child care provider (the ECLC) must submit a monthly invoice to the Department of Social Services, Children's Division (CD), listing each eligible child and the services provided.

The ECLC Director told us monthly invoices had been submitted to the state and the reimbursements had been delayed due to the establishment of a new computer system in 2005. However, state officials at the regional office as well as those in Jefferson City indicated that no monthly invoices had been submitted for eligible services by the ECLC since before 2005. While we were unable to determine definitively whether billings had been submitted by the ECLC to the state during this period, at a minimum, the ECLC or college officials should have followed up on this situation in a timely manner to determine the status of any unpaid billings.

In recent months, college officials have been in contact with the appropriate state officials to pursue reimbursement for those eligible child care services that had not been previously paid. The billings in question have now been received by the state; however, as of March 2009, it was uncertain how much, if any, funding will be received from the state related to these old billings.

During our review of this situation, we also noted there were delinquent charges of approximately \$9,000 at June 30, 2008. These delinquent charges related to co-payments for children eligible for the state subsidy or were self-pay accounts. ECLC policies provide that if fees are not paid, the child will not be allowed to return to the day care; however, it appears this policy is not enforced.

The ECLC should continue to pursue reimbursement from the state for eligible child care services which were not previously paid. In addition, any future billings should be remitted to the state in a timely manner and followed up on if not paid promptly. Also, the ECLC should ensure any charges owed by the customers/students are paid on a timely basis.

- C. The college's contracted cafeteria vendor has not paid commissions owed since March 2006. Prior to March 2006, the college received commissions of approximately \$200 per month from the cafeteria vendor.

In October 2003, the college entered into a contract with the current vendor to provide on-campus cafeteria services. The contract required the college to receive a 5 percent commission based on net cafeteria sales and concessions sales from athletic events. However, the college has not ensured commission payments were received as required by the contract. We noted the last payment from the vendor was received in March 2006 for commissions related to December 2005.

According to college officials, the college attempted to rebid the contract for cafeteria services in 2006; however, no bids were received. Therefore, those officials indicated the college had no choice but to ask the current contractor to extend the previous contract even though that vendor had not paid the commissions required pursuant to the contract.

As a result of this situation, the college is not receiving revenues related to this contract. The college should require the cafeteria services vendor to pay the commissions provided by the cafeteria contract. If the contractor does not comply with the terms of the contract, the college should make a concerted effort to find a new cafeteria services contractor or revise the terms of the contract to be consistent with the current practice. In addition, the college should consult with legal counsel about pursuing the past due commissions.

- D. A college policy allows some private or non-profit events to be held in various buildings on campus (i.e., activity center, student center, ball fields, fine arts center, library areas, classrooms, and laboratories) for an established rental fee. However, the policy only outlines the rental fees for the activity center and student center. In addition, college officials could not recall the last time the policy was updated.

According to the policy, use of the activity center is \$300 per event or day, the student center is \$200 per event or day, and both of these facilities concurrently is \$400 per event or day. Custodial fees are also charged at the custodial hourly rate. We were informed a fee of \$10 is currently charged for the rental of a classroom or laboratory by other educational institutions. However, this fee has not been formally established by policy.

Considering the rental fee structure has not been revised recently and is not complete, the college should evaluate the current policy and fees charged and make appropriate revisions to bring them up-to-date. In addition, the rental fees should be reviewed and adjusted, if necessary, on a periodic basis.

WE RECOMMEND Three Rivers Community College:

- A. Review the operations of the student housing operation and develop a plan to discontinue or reduce the need for operating subsidies to the Student Housing Fund.
- B.1. Perform a cost-benefit analysis of the ECLC and develop a plan to make the facility more self-supporting.
2. Continue to pursue reimbursement from the state for past child care services, ensure future state billings are submitted monthly, and follow up on unpaid billings in a timely manner. In addition, the ECLC should pursue collection of co-payments and self-pay accounts on a timely basis.
- C. Require the cafeteria services vendor to pay monthly commissions as provided in the contract. If the contractor does not comply with the terms of the contract, the college should make a concerted effort to competitively procure a new cafeteria services contractor or revise the terms of the contract to be consistent with the current practice. In addition, the college should consult with legal counsel about pursuing the past due commissions.
- D. Reevaluate the current policy and related rental fees regarding the use of college facilities for private or non-profit events and revise the policy and fees, as necessary. In addition, rental fees should be reviewed and adjusted, if needed, on a periodic basis.

AUDITEE'S RESPONSE

- A. *TRCC is reviewing housing income and expenditures in order to maximize its usage and reduce expenses. TRCC also realizes that housing allows some students to attend that otherwise would not be at Three Rivers. This benefit is hard to measure but does exist and reduces the total cost to the institution. As ways to increase revenues and decrease expenses occur, TRCC will immediately take advantage of them.*
- B. *TRCC plans on doing a cost benefit analysis of the Early Childhood Learning Center. Services offered, educational opportunities, expenses and fees will be a part of this review. TRCC will also pursue unpaid billing and is actively working to receive reimbursement it is owed from the state.*
- C. *TRCC will review its contracts and see that they are enforced or revised as dictated by the circumstances.*
- D. *TRCC will review and revise its policy on facility usage and related fees.*

4. Capital Asset Records and Procedures
--

The college has not established a formal capital assets policy or maintained adequate capital asset records. Periodic physical inventories of assets are not performed and most items are not identified with a tag or other similar device identifying college ownership. In addition, adequate records and procedures have not been established to account for and authorize the disposition of property items.

- A. The college does not have a formal capital assets policy and has not established adequate records and procedures to account for, track, and control capital assets. Prior to fiscal year 2008, the college did not maintain any type of internal listing or record of capital assets (with the exception of some computer equipment tracked by the college's Technology Department). The only comprehensive record of the college's capital assets was maintained by the college's independent auditors.

Beginning in fiscal year 2008, using the capital asset records maintained and provided by its independent auditors, the college assumed control and maintenance of the capital asset records. However, those records do not provide sufficient detail and other information to adequately account for and control the capital assets of the college. For example, a number of entries in the record list multiple items at one cost/book amount (i.e. 20 computers valued at \$19,740) or the item description is vague or non-descriptive (i.e. furniture). In addition, the current capital asset records do not always include some necessary information, such as serial numbers or other identifying numbers, location of the items, and the date and method of disposal, if applicable.

In addition to these recordkeeping concerns, periodic physical inventories of property items have not been performed. While the college has a policy which requires that all college-owned property be inventoried annually, this policy has not been followed and college officials indicated they were not aware the policy existed. Also, most property items have not been identified with a tag or other similar device identifying the items as college property.

The college should develop a comprehensive capital assets policy which provides complete recordkeeping and procedural requirements related to college-owned property. Adequate capital asset records and procedures are necessary to secure better internal controls; safeguard assets which are susceptible to loss, theft, or misuse; and provide a basis for determining proper insurance coverage. To establish adequate capital asset records it may be necessary for the college to perform a complete physical inventory of all capital assets and create a record that includes the necessary information for each property item.

- B. The college has not established adequate records and procedures to account for the disposition of capital asset items or to ensure such dispositions have been properly authorized.

At the time of our review, no formal policy or procedures related to the disposal of property items existed nor was documented supervisory/management approval required. According to college officials, when an item is no longer needed or useful, the department head will dispose of the property or place the item in storage without notifying the business office. As a result, the business office is not always aware of the disposal and may not remove the item from the capital asset records. Because of the inadequacy of the capital asset records as noted above, the college was unable to provide records documenting the extent of property dispositions during the period under review.

Although the records maintained by the college's technology department tracked computer equipment items disposed of, the explanation in the records did not always adequately identify pertinent details, such as method of disposal. The Director of Technology & Computer Services indicated college computer equipment is normally disposed of by donating, discarding, or cannibalizing the items.

The college should establish formal written policies and procedures related to the disposition of capital assets to ensure they are properly handled, approved, and recorded.

WE RECOMMEND Three Rivers Community College:

- A. Develop a comprehensive capital assets policy and establish adequate records and procedures to account for, track, and control capital assets. Those records should include pertinent detailed information for each property item. In addition, annual

physical inventories of the property items should be performed and property control tags should be affixed to all asset items identifying them as college property.

- B. Ensure adequate records and procedures are established related to the disposition of capital assets. This should include preparing formal written policies, including the requirement of management/supervisory approval of all property dispositions.

AUDITEE'S RESPONSE

- A. *TRCC is in the process of developing a comprehensive capital asset policy and record procedure. TRCC has purchased a license for Check Mate Fixed Asset Software. This system will be used as we develop our capital asset management system.*
- B. *As part of the comprehensive asset management plan, TRCC will develop written policies for the management and disposal of all property.*

5. Misappropriation of Monies by Former Bookstore Manager
--

Due to inadequate controls and little oversight of the campus bookstore by the business office, a former bookstore manager misappropriated a substantial amount of monies through fraudulent textbook buyback and refund transactions for several years prior to June 2007. According to a forensic investigation conducted by the college's independent auditors in 2007, approximately \$130,000 was misappropriated.

The college owns and operates a bookstore on campus which sells textbooks, supplies, and other items to students. As part of its operations, the bookstore has historically bought back textbooks from students after a class is completed (typically at 20 percent of the retail selling price) and then resells those books to other students for the next semester's classes. In addition, if a class is cancelled early in a semester, a student in the cancelled class has been allowed to return the respective book and was given a refund (a 100 percent refund if the book is in new condition).

Prior to July 2007, it was the bookstore's practice to make buyback payments and refunds to students in cash from the bookstore's change fund and then submit requisitions to the business office to replenish the change fund. During the period of time the misappropriations occurred, it appears the former bookstore manager had sole responsibility for preparing these requisitions and she was not required to provide adequate documentation to the business office to support the amounts requested. The only documentation provided to the business office to support these change fund replenishments was a cash register tape showing the total buybacks and returns along with the requisition form. The former bookstore manager inflated the amount of actual buybacks and returns, and misappropriated the difference between the actual valid transactions and the amounts reported to the business office. It appears the former bookstore manager was able to hide this scheme for an extended period of time by

adjusting the bookstore's perpetual inventory records. Lax controls and oversight by the business office allowed this misappropriation to continue over an extended period of time.

In June 2007, while the former bookstore manager was absent on medical leave, other bookstore personnel noted various discrepancies and brought these to the attention of the business office. In late June 2007, the former bookstore manager was confronted about these discrepancies and that same day she resigned her position with the college.

The college subsequently hired its independent auditors to perform a forensic investigation. The independent auditors concluded their investigation and issued a report in early September 2007. In their report, the independent auditors indicated that based on their evaluation and analysis, approximately \$130,000 had been misappropriated during the years ended June 30, 2003 through 2007. The college was able to recover this amount through a fraud insurance policy, except for a \$1,000 deductible. The \$20,000 cost of the forensic investigation was not reimbursable under the college's insurance policy. In October 2007, the bookstore manager was charged with felony stealing and subsequently pled guilty to amended charges (of stealing \$500 or more but less than \$25,000) in March 2008.

After the discovery of the fraud and the forensic investigation, the bookstore and the business office made changes to improve the controls and procedures related to textbook buybacks and refunds. These improvements included, but were not limited to, requiring buybacks or refunds over \$50 be made directly by the business office to the student and requiring the bookstore to provide detailed documentation to support payments made for buybacks or refunds under that amount. In addition, all textbook transactions (including buybacks and refunds) are entered into the perpetual inventory system by the employee handling the transaction and the annual physical inventory counts are conducted by several individuals. A report of the physical inventory counts and any adjustments needed to the perpetual inventory records are now given to the business office and the college's independent auditors.

During the year ended June 30, 2008, we noted the total buybacks and refunds related to the bookstore dropped to a relatively low level and it appears the problems that existed in previous years have been corrected. We also noted that beginning with the fall 2008 semester, the college outsourced the textbook buyback services to an outside vendor. Through this agreement, the vendor handles all textbook buybacks and pays the college an agreed upon commission related to these transactions. In addition, beginning with the fall 2008 semester, all textbook refunds are now processed directly through the business office.

WE RECOMMEND Three Rivers Community College continue to monitor the operations of the bookstore and the college's outside vendor to ensure no similar improprieties occur.

AUDITEE'S RESPONSE

TRCC detected the problem, did the proper investigation, and brought charges against the bookstore manager. TRCC received a settlement from its insurance company and has changed and improved its controls and procedures concerning the bookstore.

6. Dispute with Southeast Missouri State University
--

In 2005 and subsequent years, the college spent at least \$807,000 on start-up costs of new centers and legal fees related to a dispute with Southeast Missouri State University (SEMO) that could not be resolved through negotiation or other means.

In 1986, the college began offering lower division (freshman and sophomore level) college classes to students in several southeast Missouri communities outside the college's district boundaries. In 1988, the college and SEMO entered into a cooperative agreement (along with some other educational entities in the area) giving the college the right of first refusal on all lower division courses, and giving SEMO the rights to provide upper level courses. The courses offered by the college were conducted in rented classrooms in educational centers owned by SEMO in Sikeston, Malden, and Kennett. Various other cooperative agreements were subsequently signed over the years between these two institutions, the last one being signed in 2004.

According to college officials, in early 2005 a dispute arose between the college and SEMO pursuant to this agreement regarding the rent payments owed and the funding of improvements to equipment in the respective classrooms. Officials of the two institutions were unable to come to a resolution, and in late February 2005, SEMO notified the college the agreement was being terminated on May 14, 2005. This action, if carried out, would effectively end the college's ability to offer classes in the SEMO-owned facilities in Sikeston, Malden, and Kennett beginning with the summer semester of 2005.

Shortly after this action was taken by SEMO, the college asked the Commissioner of the Missouri Department of Higher Education (DHE) to help negotiate a settlement between the two institutions. According to college officials, the parties reached a tentative agreement and a proposed settlement agreement was drafted; however, a final resolution of the differences could not ultimately be reached. At that time, the DHE did not have dispute resolution authority over state higher education institutions, so it could not force the SEMO and the college into an agreement regarding this matter.

In March 2005, the college filed a lawsuit against SEMO for breach of contract and began making arrangements to establish its own educational centers in Sikeston, Malden, and Kennett to continue to provide classes to students in those cities. Over the summer of 2005, it appears the college spent from \$770,000 to \$890,000 in start-up costs to get these three new sites (along with some additional satellite centers) ready for classes for the fall 2005 semester. In addition, it appears the college incurred legal costs related to the lawsuit totaling at least \$37,000. This lawsuit continued until June 2008, when the

college's current Board of Trustees voted to drop the lawsuit. According to a college official, this decision was made because the board felt it was in the best interests of the students, college, and taxpayers to end the lawsuit.

In our report, No 2006-52, *Tuition Levels Follow-up*, we recommended the General Assembly provide the DHE statutory authority to arbitrate disputes between public institutions of higher education. In 2007, Section 173.125, RSMo, was enacted to require, as a condition of receiving state funds, every public institution of higher education to "agree to submit to binding dispute resolution with regard to disputes among public institutions of higher education that involve jurisdictional boundaries or the use or expenditure of any state resources whatsoever, as determined by the coordinating board." If this law had been in effect at the time the dispute with SEMO arose, it appears the DHE would have had the authority to force the college and SEMO into an agreement and the lawsuit could have been avoided.

It is unclear whether college officials acted prudently during the dispute in 2005 that resulted in the college filing litigation against SEMO; however, it is clear a significant amount was spent on legal fees and to open the new centers in the respective cities.

WE RECOMMEND the Three Rivers Community College make a concerted effort to resolve any future differences it might have with another public institution of higher education. If the differences cannot be resolved, the matter should be submitted to the DHE for binding dispute resolution in accordance with state law.

AUDITEE'S RESPONSE

TRCC has always been willing to work with Southeast Missouri State University (SEMO). SEMO has had a continuous presence on our campus beginning well before the 2005 lawsuit brought by the previous administration. SEMO has office space, a full time facilitator, and a designated ITV classroom on our campus. They recently completed an articulation agreement with Three Rivers to bring to its Poplar Bluff Campus a face-to-face bachelor degree program in Social Work. The current administration wants to be an active partner with SEMO.

7.

Booster Club

The college has not assigned responsibility for overseeing booster club activities and expenditures to an independent college official. Some booster club expenditures may not be appropriate or prudent uses of funds. Adequate documentation to support booster club expenditures is not always maintained, nor is adequate documentation provided to the college to support the amount of reserve seat revenues remitted by the booster club. In addition, basketball tournament expenses of approximately \$8,800 were paid in cash by the booster club from gate proceeds.

The Three Rivers Community College Booster Club is a separate not-for-profit entity that was established in 1970 to support the athletic programs at the college. While the booster

club was originally organized to support the men's basketball program, over time it has become involved in supporting other sports of the college, though men's basketball appears to continue to be its primary emphasis. Our review of the records and activities of the booster club disclosed the following concerns:

- A. The college has not assigned responsibility for overseeing booster club activities and expenditures to an independent college official. In a September 2007 management letter to the college, the college's independent auditors reported the Athletic Director/Head Basketball Coach was the individual assigned by the college to be responsible for the oversight of the booster club. Those auditors reported this individual benefited directly from basketball-related expenditures of the booster club, and a college official who did not have a vested interest in the activities of the booster club should be given independent oversight responsibilities over the club. Subsequent to the 2007 audit, the college President assigned a Vice President of the college to oversee the booster club's activities/expenditures; however, when the college President was terminated in July 2008, this Vice President was appointed as the college's Interim President and the oversight responsibilities for the booster club were returned to the Athletic Director/Head Basketball Coach.

Responsibility for overseeing the activities and expenditures of the booster club should be assigned to an individual who is independent and does not have a vested interest in those activities. Independent oversight is necessary to help ensure all activity is appropriate and in accordance with applicable rules and regulations.

- B. Some booster club expenditures were noted which may not be appropriate or prudent uses of funds. These expenditures included the following:
- Health insurance costs totaling \$3,906 were paid for various student-athletes during the 3 years ended June 30, 2008.
 - Dental costs for a student-athlete totaling \$867 were paid during the 2 years ended June 30, 2007.
 - Tuition costs totaling \$1,630 were paid for two student-athletes to attend classes at another institution during the year ended June 30, 2006.
 - Travel costs totaling \$1,354 were incurred during the year ended June 30, 2008, to pay for round-trip airfare for a student-athlete to visit his home overseas.
 - A total of \$2,200 was spent during the year ended June 30, 2008, on 20 watches (at \$110 each), which were given to the players, coaches, and other individuals associated with the men's basketball team who attended a national tournament.

The expenditures incurred by the booster club should be limited to those which are reasonable and appropriate to ensure the club monies are used properly and in accordance with applicable rules and regulations.

- C. The booster club sells reserved seats for men's basketball events. However, when the reserved seat revenue is turned over to the college, no documentation is submitted to the college to support the amount of monies collected. Adequate documentation should be submitted to the college to support the reserved seat revenues remitted by the booster club.
- D. The booster club sponsors three basketball tournaments each year to allow the men's basketball team to play more games. The booster club receives all proceeds from these games (mostly gate/admission fee revenues) and pays the expenses of the tournament games (i.e., payments to referees, scorekeepers, etc.) in cash out of the gate proceeds. We were told if the receipts are not sufficient to cover all of the expenses, a booster club board member will contribute the remainder of cash needed and be reimbursed later by the club. For the tournaments held in fiscal year 2007, we noted the booster club made cash payments of approximately \$8,800 at those three tournaments.

Booster club officials indicated cash disbursements have been made because the club's treasurer does not always attend the games and game referees and other officials often change with little or no prior notice; therefore, we were informed that writing checks in advance to these individuals is not practical.

While the booster club has improved its controls over these cash disbursements since 2007 by keeping a record of the disbursements and the individuals the monies are disbursed to, paying tournament expenses in cash is a poor practice and should be discontinued, to the extent possible.

In addition to the condition reported in Part A, the college's independent auditors also reported a concern similar to Part D.

WE RECOMMEND the Three Rivers Community College:

- A&B. Designate an independent college official to oversee the booster club to ensure its activities and expenditures are appropriate and prudent uses of funds.
- C. Ensure the booster club provides adequate documentation to the college to support reserved seat revenues turned over to the college.
- D. Ensure the booster club discontinues, to the extent possible, the practice of paying cash for expenses of club-sponsored tournament events.

AUDITEE'S RESPONSE

- A-C. *TRCC agrees that it should have a designated college official to work with the booster club. TRCC will review appropriate documentation concerning reserved seating and use of funds.*
- D. *TRCC will work with the booster club to reduce, to the extent possible, the practice of paying cash for expenses of club-sponsored tournament events.*

8. Tuition Rates

The Three Rivers Community College has not adequately documented how the rates in its current 5-year tuition rate plan were determined, nor does it review the 5-year plan periodically to ensure the rates remain appropriate in light of changing financial conditions.

The following table presents the tuition rates per credit hour (excluding fees) by category of student for the current 5-year plan, adopted in February 2005:

Academic Year	In- District	Out-of- District	Out-of- State
2006-2007	\$ 61	98	122
2007-2008	64	103	128
2008-2009	67	107	134
2009-2010	70	112	140
2010-2011	73	117	146

College officials indicated there are many factors considered when increasing tuition. These include, but are not limited to, the level of state funding received by the college, anticipated property tax revenue, increases in operating expenses, and anticipated tuition levels of comparable institutions in the region. The college set tuition rates for a 5-year period as a convenience to the students.

The tuition plan adopted by the Board of Trustees increases the in-district tuition rate \$3 per credit hour per year, and sets out-of-district and out-of-state tuition rates at 1.6 and 2 times the in-district rate, respectively. However, the college maintained no documentation to support how the tuition rates were determined and whether they were set at an appropriate level.

In addition, it appears the Board of Trustees does not revisit the planned tuition rates periodically during the 5-year period. College officials indicated that, although the college is not bound to the tuition plan, the college feels that since the plan has been adopted to assist students in planning their education, the plan should not be changed absent significant extenuating circumstances. It was noted that the college did not adjust

its tuition plan following the dispute with Southeast Missouri State University (SEMO), which caused the college to lose a significant number of students and tuition revenue. The college's subsequent losses could potentially have been mitigated by adjusting tuition rates to more accurately reflect the changing conditions at the college.

It should be noted Three Rivers Community College's tuition rates appear comparable to the average rate of other 2-year public colleges in the state. However, the college should prepare and maintain documentation to support how its tuition rates are established to provide assurance to its students and financially responsible parties that tuition rates have been set appropriately. The tuition plan should be periodically reviewed and revised, if necessary.

WE RECOMMEND Three Rivers Community College adequately document how tuition rates are determined, including the various factors considered and any calculations performed, when establishing tuition rates. In addition, the college should periodically review the tuition plan to ensure the plan adequately reflects current conditions affecting the college.

AUDITEE'S RESPONSE

TRCC continually reviewed its financial position during the period of the audit. The tuition in 2004 was \$58 per credit hour, in 2005 it was \$59 per credit hour, and in 2006 it was \$61 per credit hour, an increase of \$3 over the three year period. This is a 1.7% increase from 2004 to 2005, and a 3.3% increase from 2005 to 2006. This is one of the lowest tuition rates in the state. TRCC holds a budget workshop for the trustees (open to the public) in which the budget is completely reviewed and discussed including revenues, their sources, and their changes from year to year. The board takes a very active interest in setting the annual tuition.

9. Budgetary Practices

The college's budget documents did not include some operating funds, did not include some information required by state law, and were not adopted timely. In addition, the college did not adequately review or monitor actual expenditures compared to budgeted expenditures by department.

A. State law requires each political subdivision of the state to prepare an annual budget, which shall present a complete financial plan for the ensuing budget year. The college, being a junior college district, is subject to these provisions. A review of the college's compliance with budgetary law and its budgetary practices disclosed the following concerns:

- 1) The college's budget documents did not include some operating funds of the district, and only included the budgeted activities of the Current Operations Fund. Budgets were not prepared for the Student Housing

Fund or the Plant Fund. College officials stated these two funds have not been budgeted in the past.

- 2) The budget documents approved by the Board of Trustees for the years ended June 30, 2008, 2007, and 2006, did not include some budgetary information required by state law. Required information not included in the approved budgets were comparative statements of actual or estimated revenues and expenditures for the 2 previous years, and amounts related to the debt service requirements. While the 2008 budget document approved by the board included 2 years of revenue data and a year of expenditure data, this was not included in the budget document made available to the public, which only included the current budget information.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year and provides that specific information be included in the budget, including prior year revenue and expenditure data. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include separate revenue and expenditure estimations, beginning available resources, and a reasonable estimate of the ending available resources for each fund.

- 3) The college does not adopt budgets in a timely manner, resulting in retroactive pay increases for employees each year, which totaled over \$111,000 for the 3 years ended June 30, 2008.

Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year. The college has chosen to begin the process of preparing the upcoming fiscal year budget late in the current fiscal year because of uncertainties in state appropriations. As a result, the budget is not completed until early in the fiscal year. To allow for continuing operations, the college Board of Trustees passes a measure prior to the beginning of each fiscal year extending the current fiscal year's budget until the new budget is adopted. The final budget for the current fiscal year is typically not approved by the Board of Trustees until the July or August board meeting (1 to 2 months into the fiscal year).

College faculty and staff sign contracts and receive raises on a fiscal year basis. However, since annual raises are approved as part of the budget process, the failure to adopt a budget prior to the beginning of the fiscal year results in the college not being able to pay increased wages to employees until after the budget is adopted. Therefore, raises approved in the budget are made retroactive to the beginning of the fiscal year (July 1) and a lump sum payment for the additional compensation from July 1 to the date the budget is approved is paid to each employee. However, these retroactive salary payments may violate Article III, Section 39, of the

Missouri Constitution, which prohibits granting additional compensation for services already rendered.

- B. The college has not established adequate procedures to review its budgeted and actual expenditures by department. Budget-to-actual expenditure reports are generated monthly for each department; however, procedures are not in place to effectively track and monitor spending in the various departments and ensure expenditures are kept within budgetary limits. While the college's overall budget was not overspent for any of the 3 years ended June 30, 2008, we did note several departments overspent their department's budget during some or all of these years.

Departments are supposed to monitor their budgets and ensure they are not overspent prior to sending any invoices to the business office for payment. When invoices are entered into the computerized system by business office employees, the system will generate a notification message for any expenditures that will result in overspending at the departmental line-item level. The college's informal policy calls for these invoices to be set aside for further approval from the Vice President of Administration and Governmental Affairs; however, business office staff indicated this additional approval is often not obtained.

A periodic review of budgeted to actual expenditures, in the appropriate detail, by department is necessary to properly monitor financial activity and identify budget areas that need attention.

WE RECOMMEND Three Rivers Community College:

- A. Ensure the budget documents prepared by the college, and subsequently approved by the Board of Trustees, include all planned financial activity of the college and all budgetary information required by state law. In addition, the college should prepare and adopt budgets prior to the beginning of the fiscal year and discontinue granting retroactive pay increases.
- B. Establish adequate procedures to review budgeted and actual expenditures by department to ensure overspending by department is kept to a minimum. In addition, formal procedures should be adopted for approving any overspending.

AUDITEE'S RESPONSE

- A. *TRCC agrees that it should adopt its annual budget prior to the beginning of the fiscal year and will do so with its 2009-2010 budgets. Budgets will be prepared for all funds of TRCC and include all information required by law.*
- B. *Budgets will be reviewed monthly by each department and their supervisors and budget adjustments will be taken to the board on a quarterly basis for their consideration.*

10.**Closed Meeting Minutes and Other Record Issues**

Closed session minutes of the board have not generally been prepared as required and the college has not established a policy regarding public access to records. In addition, a records retention policy has not been established.

- A. During the three years ended June 30, 2008, minutes were not generally prepared to document matters discussed and decisions made in closed meetings. The Board of Trustees held a number of closed meetings during this period, and while the regular meeting minutes disclosed the reason for entering into closed session, minutes were not maintained for most of the closed meetings. During the period July 1, 2005 through mid-April 2008, we only noted one instance in which closed minutes were maintained.

Section 610.020, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include the date, time and place; members present and absent; and a record of votes taken. In addition, the minutes should include documentation of discussions that take place during the meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board.

It should be noted that when the State Auditor's Office brought this matter to the attention of the Board Chairman in April 2008, the college began keeping closed meeting minutes.

- B. The college does not have a formal policy regarding public access to records. A formal policy regarding access to college records would establish guidelines for the college to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making records available to the public.
- C. The college does not have a formal records retention policy. A formal policy is necessary to ensure all records are retained in accordance with the record retention schedules established by the Secretary of State (SOS) for all public entities. As discussed in other sections of this report, we noted instances during our audit in which records were not always properly retained by the college.

WE RECOMMEND Three Rivers Community College:

- A. Ensure minutes are prepared and retained for all closed meetings.
- B. Establish a records policy to ensure compliance with the Sunshine law. This policy should include the establishment of a records custodian, a central record of

documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

- C. Establish a formal records retention policy and ensure records are retained in accordance with the SOS retention schedules.

AUDITEE'S RESPONSE

- A. *TRCC now prepares and retains minutes for all closed meetings.*
- B-C. *TRCC will establish a formal policy regarding record retention and public access to records in compliance with Section 610.023, RSMo. TRCC has always had an informal policy which provided for record access and retention but will now formalize it.*

11. Vehicle Usage and Related Matters
--

Vehicle usage logs have not been maintained for some vehicles and no periodic supervisory review of records has been performed. In addition, maintenance and fuel costs related to these vehicles has not been tracked and monitored. Further, the personal use of vehicles assigned to two college employees has not been properly tracked and reported on the employees' W-2 forms as income.

As of June 30, 2008, the college owned 18 vehicles. Two of these vehicles were assigned to specific employees, 11 were assigned to various departments on campus, and 5 were fleet vehicles available for checkout by college staff. A review of the use and controls over these vehicles noted the following concerns:

- A. Vehicle usage logs for non-fleet vehicles are not maintained. In addition, fleet vehicle logs are not properly retained and periodic supervisory reviews of these vehicle logs have not been performed.

According to the college employee responsible for fleet vehicles, vehicle usage logs for all fleet vehicles have been maintained for several years, which include the name of the driver, the date vehicle was checked out, the date vehicle was returned, destination/purpose of trip, beginning mileage, and ending mileage. However, no supervisory review is performed of these logs and, at the end of each calendar year, the logs are destroyed.

Vehicle usage logs are necessary to document appropriate use of vehicles. Supervisory reviews of the logs should be performed to ensure vehicles are used only for college business. In addition, the logs should be retained for a reasonable period of time.

- B. Maintenance costs and fuel usage of vehicles are not properly tracked or analyzed. The college spent approximately \$30,000 on fuel during the year ended June 30, 2008.

The employee responsible for vehicles stated she does not formally track maintenance because she knows when maintenance needs to be done on the vehicles. In addition, while fuel invoices are charged to each applicable department as they are received by the college, no analyses are performed to ensure fuel usage is reasonable.

Vehicle maintenance costs and fuel usage of vehicles should be properly tracked and monitored to help identify and prevent inappropriate fuel purchases or maintenance and other operating charges.

- C. The former college President and Athletic Director/Head Basketball Coach were provided college vehicles for unlimited use, including personal use. However, this benefit was not reported on these employees' W-2 forms as income.

Internal Revenue Service (IRS) reporting guidelines indicate personal mileage (including commuting mileage) is a reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs have not been maintained for these vehicles and are not required by the college. Because procedures have not been established to ensure IRS regulations are followed, the college may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND Three Rivers Community College:

- A. Require vehicle usage logs be maintained for all college vehicles. A supervisory review of these records should be performed periodically.
- B. Require vehicle maintenance costs and fuel purchases be tracked and monitored for reasonableness, and periodically reconciled to applicable expenditure records.
- C. Require logs be maintained that reflect business and personal miles driven for any vehicles assigned to employees. Any personal mileage should be properly reported to the IRS as taxable compensation, as required.

AUDITEE'S RESPONSE

- A. *TRCC has always had an informal procedure for tracking its vehicles. TRCC has two vehicles assigned to individuals and they take personal responsibility to see that their vehicles are maintained. The budget review process provides the mechanism for TRCC to track and monitor the costs for these vehicles. There are several vehicles assigned to the maintenance and security departments and the department supervisor is responsible*

for their usage and maintenances. Expenditures of the department include vehicle expenses that are the responsibility of the Vice President for Finance. The rest of TRCC vehicles are fleet vehicles and logs have always been maintained. The budgets for these vehicles are also reviewed by the Vice President for Finance. In the future, TRCC will formalize its vehicle usage logs and the supervisory review process for its vehicles.

- B. TRCC will formalize its plan to monitor maintenance costs and fuel purchases for reasonableness and will reconcile applicable expenditure records.*
- C. TRCC will review its procedures for vehicle use of assigned cars to make sure it complies with IRS rules and regulations.*

The Athletic Director/Head Basketball Coach provided the following response regarding Part C:

I get the car that the president of the college has driven. Usually it is at least two years old, with over 80,000 miles on it when I get it. The car I now drive is a 2004 Bonneville. It is used for recruiting and other general purposes associated with coaching and athletic director responsibilities. My two assistants use this car often for these duties.

I drive this car back and forth to school from my house, which is 1.5 miles, and local travel. This car is never driven on family business, which includes vacations, etc. The Board asked me to maintain the car by keeping it clean and ready to be used.

My wife keeps excellent records and I have enclosed two W-2 forms from 1987 and 1988 when the college asked me to document my personal usage of the car. The fringe benefits were \$415 for 1987 and \$102 for 1988. After this, apparently this was not considered significant and I quit logging the mileage.

12. Computer Security

The college does not have a formal disaster recovery plan for its computer system/data and does not always store backups of current data at an off-site location.

- A. A formal disaster recovery plan has not been developed to help the college resume normal business operations and promptly restore computer operations in the event of a disaster or other disruptive event. The college's information system personnel indicated there are several colleges in St. Louis and Springfield that use the same computerized system and they have good relationships with those colleges so they could recover and access information through the systems at those colleges. However, the college does not have any agreements (either formal or informal) with any of the other colleges, nor does it have any sort of recovery plan that includes any of those colleges. Because of the college's degree of reliance on the computer system, the need for contingency planning is evident.

A formal written disaster recovery plan should specify recovery actions required to reestablish critical computer operations and include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. In the case of a disaster, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations. Once a disaster recovery plan has been developed and approved, it should be periodically tested and reviewed.

- B. Backups of data on the college's computer system are not always stored at an off-site location. An automated backup of the system is performed every night and the college maintains a week's worth of backup data on-site. Information system personnel indicated they try to have the most recent backup tape taken to an offsite location on a monthly basis; however, this is not always done. Storing backup data offsite provides protection for important electronic data.

A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at a secure off-site location on a regular and timely basis. These procedures would help allow the college to maintain business operations or to recover rapidly from most disruptions to or failure of the college's computer system.

WE RECOMMEND Three Rivers Community College:

- A. Develop a formal disaster recovery plan. The plan should be periodically tested and evaluated to ensure business operations can continue in the event of a disruption to normal operations.
- B. Ensure backups of the college's electronic data are stored at a secure off-site location on a regular and timely basis.

AUDITEE'S RESPONSE

- A. *TRCC is working on a formal disaster recovery plan and will periodically evaluate and test it to ensure business operations can continue.*
- B. *TRCC will review and revise its procedures to ensure backups of TRCC's electronic data are stored at a secure location on a regular and timely basis.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THREE RIVERS COMMUNITY COLLEGE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Three Rivers Community College was established as a result of a public election on April 5, 1966, in accordance with enabling legislation by the Missouri General Assembly (Section 178.770, RSMo). The district was given the legal designation, the Three Rivers Junior College District. Its main campus is located in Poplar Bluff. The geographic boundaries of the district include the counties of Butler, Carter, Ripley and Wayne, as well as portions of the counties of Madison, Reynolds, and Stoddard. The residents within the district pay a property tax to support the operations of the college.

The college first opened for classes in the fall of 1967 in a former high school building. As the college grew, it eventually spread to 13 other buildings. In 1968, 40 acres of land were donated to the college and an additional 30 acres were purchased with donated monies. The first building was constructed in 1979 using economic development funds. The remaining buildings have resulted largely from private benefactors.

In addition to the main campus in Poplar Bluff, the college has satellite centers located within the district in Doniphan, Piedmont, and Van Buren, and similar centers located outside the boundaries of the district in Campbell, Kennett, Malden, Portageville, and Sikeston. Classes are also offered at various other sites throughout Southeast Missouri, including many high schools. In addition, the college offers a wide variety of courses on-line. Bachelor's degrees are also available on the main campus through various 4-year institutions which rent classroom space from the college.

In the fall of 2008, 2007, and 2006, the college's student enrollment totaled 3,120, 3,190, and 3,002, respectively. However, due to numerous part-time students, the full-time equivalent student enrollment totaled 2,213, 2,287, and 2,074, in each of those years, respectively. The college employed approximately 177 full-time and 160 part-time employees in the fall of 2008.

The college is governed by a 6-member Board of Trustees, who are elected by the voters in the district. The trustees serve 6-year terms. These individuals serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties.

The Board of Trustees as of June 30, 2008, consisted of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Ends</u>
Stephen Cookson	Chairman	April 2010
Bill G. Hollida, Sr.	Vice Chairman	April 2010
Marion L. Tibbs	Secretary	April 2012
Wilbur Thornton	Treasurer	April 2014
James E. Grassham	Member	April 2012 (1)
Randy Winston	Member	April 2014

(1) James E. Grassham passed away in January 2009, and was replaced on the board by his son, Randy Grassham, for a period of 1 year. A special election will be held in 2010 to fill the balance of this term.

The Board of Trustees appoints a President to serve as the college's Chief Executive Officer. Four Vice Presidents have been appointed to oversee Academic Affairs, Student Affairs and Information Technology, Administration and Governmental Affairs, and College Advancement.

The individuals who served in these top administrative positions and their annual compensation as of June 30, 2008, were as follows:

<u>Name</u>	<u>Position</u>	<u>Annual Compensation</u>	
Dr. John F. Cooper (1)	President	\$ 141,296	(2)
Dr. J. Larry Kimbrow	Executive Vice President/Vice President for Academic Affairs	99,735	
Joseph T. Rozman	Vice President for Student Affairs and Information Technology	86,462	
Robert L. Myers	Vice President for Administration and Governmental Affairs	62,050	
Judith W. Scott	Vice President for College Advancement	45,043	

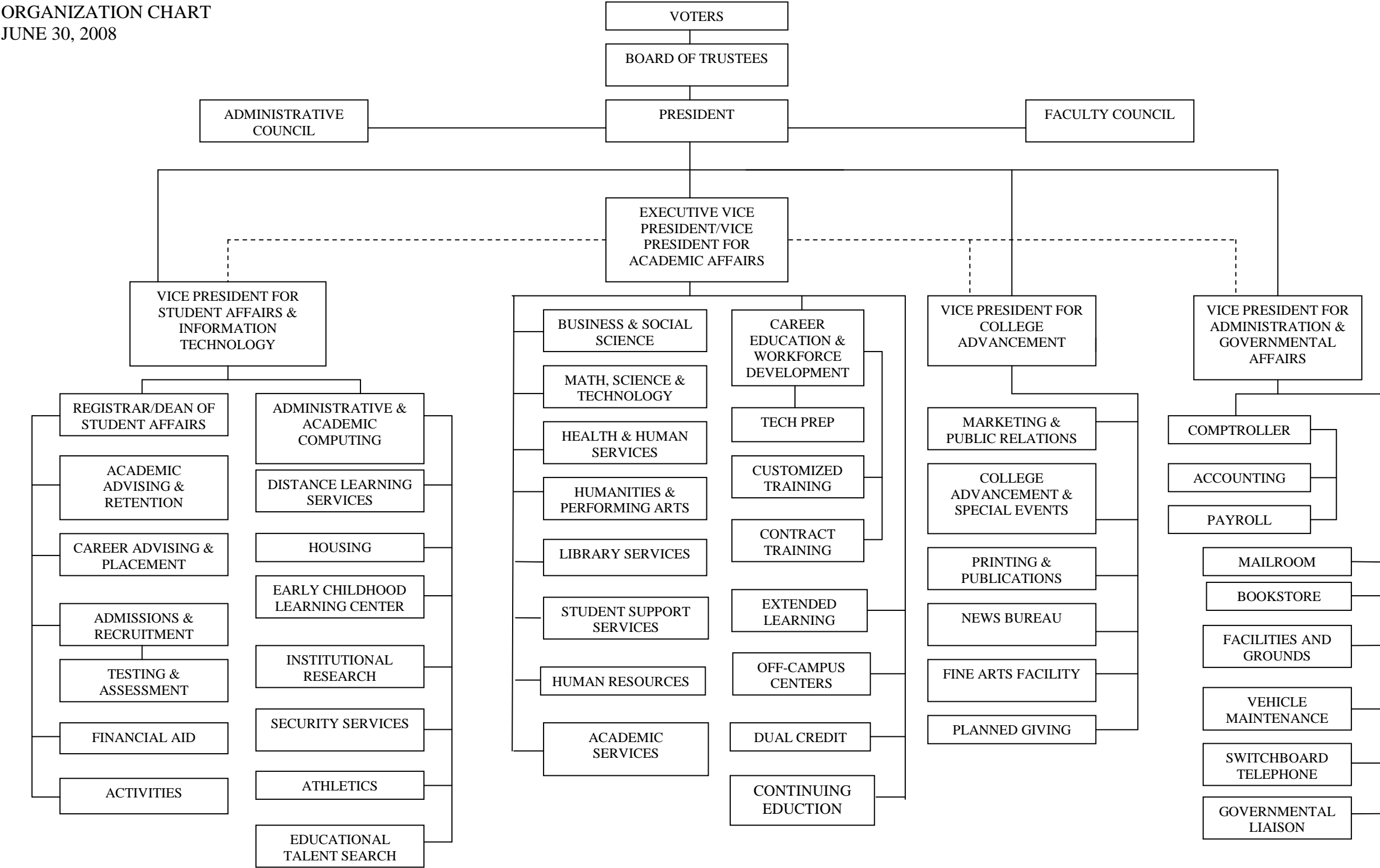
(1) Dr. John F. Cooper was terminated by the Board of Trustees as of July 3, 2008, and Joseph T. Rozman was appointed Interim President. Mr. Rozman served in this capacity until September 2008, when he was appointed President of the college. Mr. Rozman retired on June 30, 2009, and on July 1, 2009, Dr. Devin Stephenson became the new President of the college.

(2) In addition to Dr. Cooper's annual base salary, his contract provided for an additional payment of \$5,000 annually to his public school retirement system account and the unrestricted use of a college-provided vehicle, including the cost of gasoline, insurance, and maintenance.

The assessed valuations and tax rates (per \$100 assessed valuation) of the district for 2008, 2007, and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assessed valuation	\$ <u>741,065,779</u>	\$ <u>721,692,571</u>	\$ <u>687,996,647</u>
Tax rate:			
General revenue	\$ <u>0.2319</u>	\$ <u>0.2319</u>	\$ <u>0.2327</u>

An organization chart and financial information follow.



Appendix

THREE RIVERS COMMUNITY COLLEGE REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year Ended June 30,		
	2008	2007	2006
OPERATING REVENUES			
Student tuition and fees	\$ 2,167,827	1,590,579	1,645,950
Federal assistance for students- Pell grants and other	5,100,080	4,144,469	3,696,778
Scholarships	303,270	304,126	325,824
Auxiliary enterprises			
Housing	414,377	442,309	517,441
Bookstore	1,261,440	920,078	632,338
Student and other activities	295,055	205,344	280,290
Other operating revenue	85,345	171,789	140,481
Total Operating Revenues	<u>9,627,394</u>	<u>7,778,694</u>	<u>7,239,102</u>
OPERATING EXPENSES			
Instruction	6,340,349	5,640,744	5,426,837
Student services	2,107,637	1,794,708	1,735,576
Libraries	555,219	515,513	524,204
General administration	3,066,291	2,683,499	2,656,535
Operation and management of plant	1,636,987	1,494,647	1,316,091
Financial aid and scholarships	703,740	686,377	767,213
Auxiliary enterprises			
Housing	215,608	197,416	221,694
Bookstore	683,504	629,921	640,543
Student activities	1,321,371	1,185,772	1,213,870
Depreciation and amortization	1,295,446	1,270,714	1,302,863
Total Operating Expenses	<u>17,926,152</u>	<u>16,099,311</u>	<u>15,805,426</u>
Operating Loss	<u>(8,298,758)</u>	<u>(8,320,617)</u>	<u>(8,566,324)</u>
NON-OPERATING REVENUES (EXPENSES)			
Lewis & Clark Discovery Initiative	2,000,000	0	0
Property taxes	1,744,074	1,606,914	1,559,837
State aid and grants	5,352,913	5,013,428	4,653,777
Federal grants and contracts	1,210,213	1,243,864	1,086,347
Interest income	173,912	92,179	115,635
Contributions	249,971	23,021	59,556
Interest expense	(351,094)	(420,348)	(368,967)
Total Non-Operating Revenues (Expenses)	<u>10,379,989</u>	<u>7,559,058</u>	<u>7,106,185</u>
CHANGES IN NET ASSETS	2,081,231	(761,559)	(1,460,139)
NET ASSETS, Beginning of Year	11,516,372	12,277,931	13,738,070
NET ASSETS, End of Year	<u>\$ 13,597,603</u>	<u>11,516,372</u>	<u>12,277,931</u>

Souce: The TRCC's audited financial statements.



Susan Montee, JD, CPA
Missouri State Auditor

Knox County



July 2009

Report No. 2009-70

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

July 2009

The following findings were included in our audit report of Knox County.

The financial conditions of the General Revenue Fund and the Road and Bridge Fund have declined in the past several years and are anticipated to decline even further. While receipts have remained approximately the same, disbursements have increased steadily over the last several years. The County Commission indicated it is aware of the concern, but has not developed a formal plan to address the county's financial condition.

The county has not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities. As a result, rock requests and sales of culverts are not handled consistently and are not adequately documented. A bill of sale is not always prepared for each sale and sales tax is not collected on culvert sales. The County Clerk does not compare rock purchase statements to invoices and delivery tickets received by the road and bridge department which show actual rock received.

Controls over property tax additions and abatements are not adequate. No review and approval of change requests and/or court orders submitted by the County Assessor and comparisons to changes actually made to the property tax system by the County Collector are performed. In addition, the County Clerk does not prepare or verify the accuracy of the delinquent tax books.

The county does not have adequate procedures to account for fuel and mileage for some county vehicles. The road and bridge department does not maintain any type of fuel logs in the vehicles or equipment, nor does it maintain fuel inventory records or logs of fuel dispensed at the county's bulk fuel tanks. Mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained. The county does not report taxable benefits associated with county vehicles used for commuting purposes. In addition, the county is reimbursing one official for commuter mileage incurred on his personal vehicle and not reporting it is a taxable benefit.

The County Commission has not developed a written policy for the use of county cellular telephones. In addition, the county has allowed some individuals to include their personal cellular telephones on the county's plan and county funds were used to pay for one employee's personal cellular telephone bill for two months reviewed.

Actual disbursements exceeded budgeted amounts for several county funds and the county has not disbursed monies from the Children's Trust Fund since the fund was created in 1990. The county's accounts payable process does not provide adequate controls to ensure goods and services have been received prior to payment. In addition, the county paid monies to various not-for-profit organizations without entering into written contracts or requiring documentation of how the monies were spent by the organizations.

YELLOW SHEETS

Other findings in the audit report address the apportionment of railroad and utility taxes; capital asset records and procedures; payroll policies and procedures; computer controls; accounting controls and procedures in the Prosecuting Attorney's office, the Sheriff's office, and the County Clerk's office; and the Circuit Clerk's accrued costs procedures.

All reports are available on our Web site: www.auditor.mo.gov

KNOX COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-28
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Road and Bridge Policies and Procedures6
3.	Property Tax Controls and Procedures8
4.	Apportionment of Railroad and Utility Taxes9
5.	County Vehicle/Fuel Use and Records10
6.	Cellular Telephone Policies and Procedures.....12
7.	Capital Asset Records and Procedures14
8.	Financial Practices, Disbursements, and Contracts16
9.	Payroll Policies and Procedures.....19
10.	Computer Controls.....21
11.	Prosecuting Attorney's Accounting Controls and Procedures23
12.	Sheriff's Accounting Controls and Procedures25
13.	County Clerk's Accounting Controls and Procedures.....26
14.	Circuit Clerk's Accrued Costs Procedures27
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	29-31

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Knox County

We have audited certain operations of Knox County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Knox County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Knox County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Susan J. Beeler, CPA
In-Charge Auditor:	Julie M. Moore, MBA
Audit Staff:	Seth Sanders
	Emily Bias
	M. M. Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

KNOX COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The financial condition of the General Revenue and the Road and Bridge Funds has declined and is anticipated to decline even further during the year ended December 31, 2009. The following table reflects the receipts, disbursements, and cash balances of the funds for the 3 years ended December 31, 2008, as well as anticipated amounts from the 2009 approved budgets:

		Year Ended December 31,			
		2009	2008	2007	2006
		(budgeted)	(actual)	(actual)	(actual)
<u>General Revenue Fund</u>					
Beginning balance, January 1	\$	76,708	138,583	183,287	202,342
Receipts		674,373	675,973	673,594	679,366
Disbursements		(751,034)	(737,848)	(718,298)	(698,421)
Ending balance, December 31	\$	<u>47</u>	<u>76,708</u>	<u>138,583</u>	<u>183,287</u>
<u>Road and Bridge Fund</u>					
Beginning balance, January 1	\$	236,135	318,209	27,483	209,949
Receipts		1,246,529	1,478,172	1,343,886	1,295,683
Disbursements		(1,470,355)	(1,560,246)	(1,053,160)	(1,478,149)
Ending balance, December 31	\$	<u>12,309</u>	<u>236,135</u>	<u>318,209</u>	<u>27,483</u>

Based on the 2009 budgets, it appears the financial condition of these funds will decline significantly during the current year. While receipts have remained approximately the same, disbursements have increased steadily over the last several years.

The county cannot continue to spend more than it receives in these funds. Consideration should be given to finding ways to increase receipts and decrease disbursements to improve the financial condition of these funds.

The County Commission indicated it is aware of the concern, but has not developed a formal plan to address the county's financial condition. The County Commission also indicated it does plan to reduce disbursements on the 2010 budget, and plans to reduce disbursements in 2009, if receipts are less than planned. However, the County Commission stated it has no specific plan for how 2009 disbursements could be reduced.

It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County

Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of receipts.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Road and Bridge Funds. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We agree and we will monitor the situation closely. We have notified all employees of the financial condition. We do not believe the situation will improve.

2. Road and Bridge Policies and Procedures

Concerns were noted with the county's procedures regarding the sale of materials to the public and the purchase of road materials.

- A. The county has not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities. As a result, rock requests and sales of culverts are not handled consistently and are not adequately documented. Rock purchased by the public is put on county roads under a cost-sharing program while culverts are purchased by individuals for private purposes or purchased by other governmental entities. The county received approximately \$89,200 from these sales during the 2 years ended December 31, 2007.

The county's procedures regarding the sale of rock and culverts are inconsistent and do not provide adequate controls. A bill of sale is not always prepared for each sale and is not required for the purchaser to receive materials from the road and bridge department. In addition, the purchaser may make payment prior to receiving the materials from the road and bridge department, or the purchaser may first receive the material from the road and bridge department and then make payment. The County Clerk maintains a list of requests made for rock to be delivered on county roads; however, some requests for rock are made directly to the County Road Supervisor. In these instances, the County Clerk relies on the County Road Supervisor to notify her of the requests. In addition, payments made are not always noted on the list maintained by the County Clerk and bills of sale are only prepared when goods are to be billed. Therefore, the County Clerk does not maintain complete and accurate records of all purchases and payments, and we noted one instance in which the county billed a purchaser who had already

made payment. Also, the county does not collect retail sales tax on applicable sales made for private purposes.

As a result of the lack of formal and consistent policies and procedures, the county does not have a complete record of all sales and has little assurance all monies due to the county related to this program have been received. Failure to adopt formal policies and procedures over sales to the public could result in lost revenues. The county should develop consistent procedures whereby all sales must be approved in the County Clerk's office and supported by a bill of sale (whether paid in advance or to be billed later) prior to the release of materials by the road and bridge department.

- B. The County Clerk does not compare rock purchase statements to invoices and delivery tickets received by the road and bridge department, which show actual rock received. The county spent approximately \$425,000 on rock during the 2 years ended December 31, 2007.

Although the invoices and delivery tickets are usually forwarded to the County Clerk's office for filing, they are not used by the County Clerk's office for comparison to the billing statements. Without such a comparison, the county has no assurance it is paying only for rock actually received.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Develop formal policies and procedures over sales of materials to the public. A complete record of all sales should be maintained by the county and materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office. Also, the county should contact the Department of Revenue as to whether retail sales tax should be collected on sales intended for private use.
- B. And County Clerk ensure invoices are compared to billing statements prior to payment.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *We have established a verbal policy regarding the sales of materials and we will start issuing bills of sales to all individuals. We will also create a written policy. However, since the county does not pay sales tax on the culverts purchased, we do not feel like we should be charging sales tax to the citizens who buy them.*

- B. *Starting in 2009, we now compare the billing statements to actual invoices prior to payment.*

3. Property Tax Controls and Procedures
--

Property tax system procedures and controls are not sufficient. The County Commission does not adequately review property tax additions and abatements. In addition, the County Clerk does not prepare or verify the delinquent tax books.

- A. Controls over property tax additions and abatements are not adequate. Addition and abatement requests are prepared by the County Assessor, signed by the County Clerk, and submitted to the County Collector who posts the changes to the property tax system. The County Collector prints out the personal property and real estate property tax additions and abatements report at the end of the year for the County Commission's review.

No review and approval of change requests and/or court orders submitted by the County Assessor and comparisons to changes actually made to the property tax system by the County Collector are performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission. Controls should be established requiring the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax system, and to charge these amounts to the County Collector. Further, court orders should be approved timely by the County Commission for all additions and abatements to the property tax system.

- B. The County Clerk does not prepare or verify the accuracy of the delinquent tax books. The County Collector prepares the delinquent tax books from the computer system and there is no independent review performed by the County Clerk. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Section 140.050, RSMo, requires the County Clerk to extend the delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the delinquent tax books, at a minimum, she should verify the accuracy and document approval of the tax book amounts to be charged to the County Collector. Failure to perform reviews of the

tax books and test individual tax statement computations may result in errors and irregularities going undetected.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Develop procedures to ensure any changes to the property tax records are properly approved and monitored. In addition, addition and abatement court orders should be reviewed and approved on a timely basis.
- B. Work with the County Clerk to establish procedures to prepare the delinquent tax books. If preparation of the tax books by the County Clerk is not feasible, the County Clerk should review tax books for accuracy, test individual tax statements for accuracy, and document all procedures performed.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Clerk is now performing a reconciliation of the County Assessor's additions and abatements to a report that she receives yearly from the County Collector. We will start reviewing the additions and abatements more timely.*
- B. *We agree and the County Clerk will start doing this review.*

4. Apportionment of Railroad and Utility Taxes

A calculation error in the apportionment of 2007 railroad and utility taxes resulted in incorrect payments to three school districts. This error was due to the County Clerk apportioning the revenues for the capital projects tax levy to the incorrect school districts. The following table indicates the amount over or (under) paid to the school districts for the 2007 tax collections:

<u>School District</u>		<u>Actual</u>	<u>Correct</u>	<u>Amount Over</u>
		<u>Distribution</u>	<u>Apportionment</u>	<u>(Under) Paid</u>
Knox County R-I	\$	328,905	361,798	(32,893)
Adair County R-II		28,933	101	28,832
LaPlata R-II		4,076	14	4,062

The County Clerk did not retain any documentation related to the calculation and could not explain why these errors occurred. A similar condition was included in our prior two reports which noted an error in the calculation of the 2002 and 1999 apportionments. To ensure all future apportionment calculations are correct and proper payments are made, the County Clerk should implement procedures to review all calculations for accuracy.

WE RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct this error. In addition, the County Clerk should review all future apportionment calculations to ensure accuracy and future apportionments should be computed in accordance with applicable laws and regulations. Documentation of the apportionment calculations should also be retained.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I agree. I plan to contact the schools and the Department of Elementary and Secondary Education and see how they want to handle the situation.

5. County Vehicle/Fuel Use and Records

The county does not have adequate procedures to account for fuel and mileage for some county vehicles. The county does not reconcile fuel use to fuel purchases, and records are not maintained of mileage incurred on some county vehicles. In addition, commuting mileage is not included on employee W-2 forms as compensation.

- A. Controls over fuel use are not adequate. During the 2 years ended December 31, 2007, the road and bridge department spent approximately \$197,000 on fuel for seven trucks and various equipment (such as graders, tractors, and loaders). Road and bridge department employees dispense fuel into the equipment and vehicles from bulk fuel tanks located at various sites in the county.

The road and bridge department does not maintain any type of fuel logs in the vehicles or equipment, nor does it maintain fuel inventory records or logs of fuel dispensed at the county's bulk fuel tanks. By not maintaining inventory records and fuel logs, the road and bridge department cannot reconcile fuel on hand to use and purchases made during the month.

Complete fuel inventory records and use logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel use and disbursements, fuel logs should be maintained and periodically reviewed. Recorded use should be reconciled to fuel purchased and on hand. Failure to account for fuel use could result in theft or misuse.

- B. Mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the road and bridge department to document the use of county-owned vehicles.

Complete and detailed mileage logs for all county owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all county-owned vehicles are used efficiently and appropriately.

- C. The county does not report taxable benefits associated with county vehicles used for commuting purposes. In addition, the county is reimbursing one official for commuter mileage incurred on his personal vehicle and not reporting it as a taxable benefit.

- 1) The amount of personal (commuting) mileage is not included on employee W-2 forms as a fringe benefit. The County Road Supervisor, Sheriff, and Deputy Sheriff are assigned vehicles which they all use for commuting purposes. However, vehicle logs were not maintained by the County Road Supervisor. In addition, while the Sheriff and Deputy Sheriff call in beginning and ending odometer readings each day, the amount of personal miles for each officer is not documented.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Clearly marked police vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. However, the County Sheriff vehicles are unmarked and their use has not been officially authorized. For non-exempt vehicles, IRS guidelines require the full value of the provided vehicle to be reported on the employees' W-2 forms if the employer does not require the submission of detailed logs which distinguish between business and personal use. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

Vehicle logs should be maintained which clearly distinguish between business and commuting use, and taxable benefits for commuting should be reported on applicable officials' and employees' W-2 forms.

- 2) The county reimburses the County Assessor for mileage to commute between his home and the county courthouse and this fringe benefit is not reported on his W-2 form.

Monthly the County Assessor submits a mileage reimbursement form to the County Commission. However, the County Assessor does not indicate which miles are personal (commuting) miles and which are business related. While Section 53.135, RSMo, allows county assessors to be reimbursed for actual and necessary travel expenses incurred in the performance of the assessor's official duties, it does not appear this reimbursement would include personal (commuting) mileage.

The County Commission should review the policy of reimbursing the County Assessor for commuting mileage and determine if it is a necessary and prudent use of county funds. If it is determined to be necessary, the value of the commuting mileage should be reported on the County Assessor's W-2 form.

A condition similar to B was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure the road and bridge department maintains complete fuel inventory records, and fuel logs are periodically reviewed for completeness and reasonableness of use and reconciled to fuel purchased and on hand.
- B. Require complete and detailed mileage logs be maintained for all county-owned vehicles and periodically analyze vehicle use to ensure county-owned vehicles are used efficiently and appropriately.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles and mileage reimbursement. In addition, the County Commission should consider discontinuing the practice of reimbursing the County Assessor for mileage not required by state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A&B. We agree. In 2009, the county started preparing fuel and mileage logs. We will have the Deputy County Clerk perform a reconciliation on a monthly basis.*
- C. We will discuss this matter with the Missouri Association of Counties to see how other counties have remedied this type of situation. We have discontinued reimbursing the Assessor for personal (commuting) mileage.*

6. Cellular Telephone Policies and Procedures
--

The County Commission has not developed a written policy for the use of county cellular telephones. In addition, the county has allowed some individuals to include their personal cellular telephones on the county's plan and county funds were used to pay for one official's personal cellular telephone bill for the 2 months we reviewed. The County Road Supervisor, County Assessor, and various Sheriff's office employees utilize county cellular telephones. The county spent approximately \$8,800 and \$6,600 for cellular telephone use in 2007 and 2006, respectively.

- A. The County Commission has not developed a written policy regarding cellular telephone use.

A written policy regarding county cellular telephone use is necessary to prevent misuse of county assets and ensure there is no misunderstanding within the county regarding county cellular telephone use. This policy should provide criteria for determining which employees should be assigned a cellular telephone and proper use of the telephones, including restrictions on personal use. In addition, the policy should establish required billing review procedures.

- B. Personal cellular telephones are included in the county's cellular telephone plan. In past years, the county had numerous personal cellular telephones on its plan. Many of these telephones were canceled over the years. However, as of October 2008, out of the 11 telephones on the county's plan, 5 telephones were for county business, 4 telephones were for the County Clerk and a road and bridge department employee and their family members' personal use, and 2 telephones were for an individual who used to rent office space from the county approximately 8 years ago.

When the monthly invoices are received at the County Clerk's office, the invoices relating to the personal cellular telephones are given to the three respective individuals to pay their personal bills directly to the cellular telephone company. Copies of these personal invoices are not maintained at the courthouse. The County Clerk then prepares a voucher for the County Commission to approve the invoices related to the five county-use telephones. We noted the following concerns during our review of December 2006 and January 2007 cellular telephone invoices:

- The backup documentation did not agree to the amount of the payment vouchers. The amounts paid were less than the amounts in the backup documentation by approximately \$1,200 and \$1,500 in January 2007 and December 2006, respectively. However, the County Clerk could not explain why the amounts did not agree.
- The county paid a total of \$503 in personal cellular telephone bills for the County Clerk for the months reviewed. When we brought these payments to the County Clerk's attention in December 2008, she stated it was a mistake and she would pay the county back. However, as of April 2009, this situation had not been resolved.

The county should discontinue the practice of allowing individuals to obtain personal cellular telephones through the county's plan. Since the county is state sales tax exempt, these individuals are allowed to obtain cellular telephone service without paying the required sales tax and if any of these individuals did not pay their respective bills, the county would be liable for those costs. The county should also review other months' invoices to determine if any additional county

funds were used to pay for personal cellular telephone costs and seek reimbursement if any instances are noted.

WE RECOMMEND the County Commission:

- A. Develop a written policy regarding cellular telephone use and establish billing statement review procedures.
- B. Discontinue the practice of allowing individuals to have their personal cellular telephones on the county's plan. The County Commission should also ensure the amounts listed on the payment vouchers agree to the backup documentation. In addition, the County Commission should investigate cellular telephone bills for any additional payments made with county funds for employee's personal cellular telephone bills and seek reimbursement as necessary.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A We are planning to include a cellular telephone policy in the new personnel policy manual, which we are in the process of revising.*
- B. We took the personal cellular telephones off of the county's plan in December 2008. In the future, we will ensure the backup documentation agrees to the payment voucher. We will also review other months' invoices to ensure county funds only paid for business-related calls.*

The County Clerk provided the following response:

- B. The payment of my personal bill with county funds was not intentionally done. It happened during a transition time. I will reimburse the county by the end of 2009.*

7. Capital Asset Records and Procedures
--

Records and procedures related to capital assets are in need of improvement. The county has not established a written policy related to handling and accounting for capital assets, does not maintain up to date records of county property, and has no procedures for identifying property additions. The county did not maintain records related to the sale of real estate. In addition, the county entered into a share crop agreement with a local farmer in 1993 for farming of county-owned property, but the county has not rebid this agreement since that time.

- A. The County Commission has not established a written policy related to handling and accounting for capital assets, and records to account for county property are not adequate. While the prior County Clerk maintained independent records of

capital assets held by county officials, these records have not been maintained since the current County Clerk took office in January 2006. Therefore, even though the current County Clerk sends out a blank form to each department/official annually for a physical inventory to be performed, the County Clerk does not maintain any records to compare to the completed physical inventory forms to ensure accuracy. In addition, the County Clerk has no procedure to identify property purchases throughout the year and tags identifying property items as county property are not assigned and affixed to the items.

This lack of county property records, monitoring, and involvement by the County Clerk diminishes the benefit of periodic reporting by the various other county departments, and increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

Adequate property records and monitoring procedures are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure assets are properly identified as belonging to the county. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

- B. In April 2006, the county sold real estate for \$36,250 without obtaining an appraisal of the property or retaining any documentation related to the sale.

The County Clerk stated the property was advertised for sale in the local newspaper and sold on the county courthouse steps. However, no documentation regarding the advertisement or the sale of the property was retained. In addition, while the County Commission stated it believed the amount received was reasonable, a written appraisal from an independent appraisal company was not obtained prior to the sale to provide a basis for negotiations or to better ensure the amount received was reasonable.

Formal appraisals should be obtained for all property sold to ensure the best possible price is received. In addition, all records related to such sales should be maintained as required by Section 109.270, RSMo, to ensure the validity of transactions and provide an audit trail.

- C. The county's agreement with a local farmer for share crop farming of the county's North Sever Lake property has not been periodically rebid. The agreement was signed in 1993 and is renewed each year until either party terminates the agreement. The contract states the county will pay 50 percent of expenses and receive 50 percent of the revenues related to the farming of the property.

Routine use of a competitive bid process ensures the county has made every effort to receive the best and highest price and all interested parties are given an equal opportunity to participate in county business.

A condition similar to A was noted in our prior report.

WE RECOMMEND the County Commission:

- A. And the County Clerk develop complete and accurate county property records and establish a written policy related to handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. The County Commission should also implement a procedure for tagging and tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process.
- B. Ensure independent appraisals are obtained for all future real estate sales. In addition, financial records should be retained in a secure location.
- C. Periodically solicit bids for the share crop farming of the North Sever Lake property.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

- A. *We agree and will implement this recommendation.*

The County Commission provided the following additional responses:

- B. *In the future, we will comply with this recommendation.*
- C. *We have already implemented this recommendation.*

8. Financial Practices, Disbursements, and Contracts

Actual disbursements exceeded budgeted amounts for several county funds and the county has not disbursed monies from the Children's Trust Fund since the fund was created. In addition, the accounts payable process does not provide adequate controls to ensure goods and services have been received, and written contracts were not always prepared specifying the arrangements between applicable parties.

- A. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2007	2006
Law Enforcement	\$ 2,172	N/A
Local Emergency Planning Commission	1,319	6,390
Election	2,403	1,301
Crime	281	1,258
Help America Vote Act	10,988	N/A
Sever Lake	2,466	N/A
Technology	N/A	2,000
Users Fees	N/A	1,931

Although the County Commission receives budget to actual comparison reports monthly, the County Commission and other county officials do not ensure disbursements remain within the budget and budget amendments are not prepared when budgeted amounts are exceeded.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be used when making spending decisions throughout the year.

- B. The county has not disbursed monies it collects for victims of domestic violence. Section 488.445, RSMo, authorizes the county to impose certain fees on the issuance of marriage licenses and on any civil case filed in circuit court. These fees are to be used to provide financial assistance to shelters for victims of domestic violence. During the 2 years ended December 31, 2007, fees totaling \$2,204 were collected for this purpose and deposited into the Children's Trust Fund. No monies have been expended from this fund since it was established in 1990 and the county currently has no plans to distribute these funds. At December 31, 2007, the Children's Trust Fund had a balance of \$5,197.

Although there appears to be no applicable shelter located in Knox County, shelters do appear to exist in neighboring counties. The County Treasurer stated if a neighboring county wanted domestic violence funds from Knox County, it would contact him. However, the county should take a more proactive approach and determine whether any shelters located in neighboring counties provide services to Knox County residents and, if applicable, request applications for funding from these shelters as specified in Section 455.215, RSMo.

- C. The county's accounts payable process does not provide adequate controls to ensure goods and services have been received prior to payment. For 14 of 30 invoices reviewed, the County Commission approved payments to vendors without requiring the officeholder or employee to acknowledge receipt of goods or services.

Proper reviews of bills by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end bills, and verification of receipt are necessary to ensure the county is paying for legitimate goods or services.

- D. During the 2 years ended December 31, 2007, the county paid \$8,850 to various not-for-profit organizations without entering into written contracts or requiring documentation of how the monies were spent by the organizations, as follows:

- \$7,350 to Knox County Emergency Shelter
- \$500 to Knox County Council on Aging
- \$500 to the OATS Knox County Committee
- \$500 to Knox County Promotional Council

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Article VI, Section 23, of the Missouri Constitution specifically prohibits granting public funds to private organizations. The county needs to ensure the monies are used for county-provided services and it receives the required documentation from the entity documenting how the monies were spent or the services received by residents of the county.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended.
- B. Determine if there are any shelters for domestic violence victims which provide services to county residents that may qualify for financial support and request applications for funding from these shelters. In addition, the County Commission should ensure Children's Trust Fund monies are disbursed to such qualifying shelters in a timely manner.

- C. Establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.
- D. Ensure the county enters into formal written contracts for services rendered or obtained. In addition, documentation should be obtained from the organizations providing services to the county indicating how the county's monies were spent on the services provided to county residents.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

- A. *In the future, we will amend budgets as needed.*

The County Sheriff provided the following response:

- A. *I did not realize I was going over budget since prior to 2009 I did not receive monthly budget to actual reports. In the future, I will be more aware of the budget to actual expenditures and amend the budgets when appropriate.*

The former Ex Officio Recorder of Deeds provided the following response:

- A. *Due to the busyness of separating offices (Recorder and Circuit Clerk), I did not watch the budgets closely and did not amend them, which I had always done in the past. I will implement this recommendation in the future.*

The County Commission provided the following additional responses:

- B. *We will work with the Treasurer and check with Adair County to see if its shelter is used by Knox County residents.*
- C. *We will implement this recommendation.*
- D. *We will obtain a letter back from the not-for-profit organizations that shows how the money was spent.*

9.	Payroll Policies and Procedures
-----------	--

The County Clerk's office does not maintain centralized leave records or compensatory time balances for some county employees. Timesheets are not checked for accuracy and are not always detailed. In addition, the county does not have a formal policy regarding employee health insurance and the county does not have bond coverage for its employees. Knox County incurs approximately \$1 million annually in payroll and fringe benefit costs. The County Commission is responsible for approving payroll related

disbursements, and the County Clerk is responsible for maintaining adequate records to support these disbursements.

- A. With the exception of the road and bridge department, the County Clerk's office does not maintain centralized records of vacation leave, sick leave, and compensatory time earned, taken, and accumulated. The County Clerk indicated these records are supposed to be maintained by each individual office but our review noted some offices, for example the County Collector's and County Assessor's offices, are not maintaining adequate records.

Centralized records are needed to ensure employees are meeting expectations of county employment, policies are uniformly followed, and potential leave and/or compensatory time liabilities are monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

- B. Timesheets submitted by employees and approved by each employee's supervisor are not always accurate or complete. One timesheet was filled out with the incorrect days and showed the employee working on Saturdays and Sundays when the employee did not work those days. In addition, we noted a timesheet that only documented a total of 40 hours written at the bottom of each week, with no listing of individual days and hours worked. This employee was also paid \$4,145 for overtime worked during 2007, without any detailed records of the hours worked to support the amount of overtime paid.

Detailed timesheets should document hours actually worked and provide information necessary to monitor overtime worked, and leave and compensatory time use and balances. Timesheets should be signed by the employee, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office. Accurate and complete timesheets are essential in demonstrating compliance with county policy and federal FLSA requirements.

- C. The county does not maintain written authorization for health insurance payroll deductions. In addition, the county does not have a written policy regarding employee health insurance. The informal policy is to pay 50 percent of each employee's insurance costs and to deduct the remaining 50 percent from the employee's paycheck.

A written policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings. This policy should include a requirement that all employees authorize the health insurance deduction, and documentation to support this deduction should be maintained in employee personnel files.

- D. County employees who handle monies are not covered by an employee bond. Proper bonding of all persons with access to monies would better protect the officials and county from risk of loss.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require leave and compensatory records be maintained for all county employees. These leave and compensatory records should be filed with the County Clerk and should be reviewed for accuracy and potential liability.
- B. Ensure the various supervisors and the payroll clerk review timesheets for accuracy and completeness, including the individual hours worked. In addition, the county should maintain supporting documentation for all overtime paid.
- C. Ensure the county's personnel manual adequately documents the county's policies regarding employee medical insurance. In addition, the County Commission should ensure current written authorizations are maintained for payroll deductions in employee personnel files.
- D. Obtain adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

- A. *I will tell the County Collector and County Assessor to write down when their employees take leave and to turn in this information with payroll.*

The County Commission provided the following responses:

- B. *We will have supervisors review the timesheets and ensure they are accurate.*
- C. *We plan on including a health insurance policy in our revised personnel manual. In addition, we have created a form that the employees must sign for health insurance authorization.*
- D. *We have obtained a blanket bond for all employees.*

10.	Computer Controls
------------	--------------------------

Computer systems and data are vulnerable to unauthorized use, modification, or destruction. Password and backup procedures are not adequate in some county offices.

In addition, the county does not have a formal emergency contingency plan for the computer system.

- A. Access to computer systems and data is not adequately restricted to only authorized users. Although the County Clerk, Assessor, Collector, and Treasurer use passwords to access various programs, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict employees' access to only those computer systems and data files needed to accomplish their jobs. Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

- B. The county assessment data, financial data, and property tax data is not backed up on a periodic, predefined basis and data backups are not always stored at an off-site location. Although backups of assessment data and property tax data are performed quarterly and monthly, respectively, the backups are not performed frequently enough to provide recent transaction history for data recovery in the event of a disaster or computer failure. In addition, backup data for the financial system is not stored off-site.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. Preparation of backup disks, preferably on a daily or at least weekly basis, along with off-site storage, would provide increased assurance county data could be recreated if necessary.

- C. The county does not have formal emergency contingency plans and has not made formal arrangements for the use of backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the degree of reliance on data processing, the need for contingency planning is evident.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Work with county officials to require passwords for all employees that are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Back up data on a regular, predefined basis; store backup records at a secure off-site location; and develop appropriate backup and restoration procedures.
- C. Work with county officials to develop formal contingency plans for the various computer systems.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will include procedures covering these issues in our personnel policy manual.

11. Prosecuting Attorney's Accounting Controls and Procedures
--

Open items are not reconciled to cash balances and procedures regarding receipt slips are not adequate. In addition, accrued case costs are not monitored. During the years ended December 31, 2007 and 2006, the Prosecuting Attorney's office handled receipts for bad check restitution and fees totaling approximately \$19,900 and \$11,400, respectively.

- A. Monthly lists of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. The reconciled bank balance at December 31, 2007, was \$1,255. We requested an open items list detailing this balance; however, the Prosecuting Attorney's office was unable to provide a list and could not determine to whom these monies were owed.

Monthly lists of open items should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities.

- B. Official prenumbered receipt slips are not issued for some monies received. Receipt slips are only consistently issued for payments made in person. In addition, checks and money orders are not always restrictively endorsed immediately upon receipt, and receipts are not always kept in a secure location until they are deposited.

To adequately account for collections and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies immediately upon receipt. In addition, checks and money orders should be

restrictively endorsed immediately upon receipt and all monies should be maintained in a secure location until deposited.

- C. The Prosecuting Attorney's office does not generate a monthly accrued cost list, and as a result, these records are not adequately monitored or their collection pursued. At our request, an accrued cost list was generated from the accounting system as of September 2, 2008, which totaled \$26,350, with some of the cases on this list dating as far back as 1998. However, when we reviewed some of these older cases, we determined some of the costs on the report had actually been paid, but were posted incorrectly in the accounting system. Therefore, since some payments have been incorrectly posted to the system, the Prosecuting Attorney's office does not currently know the extent of accrued costs outstanding.

A complete and accurate list of accrued costs would allow the Prosecuting Attorney's office to more easily review the amounts due to the office and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate. Inadequate procedures for the collection of accrued case costs may result in lost revenues.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Prepare monthly lists of open items and reconcile the lists to the bank balance.
- B. Require official prenumbered receipt slips be issued for all monies received. In addition, the Prosecuting Attorney should restrictively endorse checks and money orders immediately upon receipt and maintain receipts in a secure location until deposited.
- C. Establish procedures to monitor and collect accrued costs.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *We will prepare a list of open items (sub accounts) on a monthly basis and reconcile the total amount to our bank reconciliations.*
- B. *We have already started issuing receipt slips for all monies received. Our normal procedures are that we restrictively endorse money orders and checks immediately upon receipt and we keep them in a locked drawer until deposit. However, on the day that the auditor reviewed receipts, two checks were located on a desk. This was a busy day and a clerk had recently quit.*

C. *We have already implemented this recommendation.*

12. Sheriff's Accounting Controls and Procedures

The Sheriff's office procedures related to receipts, accrued case costs, and contracts are in need of improvement. During the years ended December 31, 2007 and 2006, the Sheriff's office handled receipts for concealed weapon permits, bonds, and civil paper service totaling approximately \$8,000 and \$8,700, respectively.

- A. Official prenumbered receipt slips are not issued for some monies received. Receipt slips are not always issued for court summons fees. In addition, the numerical sequence of receipt slips is not accounted for, and checks and money orders are not restrictively endorsed immediately upon receipt. Receipts are not always kept in a secure location until deposited.

To adequately account for collections and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies immediately upon receipt. In addition, checks and money orders should be restrictively endorsed immediately upon receipt, and receipt slip numbers should be accounted for properly. To adequately safeguard receipts, all monies should be maintained in a secure location until deposited.

- B. Adequate procedures have not been established to ensure all accrued costs are adequately identified and pursued. A list of accrued costs is not maintained and accrued costs are not monitored.

The Sheriff's office receives fees and mileage for serving civil papers. A form is filled out and maintained by the Sheriff's office for all papers served. When the fees are not prepaid, the Sheriff's office will send the individual a copy of the paper service form along with a bill for services. A copy of these documents is filed in the Sheriff's office. However, a list of these accrued costs is not maintained and there are no procedures in place to monitor these costs to ensure payment is properly received for the services billed.

The secretary or Sheriff should review the status of all old cases, and if all payments have not been received, collection of outstanding amounts should be pursued. In addition, the Sheriff should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and result in lost revenue to the county. A complete and accurate list of accrued costs would allow the Sheriff to more easily review the amounts due to the office and take appropriate steps to ensure amounts are collected on a timely basis.

- C. The county did not enter into written contracts for the boarding of county prisoners with other political subdivisions. The Sheriff's office paid

approximately \$22,700 and \$18,200 to board prisoners during the years ended December 31, 2007 and 2006, respectively.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Require official prenumbered receipt slips be issued for all monies received, and the numerical sequence of those receipt slips be accounted for properly. In addition, the Sheriff should restrictively endorse checks and money orders immediately upon receipt and maintain receipts in a secure location until deposited.
- B. Establish adequate procedures to routinely follow-up and pursue collection of accrued costs.
- C. And County Commission enter into written contracts as required by law.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We have already implemented this recommendation.*
- B. *We started implementing this recommendation in 2009.*
- C. *I will work with the County Commission to implement this recommendation.*

The County Commission provided the following response:

- C. *We will work with the Sheriff to implement this recommendation.*

13. County Clerk's Accounting Controls and Procedures
--

Accounting controls and procedures in the County Clerk's office are in need of improvement. Receipt slips are not issued for all monies received. In addition, some records were not maintained, and monthly reports of fees are not prepared. During the years ended December 31, 2007 and 2006, the County Clerk's office processed receipts for various fees and licenses totaling approximately \$57,900 and \$40,700, respectively.

- A. Official prenumbered receipt slips are not issued for all monies received. Receipt slips are only issued upon request. To adequately account for collections and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies immediately upon receipt.
- B. The County Clerk did not retain records of all transactions. The County Clerk's detailed records of 2007 plat book and notary fee receipts could not be located. According to the county's financial statements, these receipts total approximately \$1,700 during 2007.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

- C. The County Clerk does not prepare monthly reports of monies collected. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

A condition similar to A was also noted in our prior report.

WE RECOMMEND the County Clerk:

- A. Issue official prenumbered receipt slips for all monies received.
- B. Retain financial records in a secure location to prevent misplacement or loss.
- C. File a monthly report of fees with the County Commission in accordance with state law.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *I have already implemented this recommendation.*
- B&C. *I will try to comply with these recommendations.*

14.	Circuit Clerk's Accrued Costs Procedures
------------	---

Adequate procedures have not been established to ensure all accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) are adequately identified and pursued by the Circuit Clerk's office. A list of accrued costs owed to the court is maintained in the Circuit Clerk's computer system, the Justice Information System (JIS); however, the Circuit Clerk does not utilize this report. At our request, the Circuit Clerk

printed an accrued cost list as of August 2008, which showed an accrued cost balance totaling approximately \$60,900.

In July 2006, the Circuit Court established procedures for all new cases to be placed on payment plans if the defendants could not pay their court costs in full on their court dates. The payment plan cases are brought before the Judge every 3 months to ensure payments are made. However, the Circuit Court has not established procedures to ensure cases prior to July 2006 are periodically reviewed. Of the three older cases we reviewed, one individual had not made any payments since October 2006. This case had a balance owed to the court of approximately \$815. Although recent legislation has increased the court's opportunities to collect debts (such as the state's debt collection agency program and the tax intercept program), the Circuit Clerk's office does not participate in any of these programs.

Accrued costs could remain uncollected because of inadequate monitoring procedures and result in lost revenue. In addition, the Circuit Clerk should consider using state debt collection programs.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the Circuit Clerk establish procedures to monitor and collect accrued case costs for older cases. In addition, the Circuit Clerk should consider participating in the statewide debt collection agency program and the tax intercept program.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

We missed this case due to JIS transition. However, newer cases automatically come up for payment review.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

KNOX COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Knox County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Edina.

Knox County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 4,361 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	36,660,115
Personal property		16,762,155
Railroad and utilities		9,550,281
Total	\$	<u>62,972,551</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the State Auditor; see Report No. 2007-91.

Knox County has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	2010	50	%
General (1)		.0050	2009	None	
Road and bridge capital improvements		.0050	2012	None	
Law enforcement		.0050	None	None	

- (1) This sales tax was renewed in April 2009 and no longer has an expiration date.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
L.P. Mayfield, Presiding Commissioner		24,613
Michael McGinnis, Associate Commissioner		22,406
Terry Marble, Associate Commissioner		22,406
Sandy Woods, Recorder of Deeds		32,000
Debbie McCurren, County Clerk		32,000
David Brown, Prosecuting Attorney		41,375
Michael Kite, Sheriff		40,314
Allen Gudehus, County Treasurer		32,000
Jeffrey Doss, County Coroner		9,548
Kathy Poore, Public Administrator		21,218
Brenton Karhoff, County Collector (1), Year ended February 29,	38,048	
Vance Parrish, County Assessor (2), Year ended August 31,		37,236
(1) Includes \$796 of commissions earned for collecting city property taxes.		
(2) Includes \$688 annual compensation received from the state.		
State-Paid Officials:		
James Gibbons, Circuit Clerk		51,197
William Alberty, Associate Circuit Judge		101,090



Susan Montee, JD, CPA
Missouri State Auditor

Sugar Creek Special Road District



July 2009

Report No. 2009-69

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

July 2009

The following findings were included in our audit report on the Sugar Creek Special Road District.

The Sugar Creek Special Road District made some disbursements that may have been a conflict of interest. The district purchased an 8,000 gallon steel tank from a commissioner in February 2003 for \$1,000 and did not obtain bid documentation. The district has never taken possession of this tank nor does it have the capability to move the tank to district property. The district made four payments totaling \$609 to a local repair shop during the year ended December 31, 2007, without soliciting bids. Commissioner Lloyd indicated the repair shop was owned by his son and the vendor invoices were prepared by Commissioner Lloyd. The checks issued by the district were also signed, endorsed, and subsequently cashed by the Commissioner. In addition, adequate supporting documentation was not available for reimbursements of \$245 made to Commissioner Lloyd.

The district does not have formal bidding policies, and bids were not solicited for various purchases. Additional controls and procedures over district disbursements need improvement.

Flooding caused significant damage to district roads in 2008, and as a result, the district was awarded \$35,795 in Federal Emergency Management Assistance (FEMA) grants to repair and rebuild its roads. The district did not solicit bids for excavation and backhoe work performed to remove debris and reconstruct the roadway costing \$7,165 and did not enter into a written agreement with the vendor. The district has not established a separate record keeping system to track disbursements related to each FEMA project as required. As a result, we were unable to determine all costs incurred related to each FEMA project.

The district exchanged services for work performed by the Secretary/Treasurer and does not have plans to include the value of the exchange on the Secretary/Treasurer's W-2 Form. In addition, documentation of time spent was not tracked to support the value of the work performed by the Secretary/Treasurer. Personnel files and employee withholding forms (W-4s) are not maintained for all district employees. The district does not withhold Missouri income tax from employee paychecks. The district Secretary/Treasurer is paid \$175 a month; however, the district does not require her to prepare a timesheet, and timesheets of other employees are not signed by the employees. In July 2008, the board hired a temporary employee; however, instead of following the district's normal payroll procedures, this employee was paid \$319 cash by another employee and the district reimbursed the employee for his expense; therefore, payroll taxes were not withheld or reported to the Internal Revenue Service.

YELLOW SHEET

Accounting duties are not adequately segregated, and receipt slips are not issued for monies received. Also, the Secretary/Treasurer does not prepare and document bank reconciliations for district bank accounts.

The district's 2008 and 2007 budgets were not accurate and complete, and actual disbursements of the road district exceeded budgeted amounts. The road district does not furnish disbursement information to Barry County for publication of the road district's financial statement. The district has accumulated a significant cash balance without any specific documented plans for its use in an annual maintenance plan. In addition, it is unclear why the district obtained a \$47,606 loan for equipment when it had approximately \$200,000 in available funds.

Meeting minutes did not always include sufficient detail of matters discussed. District business appears to be frequently conducted outside of regular open meetings. District officials indicated notices of meetings did not include tentative meeting agendas, and the district did not retain copies of some meeting notices. The district does not have a formal policy regarding public access to district records.

The district does not have formal written policies regarding the sale and installation of culverts and does not charge district residents for the cost of installation. Records are not maintained to document culverts sold to ensure all amounts are billed to applicable residents. The district does not collect retail sales tax on culverts sold to individuals and businesses. Inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district.

The district does not maintain complete and current records for its capital assets including land, buildings, equipment, and other property. The district has not obtained property insurance coverage to safeguard the building and land the district owns.

All reports are available on our Web site: www.auditor.mo.gov

SUGAR CREEK SPECIAL ROAD DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-22
<u>Number</u>	<u>Description</u>
1.	Disbursements.....5
2.	Federal Emergency Management Assistance11
3.	Payroll Controls and Procedures.....12
4.	Accounting Controls and Procedures14
5.	Budgets, Published Financial Statements, and Road Maintenance15
6.	Meeting Minutes and Public Access Policy18
7.	Culvert Sales and Inventory Procedures19
8.	Capital Asset Records and Procedures21
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	23-25

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Board of Commissioners
Sugar Creek Special Road District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Sugar Creek Special Road District. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the district has adequate internal controls over significant management and financial functions.
3. Determine if the district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given

the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Sugar Creek Special Road District.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA, CIA, CGFM
Audit Manager: Pamela Allison Tillery, CPA
In-Charge Auditor: Natalie B. McNish

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SUGAR CREEK SPECIAL ROAD DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Disbursements
-----------	----------------------

The district purchased a steel tank from Commissioner Lloyd in February 2003, and has never taken possession nor does the district have the capability to move the tank to district property. Some district transactions involving Commissioner Lloyd appear questionable and did not include adequate supporting documentation. The district does not have formal bidding policies, and bids were not solicited for various purchases. Additional controls and procedures regarding district disbursements need improvement.

- A. The district purchased an 8,000 gallon steel tank from Commissioner Lloyd in February 2003 for \$1,000. The district has never taken possession of this tank nor does it have the capability to move the tank to district property. While board minutes indicate Commissioner Lloyd abstained from voting on this purchase, the transaction was not bid.

Officers of a special road district serve in a fiduciary capacity. Personal interest in business matters of the district could create the appearance of conflicts of interest. In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the district and elected officials which involve more than \$500 unless there has been public notice to solicit proposals and competitive bidding.

To avoid the appearance of conflicts of interest and to ensure full compliance with state law, the board should obtain bids in situations where products or services are bought or sold by elected officials. The board should also consider establishing a policy that addresses these types of situations and provides a code of conduct for district officials.

- B. Some district transactions involving Commissioner Lloyd appear questionable and did not include adequate supporting documentation.
- 1) The district made four payments totaling \$609 to a local repair shop during the year ended December 31, 2007, without soliciting bids. Commissioner Lloyd indicated his son owned the repair shop.

The vendor invoices were prepared by Commissioner Lloyd. Some invoices indicated work performed included cutting fallen trees and clearing roads of debris. The checks issued by the district were also signed, endorsed, and subsequently cashed by the Commissioner. In addition, one of the four checks was only signed by the Commissioner. Neither the repair shop nor the son has a listed phone number, and we

were unable to contact the son to verify these payments were received by his business. As a result, these transactions appear questionable.

- 2) Commissioner Lloyd was reimbursed for purchases of supplies totaling \$245 without submitting paid receipts verifying the amounts.

All disbursements should be supported by a vendor invoice or other related documentation to ensure the purchases are valid and necessary.

- C. The district does not have formal bidding policies. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were not solicited or bid documentation was not retained for the following purchases during the 2 years ended December 31, 2008:

Items Purchased	Cost
Backhoe	\$ 60,150
Tractor	38,244
Boom mower	27,330
Asphalt	11,897
Diesel fuel (2008)	9,987
Culverts	5,214
Contract labor	4,500
Workman's compensation insurance	4,130
Property insurance	3,110
Unleaded fuel (2008)	3,326
Welding	2,069

In addition, the district did not always ensure it paid the bid price for gravel. For example, the district paid \$6.15 and \$6.40 per ton for dirty base rock during the period October 10, 2008 through November 7, 2008 even though the bid price was only \$6 per ton.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the district receives a fair value by contracting with the lowest or best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected. In addition, the district should ensure it is not billed for more than the agreed upon bid price.

- D. Some invoices were not marked paid or otherwise cancelled. As a result of not marking invoices paid, the district paid a \$154 invoice twice on both December 4, 2008 and December 12, 2008. In addition, the acknowledgment of receipt of

goods or services is rarely indicated on invoices prior to the disbursement being approved for payment.

Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the district actually received the items or services.

E. Controls over district checks need improvement:

- 1) Most checks were not signed by the President or Vice President and the Secretary/Treasurer. A special road district commissioner, who was not the President or Vice President, signed several checks in the place of the Secretary/Treasurer.
- 2) The district sometimes issued (and the district's bank processed) checks with only one signature although dual signatures are required. The district issued two checks totaling \$282 in July 2008 with only one commissioner's signature (the commissioner who does not have signature authority). Dual signatures help provide assurance that checks represent payment for legitimate district disbursements.

Section 233.335.5, RSMo, requires all checks to be signed by the President or the Vice President and the Secretary (two signatures required).

- 3) A \$4,500 check was signed in advance to pay for contract labor on December 12, 2008. Signing checks in advance is a serious control weakness and significantly increases the risk of improper disbursements or loss due to misappropriation. In addition, disbursements should not be approved for payment and the applicable checks signed prior to a review of the supporting documentation.

F. Fuel and usage logs are not maintained for the district's equipment and vehicles. As a result, fuel use is not reconciled to fuel purchases. The district has three diesel tanks at the maintenance facility. Unleaded fuel is purchased at two local gas stations. During the year ended December 31, 2008, the district spent \$9,987 and \$3,326 for diesel and unleaded fuel, respectively.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include the date, driver, purpose, and destination of each trip; daily beginning and ending odometer or hour readings for vehicles and equipment; and amount of fuel pumped. The logs should then be reconciled to fuel purchases. Failure to account for fuel purchases could result in loss, theft, or misuse going undetected.

G. The district has not established policies for mileage reimbursements paid to special road district commissioners. Special road district commissioners are

reimbursed for mileage traveled; however, they are not required to maintain mileage logs showing the purpose, date, beginning and ending odometer reading, and destination. Two special road district commissioners only documented the number of miles traveled while another submitted a log showing the date, destination, and total number of miles driven. The district paid \$547 to the three special road district commissioners during the 2 years ended December 31, 2008.

Internal Revenue Service (IRS) regulations require expenses not accounted for to the employer be considered gross income and payroll taxes be withheld from the undocumented payments. Therefore, reimbursements to two of the special road district commissioners should be considered gross income.

In addition, the district has not established a standard mileage reimbursement rate, and as a result, the mileage rate paid varied between reimbursements. One road commissioner was reimbursed at the rate of 50 cents per mile while another commissioner was reimbursed at 34 cents per mile.

To ensure reimbursement requests are reasonable and represent valid disbursements, a written policy should be adopted to require specific information be included on mileage reimbursement requests, such as dates, total miles driven, destinations, and purpose of official district business. The policy should also establish mileage rates to be reimbursed.

- H. The district has no procedures in place to ensure Forms 1099 are filed with the IRS when required. As a result, the district did not file Forms 1099 for excavation and backhoe services and roller repair services totaling \$4,500 and \$908, respectively, during the year ended December 31, 2008.

Section 6041 through 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Forms 1099.

- I. The district did not enter into written contracts defining services to be provided and benefits to be received. For example:
- The City of Seligman provides mowing services for district property. The district paid the city \$250 during the year ended December 31, 2008, and plans to pay \$600 during the year ended December 31, 2009.
 - The City of Seligman shares the cost of paving roads, which border the city and district boundaries, with the district (the roads have historically been maintained 1/2 by the district and 1/2 by the city). The district paid \$3,365 to pave its portion of the roads.

- Barry County paved approximately 5 miles of roads within the district. The district paid the county \$56,550 during the year ended December 31, 2008.
- The district sent a bill totaling \$800 to the Washburn Special Road District in June 2008 for work performed because it believed the costs of road work performed on roads bordering both districts should be shared. No payment was ever received by the district, and the Secretary/Treasurer indicated she did not contact the Washburn Special Road District about the lack of payment. We contacted the Secretary/Treasurer of the Washburn Special Road District, and she indicated the Washburn Special Road District had a verbal agreement with the Sugar Creek Special Road District for both districts to maintain this road and not bill each other for the work completed.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Also, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- J. The district has not periodically solicited proposals from banking institutions for the deposit of district monies. A periodic evaluation of proposals from various banking institutions would provide the board with current information for making sound banking decisions.

WE RECOMMEND the Board of Commissioners:

- A. More closely examine district transactions to identify and avoid apparent and actual conflicts of interest. District officials who have a conflict that is unavoidable should fully disclose their interests. Such matters and transactions should be completely documented so the public has assurance no commissioner has profited improperly. The board should ensure strict compliance with the law when conducting district business and establish a policy addressing these issues.
- B. Avoid questionable transactions and require adequate supporting documentation for all disbursements.
- C. Establish a formal bidding policy and related procedures. Complete documentation of the bidding process should be maintained, including all bids received and justification for selecting and rejecting bids.
- D. Ensure all invoices are properly cancelled to reduce the possibility of duplicate payments. Also, the board should require all invoices be initialed or signed by a district employee to indicate acceptance of the goods or services.

- E. Ensure the Board President or Vice President and Secretary/Treasurer sign all checks and prohibit the practice of signing checks in advance.
- F. Require usage logs be maintained for all district owned vehicles and equipment, and fuel logs be reconciled to fuel purchases. A periodic review should be performed to ensure the reasonableness of the fuel purchases and usage. In addition, all reviews and reconciliations should be documented.
- G. Develop and make reimbursements in accordance with a mileage reimbursement policy.
- H. Ensure Forms 1099 are prepared and submitted to the IRS as required.
- I. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- J. Solicit proposals from various banking institutions on a periodic basis.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We are planning to move the tank and construct the needed pier, which will hold the tank, on district property in the near future. We will also establish a conflict of interest policy.*
- B. *We will avoid questionable transactions in the future and will require adequate supporting documentation for future disbursements.*
- C. *We will try to document bids received more thoroughly in the minutes and will request bids for more items.*
- D. *We will investigate the double payment and ensure all invoices are marked paid. We will also implement procedures to document receipt of goods.*
- E. *We will ensure all checks are properly signed.*
- F. *We will take this recommendation under advisement and work to implement procedures to monitor fuel.*
- G. *We will set a mileage reimbursement rate and require descriptive logs for mileage.*
- H. *We will take steps to send Forms 1099 at the end of the year.*
- I. *We will try to obtain written agreements, when necessary.*
- J. *We will solicit proposals for banking services.*

2.**Federal Emergency Management Assistance**

Flooding caused significant damage to district roads in 2008, and as a result, the district was awarded \$32,795 in Federal Emergency Management Assistance (FEMA) grants to repair and rebuild its roads. Our review of the district's records identified the following problems:

- The district did not solicit bids for excavation and backhoe work performed to remove debris and reconstruct the roadway. The district paid a vendor \$7,165 between December 30, 2008 and February 13, 2009, for this work. In addition, the work had not been completed as of April 10, 2009, and the district did not enter into a written agreement with the vendor.
- The district purchased a culvert costing \$750 from this same vendor on February 13, 2009, without soliciting bids.
- The district has not established a separate record keeping system to track disbursements related to each FEMA project as required. As a result, we were unable to determine all costs incurred related to each FEMA project.

The FEMA documentation guide requires advertisement and solicitation of bids for construction or debris services. The guide also requires the district to obtain a price or rate quotation from an adequate number of qualified sources for supplies purchased.

In addition, the guide requires a separate record keeping system be established by the district to accurately record all activities and disbursements related to disaster recovery work. The guide indicates the district should track labor costs by individual, rate of pay, duty assignment and work location. The guide also indicates the district should track equipment and contract costs, which should include a daily record of all equipment used for eligible disaster recovery work, including hours operated, applicable equipment rates charged, location of work and name of operator. The guide requires the district to maintain a list of materials used that were taken from inventories or purchased for eligible work, the cost with supporting invoices and location used; and documentation of contracted services used on eligible work, including location of work, costs, and invoices to support the costs; miscellaneous costs; and other supporting records such as labor policies, photographs of work sites, all required permits, and other documents or costs associated with the project.

Further, the record keeping guidelines state all records and supporting documents pertaining to a project should be filed in a separate project file for each project worksheet and must be maintained by the applicant as a permanent record for 3 years following closure of the applicant's grant. Each project file should include at least a copy of the project worksheet, the documentation checklist, and all supporting documentation necessary to support the claim for project costs incurred by the district. If the district

fails to retain adequate documentation and records, it may be required to repay a portion of the grant monies received.

WE RECOMMEND the Board of Commissioners ensure bids are solicited and a separate record keeping system is established for each project as required by FEMA guidelines.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following response:

We will work to bid FEMA disbursements and track FEMA disbursements properly.

3. Payroll Controls and Procedures

The district exchanged services for work performed by the Secretary/Treasurer, did not plan to include the value of the services on the employee's W-2 Form, and did not obtain documentation supporting the additional work performed by the employee. In addition, district payroll policies and procedures need improvement.

- A. The April 11, 2008, board meeting minutes indicated the Secretary/Treasurer asked the board to chip and seal the road to her house in exchange for \$1,000. The March 10, 2009, board meeting minutes indicated the board approved waiving the Secretary/Treasurer's \$1,000 payment in exchange for the extra work she was performing related to the state audit. The district did not have plans to include the value of the services on the Secretary/Treasurer's W-2 Form or subject the value of the services to payroll tax withholdings. In addition, documentation of the extra work hours was not prepared to support the value of services received.

Any additional compensation or the value of services received by an employee of the district should be reported on the employee's W-2 Form, and documentation of time spent should be prepared and reviewed to support additional compensation.

- B. The district has not established a personnel policy to address various personnel issues. A written personnel policy for all employees is necessary to ensure equitable treatment among employees and the avoidance of misunderstandings.
- C. Personnel files and employee withholding forms (W-4 Forms) are not maintained for some district employees. Personnel files should be maintained for all employees to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate. In addition, the IRS

requires employers to ensure a W-4 Form is completed by each employee to support withholdings and taxes.

- D. The district does not withhold Missouri income tax from employee paychecks. According to the Secretary/Treasurer, the district believes it is exempt from this requirement; however, Section 143.191, RSMo, states every employer, including all political subdivisions, maintaining an office or transacting any business within this state and making payment of any taxable wages shall deduct and withhold from such wages for each payroll period the amount required.
- E. The Secretary/Treasurer is paid \$175 a month; however, the district does not require her to prepare a timesheet. In addition, timesheets of other employees are not signed by the employees. To document hours actually worked and substantiate payroll disbursements, timesheets should be prepared and signed by all district employees and approved by the board.
- F. In July 2008, the board hired a temporary employee; however, instead of following the district's normal payroll procedures, this employee was paid \$319 cash by another employee and the district reimbursed the employee for his expense. Payroll taxes were not withheld or reported to the IRS and the employee did not receive a W-2 Form. The board indicated the cash payment occurred without its knowledge.

The district should ensure all compensation paid to employees is reported through the normal payroll process with appropriate taxes withheld and W-2 Forms issued.

WE RECOMMEND to the Board of Commissioners:

- A. Ensure additional compensation or the value of the services received is processed through the payroll system and included on the Secretary/Treasurer's W-2 Form. In addition, the board should ensure documentation of time spent is prepared and reviewed to support the additional compensation.
- B. Establish a written personnel policy to ensure equitable treatment of all employees.
- C. Ensure personnel files are maintained for all district employees and all employees prepare a W-4 Form.
- D. Register with the Missouri Department of Revenue to begin withholding Missouri income tax from employee paychecks.
- E. Ensure timesheets are prepared and signed by all employees.

- F. Process all compensation paid to employees through the payroll system and issue the employee a W-2 Form.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will consult with the IRS or a CPA regarding the reporting of this benefit.*
- B. *We will establish a personnel policy manual.*
- C&D. *We will implement these recommendations.*
- E. *We have implemented this recommendation.*
- F. *We will cover this issue in our personnel policy manual, ensure all payroll transactions are processed properly, and issue the employee a W-2 Form.*

4. Accounting Controls and Procedures
--

Accounting duties are not adequately segregated, and receipt slips are not issued for monies received. Also, the Secretary/Treasurer does not prepare and document bank reconciliations for the district bank accounts.

- A. Accounting duties are not adequately segregated. The Secretary/Treasurer is responsible for all record keeping duties for the district including receiving and depositing monies, preparing and distributing checks, recording receipts and disbursements, signing checks, and reconciling bank accounts.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and disbursing monies from reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of bank reconciliations, a reconciliation of receipts and deposits, and a comparison of invoices and disbursements.

- B. Receipt slips are not issued for monies received. Without issuing and accounting for official prenumbered receipt slips for all monies collected and reconciling the composition of receipts to the composition of deposits, the district cannot ensure all monies collected are ultimately deposited.
- C. The Secretary/Treasurer does not prepare and document bank reconciliations for the district's four bank accounts. At December 31, 2008, the Secretary/Treasurer

prepared bank reconciliations for the four accounts which reconciled to the related accounting records. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely.

WE RECOMMEND the Board of Commissioners:

- A. Segregate accounting duties to the extent possible and ensure periodic independent supervisory reviews are performed and documented.
- B. Ensure receipt slips are issued for all monies received, properly account for the numerical sequence of official receipt slips issued, ensure the method of payment is indicated on all receipt slips, and reconcile the composition of receipts to the composition of amounts deposited.
- C. Ensure monthly bank reconciliations are prepared and documented.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will document our review of the bank reconciliations.*
- B. *We will implement this recommendation.*
- C. *We will ensure bank reconciliations are documented.*

5. Budgets, Published Financial Statements, and Road Maintenance

Controls and procedures over district budgets and financial statements are in need of improvement. In addition, the district has accumulated a significant cash balance without any specific documented plans for its use in an annual maintenance plan, and it is unclear why the district obtained a loan to purchase equipment when it had available funds.

- A. The district's 2008 and 2007 budgets were not accurate and complete. For example:
 - The 2008 and 2007 budgets did not contain a budget message or a budget summary.
 - The budgets did not include estimated receipts from all sources with a comparative statement of actual receipts for the two preceding years.

- The budgets included proposed disbursements for the year; however, they did not include a comparative statement of actual disbursements for the two preceding years.
- The budgets did not include the beginning and ending estimated fund balances.
- Documentation of public hearings for the adoption of the district's 2008 and 2007 budgets was not maintained.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of road district operations and provides a means to effectively monitor actual costs and receipts. The budget should contain a budget message describing the important features of the budget and any major changes from the preceding year. A public hearing should be held on the adoption of a budget to obtain input from district residents.

- B. Actual disbursements of the road district exceeded budgeted amounts by \$70,650 during the year ended December 31, 2008. The board does not periodically compare actual disbursements to budgeted amounts. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursements unless the governing body adopts a resolution setting forth the reasons making the increase necessary and approves or adopts a resolution to authorize the additional disbursements.
- C. The road district does not furnish disbursement information to Barry County for publication of the road district's financial statement. Barry County publishes the county treasurer's receipts from the county collector and distributions to the road district; however, detailed information regarding actual road district disbursements is not published. Identifying disbursements by vendor and purpose for inclusion in the published financial statements would provide taxpayers more relevant information.
- D. The district has accumulated a significant cash balance without any specific documented plans for its use in an annual maintenance plan. As of December 31, 2008, the district had a balance of \$126,015 and spends approximately \$90,000 annually to maintain district roads. In addition, it is unclear why the district obtained a \$47,605 loan on September 11, 2008, to purchase a tractor and brush cutter when it had approximately \$200,000 in available funds. Upon our questioning, the board approved paying off this loan on March 10, 2009, and paid \$1,259 in interest. The district's budget document presents proposed activities in general categories which contain significant dollar amounts; however, it does not provide details regarding specific projects or plans. Specific projects are also not

documented in a plan, district minutes, or the budget message and made available to the public.

The district should review the balance of funds, and document a formal maintenance plan that should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should also be referred to in the budget message and approved by the board. In addition, the board should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate repair and maintenance projects throughout the year. Further, the board should adequately document its evaluation of district funds available, financing arrangements, and interest costs associated with future loans.

WE RECOMMEND the Board of Commissioners:

- A. Prepare complete and accurate budget documents and ensure budget hearings are held to obtain input from road district residents.
- B. Periodically monitor actual disbursements to budgeted amounts and ensure actual disbursements do not exceed budgeted amounts. If circumstances require disbursements in excess of the amounts budgeted, a formal resolution should be adopted authorizing the additional disbursements and the reason for such.
- C. Furnish Barry County with disbursement totals by vendor and purpose for publication of the annual financial statement.
- D. Review the cash balance, consider the district's future needs, and establish a formal annual maintenance plan for district roads. In addition, the board should adequately document its evaluation of district funds available, financing arrangements, and interest costs associated with future loans.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will work to complete an accurate budget and ensure budget hearings are held.*
- B. *We will try to ensure budgeted amounts are not exceeded in future years.*
- C. *We will work with Barry County to implement this recommendation.*
- D. *We plan to include this information in our budget message and will document reasoning for financing options selected in the future.*

6.**Meeting Minutes and Public Access Policy**

The district did not always ensure compliance with the Sunshine Law.

- A. Meeting minutes did not always include sufficient detail of matters discussed. There were several instances where the meeting minutes indicated a motion had passed, but did not indicate the number of votes for and against. In addition, meeting minutes sometimes indicated work was performed on a district road; however, meeting minutes did not refer to the official district name/number of the road. Also, district meeting minutes indicated bids were received for some purchases of equipment and supplies; however, the meeting minutes did not document the final decision and reasons to award the bids.

Complete and accurate meeting minutes provide an official record of the board's actions and decisions. Care should be taken to ensure meeting minutes are complete and document discussions or reasons behind board decisions. Inadequate or unclear meeting minutes can lead to subsequent confusion as to board intentions, possible incorrect interpretation of board actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions. In addition, Section 610.020.6, RSMo, requires meeting minutes to at least include the date, time, place, members present, members absent, and a record of any votes taken.

- B. District business appears to be conducted outside of regular open meetings. For example, while the March 14, 2008, meeting minutes indicate the board discussed the need for a backhoe, a motion to obtain bids or purchase a backhoe was not made or approved. The Secretary/Treasurer advertised for bids for the purchase of a backhoe on March 26, 2008, and a bid dated March 7, 2008 (received prior to the advertisement of bids) was the only bid retained by the district. A backhoe was purchased prior to the next meeting held on April 11, 2008. Several other instances were noted where equipment and supplies were purchased by the district between district meetings, and board discussion or approval was not documented in the minutes.

The governing bodies of all political subdivisions are required to conduct business in regular open meetings. Any time a quorum of board members meet in person or by phone and transact public business, they are subject to the Sunshine Law.

- C. District officials indicated notices of meetings did not include tentative meeting agendas, and the district did not retain copies of some meeting notices. Section 610.020.1, RSMo, requires a tentative agenda and a meeting notice be posted prior to all meetings of a public governmental body. The district should ensure copies of each meeting notice and agenda are retained to document compliance with state law.

- D. The district does not have a formal policy regarding public access to district records. A formal policy regarding access to district records would establish guidelines for the district to make records available to the public. This policy should establish a person to contact, an address to mail requests for access to records, and a fee schedule for document retrieval and research. Section 610.023, RSMo, lists requirements of making district records available to the public.

WE RECOMMEND the Board of Commissioners:

- A. Ensure meeting minutes include information necessary to provide a complete record of all significant matters discussed and actions taken.
- B. Ensure compliance with the Sunshine Law.
- C. Ensure notices and tentative agendas for each board meeting are posted and retained.
- D. Establish a records policy to ensure compliance with the Sunshine Law. This policy should include a designated contact person, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will try to better document board decisions in the future.*
- B. *We will ensure these decisions are documented in the minutes in the future.*
- C. *We will post a tentative agenda.*
- D. *We will establish a public access policy.*

7. Culvert Sales and Inventory Procedures
--

The district does not have formal written policies regarding the sale and installation of culverts, and does not charge district residents for the cost of installation. Records are not maintained to document culverts sold, retail sales tax is not collected on culverts sold to individuals and businesses, and inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district.

- A. The district sells and installs culverts to district residents and the Secretary/Treasurer prepares the bills and receives payments from the residents. Our review noted the following concerns:

- 1) The district does not have formal written policies regarding the sale and installation of culverts. In addition, the district does not charge residents for the cost of installation. Further, while the Secretary/Treasurer indicated she bills district residents for the actual cost of the culvert, some residents were charged more. For example, a resident was billed \$13.00 per linear foot for a 24' x 12" culvert, which cost the district only \$11.04 per linear foot, resulting in the resident being billed \$47 more than the actual cost.

The board should evaluate its current policies and procedures regarding performing these services. In addition, installing private culverts may compete with private businesses which perform this service. Formal written policies should be developed to document the district-related purpose, ensure all district residents are treated equally, and prevent misunderstandings.

- 2) Records are not maintained to document culverts sold to ensure all amounts are billed to applicable residents. To ensure all culverts sold are properly charged, billed, and collected, a log should be maintained by the district of culverts sold. The Secretary/Treasurer should prepare bills based upon the information on the log and should reconcile payments received to bills issued.
- 3) The district does not collect retail sales tax on culverts sold to individuals and businesses. The district may have circumvented sales tax law by selling culverts to other individuals and businesses and not collecting and remitting retail sales tax.

- B. Inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district. The district typically stockpiles gravel, culverts, cold mix, and other supplies at the district maintenance facility.

Without inventory records, the commission cannot effectively evaluate the reasonableness of purchases and use of supplies and materials, and theft or improper use may go undetected.

WE RECOMMEND the Board of Commissioners:

- A. Evaluate the practice of selling culverts to district residents. If the district continues to provide this service, the Board of Commissioners should establish a formal written policy and ensure the price established covers all costs incurred and is charged in an equitable manner. In addition, the Board of Commissioners should maintain a log of culverts installed and reconcile all billings to receipts on a periodic basis to ensure outstanding receivables are collected. The board should collect and remit retail sales tax as required.

- B. Maintain adequate inventory controls and records to account for district supplies and materials.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will take this issue under advisement and work to establish a policy regarding culvert sales. We are requiring employees to document culvert installations and will reconcile to amounts billed. We will begin collecting state sales tax.*
- B. *We will implement inventory tracking records.*

8. Capital Asset Records and Procedures
--

Improvement is needed in the controls and procedures of district property.

- A. The district does not maintain complete and current records for its capital assets including land, buildings, equipment, and other property. The district's only list of capital assets has not been updated since October 1998. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including name, make, and model numbers; asset identification numbers; physical location of the assets; and date and method of disposition of the assets. These property records should then be compared to the district's insurance coverage and titles. In addition, all property items should be inventoried with a tag or other similar device, and the district should conduct annual inventories.

Without such information, the district can not effectively safeguard its assets. For example, the district did not add a backhoe to its insurance policy until 6 months after it was purchased.

Adequate capital asset records are necessary to secure better internal controls and safeguard district assets which are susceptible to loss, theft, or misuse, and to provide a basis for determining proper insurance coverage.

- B. The district has not obtained property insurance coverage to safeguard the building and land the district owns. To protect the district from loss, insurance coverage for district property should be obtained.

WE RECOMMEND the Board of Commissioners:

- A. Ensure property records are maintained which include all pertinent information for each asset such as a tag number, description, cost, acquisition date, location, and subsequent disposition. Property records should be compared to the district's insurance coverage. The district should also properly tag, number, or otherwise identify all applicable district property and conduct an annual inventory.
- B. Obtain insurance coverage for district buildings.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We have established property records and will complete an inventory on a prescribed basis. We will also identify equipment as property of the district.*
- B. *We will implement this recommendation.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SUGAR CREEK SPECIAL ROAD DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Sugar Creek Special Road District covers 42 miles in southern Barry County, Missouri. The Board of Commissioners consists of three commissioners who serve 3-year terms. The commissioners receive no compensation and are required to elect a president and vice president of the board.

Board of Commissioners	Dates of Service During the Year Ended December 31, 2008
Wayne Karrick (1)	January-April 2008
Derrick Friend (2)	May-December 2008
Connie Lloyd (3)	January-December 2008
Leslie Stanley (4)	January-December 2008

Other Officials	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Nadine McCasland, Secretary/Treasurer	January-December 2008	\$ 2,100

- (1) Wayne Karrick served as President from January through April.
- (2) Derrick Friend was elected in April to replace Wayne Karrick.
- (3) Connie Lloyd served as Vice President from January through April and President from May through December.
- (4) Leslie Stanley served as Vice President from May through December.

In addition to the officials identified above, the district employed three full-time employees on December 31, 2008.

Assessed valuations for 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 8,599,587
Personal property	3,165,678
Total	<u>\$ 11,765,265</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	Rate
Road and Bridge	\$ 0.1489
Special Road and Bridge *	0.1300

* This tax levy renewal did not pass at the April 7, 2009 election; therefore, the district will not receive funds from this tax for the 2009 tax year.

In April 1986, Barry County voters approved a 1/2 cent Capital Improvement Sales Tax for road and bridge improvements which expires in 2011. The district receives a portion of this tax based upon miles of roads maintained and assessed valuation.

A summary of the district's financial activity for the year ended December 31, 2008, is presented below:

RECEIPTS

Barry County capital improvement sales tax	\$ 62,836
Barry County CART distribution	37,257
Property tax	28,535
Barry County forest reserve	11,130
Interest	6,024
Charges for services	2,696
Loan proceeds	47,605
Other	2,620
Total Receipts	<u>198,703</u>

DISBURSEMENTS

Salaries	51,958
Administrative	705
Insurance	7,629
Operating expense	14,290
Equipment purchases	79,724
Equipment repair	11,807
Equipment rental	4,500
Road maintenance	95,481
Other	226
Total Disbursements	<u>266,320</u>

RECEIPTS OVER (UNDER) DISBURSEMENTS

CASH, JANUARY 1	<u>193,632</u>
CASH, DECEMBER 31	<u>\$ 126,015</u>

MISSOURI INVESTMENT TRUST

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2008

Missouri Investment Trust

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

Introductory Section

Introduction.....	2
Investment Policy and Asset Allocation	3
Board of Trustees	4
Other Information.....	4

Financial Section

Independent Auditor's Report	6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	8
Management Discussion and Analysis	10
Financial Statements	15
Comparative Statement of Fiduciary Net Assets	16
Comparative Statement of Changes in Fiduciary Net Assets	17
Notes to the Financial Statements	19

Statistical Section

Summary of Assets	27
Summary of Assets by Fiscal Year	28
History and Organization Information	30

INTRODUCTORY SECTION

INTRODUCTORY SECTION

Introduction

The Missouri Investment Trust (MIT) was created by the Missouri General Assembly through the passage of Senate Bill No. 449, which became effective August 28, 1997.

The Missouri Investment Trust is designed to allow the state of Missouri to invest specific funds for long-term investment and growth. Prior to the enactment of the Missouri Investment Trust, the state's investment authority was limited by statute to three years, and all funds were required to be invested by the State Treasurer within a general pool of state operating revenue. A short-term investment strategy such as this was inconsistent with the needs of certain funds. The Missouri Investment Trust was intended to allow such funds to be invested in a manner that maximizes the return on state dollars and optimizes the individual long-term objectives of participating agencies.

A seven-member governing board of trustees chaired by the State Treasurer administers the Missouri Investment Trust. The board is responsible for establishing and managing investment policies, strategies, and goals for the investment trust.

The State Treasurer, on behalf of the state of Missouri, has the power to convey designated funds in the state treasury to the Missouri Investment Trust to be held in trust for the exclusive benefit of the state of Missouri for a fixed period, pursuant to the terms and conditions of a written trust agreement and the provisions of sections 30.953 to 30.971, RSMo, provided that all the following requirements have been met:

- (1) The general assembly passes and the Governor signs legislation designating specific funds in the state treasury as being funds which, due to their nature and purpose, are intended for long-term investment and growth, and accordingly, from which there shall be no appropriations for a period exceeding the longest duration for investments by the state treasury pursuant to section 15, article IV of the Constitution of Missouri. Such legislation shall declare that it is the intention and desire of the general assembly that the State Treasurer shall convey the designated funds, in trust, to the Missouri Investment Trust, and shall further declare the date on which such funds shall be reconvened to the State Treasurer by the investment trust; and

- (2) Such legislative measure is accompanied by an appropriation authorizing disbursement of the designated funds from the state treasury, and
- (3) The Missouri Investment Trust executes a valid, binding trust agreement, sufficient in form and substance to bind the investment trust to hold, maintain, and invest the designated funds, in trust, for the exclusive benefit of the state of Missouri, for the prescribed period, whereupon the investment trust shall reconvey the designated funds and any earnings thereon to the state treasury.

No more than one hundred million dollars, in aggregate, may be conveyed to the investment trust pursuant to sections 30.953 to 30.971, RSMo. Total assets under management by the investment trust may exceed one hundred million dollars, but no new funds may be conveyed to the investment trust until such time as previous existing transfers to the investment trust total less than one hundred million dollars.

Investment Policy and Asset Allocation

The Missouri Investment Trust maintains a formal Investment Policy, which outlines the investment philosophy and practices of the Missouri Investment Trust and has been developed to serve as a reference point for the management of assets. The Board has adopted a long-term plan by which the assets will be maintained and enhanced through prudent investments. This is an official policy document of the MIT. Deviation from this document is not permitted without explicit written permission, in advance, from the Board.

Based on general beliefs about the long-term investment returns available from a well-diversified, prudently invested portfolio, the Board has adopted an investment objective to achieve a rate of return that approximates a specified benchmark. The Board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations. In determining its risk, the Board has properly considered, in addition to its fiduciary obligations and statutory requirements, the purpose and characteristics, liquidity needs, sources of contribution and income of each depositor.

During Fiscal Year 2008, MIT maintained the same asset allocation and policy and strategic benchmarks, as detailed more fully in the Notes to the Financial Statements. A review of the performance of funds invested by MIT is contained in the Management Discussion and Analysis, following.

Board of Trustees

The Missouri Investment Trust operates under the direction and control of a seven-member governing board, which consists of the State Treasurer, who serves as the chairman, the Commissioner of the Office of Administration, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tem of the Senate and three members to be selected by the Governor, with the advice and consent of the Senate. The persons to be selected by the Governor shall be individuals knowledgeable in the areas of banking, finance or the investment and management of public funds. Not more than two of the members appointed by the Governor shall be from the same political party.

There was one vacancy on the Board, the position to be appointed by the Speaker of the House of Representatives. Members of the Board as of December 31, 2008 are listed below.

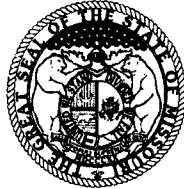
2008 Missouri Investment Trust Board of Trustees

Sarah Steelman	Chairman, Ex-officio Member, Jefferson City, State Treasurer
Larry Schepker	Ex-officio Member, Jefferson City, Commissioner of Administration
Kathy Conley Jones	Appointed Member, St. Louis
Brad Lager	Appointed Member, Savannah
Anita Yeckel	Appointed Member, Sunset Hills (St. Louis County)
Tim Schulte	Appointed Member, Chesterfield

Other Information

The State of Missouri Auditor's Office conducts an annual audit of the Missouri Investment Trust's financial statements, as prescribed by law.

FINANCIAL SECTION



SUSAN MONTEE, JD, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Trustees
Missouri Investment Trust
Jefferson City, Missouri

We have audited the accompanying financial statements of the Missouri Investment Trust, a component unit of the State of Missouri, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Missouri Investment Trust as of December 31, 2008 and 2007, and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 19, 2009, on our consideration of the Missouri Investment Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

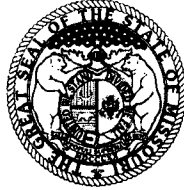
The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Missouri Investment Trust's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Susan Montee, JD, CPA
State Auditor

May 19, 2009



SUSAN MONTEE, JD, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Trustees
Missouri Investment Trust
Jefferson City, Missouri

We have audited the financial statements of the Missouri Investment Trust, a component unit of the State of Missouri, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Missouri Investment Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the trust's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the trust's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the trust's financial statements that is more than inconsequential will not be prevented or detected by the trust's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the trust's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Missouri Investment Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Missouri Investment Trust and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, JD, CPA
State Auditor

May 19, 2009

FINANCIAL SECTION

Management Discussion and Analysis

The discussion and analysis of the Missouri Investment Trust's financial performance provides a summary of the department's financial activities for the fiscal year ended December 31, 2008.

Financial Highlights

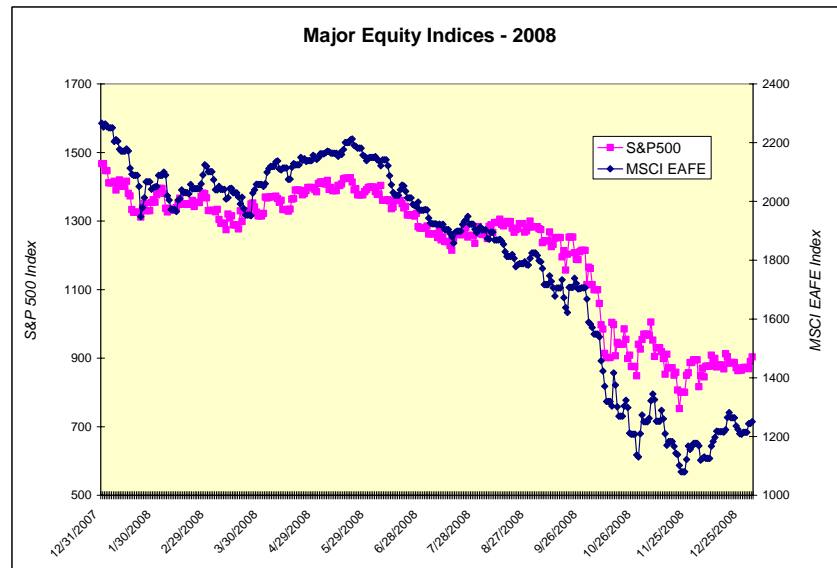
As of December 31, 2008, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansy Johnson-Travis Memorial State Gardens Trust Fund totaling \$728,000; \$20,000,000; \$850,000; and \$815,000, respectively. MIT is responsible for the investment of these monies on behalf of these four entities and has invested the monies in three investment products: two passively managed common trust funds (CTF's) corresponding to large and small cap U.S. stocks and one actively managed separate account that invests in large cap stocks in developed foreign markets. All three products are managed by State Street Global Advisors (SSGA). The following table summarizes the MIT's asset allocation guidelines and the corresponding funds managed by SSGA as of December 31, 2008:

Asset Class	Guideline	Corresponding Fund
Domestic Equity	75%	
Large Capitalization	85%*	S&P 500
Small Capitalization	15%*	Russell 2000
International Equity	25%	International Alpha Select Fund

* The percentages indicated for the two domestic asset classes represent the portion of each class within the total domestic equity allocation.

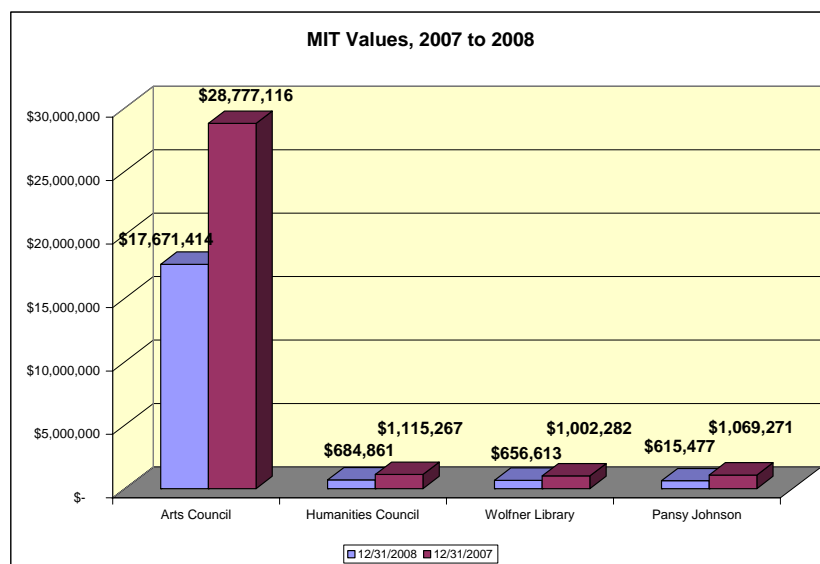
After four relatively strong years of economic growth in the US, Europe and Asia, the subprime and housing crisis that first appeared in the fall of 2007 deteriorated into a severe global recession, resulting in one of the worst bear markets in history in 2008. Both domestic and international stocks suffered for the year. Domestic stock markets fell more than 37% in 2008, led by the financial sector in which several major Wall Street firms vanished and with most of the rest of the larger US banks requiring some form of governmental support. By the end of the year, the two government sponsored enterprises Fannie Mae and Freddie Mac and the global insurance giant AIG had been placed into federal conservatorship, and the banks of Washington Mutual, Wachovia, National City Bank and Indy Mac had been absorbed by other banks in forced sales or seized by the FDIC.

International stocks suffered even worse, with the MSCI EAFE index¹, the benchmark for stocks in developed international markets, losing 43.4%. The financial sector suffered the worst among all industry sectors here too, depreciating 55.4% for the year, as many large



European banks sought bailouts from their governments as well. Globally, central banks began rapidly lowering interest rates in the classic defense strategy against recession, but even coupled with dramatic fiscal policy expansions, the markets and economy had not rebounded by the end of the year. The chart above displays daily prices for the S&P 500 index, the benchmark for U.S. large cap stocks, and the MSCI EAFE index.

Because MIT's two domestic funds are passive index products, they mirrored the declines suffered by their benchmarks. MIT's international account, which is actively managed, actually underperformed the EAFE benchmark by 99 basis points (bp) for 2008.



Consequently, the cumulative total return for MIT funds in FY 2008 was -38.43%. As a result, total investments at fair value held by the Missouri Investment Trust (MIT) decreased more than \$12.3 million from a balance of \$31,963,936 on December 31, 2007, to \$19,628,365 on December 31, 2008. The chart above compares the total value of investments in each of these funds during this time.

¹ The MSCI EAFE index is the abbreviation for the Morgan Stanley Capital International Europe, Australasia, and the Far East index.

The following table compares the value of assets held on behalf of each of the four agencies (the Missouri Arts Council, Missouri Humanities Council, the Wolfner Library Trust and the Pansy Johnson Memorial Garden Trust Fund) that have trust agreements with MIT.

Trust	Total Contributions	12/31/08 Market Value
Arts Council	\$20,000,000	\$ 17,671,414
Humanities Council	\$850,000	\$ 684,861
Wolfner Library	\$728,000	\$ 615,477
<u>Pansy Johnson</u>	<u>\$815,000</u>	<u>\$ 656,613</u>
TOTAL	\$22,393,000	\$19,628,365

Overview of the Financial Statements

The basic financial statements contained in this section consist of:

- The ***Comparative Statement of Fiduciary Net Assets***, which reports the investment trust fund assets, liabilities and resultant assets, where Assets – Liabilities = Net Assets available at the end of the fiscal year.
- The ***Comparative Statement of Changes in Fiduciary Net Assets***, which reports the investment trust transactions that occurred during the fiscal year where Additions – Deductions = Net Change in Net Assets.
- The ***Notes to the Financial Statements*** are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

Summary of Net Assets

MIT's net assets, consisting of the three accounts managed by State Street Global Advisors (SSGA), decreased by \$12,352,048 during the fiscal year. Liabilities consist of accounts payable for asset management and custodial fees for all the funds charged by SSGA. Accounts payables increased by \$16,477 compared to last year. This is primarily due to the fact that in 2008, SSGA had not yet billed management fees associated with the International Alpha Select Fund for either the third or fourth quarter of 2008. In 2007, the only outstanding fees due were incurred for the fourth quarter.

Summary of Missouri Investment Trust's Net Assets				
	December 31,		Amount of	
	2008	2007	Change	%
ASSETS				
Investments at Fair Value	\$19,628,365	\$31,963,936	-\$12,335,571	-38.59%
Total Assets	\$19,628,365	\$31,963,936		
LIABILITIES AND NET ASSETS				
Accounts payable and other liabilities				
Investment Fees	\$40,250	\$23,773	\$16,477	69.31%
Total Liabilities	\$40,250	\$23,773		
Net Assets	\$19,588,115	\$31,940,163	-\$12,352,048	-38.67%

Summary of Changes In Net Assets

Investment income for funds held by the Missouri Investment Trust during the fiscal year fell \$12,267,690. Total fees for the entire fiscal year decreased from \$100,557 to \$84,358 due to increased securities lending income, which offsets fees for the two domestic CTF's.

Summary of Changes in Fiduciary Net Assets		
	Fiscal Year Ended December 31	
	2008	2007
ADDITIONS		
Contributions	\$0	\$0
Investment Income:		
Net increase (decrease) in fair value of investments	(\$12,267,690)	\$1,543,514
Less investment expenses (fees)	(\$84,358)	(\$100,557)
Net Investment Income (Loss)	(\$12,352,048)	\$1,442,957
Total Additions	(\$12,352,048)	\$1,442,957
DEDUCTIONS		
Total Deductions	\$0	\$0
NET INCREASE (DECREASE) IN NET ASSETS	(\$12,352,048)	\$1,442,957
NET ASSETS, JANUARY 1	\$31,940,163	\$30,497,206
NET ASSETS, DECEMBER 31	\$19,588,115	\$31,940,163

Outlook

Since MIT's current asset allocation of domestic equities is intended to mirror the broader stock market and since MIT's two domestic funds remain passive index funds, future market returns of these funds are almost entirely dependent on the general performance of the stock market. Many economists do not expect a meaningful economy recovery until early 2010. There is the continued specter of difficulties in the housing sector due to increased foreclosures and delinquencies, lower consumer spending, rising unemployment, deterioration in the profitability of US companies and a number of other external factors that may negatively impact the US economy.

Returns on MIT's international fund, the International Alpha Select account, also are dependent on international monetary policy, the value of the U.S. dollar, geopolitical events and macroeconomic trends. Additionally, because this is an actively managed fund, returns may vary from the MSCI EAFE international index. The US slowdown negatively affects the amount of exports sold by many foreign countries, so a continuation of the US recession into 2009 is likely to dampen any economic growth in Europe or Asia. Also, problems in the banking sector abroad and lower commodity prices remain challenges for some foreign economies.

Historically, the stock market has been a leading indicator to an economic recovery and a rally in equities can precede an actual economic recovery by three to six months. The path of the stock markets in 2009-2011 will most likely be dependent on the success of central bankers and their governments in solving the global banking crisis and stimulating demand of consumers.

FINANCIAL STATEMENTS

Missouri Investment Trust
Comparative Statement of Fiduciary Net Assets
For December 31, 2007 and 2008

	December 31, 2008	2007
ASSETS		
Investments at Fair Value	\$19,628,365	\$31,963,936
Total Assets	<u>\$19,628,365</u>	<u>\$31,963,936</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities		
Investment Fees	\$40,250	\$23,773
Total Liabilities	<u>\$40,250</u>	<u>\$23,773</u>
 Net Assets Held in Trust For Pool Participants	<u>\$19,588,115</u>	<u>\$31,940,163</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Missouri Investment Trust
Comparative Statement of Changes in Fiduciary Net Assets
For the Fiscal Years Ended December 31, 2007 and 2008

	<u>Fiscal Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
ADDITIONS		
Contributions	<u>\$0</u>	<u>\$0</u>
Investment Income:		
Net increase (decrease) in fair value of investments	(\$12,267,690)	\$1,543,514
Less investment expenses (fees)	<u>(\$84,358)</u>	<u>(\$100,557)</u>
Net Investment Income (Loss)	<u>(\$12,352,048)</u>	<u>\$1,442,957</u>
Total Additions	<u>(\$12,352,048)</u>	<u>\$1,442,957</u>
 DEDUCTIONS		
Total Deductions	<u>\$0</u>	<u>\$0</u>
 NET INCREASE (DECREASE) IN NET ASSETS	(\$12,352,048)	\$1,442,957
NET ASSETS, JANUARY 1	<u>\$31,940,163</u>	<u>\$30,497,206</u>
NET ASSETS, DECEMBER 31	<u>\$19,588,115</u>	<u>\$31,940,163</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

MISSOURI INVESTMENT TRUST NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the investment trust data of the Missouri Investment Trust. The Missouri Investment Trust accepts deposits from various state funds after specific legislative approval. As of December 31, 2008, the following state funds were authorized depositors of the Missouri Investment Trust: Wolfner Library Trust, Missouri Arts Council Trust, Missouri Humanities Council Trust, and the Pansy Johnson-Travis Memorial State Gardens Trust. Deposits are invested by the Missouri Investment Trust Board of Trustees through an external investment consultant. Due to the nature of the trust and because the trust provides services only to the state and receives funding only from the state, the trust is considered a component unit of the state of Missouri financial reporting entity and is blended into the state's financial statements.

The Missouri Investment Trust is a separate legal and accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the trust's activities. However, expenses presented for the trust or its programs may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Office of the Missouri State Treasurer are not allocated to the trust or its programs.

B. Basis of Accounting

The financial statements for the Missouri Investment Trust are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Investments in domestic equity securities are made by the Missouri Investment Trust Board of Trustees through an external investment consultant's investment pools, which are managed to approximate returns experienced by the Standard & Poor's 500 Index and the Russell 2000 Index. Investments in international equities are held in a separately managed account held solely on behalf of the Missouri Investment Trust. This separately managed account is

also managed by an external consultant. Deposits of each state fund are segregated by the investment consultant or its bank in separate investment accounts within the pool or in the case of the international fund, in the separately managed account. Funds are invested in equity securities with a long-term objective of capital appreciation. However, investments in equity securities also carry increased risks due to potential volatility in the market.

C. Fiscal Authority and Responsibility

The Missouri Investment Trust Board of Trustees administers transactions in the Missouri Investment Trust within the authority prescribed by the General Assembly. The board serves in a fiduciary capacity with respect to the management of the investment trust and the investment of funds for the exclusive benefit of the state of Missouri; however, the board is not subject to regulatory oversight by the SEC or other entities. The board establishes policies, procedures, and objectives of the trust, accepts deposits to the trust from authorized state funds, and selects and monitors the external investment consultant. The board is responsible for establishing such policies and making investment decisions in good faith and with the degree of diligence, care, and skill which a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Investments

The trust's only investments at December 31, 2008 and 2007 were deposits in external investment pools or separately managed accounts with carrying values of \$19,628,365 and \$31,963,936 respectively, which approximates fair value. The valuation is provided by the consultant's monthly investment summary reports and is based on the underlying fair value of the equity securities in which the consultant's investment pools have invested. These investments are not subject to categorization of custodial credit risk.

3. Deposits and Net Assets

As of December 31, 2008, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansy Johnson-Travis Memorial State Gardens Trust Fund totaling \$728,000; \$20,000,000; \$850,000; and \$815,000, respectively. Participation in the Missouri Investment Trust by the various authorized state funds is on a voluntary basis. In accordance with the trust agreement and Sections 30.953 to 30.971. RSMo, net assets are held in trust for the pool participants.

4. Investment Income (Loss)

Investment income (loss) includes dividends and realized/unrealized gains and losses on underlying securities held by the investment consultant in the consultant's investment pools. The Missouri Investment Trust experienced net investment income totaling -\$12,352,048 and \$1,442,957 for the two fiscal years ended December 31, 2008 and December 31, 2007, respectively.

5. Asset Allocation

The Board is responsible for asset allocation decisions and will periodically review its target allocation to confirm or adjust the targets. Based on its determination of the appropriate risk tolerance for each fund and its long-term return expectations, the Board has adopted the following broad asset allocation guidelines for each fund comprising the MIT.

Asset Class	Allocation
Domestic Equity	75%
Domestic Equity Investments-Large Capitalization	85%
Domestic Equity Investments- Small Capitalization	15%
International Equity - MSCI EAFE Index	25%

* The percentages indicated for the two domestic asset classes represent the portion of each class within the total domestic equity allocation.

Until such time as the Board changes the asset allocation ranges, it will be necessary to periodically rebalance the portfolio as a result of market value fluctuations. Small variances between actual and target allocations will not warrant rebalancing. In order to assume a rational, systematic, and cost-effective approach to rebalancing, the Board has chosen the following "trigger points" as the maximum upper or lower limits for a

specified asset class. If the percentage of MIT assets in a particular asset class has deviated from the target beyond a target point, staff will recommend to the Board rebalancing the portfolio to bring all asset classes in line with the adopted Guideline Percentages. Rebalancing should be conducted in such a manner that transaction costs and portfolio disruptions are minimal. The trigger points are as follows:

Asset Class	Guideline Percent	Band Width	Upper Trigger Point	Lower Trigger Point
Domestic Equity	75%	+5%	80%	70%
Domestic Equity Investments- - Large Capitalization	85%	±5%	90%	80%
Domestic Equity Investments- - Small Capitalization	15%	±5%	20%	10%
International Equity	25%	+5%	30%	20%

* The percentages indicated for each domestic asset classes represent the percent of total domestic equities allocated to each sub-grouping.

6. Benchmarks and Performance Measurement

In order to determine if the MIT objectives are being achieved, it is necessary to develop benchmarks by which the MIT progress may be judged. These benchmarks allow the MIT to be judged by its performance relative to broad market indices. There may be short-term variations from these objectives. However, the Board believes that over the long-term (market cycle to market cycle) these goals should be attainable.

The Board has established two benchmarks to evaluate overall performance. The first is a policy benchmark, which provides an indication of the returns that could be achieved by a portfolio invested passively in a broad market index. The current policy benchmark is comprised of:

Market Index	Proportion
Russell 3000 Domestic Stock Index	75%
MSCI EAFE Index	25%

The second benchmark is a strategy benchmark, which reflects decisions made by the Board to strategically deviate from the broad asset class. This benchmark is more narrowly defined and focuses on specific asset allocations currently in place relative to the policy benchmark. Comparison of the strategy benchmark with the policy benchmark will, over time, provide an indicator of the success or failure of all decisions made that deviate from the broad market. The current strategy benchmark is comprised of:

Market Index	Proportion
Domestic Equities	75%
S&P 500 Domestic Stock Index	85%
Russell 2000 Domestic Stock Index	15%
International Equities	25%
MSCI EAFE Index	100%

Performance reviews are a critical part of the portfolio management process. In fulfilling this duty, the Board will rely on its external investment managers and staff from the State Treasurer's Office. Actual returns are compared against both the policy and strategy benchmarks. Comparison of the actual return to the strategy benchmark reflect the staff's and/or the external investment manager's ability to implement the Board's strategy. Variations from the strategy benchmark can be attributed to factors such as the selection of active fund managers and the differences between actual vs. targeted asset allocations.

The comparison of actual returns to the policy benchmark provides an indicator of the success or failure of both the strategic decisions of the Board and the implementation of the Board's strategy by staff and the external investment manager. Actual returns in excess of policy benchmarks are an indication that strategic decisions, along with their implementation, had a net positive effect relative to what could have been achieved by investing passively in a broad market index. The following table summarizes actual returns achieved in FY 2008 versus those of the aforementioned policy and strategy benchmarks.

MISSOURI INVESTMENT TRUST
Investment Returns
Fiscal Year 2008

Asset Class	Target Allocation	As of 12/31/08	Market Value	Policy ¹	Strategy ²	SSGA ³
Total Fund	100.00%	100.00%	19,628,365	-38.76%	-38.23%	-38.43%
Domestic Equity	75.00%	77.85%				
Large Cap	63.75%	65.59%	12,873,872	n/a	-37.00%	-36.97%
Small Cap	11.25%	12.26%	2,407,183	n/a	-33.79%	-33.73%
International Equity	25.00%	22.15%	4,347,310	n/a	-43.38%	-44.37%

1. Policy benchmark is 75% Russell 3000 and 25% MSCI International EAFE. Therefore, returns for the Large and Small Cap indices are not broken out.
2. Strategy benchmark represents 85/15 allocation to S&P 500 and Russell 2000 within the domestic class.
3. Gross returns, exclusive of net fees, reported by State Street Global Advisors

The reason for the variance of MIT's performance to its benchmarks in 2008 is attributable to the underperformance of the actively managed International Alpha Select account. Part of this underperformance is

attributable to the fact that returns of equities in the energy and materials sector in the account trailed that of EAFE in the second half of 2008. Energy and materials stocks are tied to a great degree to commodity prices, which plunged in the second half of 2008. Additionally, mega-cap energy stocks outperformed other capitalization levels in the energy sector; the International Account was under-weighted to mega caps.

7. Statement of Fees

The Missouri Investment Trust has entered into contracts with State Street Global Advisors (SSGA) for investment management services. SSGA invests in two passive index common trust funds for its domestic funds and a separately managed account for its international fund at the direction of MIT. The following table provides a summary of SSGA's fees as set forth in their agreements with MIT.

MISSOURI INVESTMENT TRUST FEES AND EXPENSES State Street Global Advisors Fee Schedule

		Basis Points
Large Capitalization Index Fund S&P 500 Index and Securities Lending Common Trust Fund	First \$100,000,000	3
	Thereafter	2
Non-Large Capitalization Index Fund Russell 2000 Non-Lending Common Trust Fund	First \$100,000,000	5
	Thereafter	4
International Equities International Alpha Select Screened Fund	First \$25,000,000	80
	Next \$25,000,000	70
	Next \$50,000,000	55
	Thereafter	45

There is a minimum annual fee of \$5,000 for the domestic equity allocation, which includes both the S&P 500 and Russell 2000 fund balances. There is a separate \$100,000 minimum investment management fee and a \$37,000 minimum annual custody fee for the international balance. All fees are charged prior to any securities lending credits being applied. Total fees are applied pro-rata to each participant in the Trust.

**Schedule of Fees
Fiscal Year 2008
(Net of Securities Lending Credits)**

TOTAL	S&P 500 Index CTF	Russell 2000 Index CTF	Int'l Alpha Select*	Total Quarterly Fee
Quarter 1	\$505.88	-\$3,303.98	\$25,000.00	\$22,201.90
Quarter 2	\$139.93	-\$3,234.29	\$25,000.00	\$21,905.64
Quarter 3	-\$236.39	-\$4,034.62	\$25,000.00	\$20,728.99
Quarter 4	-\$1,102.82	-\$4,376.05	\$25,000.00	\$19,521.13
Total Fees	-\$693.40	-\$14,948.94	\$100,000.00	\$84,357.66

STATISTICAL SECTION

MISSOURI INVESTMENT TRUST
Summary of Assets
December 31, 2008

Fiscal Year 2008

Change in Asset Values (by fund participant)

Fund	Market Value 1/1/2008	FY 2008 Contributions	Change in Market Value	Market Value 12/31/2008
Missouri Arts Council				
S&P 500 Fund	\$ 18,390,499	\$ -	\$ (6,800,257)	\$ 11,590,242
Russell 2000 Fund	\$ 3,261,491	\$ -	\$ (1,094,195)	\$ 2,167,296
International Alpha Select	\$ 7,125,126	\$ -	\$ (3,211,250)	\$ 3,913,876
Mo. Humanities Council				
S&P 500 Fund	\$ 712,803	\$ -	\$ (263,573)	\$ 449,230
Russell 2000 Fund	\$ 126,334	\$ -	\$ (42,383)	\$ 83,951
International Alpha Select	\$ 276,130	\$ -	\$ (124,450)	\$ 151,680
Pansy Johnson				
S&P 500 Fund	\$ 683,374	\$ -	\$ (252,691)	\$ 430,683
Russell 2000 Fund	\$ 121,130	\$ -	\$ (40,638)	\$ 80,492
International Alpha Select	\$ 264,767	\$ -	\$ (119,329)	\$ 145,438
Wolfner Library				
S&P 500 Fund	\$ 640,587	\$ -	\$ (236,870)	\$ 403,717
Russell 2000 Fund	\$ 113,534	\$ -	\$ (38,090)	\$ 75,444
International Alpha Select	\$ 248,161	\$ -	\$ (111,845)	\$ 136,316
TOTALS	\$ 31,963,936	\$ -	\$ (12,335,571)	\$ 19,628,365

MISSOURI INVESTMENT TRUST
Summary of Assets by Fiscal Year
(Continued on Next Page)

Trust	Market Value				
	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003
Missouri Arts Council	\$ 11,451,137	\$ 16,047,440	\$ 18,217,752	\$ 14,355,056	\$ 19,003,397
Missouri Humanities Council	\$ -	\$ 786,369	\$ 706,046	\$ 556,343	\$ 736,488
Wolfner Library Trust	\$ -	\$ 368,225	\$ 634,508	\$ 499,975	\$ 661,872
Pansy Johnson Trust	\$ -	\$ 753,971	\$ 676,960	\$ 533,425	\$ 706,152
TOTALS	\$ 11,451,137	\$ 17,956,005	\$ 20,235,266	\$ 15,944,799	\$ 21,107,909

NOTES:

1. The Arts Council's FY 1999 contributions were \$10,000,000.
2. FY 2000 contributions were \$8,065,000 as follows:

Missouri Arts Council	\$6,000,000
Missouri Humanities Council	\$850,000
Wolfner Library Trust	\$400,000
Pansy Johnson Trust	\$815,000
Total	\$8,065,000
3. FY 2001 contributions were \$4,328,000 as follows:

Missouri Arts Council	\$4,000,000
Missouri Humanities Council	\$0
Wolfner Library Trust	\$328,000
Pansy Johnson Trust	\$0
Total	\$4,328,000
4. There have been no contributions since FY 2001.
5. In 2001, 10% of the MIT portfolio was allocated to the MSCI EAFE international fund. In 2004, the allocation to the MSCI EAFE fund was increased to 20%. In 2006, the allocation to the MSCI EAFE fund was increased to 25%.

MISSOURI INVESTMENT TRUST
Summary of Assets by Fiscal Year
(Continued from Previous Page)

Trust	Market Value				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Missouri Arts Council	\$ 21,577,231	\$ 23,020,338	\$ 27,500,512	\$ 28,777,116	\$ 17,671,414
Missouri Humanities Council	\$ 836,236	\$ 892,163	\$ 1,065,789	\$ 1,115,267	\$ 684,861
Wolfner Library Trust	\$ 751,514	\$ 801,778	\$ 957,814	\$ 1,002,282	\$ 615,477
Pansy Johnson Trust	\$ 801,796	\$ 855,421	\$ 1,021,832	\$ 1,069,271	\$ 656,613
TOTALS	\$ 23,966,777	\$ 25,569,700	\$ 30,545,947	\$ 31,963,936	\$ 19,628,365

MISSOURI INVESTMENT TRUST HISTORY AND ORGANIZATION INFORMATION

The Missouri Investment Trust was established by Section 30.953, RSMo, effective August 28, 1997 to allow the state to invest specific funds for long-term investment and growth. Subject to a valid, binding trust agreement, the trust receives funds specifically approved and designated by the General Assembly.

The responsibility for the proper administration of the trust and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of the State Treasurer, the Commissioner of Administration, one member appointed by the Speaker of the House, one member appointed by the President Pro-tem of the Senate, and three members to be selected by the Governor, with the advice and consent of the Senate. Members of the Board of Trustees as of December 31, 2008 were:

<u>Name</u>	<u>Date Term Ends</u>	<u>Title/Appointed by</u>
Sarah Steelman, Chairman	N/A	State Treasurer
Larry Schepker	N/A	Commissioner of Administration
Vacant	N/A	Member appointed by Speaker of The House
Sen. Brad Lager	N/A	Member appointed by President Pro-Tem of the Senate
Anita Yeckel	February 24, 2008	Member appointed by Governor
Kathy Conley Jones	February 24, 2007	Member appointed by Governor*
Tim Schulte	February 24, 2009	Member appointed by Governor

The board has selected State Street Global Advisors to provide investment management services to the trust.

The trust serves as a tool for specifically appropriated state monies to be invested longer than authorized by statute for the State Treasurer.

* Kathy Conley Jones' term was previously reported as ending on February 24, 2007. Her term is reported by the Governor's Office of Boards and Commissions to end on February 24, 2008. Ms. Jones resigned in 2009.



Susan Montee, JD, CPA
Missouri State Auditor

Office of Governor

Period July 1, 2008 to
January 12, 2009, and the
Year Ended June 30, 2008



June 2009

Report No. 2009-67

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following report is our audit of the Office of the Governor.

On January 10, 2005, Matt Blunt was inaugurated as the state's fifty-fourth governor. His term expired on January 12, 2009. On that date, Jeremiah W. (Jay) Nixon was inaugurated as the state's fifty-fifth governor.

A payment, totaling over \$13,800, for flights taken on the state aircraft in April 2008 was not made until August 2008, in the next fiscal year. Additionally, documentation supporting the method/criteria for selecting legal counsel for the Governor relating to an open records matter was not prepared and retained. Invoices, totaling over \$401,000, included attorney rates ranging from \$110 to \$300 per hour, legal counsel travel costs, and late charges. According to the Chief of Staff, the selection of this legal counsel was at the discretion of the Governor. Also, some legal expenses were not paid in a timely manner and were not made in the proper fiscal year. Late payment charges totaled over \$1,000.

The report also includes the auditor's follow-up on the action taken by the Office of Governor on our prior audit report findings.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

OFFICE OF GOVERNOR

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDING.....	4-7
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	8-16
HISTORY AND STATISTICAL INFORMATION	17-22

Appendix

A-1	Statement of Appropriations and Expenditures, Period July 1, 2008 to January 12, 2009	19
A-2	Year Ended June 30, 2008	20
B	Comparative Statement of Expenditures (From Appropriations), Five Years Ended June 30, 2008	21
C	Governor's Security Division – Comparative Statement of Expenditures (From Appropriations), Five Years Ended June 30, 2008	22

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Matt Blunt
and
Honorable Jeremiah W. (Jay) Nixon, Governor
Jefferson City, Missouri

We have audited the Office of Governor. The scope of our audit included, but was not necessarily limited to, the period July 1, 2008 to January 12, 2009, and the year ended June 30, 2008. The objectives of our audit were to:

1. Determine if the office has adequate internal controls over significant management and financial functions.
2. Determine if the office has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external or internal sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our finding arising from our audit of the Office of Governor.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Kimberly Shepard

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

OFFICE OF GOVERNOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Expenditures

Some office expenditures were not paid in a timely manner, and documentation supporting the criteria used for selecting legal counsel was not prepared and retained.

- A. The payment for flights taken on the state aircraft in April 2008 was not made in a timely manner. Although payments, totaling over \$21,000, for flights taken on the state aircraft in March and May 2008 were made in June 2008; the payment, totaling over \$13,800, for flights taken in April 2008, was not made until August 2008, in the next fiscal year. All expenses should be paid in a timely manner to ensure they are charged to the correct fiscal year.
- B. The criteria for selecting legal counsel for the Governor was not prepared and retained. In addition, the payments for these legal services, totaling over \$401,000, were not made in a timely manner.

- 1) Documentation supporting the method/criteria for selecting legal counsel for the Governor relating to an open records matter was not prepared and retained. Invoices included attorney rates ranging from \$110 to \$300 per hour, legal counsel travel costs, and late charges. According to the Chief of Staff, the selection of this legal counsel was at the discretion of the Governor.

Documenting the method/criteria used for selecting legal counsel helps ensure the propriety of the decision-making process.

- 2) Some legal expenses were not paid in a timely manner or in the proper fiscal year.

Invoices, totaling almost \$96,000 and over \$105,000, for services incurred from December 2007 to May 2008 and from June 2008 to September 2008, respectively, were paid in November 2008. Invoices, totaling over \$171,000, for services incurred from October 2008 to December 2008 were paid in December 2008. Late payment charges totaled over \$1,000.

According to the Chief of Staff, the payments for these legal services were not made timely because a request by the office to the Attorney General to pay these legal expenses from the state Legal Defense Fund was not resolved.

Good business practices require timely payments of invoices. Failure to make timely payments could result in unnecessary penalties. In addition, to the extent possible, invoices should be paid in the fiscal period in which the expenses were incurred.

WE RECOMMEND, in the future, the Office of Governor ensure expenses are paid in a timely manner and charged to the appropriate fiscal year appropriations. In addition, the office should document the method/criteria for selecting legal counsel.

AUDITEE'S RESPONSE

The Office of Governor provided the following written response:

The current administration observes that the Auditor's recommendations relate to the practices of the prior administration. As a result, the current administration acknowledges the recommendations but has no further response.

The former Chief of Staff to Governor Blunt provided the following written responses:

Finding A: The Office does not disagree with the general point that expenses should be paid in a timely manner. But this finding goes further, apparently imposing a strict policy that expenses must be paid in the same fiscal year in which they are incurred. The Office knows of no legal requirements for such a policy, and the audit report cites none. Because of the necessary time lag between incurring expenses and activities necessary for payment such as receiving invoices from vendors, validating invoices, and entering data in the SAMII system, the strict rule that the audit report purports to apply is impractical in state government. In any event, this finding cites just one instance where an expense was paid in the next fiscal year.

Finding B: Again, the Office does not disagree with the general point that expenses should be paid in a timely manner. The finding first suggests that documenting the "method/criteria for selecting legal counsel helps ensure the propriety of the decision-making process." The Office knows of no legal requirement that such a decision be documented, and none is cited in the audit report. The audit report gives no explanation of how documenting such a decision impacts the quality of the decision made, and thus would appear to elevate form over substance. In any event, the selection of counsel was well-known to the public through court filings and the Missouri Accountability Portal.

The finding second notes that the invoices were not paid in a timely manner. As previously explained to your office, the delay was because of a dispute between the Office and the then-Attorney General Nixon's office over the appropriate fund from which the payments should be made. There has never been any suggestion, and the audit report makes none, that this was an inappropriate expenditure of state funds. Finally, the audit report references approximately \$1000 in late payment charges. This amount was less than one-quarter of one-percent of the invoiced amounts. The delay in payments actually allowed the state to collect interest on the funds greater than the amount of late charges.

AUDITOR'S COMMENT

While not specifically noted in our comments above, the Office of Governor exceeded its budget by paying approximately \$110,000 of expenditures incurred in fiscal year 2008 from fiscal year 2009 appropriations when unencumbered balances totaled less than \$7,000. Article IV, Section 28, of the Constitution of Missouri and Section 33.040, RSMo, provide that no obligation shall be incurred unless there is in the appropriation an unencumbered balance sufficient to pay it. In addition, the practice of overspending appropriations and using funds designated for the subsequent year to cover the overage circumvents the appropriation process.

Also, good business practices dictate documenting the method/criteria used for selecting legal counsel to help ensure the propriety of the decision-making process and greater transparency related to the expenditure of public funds.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

OFFICE OF GOVERNOR
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Governor on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 3 years ended June 30, 2007. Although unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

1. State Resources

State laws were ambiguous and contradictory regarding the use of state resources by the office for political and personal purposes. The Governor used the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He did not reimburse the state for any political or personal use.

Recommendation:

The Office of Governor pursue legislation regarding its use of state resources, including those of the MSHP, for anything other than official use. With the possible exception of security, until state law is clarified, the Governor should reimburse the state for the use of state resources for purposes other than official state business or discontinue such use.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Operating Costs from Other Appropriations

- A. Various employees were physically located in and supervised by the Governor's office and mansion, and performed duties attendant to programs and functions of the Office of Governor; however, the salaries of these employees were budgeted to and paid from appropriations of the Office of Administration (OA). Some individuals were fully paid from appropriations from the OA, while other individuals were paid partially by the OA and paid partially by the Office of Governor.
- B. The OA employees who performed duties for the office and mansion did not separately account for and report their time spent on work performed for the Office of Governor.

- C. The OA purchased equipment which was tracked in the state's accounting system (SAM II) as OA assets; however, the equipment was issued to and used exclusively by employees of the Governor's office and mansion.
- D. Some operating expenses of the mansion were paid from office appropriations.

Recommendation:

The Office of Governor discontinue the practice of using OA's appropriations to pay operating costs of the Governor's office and mansion. The Office of Governor should request funding levels sufficient to pay all operating costs of the office and mansion from its own appropriations. If OA personnel perform duties related to the operation of the Office of Governor, their time should be recorded and paid from the Governor's appropriations.

Status:

Not implemented. In addition to the practices above, we noted in May 2008, over \$20,000 in telecommunication, printing, and postage charges, incurred from January 2008 through April 2008, for the Governor's office was paid from an OA appropriation. According to OA personnel, this was performed to prevent the Governor's office from exceeding its appropriation. We also noted in January 2009, over \$7,000 for Governor Blunt's office and mansion encumbered expenses was paid from an OA appropriation. According to OA personnel, this was performed because the office and mansion uncommitted appropriations were low when Governor Nixon took office. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Capital Assets

- A. An annual statement of changes in capital assets was not prepared and a complete list of all additions and dispositions was not maintained for either the office or mansion. Also, capital asset purchases for the office were not routinely reconciled to the property addition records in SAM II. In addition, the mansion maintained separate capital asset records and did not record and track its capital assets on SAM II.
- B. The current capital assets listing for both the office and mansion were incomplete and inaccurate.
- C. An annual physical inventory of capital assets was not performed and reconciled to capital asset records for either the office or mansion.

Recommendation:

The Office of Governor:

- A. Prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions. Capital asset purchases should be reconciled to the capital asset records on a periodic basis. In addition, the mansion's capital asset records should be recorded and tracked on SAM II.
- B. Ensure complete and accurate capital asset records are maintained.
- C. Require an annual physical inventory be conducted and reconciled to the capital asset records. The documentation of the physical inventories should be retained to show compliance with state regulations.

Status:

- A. Partially implemented. A physical inventory of the mansion's capital assets was recently conducted and pictures were taken of items which could not be physically tagged. These items were recorded on SAM II; however, SAM II was not updated for tagged mansion items. In addition, the Office of Governor did not prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions or reconcile capital asset purchases to the capital asset records on a periodic basis. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. The office listing has not been substantially revised since the prior report. That report identified almost 40 items, totaling over \$91,500, which had been sent to the State Agency for Surplus Property, as well as other inconsistencies. In addition, mansion assets are accounted for with a combination of the prior listing for the mansion at January 10, 2005, as well as a picture of items that cannot be physically tagged. The 2005 listing does not include acquisition costs, acquisition dates, estimated useful life, or complete descriptions, where appropriate. While the untagged items were recorded in SAM II, the capital assets were not assigned a cost and other identifying information was not recorded. Also, the acquisition date was the date the information was recorded on SAM II, not when the item was purchased. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. According to office and mansion personnel, physical inventories of the office's and mansion's capital assets were recently conducted; however, complete documentation of the physical inventories were not retained and the capital asset records were not accurately updated. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Mansion Functions

The mansion's calendar of events and other documentation did not include a sufficient detailed description of the purpose for each function held at the mansion to provide assurance as to the propriety of the function. In addition, neither the mansion nor the Missouri Mansion Preservation, Inc. retained a list of invitees/attendees for functions held at the mansion.

Recommendations:

The Office of Governor ensure that a complete record of all mansion functions is maintained, including a detailed purpose of the function and list of invitees/attendees, to provide accountability and assurance that taxpayer monies and state facilities are used appropriately.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Governor's Security Costs

The total costs for the Governor's security could not be readily determined. Significant costs of the Governor's security division, within the MSHP, were not specifically identified in the division's appropriations.

Recommendation:

The Office of Governor, in conjunction with the Department of Public Safety, MSHP, pursue appropriations for the security division sufficient to fund all division operating expenses, including personnel and vehicle expenses.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Office Policies and Procedures

- A. Several weaknesses were noted in the employee manual. The manual did not clearly and adequately address issues related to e-mail use and retention, or sunshine law requests. Effective June 18, 2008, office e-mails were archived on the OA permanent e-mail archiving system. The manual also did not include certain issues typically addressed in an office/employee manual, such as part-time employment, use of state resources, confidentiality, performance appraisals, and

training and development of staff. The manual did not include a statement that the office adhered to certain statewide policies, a list of the statewide policies followed, or information regarding how to access the statewide policies. Although the manual indicated that a separate Purchasing and Financial Policies and Procedures Manual was available for employees, this purchasing and policies manual was never developed, and the policy on Fair Labor Standards Act compensatory time did not comply with state law. Finally, the position of Director of Office Operations no longer existed; however, various manual sections charged this director with administrative duties.

- B. At January 1, 2007, an employee's FLSA compensatory time balance exceeded the limit allowed by state law.
- C. Contrary to office policy, the office allowed an exempt (not qualifying for compensatory and overtime regulations under the FLSA) employee to earn state compensatory time.
- D. The office did not give formal documented performance appraisals to its employees.

Recommendation:

The Office of Governor:

- A. Maintain a complete, comprehensive, and up-to-date employee manual. At a minimum, the issues mentioned above need to be clearly and adequately addressed in the office's policies.
- B. Ensure their compensatory time policy is in compliance with state law.
- C. Document their reasons and rationale when deviating from official office policy. Also, the office should have a written agreement with an employee when an arrangement is not in compliance with official office policy.
- D. Complete formal documented employee performance appraisals on an annual basis.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. At January 1, 2008, an employee's FLSA compensatory time balance exceeded the limit allowed by state law by 70 hours. In addition, at January 1, 2009, FLSA compensatory time balances of two employees exceeded the limit allowed by state law by 119 and 40 hours, respectively. Because each of

these employees left employment with the Governor's office in January 2009, they were paid for their accumulated balances. Although not repeated in the current MAR, our recommendation remains as stated above.

- C. Our review of compensatory time balances noted no instances of exempt employees earning state compensatory time.
- D. Implemented. The office converted to the OA Performance, Efficiency and Results for Missouri (PERforM) appraisal system in March 2008.

7. Expenditures

- A. The office did not maintain transaction logs for state-issued procurement cards. Additionally, in some instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip to support procurement card purchases.
- B. Some employee expense reports were not completed and submitted in compliance with state regulations.
- C. The office did not have the proper approval for the payment of travel expenses of an employee's spouse.
- D. The office did not require cost analysis documentation be retained for deciding the type of vehicle (state, rental, or personal) to be used for travel by employees on state business.
- E. Expenditures were not always charged to the most appropriate object codes in SAM II.
- F. Two duplicate payments, totaling over \$600 were noted.
- G. No one reviewed and approved the purchase transactions entered by the mansion's assistant director on SAM II to ensure their propriety and correctness before the purchases were processed and paid.

Recommendation:

The Office of Governor:

- A. Require procurement card transaction logs be maintained and adequate supporting documentation is obtained and submitted for the procurement card purchases.

- B. Require expense reports be submitted on a monthly basis, with adequate supporting documentation in compliance with state regulations. In addition, the purpose of the expenses should be documented.
- C. Ensure that written justification of a spouse's expenses at an official business function is preapproved by the OA and retained.
- D. Retain adequate documentation to support travel decisions in accordance with state regulations.
- E. Ensure expenditures are charged to the most appropriate object codes.
- F. Establish adequate procedures to prevent duplicate payments.
- G. Require an independent review and approval of the mansion's SAM II transactions.

Status:

- A. Partially implemented. Although the office started maintaining transaction logs for procurement card purchases after the prior audit, the mansion still did not maintain transaction logs. In addition, the office and mansion did not always comply with procurement card guidelines. An office log was not signed by the cardholder and receipt slips for two meals totaling approximately \$54 were not submitted to support meal charges for office personnel. Also, some receipts for mansion purchases did not clearly identify the items. For example, two receipts totaling approximately \$260 only indicated the purchase of bath accessories. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. Five of 19 (26 percent) expense reports reviewed, totaling \$2,857, were submitted or approved several months after the period they covered. Also, 1 of these 19 reports included expenses from several months and another report did not include adequate supporting documentation. In addition, we noted several instances where the purpose of a trip was not documented to support the expenses claimed and an instance where the expense report was not signed by the claimant or approved by a supervisor. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Our review of office expense accounts noted no instances of payment of travel expenses of an employee's spouse.
- D. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

- E. Not implemented. We noted travel costs, totaling over \$500, were not charged to the appropriate object codes. Some in-state meals were charged to out-state meals and in-state lodging; in-state lodging was charged to out-state lodging; and in-state commercial transportation-other was charged to out-state commercial transportation. In addition, mansion supplies and food service equipment, totaling approximately \$292, were charged to agency provided food, and items such as cards, floral arrangements, seasonal items, and sewing items, totaling approximately \$136, were charged to custodial supplies. Also, material for drapes for the Governor's office reception area, totaling \$939, was charged to under-threshold other equipment. Although not repeated in the current MAR, our recommendation remains as stated above.
- F. Our review of expenditures noted no duplicate payments.
- G. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

HISTORY AND
STATISTICAL INFORMATION

OFFICE OF GOVERNOR HISTORY AND STATISTICAL INFORMATION

The supreme executive power of the state is vested in the governor. Unless otherwise provided by law, he appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, he is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period, passes approval on appropriation bills presented to him by the General Assembly, and subsequent to the passage of such bills, may control the rate at which appropriations are expended. He may reduce the appropriations when actual revenues are below the estimated revenues upon which the appropriations were based.

All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

The governor is required to be at least thirty years of age and must have been a citizen of the United States for at least fifteen years and a resident of this state at least ten years prior to election. The governor is elected at the presidential election for a four year term and is subject to re-election. No person may hold the office for more than two terms.

On January 10, 2005, Matt Blunt was inaugurated as the state's fifty-fourth governor. His term expired on January 12, 2009. On that date, Jeremiah W. (Jay) Nixon was inaugurated as the state's fifty-fifth governor.

The governor and his family reside in the Governor's mansion, located near the capitol. The mansion was first occupied in 1872 and was added to the National Register of Historic Places in 1969. The Governor and First Lady host public and private events at the mansion. Events are also hosted by Missouri Mansion Preservation, Inc., a statewide, nonpartisan, nonprofit organization dedicated to the mansion's restoration and educational programs.

At January 12, 2009, the governor's office employed six full-time and two part-time personnel. In addition, three full-time personnel were employed at the Mansion.

Appendix A-1

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2008 TO JANUARY 12, 2009

	Appropriation Authority	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND				
National Guard Emergency	\$ 1,602,001	1,598,405	0	3,596
Government Emergency Fund Commission	1	0	0	1
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	347,683	169,988	169,988	7,707
Special Audits	200,000	0	0	200,000
Mansion Operating Expenses	142,628	118,688	5,036	18,904
Governor's Office	2,005,743	1,461,171	115,303	429,269
Total General Revenue Fund	\$ 4,298,056	3,348,252	290,327	659,477

The Uncommitted Appropriations include the following withholdings made at the Governor's request:

	Period July 1, 2008 to <u>January 12, 2009</u>
GENERAL REVENUE FUND	
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	\$ <u>3,204</u>

Appendix A-2

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2008

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 1,661,701	160,741	1,500,960
Government Emergency Fund Commission	1	0	1
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	318,039	317,025	1,014
Special Audits	30,000	0	30,000
Mansion Operating Expenses	140,353	140,262	91
Governor's Office	1,951,212	1,945,533	5,679
Total General Revenue Fund	\$ 4,101,306	2,563,561	1,537,745

Appendix B

OFFICE OF GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2008	2007	2006	2005	2004
Governor's office:					
Salaries and wages	\$ 1,801,670	1,692,312	1,680,495	1,590,746	1,512,081
Travel, in-state	64,309	19,003	13,278	22,749	53,789
Travel, out-of-state	14,823	15,174	11,723	6,036	2,680
Supplies	24,035	39,193	31,408	29,056	26,214
Professional development	5,538	4,105	5,206	4,065	2,500
Communication services and supplies	16,263	32,565	35,635	46,340	52,499
Services:					
Professional	10,784	17,353	18,340	32,380	26,481
Maintenance and repair	2,709	1,817	7,053	10,630	17,183
Computer equipment	0	0	0	60	1,462
Motorized equipment	0	0	0	0	592
Office equipment	2,301	922	285	20	814
Other equipment	0	4,415	0	0	0
Equipment rental and leases	1,730	2,704	2,316	2,140	769
Agency provided food	1,350	3,286	1,250	1,109	1,141
Miscellaneous expenses	21	18	12	108	219
Total office expenditures	<u>1,945,533</u>	<u>1,832,867</u>	<u>1,807,001</u>	<u>1,745,439</u>	<u>1,698,424</u>
Mansion operating:					
Salaries and wages	84,865	84,839	76,561	94,783	91,279
Travel, in-state	246	0	0	0	0
Travel, out-of-state	507	0	0	0	0
Supplies	10,169	12,977	10,826	7,573	9,956
Communication services and supplies	0	0	0	2,777	5,539
Services:					
Professional	6,063	6,194	2,412	4,133	5,393
Maintenance and repair	1,545	1,534	1,430	2,674	2,898
Computer equipment	0	0	0	0	50
Property and improvements	0	0	0	42	0
Agency provided food	36,867	32,549	32,077	24,070	31,995
Miscellaneous expenses	0	0	0	164	463
Total mansion expenditures	<u>140,262</u>	<u>138,093</u>	<u>123,306</u>	<u>136,216</u>	<u>147,573</u>
National Guard Emergency	160,741	1,113,453	646,193	116,252	4,805
Real property rental and leases	317,025	302,408	0	0	0
Special audits	0	30,000	10,419	0	41,969
Association dues	0	40,888	24,719	142,950	150,050
Total	<u>\$ 2,563,561</u>	<u>3,457,709</u>	<u>2,611,638</u>	<u>2,140,857</u>	<u>2,042,821</u>

Appendix C

OFFICE OF GOVERNOR
DEPARTMENT OF PUBLIC SAFETY, MISSOURI STATE HIGHWAY PATROL
GOVERNOR'S SECURITY DIVISION
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2008	2007	2006	2005	2004
Travel, in-state	\$ 48,717	36,045	33,561	27,086	14,996
Travel, out-of-state	58,989	67,007	36,678	34,524	24,516
Fuel and utilities	0	0	0	216	0
Uniform and clothing allowance	0	6,405	5,433	6,884	7,050
Supplies	481	344	368	582	2,036
Professional development	1,980	1,120	470	835	490
Communication services and supplies	91	224	0	0	0
Services:					
Professional	0	0	0	368	18
Maintenance and repair	0	130	104	274	208
Computer equipment	0	0	0	176	80
Office equipment	0	0	0	0	449
Other equipment	727	0	2,400	1,438	567
Building lease payments	0	0	0	100	0
Equipment rental and leases	0	7	0	0	0
Total	\$ <u>110,985</u>	<u>111,282</u>	<u>79,014</u>	<u>72,483</u>	<u>50,410</u>



Susan Montee, JD, CPA
Missouri State Auditor

Office of Attorney General

Period July 1, 2008 to
January 12, 2009, and the
Two Years Ended
June 30, 2008



June 2009

Report No. 2009-66

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following report is our audit of the Office of the Attorney General.

On January 11, 1993, Jeremiah W. (Jay) Nixon was inaugurated as the state's fortieth Attorney General. He was reelected in November 1996, 2000, and 2004. His term expired on January 12, 2009. On that date, Chris Koster was inaugurated as the forty-first Attorney General.

The office is organized into eight divisions: Agriculture and Environment, Consumer Protection, Criminal, Financial Services, Governmental Affairs, Labor, Litigation, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division.

Although no findings are included in this report on the Office of the Attorney General, the report includes the auditor's follow-up on the actions taken by the Office of Attorney General on our prior audit report findings. Additionally, our letter number 2008-08, included a finding regarding the Attorney General Reimbursement for the campaign use of state resources from November 2004 through October 2007, and our report number 2008-100, for the year ended December 31, 2007, included findings related to the Office of the Attorney General, Medicaid Fraud Control Unit.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

OFFICE OF ATTORNEY GENERAL

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
FOLLOW-UP ON PRIOR AUDIT FINDINGS	4-13
HISTORY AND STATISTICAL INFORMATION	14-31
<u>Appendix</u>	
	Combined Statements of Receipts, Disbursements, and Changes in Cash and Investments, Year Ended -
A-1	June 30, 200817
A-2	June 30, 200718
B	Comparative Statement of Receipts, Two Years Ended June 30, 200819
	Statement of Appropriations and Expenditures,
C-1	Period July 1, 2008 to January 12, 200920
C-2	Year Ended June 30, 200823
C-3	Year Ended June 30, 200726
D	Comparative Statement of Expenditures (From Appropriations), Five Years Ended June 30, 200829
E	Statement of Changes in General Capital Assets, Period July 1, 2008 to January 12, 2009, and Two Years Ended June 30, 200830
F	Comparative Statement of Financial Services Division Collections Period July 1, 2008 to January 12, 2009, and Two Years Ended June 30, 200831

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Chris Koster, Attorney General
Jefferson City, Missouri

We have audited the Office of Attorney General. The scope of our audit included, but was not necessarily limited to, the period July 1, 2008 to January 12, 2009 and the years ended June 30, 2008 and 2007. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external or internal sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed

and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

No findings resulted from our audit of the Office of Attorney General.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA
Audit Staff:	Amy Ames
	Kenneth Erfurth
	Matthew Schulenberg
	Monique Williams, CPA

FOLLOW-UP ON PRIOR AUDIT FINDINGS

OFFICE OF ATTORNEY GENERAL
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Attorney General on findings in the Management Advisory Report (MAR) of our prior audit report of the Office of Attorney General issued for the 3 years ended June 30, 2006. Although unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

1. Billings to Other Governmental Entities

- A.1. The Office of Attorney General (AGO) did not follow its cooperative agreement when billing the Department of Social Services (DSS). The salary and fringe benefits for individuals who worked exclusively on one federal program were not billed directly to that program, and not all Financial Services Division (FSD) attorneys and staff were included in the billing calculation.
- 2. Timesheets were not adequate to determine the extent that billings to the DSS may have been incorrect. Some timesheets contained errors in coding the time worked on the federal or state programs, or time was not correctly entered on the office's computerized time system. Timesheets reviewed for some attorneys were not prepared or were not sufficient to identify the actual time spent on the federal programs. Timesheets for some attorneys reviewed were not retained, and some timesheets were not signed by the attorney.
- 3. It was not clear whether all allowable FSD expense and equipment expenditures were included in the billing calculation. The method to identify billable costs provided little certainty regarding the accuracy of the billings.
- B.1. The Governmental Affairs Division (GAD) procedures were not adequate to ensure applicable professional licensing boards were properly billed for services. Some timesheet information was not entered accurately on the computerized time system, and timesheets were not reconciled to the billings.
- 2. The GAD discarded timesheets after the professional boards reviewed and approved the billings.

Recommendation:

The AGO:

- A.1. Revise its policies and procedures to ensure compliance with the cooperative agreement with the DSS. The salaries and fringe benefits for employees working solely on one federal program should be billed directly to the program and all FSD employees should be included in the billing allocation calculation.

2. Ensure all time records used in the allocation calculation are complete and accurate. Also, the time records should be signed by the employee.
3. Ensure all FSD allowable costs are included in the billing calculation.
- B.1. Establish policies and procedures to ensure all employee time is recorded correctly on the timesheets, entered accurately on the time system, and reconciled to the applicable billings to other entities.
2. Ensure the timesheets which are prepared and signed by employees are retained to support billings to other entities.

Status:

- A.1. Partially implemented. While all appropriate attorneys and staff were included in the June 2008 billing calculation, the salary and fringe benefits for individuals who worked exclusively on one federal program were still included in the cost allocation calculation rather than billed directly to that program. Although not repeated, our recommendation remains as stated above.
2. Partially implemented. Time records were not always complete and accurate. However, the time records were signed by the employee and retained. Although not repeated, our recommendation remains as stated above.
3. Implemented. We reviewed the June 2008 billing to the DSS and all allowable costs appeared to be included in the billing.
- B.1. Not implemented. Timesheet information was not always entered accurately on the computerized time system. In June 2008, the various professional boards were not billed costs related to almost 23 hours, or \$1,387. In addition, the timesheets were not reconciled to the billing records. Although not repeated, our recommendation remains as stated above.
2. Implemented. The June 2008 timesheets were retained to support the billings to the various professional boards.

2. Case Tracking System

- A. Information in the computerized Case Tracking System (CTS) was not always accurate and complete. The process of preparing timesheets and then entering the timesheets into the CTS was a time consuming process which was susceptible to errors. In addition, our review of timesheets identified numerous problems. These problems included many timesheets were not complete or accurate, some timesheets were not signed by the attorney, and some supervisors did not review and sign the timesheets. Also, an electronic timesheet was not used to automatically post to the system.

- B. The CTS was not adequately utilized to track costs per case. With the exception of the Labor Division cases, costs incurred were generally not recorded on the system.

Recommendation:

The AGO:

- A. Establish policies and procedures to ensure all employee time is recorded correctly on timesheets, entered accurately on the CTS, and appropriately reconciled. Timesheets should be signed by the employee and reviewed and approved by a supervisor. In addition, the office should consider the implementation of an electronic timesheet process.
- B. Establish procedures to track costs per case on the CTS.

Status:

- A. Partially implemented. Timesheet information was not always entered accurately on the CTS, and timesheets were not reconciled to CTS reports. We noted the number of hours recorded on 17 (34 percent) of 50 timesheets reviewed were not entered accurately on the CTS. However, time sheets were signed by the employee and reviewed and approved by a supervisor. Although electronic timesheets were sometimes used, the electronic timesheets did not automatically post to the CTS, and 2 different time increment methods were used on the timesheets. Although not repeated, our recommendation remains as stated above.
- B. Not implemented. Although not repeated, our recommendation remains as stated above.

3. Internal Control Policies, Procedures, and Records

- A. The FSD accounting duties were not adequately segregated and an independent review of these duties was not performed. In addition, even though numeric transaction numbers were automatically assigned to each receipt entered in the computerized receivable records (database), procedures were not established to independently account for each transaction number assigned.
- B.1. The FSD did not monitor accounts receivable cases, including a review of the number and dollar amounts and the period of time cases remained uncollected.
- 2. Collection efforts needed to be improved. Although demand letters were typically sent to the debtors which reflected a deadline and stated that other collection efforts would be pursued, additional action was rarely taken after no response was

received. In addition, payment plans were not always established or monitored for compliance.

3. The database balances were not always accurate, and improvement was needed to ensure the accuracy of the balances.
 4. The reconciliations of the database information to case file records were not always properly approved.
 5. The FSD did not maintain a control list of all uncollectible accounts which had been written-off, and office management did not review or approve significant accounts written-off.
- C. The office did not disburse some restitution monies held for other parties in a timely manner.
- D. The FSD did not always transmit receipts to the fiscal unit or other entities on a timely basis. Also, checks were not restrictively endorsed immediately upon receipt.

Recommendation:

The AGO:

- A. Ensure the duties of receiving, recording, and transmitting monies within the FSD are adequately segregated. In addition, the office should establish procedures to properly account for the numerical sequence of transaction numbers.
- B.1. Establish procedures to monitor accounts receivable cases, including a review of the number and dollar amounts. Also, to help follow-up on past due receivable balances, an accounts receivable aging listing should be prepared on a periodic basis.
2. Establish procedures to ensure collection efforts are adequate and pursued in a timely manner. The office should evaluate all collection options available for each case. Payment plans should be prepared as appropriate, entered correctly on the database, and monitored for compliance.
 3. Establish policies and procedures to ensure accounts receivable records are accurate and complete. These policies and procedures should be consistently applied.
 4. Ensure each reconciliation of the computerized database information to the manual receivable records is properly documented, reviewed, and approved.
 5. Maintain a list of accounts written-off as uncollectible. Office management should review and approve significant accounts written-off.

- C. Establish procedures to ensure restitution monies are monitored and disbursed in a timely manner.
- D. Ensure the FSD forwards all monies to the fiscal unit and other entities on a timely basis and restrictively endorses all checks immediately upon receipt.

Status:

- A. Not Implemented. The accounting duties were not adequately segregated. One person was primarily responsible for receiving, recording, and transmitting monies, and an independent review of these duties was not performed. In addition, procedures were not established to properly account for the numerical sequence of transaction numbers. Although not repeated, our recommendation remains as stated above.
- B.1. Partially implemented. Cases are reviewed every six months for collection efforts. However, the number and dollar amounts are not reviewed and an aging listing is not prepared. Although not repeated, our recommendation remains as stated above.
- 2. Implemented. For the cases reviewed, the collection effort appeared reasonable.
- 3. Implemented. For the cases reviewed, the database balances were supported by the case file records.
- 4. Implemented. For the cases reviewed, the reconciliation of the database information to the case file records was properly approved.
- 5. This is no longer applicable. Uncollectible accounts are no longer written-off.
- C. Implemented. We did not find any instances where restitution monies were not disbursed to other parties in a timely manner.
- D. Not implemented. Our cash count, on January 6, 2009, found 3 checks, totaling \$8,611, were being held because the FSD was waiting for a signed agreement. According to FSD personnel, monies are forwarded to the appropriate entity when all necessary information has been received. In addition, some checks were not restrictively endorsed upon receipt. Although not repeated, our recommendation remains as stated above.

4. Cellular Telephones and Blackberries

The AGO needed to improve controls and procedures over the assignment and usage of its cellular telephones and blackberries. The quarterly reviews of cellular telephone usage did not always appear effective. Additionally employees were not required to

monitor their plan usage and personal calls. Many employees incurred significant costs for cellular telephone calls that were not covered by their cellular telephone plan, and personal calls appeared to contribute to some additional charges. Many cellular telephones were only used for a limited amount of time and the office incurred significant costs for these telephones. Also, the office did not receive call detail for eight cellular telephones. Finally, the office did not use its blackberries for telephone services.

Recommendation:

The AGO develop controls, policies, and procedures regarding cellular telephones and blackberries. Such a policy should address when an employee needs a cellular telephone or blackberry, the appropriate use of this equipment, reimbursement for personal use, and a review process. The review process should include detailed billing statements for every telephone, and employees should monitor their plans and usage. In addition, the office should determine the need for cellular telephones with low usage, and cancel plans for those not needed; and consolidate the cellular telephone and blackberry plans for those employees needing both services.

Status:

Partially implemented. Although the office did not develop a formal written comprehensive policy, the office has a system in place to track usage of cellular telephones and blackberries and determine which plans should be changed or eliminated. Also, an employee is no longer assigned both a cellular telephone and blackberry. Periodic e-mails are sent to employees regarding the use of state-owned computer equipment, cellular telephones, and blackberries. Plus, monthly e-mail reminders are sent to employees regarding their review of the call detail for personal usage reimbursement. However, the AGO has not formally established criteria to determine when an employee needs a cellular telephone or blackberry. Although not repeated, our recommendation remains as stated above.

5. Expenditures

- A. Written agreements were not prepared for some professional services such as expert witnesses and outside legal counsel. In addition, some payments were made for charges which were not in accordance with the agreement.
- B. Documentation supporting the method/criteria for selecting expert witnesses and outside legal counsel services was not always prepared and retained.
- C. Some invoices for professional services such as expert witnesses, court reporters, outside legal counsel, and courier services did not always include sufficient documentation regarding the services provided and expenses claimed. Although the office established policies and procedures for outside legal counsel services, policies and procedures were not established for other types of professional services.

- D. Retention authorization letters, outlining the reasons for services from a particular individual, were not always prepared and approved in accordance with office policies for expert witness services and outside legal counsel. In addition, there was no documentation of approval of purchase requests by appropriate personnel for some purchases of supplies and equipment.
- E. Bids were not always obtained for court reporting services when the vendor was paid in excess of \$3,000 during the applicable fiscal year, as required by state law.

Recommendation:

The AGO:

- A. Ensure all expert witness and outside legal counsel services are supported by written agreements signed by both parties, prior to the services being provided. The services billed should be reviewed for compliance with the written agreement and applicable office policies.
- B. Document the method/criteria for selecting the expert witness and outside legal counsel services.
- C. Ensure invoices for professional services are sufficiently detailed, with adequate supporting documentation and are in compliance with office policies/procedures. In addition, the office should revise existing policies/procedures to include professional services other than outside legal counsel and to clearly identify documentation needed for all types of charges billed.
- D. Ensure the proper prior approval for the purchase of goods and services is obtained and retained, in accordance with applicable office policies/procedures. In addition, retention authorization letters should cover all services that will be provided.
- E. Ensure competitive bids are obtained for court reporting services, in accordance with state law. The reasons for sole source purchases, or for not selecting the lowest bidder, should be documented.

Status:

- A&B. Implemented. For the expert witness and outside legal counsel payments reviewed, applicable written agreements were signed by both parties. In addition, the services billed were in compliance with the written agreements, and the method/criteria for selecting these services was documented.
- C. Partially implemented. For 1 of 12 (8 percent) invoices reviewed for expert witness and outside legal counsel services, there was not sufficient detailed

documentation. In addition, office policies and procedures were not revised to include some types of professional services, and to specifically describe the type of supporting documentation needed for all types of charges billed. Although not repeated, our recommendation remains as stated above.

- D. Implemented. Prior approval for goods and services were obtained as needed, and retention letters covered all services provided.
- E. Implemented. For the invoices reviewed for court reporting services, the services were obtained through a contract procured by the Office of Administration.

6. Office Policies and Procedures

- A. The office did not prepare a formal written contingency plan to resume normal business operations and recover information from automated data systems in the event of a disaster or other disruptive event.
- B. The office did not develop a written comprehensive employee manual which addressed issues such as working hours, vacation and sick leave, overtime and compensatory time, performance appraisals, travel policies, lines of authority, and other items of interest to employees. Generally, office policies and procedures were communicated verbally or by e-mail, and there were some inconsistencies in the employees' understanding of these policies and procedures.
- C. Performance appraisals were not always prepared on a timely basis.

Recommendation:

The AGO:

- A. Develop a formal written disaster recovery plan which is periodically tested and evaluated.
- B. Develop a comprehensive written employee manual.
- C. Implement procedures to ensure annual performance appraisals are completed for all applicable employees.

Status:

- A. Not implemented. The office continuity plan is not documented. According to office personnel, the computer system is backed-up on a set schedule, with the back-up information stored off-site. The plan was tested in December 2008; however, the results of the test were not documented. Although not repeated, our recommendation remains as stated above.

- B. Not implemented. A formal written employee manual has not been developed. Office policies and procedures are generally communicated verbally, by e-mail, or in separate written documents. For example, in January 2008, the office issued a Document Management Policy regarding document retention, storage, and destruction. Although not repeated, our recommendation remains as stated above.
- C. Not implemented. Our review of performance appraisals for 15 employees found no current appraisals for 3 employees, with 2 of these 3 employees not receiving an appraisal for over 11 and almost 5 years, respectively. Also, according to office management, performance appraisals are not prepared for senior staff attorneys and chief counsels. Although not repeated, our recommendation remains as stated above.

HISTORY AND
STATISTICAL INFORMATION

OFFICE OF ATTORNEY GENERAL HISTORY AND STATISTICAL INFORMATION

The Office of Attorney General was created in 1806, when Missouri was still a territory. The Missouri Constitution of 1820 provided for an appointed attorney general. It remained an appointed position until 1865, when a new constitution provided for an attorney general elected by the people.

The Attorney General's office is located in Jefferson City. There are branch offices in Kansas City, St. Louis, Springfield, and Cape Girardeau.

The office is organized into eight divisions: Agriculture and Environment, Consumer Protection, Criminal, Financial Services, Governmental Affairs, Labor, Litigation, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division.

Agriculture and Environment Division: This division protects Missouri's natural resources and agricultural productivity, and represents the Department of Natural Resources (DNR) including its constituent boards and commissions that regulate the use of Missouri's air, land and waters, as well as the Department of Agriculture. Attorneys take legal action to stop pollution of the state's air, water and soil and penalize polluters through fines, penalties, and, in the most serious cases, incarceration. The division also works to protect and enhance agriculture and the quality of life for rural Missourians by enforcing the law and advocating responsible public policy. Enforcement litigation is filed primarily in state courts to seek preliminary and permanent injunctions to assure compliance with state environment laws. The division also obtains civil penalties and recovers costs and damages for the state.

Consumer Protection Division: The division handles fraud investigations and litigation. Attorneys in this division represent Missouri consumers as a group in cases of consumer fraud, securities fraud, and antitrust matters. Also, these attorneys are active in discovering businesses that commit merchandising practices fraud in connection with the sale and advertising of products or services. This division includes an investigative staff that assists attorneys in investigations involving violations of the state's Merchandising Practices Act. The No Call program, to reduce telemarketing calls, is also under this division.

Criminal Division: This division represents the state in every felony case appealed to the Supreme Court of Missouri and Missouri Court of Appeals. The attorneys in this division also defend the state in all habeas corpus actions filed by prison inmates in state and federal court and assist with extraditions to and from Missouri of those charged in criminal cases.

Financial Services Division: The division pursues recoveries of monies due the Office of Attorney General and other state agencies/departments, including amounts due on defaults on student loans and economic development loans, delinquent audit and lottery commission fees, penalties owed the Missouri Ethics Commission, estate recovery cases, money owned by inmates to reimburse the state for the costs of their care, and collections in bankruptcy court.

Additionally, the attorneys in this division provide legal assistance to the Department of Social Services by establishing and enforcing child support obligations.

Governmental Affairs Division: The division represents the governor and other statewide elected officials, the Office of Administration, various state departments, and more than 30 professional licensing boards. Division attorneys defend constitutional challenges to state laws and ballot issues and enforce compliance with state laws by trusts, foundations, and nonprofit corporations. The attorneys in this division are also responsible for enforcing the state ethics and campaign finance laws, enforcing state laws requiring tobacco manufacturers to establish escrow accounts, and addressing questions about the state's open meeting and records law, commonly known as the Sunshine Law.

Labor Division: This division provides general counsel and litigation services for the Missouri Department of Labor and Industrial Relations and its officers and agencies. The division also represents the state in prevailing wage disputes, crime victims' claims, and workers' compensation cases of state employees, including claims involving the Second Injury Fund.

Litigation Division: This division is responsible for representing all state agencies, officers and employees in civil litigation matters in state and federal courts. Cases include damage claims, contract cases, civil rights cases, personal injury lawsuits, employment issues, and constitutional law issues. This division also defends the state in lawsuits brought by inmates of Missouri's correctional facilities.

Public Safety Division: The Public Safety Division handles criminal prosecutions at the trial level. The Special Prosecution Unit assists local prosecuting attorneys in serious or difficult trials, including homicide cases and grand jury proceedings. The Meth Prosecution Unit specializes in handling criminal cases involving the manufacture, sale, or possession of methamphetamine and other illegal drugs. The Workers' Compensation Fraud Unit prosecutes fraud or misconduct involving workers' compensation, and the Medicaid Fraud Control Unit prosecutes cases involving fraud of the state Medicaid program by health professionals, or abuse or neglect of Medicaid recipients by caregivers. The High Technology and Computer Crime Unit assists local law enforcement with investigations and prosecutions of computer and Internet crime cases, and the Sexually Violent Predator Unit enforces the sexual violent predator law. In addition, attorneys in the division also serve as legal counsel for the Department of Public Safety, Highway Patrol, Water Patrol, and other state law enforcement agencies, and represent those agencies in all civil litigation in which they are a party.

On January 11, 1993, Jeremiah W. (Jay) Nixon was inaugurated as the state's fortieth Attorney General. He was reelected in November 1996, 2000, and 2004. His term expired on January 12, 2009. On that date, Chris Koster was inaugurated as the forty-first Attorney General.

At January 12, 2009, the Office of Attorney General employed approximately 400 full-time and 20 part-time employees.

Appendix A-1

OFFICE OF ATTORNEY GENERAL
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 2008

	Federal and Other Fund	Court Costs Fund	Antitrust Revolving Fund	Merchandising Practices Revolving Fund	Merchandising Practices Restitution Account	Health Spa Regulatory Fund	Incarceration Reimbursement Act Revolving Fund	Trust Fund	Multi-State Consumer Fraud Accounts	Total (Memorandum Only)
RECEIPTS										
Federal grants	\$ 3,588,938	0	0	0	0	0	0	0	0	3,588,938
Restitution	0	0	0	0	897,969	0	0	0	0	897,969
Inmate housing receipts	0	0	0	0	0	0	176,600	0	0	176,600
Penalties, awards, and settlements	0	1,310	463,402	1,439,228	0	0	0	3,447,439	271,889	5,623,268
Registration fees	0	0	0	19,175	0	29,700	0	0	0	48,875
No call program fees	0	0	0	371,200	0	0	0	0	0	371,200
Recovery costs	0	890	17,566	47,823	0	0	0	0	0	66,279
Interest	0	0	0	0	7,866	0	0	0	97	7,963
Miscellaneous	87	308	0	3,993	0	0	0	0	0	4,388
Total Receipts	3,589,025	2,508	480,968	1,881,419	905,835	29,700	176,600	3,447,439	271,986	10,785,480
DISBURSEMENTS										
Personal service	1,960,768	0	329,213	727,470	0	0	101,879	0	0	3,119,330
Employee fringe benefits	838,288	0	113,488	295,873	0	0	47,182	0	0	1,294,831
Expense and equipment	688,355	187,000	1,770	1,080,560	0	5,000	19,701	0	0	1,982,386
Payments to other parties	0	0	0	0	1,751,498	0	0	3,336,102	0	5,087,600
Leasing operations	177,323	0	4,213	13,324	0	0	6,988	0	0	201,848
Cost allocation	0	1,346	5,449	22,434	0	112	1,274	0	0	30,615
Other	1,230	0	0	4,444	0	0	0	0	0	5,674
Total Disbursements	3,665,964	188,346	454,133	2,144,105	1,751,498	5,112	177,024	3,336,102	0	11,722,284
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,939)	(185,838)	26,835	(262,686)	(845,663)	24,588	(424)	111,337	271,986	(936,804)
TRANSFERS										
Transfers from:										
General Revenue Fund	0	165,600	69,000	0	0	0	0	0	0	234,600
Merchandising Practices Restitution Account	0	0	0	18,859	0	0	0	0	0	18,859
Trust Fund	0	0	0	8,509	0	0	0	0	0	8,509
Transfers to:										
Merchandising Practices Revolving Fund	0	0	0	0	(18,859)	0	0	0	(8,509)	(27,368)
Total Transfers	0	165,600	69,000	27,368	(18,859)	0	0	0	(8,509)	234,600
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(76,939)	(20,238)	95,835	(235,318)	(864,522)	24,588	(424)	111,337	263,477	(702,204)
CASH AND INVESTMENTS, JULY 1, 2007	99,321	44,300	0	1,048,092	1,287,024	147,822	624,430	139,732	8,500	3,399,221
CASH AND INVESTMENTS, JUNE 30, 2008	\$ 22,382	24,062	95,835	812,774	422,502	172,410	624,006	251,069	271,977	2,697,017

Appendix A-2

OFFICE OF ATTORNEY GENERAL
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 2007

	Federal and Other Fund	Court Costs Fund	Antitrust Revolving Fund	Merchandising Practices Revolving Fund	Merchandising Practices Restitution Account	Health Spa Regulatory Fund	Incarceration Reimbursement Act Revolving Fund	Trust Fund	Multi-State Consumer Fraud Accounts	Total (Memorandum Only)
RECEIPTS										
Federal grants	\$ 3,236,367	0	0	0	0	0	0	0	0	3,236,367
Restitution	0	0	0	0	2,741,075	0	0	0	0	2,741,075
Inmate housing receipts	0	0	0	0	0	0	184,007	0	0	184,007
Penalties, awards, and settlements	0	6,767	0	710,917	0	0	0	734,149	0	1,451,833
Registration fees	0	0	0	17,870	0	24,925	0	0	0	42,795
No call program fees	0	0	0	432,500	0	0	0	0	0	432,500
Recovery costs	0	2,770	0	219,384	0	0	0	0	0	222,154
Interest	0	0	0	0	13,039	0	0	0	20	13,059
Miscellaneous	83	0	0	1,963	0	0	0	0	0	2,046
Total Receipts	3,236,450	9,537	0	1,382,634	2,754,114	24,925	184,007	734,149	20	8,325,836
DISBURSEMENTS										
Personal service	1,952,708	0	254,640	692,559	0	0	59,142	0	0	2,959,049
Employee fringe benefits	856,779	0	88,033	306,494	0	0	24,275	0	0	1,275,581
Expense and equipment	545,005	143,064	25,565	1,116,643	0	5,000	17,411	0	0	1,852,688
Payments to other parties	0	0	0	0	2,826,682	0	0	754,121	0	3,580,803
Leasing operations	132,775	0	2,099	12,227	0	0	0	0	0	147,101
Cost allocation	0	1,378	3,482	21,645	0	146	1,104	0	0	27,755
Other	0	0	0	45	0	0	0	0	0	45
Total Disbursements	3,487,267	144,442	373,819	2,149,613	2,826,682	5,146	101,932	754,121	0	9,843,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250,817)	(134,905)	(373,819)	(766,979)	(72,568)	19,779	82,075	(19,972)	20	(1,517,186)
TRANSFERS										
Transfers from:										
General Revenue Fund	0	165,600	69,000	0	0	0	0	0	0	234,600
Merchandising Practices Restitution Account	0	0	0	120,054	0	0	0	0	0	120,054
Transfers to:										
Merchandising Practices Revolving Fund	0	0	0	0	(120,054)	0	0	0	0	(120,054)
Total Transfers	0	165,600	69,000	120,054	(120,054)	0	0	0	0	234,600
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(250,817)	30,695	(304,819)	(646,925)	(192,622)	19,779	82,075	(19,972)	20	(1,282,586)
CASH AND INVESTMENTS, JULY 1, 2006	350,138	13,605	304,819	1,695,017	1,479,646	128,043	542,355	159,704	8,480	4,681,807
CASH AND INVESTMENTS, JUNE 30, 2007	\$ 99,321	44,300	0	1,048,092	1,287,024	147,822	624,430	139,732	8,500	3,399,221

Appendix B

OFFICE OF ATTORNEY GENERAL COMPARATIVE STATEMENT OF RECEIPTS

	Year Ended June 30,	
	2008	2007
GENERAL REVENUE FUND		
Federal grants	\$ 8,447	24,395
Penalties, court awards, and settlements	11,789	11,446
Recoveries	60,613	13,596
Refunds	3,513	3,307
Fees for copying public records	3,484	5,912
Miscellaneous	3,103	447
Total General Revenue Fund	<u>\$ 90,949</u>	<u>59,103</u>
SECOND INJURY FUND		
Penalties, court awards, and settlements	\$ 2,062	25,006
Recoveries	25	0
Refunds	2,454	1,522
Total Second Injury Fund	<u>\$ 4,541</u>	<u>26,528</u>
TORT VICTIMS COMPENSATION FUND		
Penalties, court awards, and settlements	<u>\$ 37,422</u>	<u>650,156</u>
HEALTHY FAMILIES TRUST FUND		
Recoveries	<u>\$ 114,958,090</u>	<u>104,469,462</u>
LIFE SCIENCES RESEARCH TRUST FUND		
Recoveries	<u>\$ 38,319,363</u>	<u>34,823,154</u>

Appendix C-1

OFFICE OF ATTORNEY GENERAL
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 PERIOD JULY 1, 2008 TO JANUARY 12, 2009

	Appropriation Authority	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND				
Personal Service	\$ 12,121,726	6,474,312	717,332	4,930,082
Medicaid Fraud Unit - Expense and Equipment	150,164	106,568	4,442	39,154
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	996,096	498,124	424,471	73,501
Medicaid Fraud Unit - Personal Service Expense and Equipment	167,101 1,599,292	113,115 1,008,379	0 43,891	53,986 547,022
Total General Revenue Fund	15,034,379	8,200,498	1,190,136	5,643,745
FEDERAL AND OTHER FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	340,027	123,348	110,460	106,219
Medicaid Fraud Unit - Personal Service	834,177	350,663	38,687	444,827
Personal Service Expense and Equipment	1,695,066 1,302,181	652,073 190,059	54,195 6,341	988,798 1,105,781
Total Federal and Other Fund	4,171,451	1,316,143	209,683	2,645,625
GAMING COMMISSION FUND				
Personal Service	109,282	73,063	8,325	27,894
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	5,123	2,492	2,491	140
Expense and Equipment	30,747	16,418	630	13,699
Total Gaming Commission Fund	145,152	91,973	11,446	41,733
NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND				
Personal Service	36,612	31,173	7,196	(1,757)
Expense and Equipment	4,715	4,715	0	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	10,195	4,960	4,959	276
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	51,522	40,848	12,155	(1,481)
SOLID WASTE MANAGEMENT FUND				
Personal Service	36,612	31,514	3,162	1,936
Expense and Equipment	5,215	4,985	271	(41)
Total Solid Waste Management Fund	41,827	36,499	3,433	1,895
PETROLEUM STORAGE TANK INSURANCE FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,329	647	647	35
Personal Service	25,108	16,206	1,309	7,593
Total Petroleum Storage Tank Insurance Fund	26,437	16,853	1,956	7,628

Appendix C-1

OFFICE OF ATTORNEY GENERAL
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 PERIOD JULY 1, 2008 TO JANUARY 12, 2009

	Appropriation Authority	Expenditures	Encumbrances	Uncommitted Appropriations
MOTOR VEHICLE COMMISSION FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	2,561	1,246	1,246	69
Personal Service	38,167	34,143	2,632	1,392
Expense and Equipment	11,300	0	0	11,300
Total Motor Vehicle Commission Fund	52,028	35,389	3,878	12,761
HEALTH SPA REGULATORY FUND				
Expense and Equipment	5,000	2,923	126	1,951
Total Health Spa Regulatory Fund	5,000	2,923	126	1,951
NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE SUBACCOUNT FUND				
Personal Service	36,587	36,587	0	0
Expense and Equipment	4,715	4,715	0	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	41,302	41,302	0	0
COURT COSTS FUND				
Expense and Equipment	187,000	69,483	3,091	114,426
Total Court Costs Fund	187,000	69,483	3,091	114,426
SOIL AND WATER SALES TAX FUND				
Personal Service	12,197	12,197	0	0
Expense and Equipment	2,267	2,267	0	0
Total Soil And Water Sales Tax Fund	14,464	14,464	0	0
MERCHANDISING PRACTICES REVOLVING FUND				
Personal Service	687,036	435,911	31,330	219,795
Expense and Equipment	1,879,126	512,367	53,307	1,313,452
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	14,288	5,972	5,972	2,344
Total Merchandising Practices Revolving Fund	2,580,450	954,250	90,609	1,535,591
WORKERS' COMPENSATION FUND				
Personal Service	264,048	191,155	22,784	50,109
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	121,138	67,033	53,693	412
Expense and Equipment	204,053	5,723	126	198,204
Total Workers' Compensation Fund	589,239	263,911	76,603	248,725
SECOND INJURY FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	146,397	78,616	64,176	3,605
Personal Service	1,823,045	1,031,284	80,803	710,958
Expense and Equipment	1,021,726	447,541	7,500	566,685
Total Second Injury Fund	2,991,168	1,557,441	152,479	1,281,248

Appendix C-1

OFFICE OF ATTORNEY GENERAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2008 TO JANUARY 12, 2009

	Appropriation Authority	Expenditures	Encumbrances	Uncommitted Appropriations
LOTTERY PROCEEDS FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	3,300	1,605	1,605	90
Personal Service	55,256	30,215	2,329	22,712
Total Lottery Proceeds Fund	58,556	31,820	3,934	22,802
ANTI-TRUST REVOLVING FUND				
Personal Service	369,832	100,975	10,104	258,753
Expense and Equipment	254,400	20,229	0	234,171
Total Anti-Trust Revolving Fund	624,232	121,204	10,104	492,924
HAZARDOUS WASTE FUND				
Personal Service	283,601	137,095	22,705	123,801
Expense and Equipment	14,880	14,880	0	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	22,079	10,458	10,458	1,163
Total Hazardous Waste Fund	320,560	162,433	33,163	124,964
SAFE DRINKING WATER FUND				
Personal Service	12,224	12,224	0	0
Expense and Equipment	2,265	2,265	0	0
Total Safe Drinking Water Fund	14,489	14,489	0	0
TRUST FUND				
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	123,524	123,473	0	51
Total Trust Fund	123,524	123,473	0	51
INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND				
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	7,782	3,786	3,786	210
Expense and Equipment	45,640	17,502	630	27,508
Personal Service	91,944	49,638	3,956	38,350
Total Inmate Incarceration Reimbursement Act Revolving Fund	145,366	70,926	8,372	66,068
MINED LAND RECLAMATION FUND				
Personal Service	12,197	12,197	0	0
Expense and Equipment	2,262	1,692	660	(90)
Total Mined Land Reclamation Fund	14,459	13,889	660	(90)
Total All Funds	\$ 27,232,605	13,180,211	1,811,828	12,240,566

Appendix C-2

OFFICE OF ATTORNEY GENERAL
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2008

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	\$ 11,768,666	11,682,723	85,943
Medicaid Fraud Unit - Expense and Equipment	150,164	150,164	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	800,831	772,649	28,182
Medicaid Fraud Unit - Personal Service	162,234	162,224	10
Expense and Equipment	1,599,292	1,599,292	0
Total General Revenue Fund	14,481,187	14,367,052	114,135
FEDERAL AND OTHER FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	333,966	177,323	156,643
Medicaid Fraud Unit - Personal Service	809,879	673,764	136,115
Personal Service	1,645,696	1,287,004	358,692
Expense and Equipment	1,302,181	688,355	613,826
Total Federal and Other Fund	4,091,722	2,826,446	1,265,276
GAMING COMMISSION FUND			
Personal Service	122,684	122,684	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	4,601	4,600	1
Expense and Equipment	14,162	14,162	0
Total Gaming Commission Fund	141,447	141,446	1
NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND			
Personal Service	35,546	35,546	0
Expense and Equipment	4,715	4,715	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	9,156	9,155	1
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	49,417	49,416	1
SOLID WASTE MANAGEMENT FUND			
Personal Service	35,546	35,546	0
Expense and Equipment	5,215	5,215	0
Total Solid Waste Management Fund	40,761	40,761	0
PETROLEUM STORAGE TANK INSURANCE FUND			
Personal Service	24,377	24,372	5
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,195	1,195	0
Total Petroleum Storage Tank Insurance Fund	25,572	25,567	5

Appendix C-2

OFFICE OF ATTORNEY GENERAL
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2008

	Appropriation Authority	Expenditures	Lapsed Balances
MOTOR VEHICLE COMMISSION FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	2,300	2,300	0
Personal Service	48,355	48,351	4
Expense and Equipment	0	0	0
Total Motor Vehicle Commission Fund	50,655	50,651	4
HEALTH SPA REGULATORY FUND			
Expense and Equipment	5,000	5,000	0
Total Health Spa Regulatory Fund	5,000	5,000	0
NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE SUBACCOUNT FUND			
Personal Service	35,521	35,521	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	40,236	40,236	0
COURT COSTS FUND			
Expense and Equipment	187,000	187,000	0
Total Court Costs Fund	187,000	187,000	0
SOIL AND WATER SALES TAX FUND			
Personal Service	11,842	11,842	0
Expense and Equipment	2,267	2,267	0
Total Soil And Water Sales Tax Fund	14,109	14,109	0
MERCHANDISING PRACTICES REVOLVING FUND			
Personal Service	767,026	727,470	39,556
Expense and Equipment	1,779,126	948,209	830,917
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	147,472	145,006	2,466
Total Merchandising Practices Revolving Fund	2,693,624	1,820,685	872,939
WORKERS' COMPENSATION FUND			
Personal Service	368,358	368,296	62
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	120,682	119,249	1,433
Expense and Equipment	92,053	16,262	75,791
Total Workers' Compensation Fund	581,093	503,807	77,286
SECOND INJURY FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	149,190	148,554	636
Personal Service	1,857,552	1,857,552	0
Expense and Equipment	934,121	915,191	18,930
Total Second Injury Fund	2,940,863	2,921,297	19,566

Appendix C-2

OFFICE OF ATTORNEY GENERAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2008

	Appropriation Authority	Expenditures	Lapsed Balances
LOTTERY PROCEEDS FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	2,965	2,964	1
Personal Service	53,647	53,647	0
Total Lottery Proceeds Fund	56,612	56,611	1
ANTI-TRUST REVOLVING FUND			
Personal Service	359,060	329,213	29,847
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	4,301	4,213	88
Expense and Equipment	254,400	1,770	252,630
Total Anti-Trust Revolving Fund	617,761	335,196	282,565
HAZARDOUS WASTE FUND			
Personal Service	275,340	275,340	0
Expense and Equipment	14,880	14,880	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	20,616	20,422	194
Total Hazardous Waste Fund	310,836	310,642	194
SAFE DRINKING WATER FUND			
Personal Service	11,868	11,868	0
Expense and Equipment	2,265	2,265	0
Total Safe Drinking Water Fund	14,133	14,133	0
TRUST FUND			
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	3,478,803	3,336,102	142,701
Total Trust Fund	3,478,803	3,336,102	142,701
INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	7,119	6,988	131
Expense and Equipment	33,027	19,701	13,326
Personal Service	101,879	101,879	0
Total Inmate Incarceration Reimbursement Act Revolving Fund	142,025	128,568	13,457
MINED LAND RECLAMATION FUND			
Personal Service	11,842	11,842	0
Expense and Equipment	2,262	2,262	0
Total Mined Land Reclamation Fund	14,104	14,104	0
Total All Funds	\$ 29,976,960	27,188,829	2,788,131

Appendix C-3

OFFICE OF ATTORNEY GENERAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	\$ 11,276,089	11,276,089	0
Medicaid Fraud Unit - Expense and Equipment	150,164	149,771	393
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	584,651	584,651	0
Medicaid Fraud Unit - Personal Service	157,510	141,838	15,672
Expense and Equipment	1,785,235	1,785,215	20
Total General Revenue Fund	13,953,649	13,937,564	16,085
FEDERAL AND OTHER FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	232,893	132,775	100,118
Medicaid Fraud Unit - Personal Service	786,291	667,546	118,745
Personal Service	1,597,764	1,285,162	312,602
Expense and Equipment	1,302,181	545,005	757,176
Total Federal and Other Fund	3,919,129	2,630,488	1,288,641
GAMING COMMISSION FUND			
Personal Service	118,009	118,006	3
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	3,012	3,012	0
Expense and Equipment	15,747	15,747	0
Total Gaming Commission Fund	136,768	136,765	3
NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND			
Personal Service	34,511	34,511	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	39,226	39,226	0
SOLID WASTE MANAGEMENT FUND			
Personal Service	34,511	34,511	0
Expense and Equipment	5,215	5,215	0
Total Solid Waste Management Fund	39,726	39,726	0
PETROLEUM STORAGE TANK INSURANCE FUND			
Personal Service	23,667	23,667	0
Total Petroleum Storage Tank Insurance Fund	23,667	23,667	0
MOTOR VEHICLE COMMISSION FUND			
Personal Service	47,276	47,270	6
Expense and Equipment	0	0	0
Total Motor Vehicle Commission Fund	47,276	47,270	6

Appendix C-3

OFFICE OF ATTORNEY GENERAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
HEALTH SPA REGULATORY FUND			
Expense and Equipment	5,000	5,000	0
Total Health Spa Regulatory Fund	5,000	5,000	0
NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE SUBACCOUNT FUND			
Personal Service	34,486	34,486	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	39,201	39,201	0
COURT COSTS FUND			
Expense and Equipment	187,000	143,064	43,936
Total Court Costs Fund	187,000	143,064	43,936
SOIL AND WATER SALES TAX FUND			
Personal Service	11,497	11,497	0
Expense and Equipment	2,267	2,267	0
Total Soil And Water Sales Tax Fund	13,764	13,764	0
MERCHANDISING PRACTICES REVOLVING FUND			
Personal Service	692,560	692,559	1
Expense and Equipment	1,834,165	905,138	929,027
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	223,779	223,733	46
Total Merchandising Practices Revolving Fund	2,750,504	1,821,430	929,074
WORKERS' COMPENSATION FUND			
Personal Service	349,782	349,782	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	211,009	190,507	20,502
Expense and Equipment	103,162	27,248	75,914
Total Workers' Compensation Fund	663,953	567,537	96,416
SECOND INJURY FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	256,112	232,269	23,843
Personal Service	1,781,440	1,781,440	0
Expense and Equipment	958,681	940,680	18,001
Total Second Injury Fund	2,996,233	2,954,389	41,844
LOTTERY PROCEEDS FUND			
Personal Service	52,084	52,083	1
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,603	1,603	0
Total Lottery Proceeds Fund	53,687	53,686	1

Appendix C-3

OFFICE OF ATTORNEY GENERAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
ANTI-TRUST REVOLVING FUND			
Personal Service	348,602	254,640	93,962
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	14,892	14,015	877
Expense and Equipment	254,400	13,650	240,750
Total Anti-Trust Revolving Fund	617,894	282,305	335,589
HAZARDOUS WASTE FUND			
Personal Service	267,320	267,320	0
Expense and Equipment	14,880	14,880	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	6,907	6,907	0
Total Hazardous Waste Fund	289,107	289,107	0
SAFE DRINKING WATER FUND			
Personal Service	11,522	11,522	0
Expense and Equipment	2,265	2,265	0
Total Safe Drinking Water Fund	13,787	13,787	0
HAZARDOUS WASTE REMEDIAL FUND			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	2,631	2,385	246
Total Hazardous Waste Remedial Fund	2,631	2,385	246
TRUST FUND			
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	755,001	754,121	880
Total Trust Fund	755,001	754,121	880
INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND			
Expense and Equipment	17,411	17,411	0
Personal Service	59,142	59,142	0
Total Inmate Incarceration Reimbursement Act Revolving Fund	76,553	76,553	0
MINED LAND RECLAMATION FUND			
Personal Service	11,497	11,497	0
Expense and Equipment	2,262	2,262	0
Total Mined Land Reclamation Fund	13,759	13,759	0
Total All Funds	\$ 26,637,515	23,884,794	2,752,721

Appendix D

OFFICE OF ATTORNEY GENERAL
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2008	2007	2006	2005	2004
Salaries and wages	\$ 17,856,682	17,154,567	15,847,774	15,555,222	14,950,293
Travel, in-state	473,974	497,902	475,507	469,792	420,758
Travel, out-of-state	128,699	114,406	128,378	101,435	106,504
Fuel and utilities	26,202	24,088	32,302	30,234	36,645
Supplies	984,868	1,026,264	1,039,367	1,008,975	1,046,131
Professional development	215,066	203,601	189,256	203,167	215,512
Communication service and supplies	453,116	469,334	450,271	449,870	473,474
Services:					
Professional	1,751,665	1,528,308	1,396,756	1,325,945	787,412
Housekeeping and janitorial	30,364	49,801	83,938	69,245	68,059
Maintenance and repair	271,384	211,139	215,399	282,617	273,221
Equipment:					
Computer	103,836	262,428	179,663	362,344	331,963
Motorized	20,150	31,623	75,768	27,153	109,203
Office	30,828	67,027	85,839	91,167	91,668
Other	13,623	16,423	15,052	16,595	18,486
Property and improvements	3,890	0	1,890	150,749	151,920
Real property rentals and leases	1,432,111	1,400,186	725,597	707,580	734,273
Equipment rental and leases	5,414	7,036	3,456	5,435	9,143
Miscellaneous expenses	46,046	60,673	87,110	43,495	25,985
Refunds	43	0	0	0	1,300
Payments to other parties	3,336,102	754,121	5,151,021	759,679	0
Program distributions	4,766	5,869	4,213	0	0
Total Expenditures	\$ <u>27,188,829</u>	<u>23,884,796</u>	<u>26,188,557</u>	<u>21,660,699</u>	<u>19,851,950</u>

Appendix E

OFFICE OF ATTORNEY GENERAL STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

All Funds	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2006	\$ 2,849,030	568,770	3,417,800
Additions	189,578	49,876	239,454
Dispositions	(273,994)	(71,765)	(345,759)
Balance, June 30, 2007	2,764,614	546,881	3,311,495
Additions	106,228	25,794	132,022
Dispositions	(277,640)	(27,181)	(304,821)
Balance, June 30, 2008	2,593,202	545,494	3,138,696
Additions	73,437	12,893	86,330
Dispositions	(57,228)	0	(57,228)
Balance, January 12, 2009	\$ 2,609,411	558,387	3,167,798

Fund of Acquisition	Balance January 12, 2009
General Revenue Fund	\$ 2,069,762
Federal and Other Fund	218,137
Gaming Commission Fund	2,713
Motor Vehicle Commission Fund	705
Merchandising Practices Revolving Fund	359,923
Workers' Compensation Fund	126,740
Second Injury Fund	370,478
Anti-Trust Revolving Fund	3,055
Department of Natural Resources Funds	12,003
Health Spa Regulatory Fund	1,195
Inmate Incarceration Reimbursement Act Revolving Fund	3,087
Total All Funds	\$ 3,167,798

Appendix F

OFFICE OF ATTORNEY GENERAL
COMPARATIVE STATEMENT OF FINANCIAL SERVICES DIVISION COLLECTIONS

	Period July 1, 2008 to January 12, 2009		Year Ended June 30,			
			2008		2007	
	Number of Payments	Amount Collected	Number of Payments	Amount Collected	Number of Payments	Amount Collected
Forwarded to:						
AGO - Fiscal Unit *	779	\$ 3,592,564	1,965	\$ 5,065,718	1,754	\$ 3,804,788
Department of Agriculture	24	16,998	66	44,115	48	58,893
Department of Corrections	3	1,569	17	2,094	24	1,931
Department of Economic Development	15	14,599	27	114,902	13	101,211
Department of Health and Senior Services	127	56,469	329	223,885	256	77,124
Department of Labor and Industrial Relations	561	323,137	749	365,469	699	437,060
Department of Mental Health	49	91,620	118	459,546	141	603,238
Department of Natural Resources	72	106,960	152	379,965	155	258,444
Department of Public Safety	20	6,801	14	13,032	7	2,346
Department of Social Services	1,412	5,032,648	2,275	10,395,910	1,903	11,771,420
Missouri Ethics Commission	32	6,509	55	13,973	86	21,750
Missouri National Guard	67	8,391	111	17,793	160	34,938
Office of Administration	3	67,365	6	492,832	3	97,699
State Lottery Commission	232	223,676	392	198,317	320	158,698
Various political subdivisions	72	164,843	162	528,802	225	453,592
Other entities	24	26,364	32	38,905	16	36,708
Total	<u>3,492</u>	<u>\$ 9,740,513</u>	<u>6,470</u>	<u>\$ 18,355,258</u>	<u>5,810</u>	<u>\$ 17,919,840</u>

* These monies are reflected in Appendices A and B.



Susan Montee, JD, CPA
Missouri State Auditor

MISSOURI HOUSING DEVELOPMENT COMMISSION



June 2009

Report No. 2009-65

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the Missouri Housing Development Commission.

The Missouri Housing Development Commission (MHDC) Standards of Conduct policy does not require commissioners and employees in positions with significant decision making capacity to publicly disclose actual and potential conflicts of interest and/or situations which could present the appearance of a conflict of interest. Commissioners are not required to recuse themselves in situations involving actual/potential conflicts of interest. We identified two commissioners who appeared to have at least the appearance of conflicts of interest, but did not recuse themselves from decision making or actions relevant to the parties involved in the potential conflict. As noted in our audit report No. 2008-23, *Analysis of Low Income Housing Tax Credit Program*, a perception exists that political influence and campaign contributions to elected officials on the commission influenced the project selection process. In addition, soliciting donations for conference expenses from entities doing business with the MHDC gives the appearance of, and may result in, potential conflicts of interest. Also, assistant attorney generals acting on the behalf of the Attorney General do not file annual personal financial disclosure forms with the Missouri Ethics Commission pursuant to state law.

According to some former and current employees, MHDC's management practices contribute to low employee morale. The results from a survey we sent to 48 former and 27 current employees indicate there are employee morale problems, some involving the relationship between employees and management. For former employees, the most commonly cited reason for leaving was conflict with management and/or supervisors. There was also the perception management did not use fair practices when hiring or promoting employees. The MHDC does not normally verify applicants' education, professional certifications, prior employment, or personal references when filling job vacancies. MHDC records were not always in agreement with state merit system records maintained by the Office of Administration (OA). One employee's actual job responsibilities and duties did not appear compatible with the job description for the employee's merit system classification. A second employee's position and classification did not appear to be properly identified in OA records.

MHDC procurement policies and procedures need to be improved. There is inadequate guidance on the solicitation method, evaluation criteria, renewal options and frequency of bids, and documentation to be maintained/retained. The procurement policy, revised effective September 2008, now requires written price quotes from at least three vendors, and provides some guidance on selecting the supplier using objective and/or subjective criteria. However, the policy does not require documentation of the evaluation of bids/proposals, nor does it provide guidance regarding limits on the number of renewal

YELLOW SHEET

options for contracts, or the frequency of when goods and services should be bid. On an individual basis, MHDC management determines the length of contracts/agreements and when to bid for goods and services. Also, the policy does not include guidance on documentation retention requirements.

Competitive proposals are not always obtained on a periodic basis for some professional services. It has been many years since the procurement of bond trustee services for the single and multi-family bond programs, and limited documentation was available to substantiate the performance reviews or assessment of the reasonableness of the trustee's fees. Also, the bond trustee made campaign contributions to some elected officials serving as commissioners. The MHDC did not always solicit bids or request competitive proposals for goods and services in compliance with its procurement policy or retain documentation of the bids or requests. The MHDC has not established procedures to file payment documentation in a centralized location. Some invoices did not provide sufficient information for management to verify accuracy and reasonableness of the amounts billed and invoices were not on file for some expenditures. Documentation to support journal entries in the accounting system was not always adequate, and there was no management review or approval of the journal entries. Some expenditures reviewed did not appear to be allowable, prudent, or necessary uses of public funds, including alcohol purchases totaling nearly \$15,000 for receptions during the 2006 and 2007 Governor's Conferences on Housing and the purchase of 1,000 promotional brochures (at \$28 each) about MHDC programs/activities. Similar information about MHDC programs/activities was previously available in the MHDC annual report at a lower cost per report. Additionally, other expenditures were not properly classified in the MHDC accounting system.

The supporting documentation for employee related expenses such as meals, lodging, and conference/meeting charges was not always adequate and did not always comply with MHDC policy. Executive staff expense reimbursements and credit card account statements are not always properly reviewed and approved. In November 2008, the Executive Director and Director of Operations received expense reimbursements of \$18,000 and \$2,545, respectively, for professional fee expenses incurred between November 2007 and November 2008. Documentation supporting the reimbursements did not include any itemization of these expenses, information supporting these expenses were actually incurred, or information explaining how the expenses related to official MHDC business. Upon our request for additional information, the Executive Director responded, "The requested information is relative to an ongoing investigation, the specifics of which we are not at liberty to discuss."

Policies regarding public access to MHDC records, record retention, and document destruction need to be improved. The MHDC does not have a complete written policy regarding public access to its records as required by Chapter 610, RSMo (Sunshine Law). The MHDC has also not established a formal written policy for record retention and document destruction as required by state law.

Various concerns were noted regarding the MHDC capital asset/property records and related procedures. Capital asset duties are not adequately segregated, property tag numbers are not unique, and a disposition policy has not been established. Finally, the MHDC does not periodically perform a cost-benefit analysis for leased property and equipment.

All reports are available on our Web site: www.auditor.mo.gov

MISSOURI HOUSING DEVELOPMENT COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-4
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	5-34

<u>Number</u>	<u>Description</u>	
1.	Conflicts of Interest and Personal Financial Disclosure Statements	6
2.	Personnel Matters	10
3.	Procurement Policy	15
4.	Expenditures	18
5.	Employee Related Expenses	26
6.	Public Records	31
7.	Capital Assets	32
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		35-49

Appendix

Balance Sheet		
A-1	As of June 30, 2008	40
A-2	As of June 30, 2007 and 2006	42
Statement of Revenues, Expenses and Changes in Net Assets		
B-1	Year Ended June 30, 2008	44
B-2	Two Years Ended June 30, 2007	45
Statement of Cash Flows		
C-1	Year Ended June 30, 2008	46
C-2	Two Years Ended June 30, 2007	48

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Linda M. Martínez, Director
Department of Economic Development
and
Missouri Housing Development Commission
and
Pete Ramsel, Executive Director
Missouri Housing Development Commission
Kansas City, Missouri

We have audited the Missouri Housing Development Commission. The commission engaged BKD LLP and RubinBrown LLP, Certified Public Accountants (CPAs), to audit the commission's financial statements for the year ended June 30, 2008 and the two years ended June 30, 2007, respectively. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firms. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007 and 2006. The objectives of our audit were to:

1. Evaluate the commission's internal controls over significant management and financial functions.
2. Evaluate the commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our objectives did not include analyses of the commission's tax credit programs. Separate reports were issued for the audits of these programs. In April and July 2008, the State Auditor's Office issued audit report No. 2008-23, *Analysis of Low Income Housing Tax Credit Program*, and No. 2008-47, *Analysis of Affordable Housing Tax Credit Program*, respectively. Our objectives also did not include compliance with certain federal requirements which are

covered by an annual audit performed by the commission's CPAs in accordance with the Office of Management and Budget Circular A-133.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the commission, as well as certain external parties; analysis of responses to written surveys or of input otherwise received from concerned parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the procedures applied in our audit of the commission.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Housing Development Commission.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Rex Murdock, M.S.Acct.
	Connie James
	Kimberly Shepard

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MISSOURI HOUSING DEVELOPMENT COMMISSION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Conflicts of Interest and Personal Financial Disclosure Statements
--

The Missouri Housing Development Commission (MHDC) Standards of Conduct policy does not require full public disclosure of conflicts of interest. Two commissioners voted on decisions/projects when there was at least an appearance of a conflict of interest. In addition, there appears to be a perception that political influence and campaign contributions to elected officials on the commission influence the project selection process. Also, soliciting donations for conference expenses from business-related entities appears to be a potential conflict of interest. Finally, employees of the Attorney General who act on his behalf do not file annual personal financial disclosures with the Missouri Ethics Commission.

- A. The Standards of Conduct policy does not require commissioners and employees in positions with significant decision making capacity to publicly disclose actual and potential conflicts of interest and/or situations which could present the appearance of a conflict of interest.

In 2007, the MHDC recognized its policy needed to be revised for conflicts of interest issues and appointed a subcommittee in December 2007 to create an updated policy. In spite of working on a new policy for over a year, the subcommittee has not been able to reach a consensus on how to handle actual/potential conflicts of interest and/or the appearance of conflicts of interest. A commissioner identified below as having conflicts of interest chaired the subcommittee through January 2009.

The existing policy provides commissioners and employees should 1) "avoid conflicts between their duties to MHDC and their own personal interests", 2) identify and disclose potential conflict to appropriate person(s), and 3) take appropriate steps, including "... recusing themselves from decision-making or action pertaining to the situation." A draft of a new Standards of Conduct presented to the MHDC for its input in May 2008 strengthen some issues such as requiring 1) disclosure of actual/potential conflict of interest to the Commission Chairman and Executive Director prior to the next commission meeting and 2) recusal by the individual from action pertaining to the situation. In addition, the draft provided the commissioners, executive director, and department directors who participated in the final decisions regarding the disposition of MHDC administered funds or the letting of any MHDC contracts could not appear before the commission or receive compensation for services from the commission for 1 year after discontinuing their employment or service. However, this provision was eliminated in a subsequent draft. This provision is similar to provisions in Chapter 105, RSMo, regarding prohibited acts by elected and appointed public

officials and employees. The MHDC should consider including these provisions in its policy.

A subsequent draft, presented to the MHDC in November 2008, also provides that communication with commissioners by any individual regarding any matter coming before the MHDC for an authorizing vote on housing developments is not subject to public record requirements under the Sunshine Law (Chapter 610, RSMo). It is unclear why these types of communications should be closed under the Sunshine Law.

Neither the current policy nor the draft revisions provide for public disclosure of actual/potential conflicts or the appearance of a conflict of interest. Commissioners and employees of the MHDC serve in a fiduciary capacity. The Missouri Supreme court has stated, "A public officer owes an undivided loyalty to the public whom he serves and he should not place himself in a position which will subject him to conflicting duties or expose him to the temptation of acting other than in the interests of the public ..." State v Cumption 240 S.W. 2d 877,866 (Mo banc. 1951). In addition, entities receiving federal funds, such as the MHDC, are subject to federal rules and regulations regarding the conduct of public officials, including the right of the public to the "honest services" of public officials.

In the interest of complete transparency and full disclosure to the public, the MHDC policy should require conflicts of interest and/or situations which could present the appearance of a conflict of interest, to be reported to the MHDC in writing. The written report should describe the nature and circumstances of the conflict, be included in the official record of the MHDC, and be made available to the general public. The MHDC should ensure its policy is in compliance with state and federal law. Also, the MHDC should consider excluding any commissioners from the subcommittee who have reported conflicts of interest.

- B. Commissioners are not required to recuse themselves for actual/potential or the appearance of conflicts of interest. We identified two commissioners who appeared to have at least the appearance of conflicts of interest, but did not recuse themselves from decision making or actions relevant to the parties involved in the potential conflict. As noted above, the current policy does not require individuals to recuse themselves from decision-making or action pertaining to the situation. The policy allows the individuals to decide what steps are appropriate in the situation.

A commissioner reported on his annual personal financial disclosures filed with the Missouri Ethics Commission that he is a member of a limited partnership. This partnership includes another individual whose separate business activities periodically receive funding from the MHDC for low income housing development projects. The commissioner has not recused himself from decisions or actions of the MHDC related to these housing development projects.

As previously reported in newspaper articles, another commissioner sold properties he owned for over \$6.7 million to two different developers who periodically receive funding through the MHDC for low income housing development projects. The commissioner has not recused himself from MHDC decisions or actions related to these developers' housing development projects. The commissioner reported the possibility of a conflict for one of these transactions to the Commission Chairman.

The following table shows the funding approved by the 2 commissioners during the 2008, 2007, and 2006 funding cycles related to these situations:

Type of Project Funding	Commissioner #1	Commissioner #2
9% Tax Credits (1)	\$ 27,855,050	67,070,000
MHDC Loans	820,000	2,180,000
HOME Federal Grant Funds	930,000	7,645,000
Third Party Loans	0	3,150,000
Total funding	\$ 29,605,050	80,045,000

(1) Represents total tax credits which can be redeemed by the owner over a ten year period.

Commissioners #1 and #2 resigned from the board in December 2008 and January 2009, respectively.

To avoid conflicts of interest or the appearances of a conflict of interest, the commissioners should recuse themselves from decisions or actions on housing development projects proposed by individuals or entities with which they have a business relationship or have engaged in significant financial transactions.

- C. As noted in our audit report No. 2008-23, *Analysis of Low Income Housing Tax Credit Program*, there appeared to be a perception that political influence and campaign contributions to elected officials on the commission influenced the project selection process. In a publicized case, a developer questioned why, during the 2007 project selection process, he had fewer projects approved than other developers despite political contributions he had made.

To evaluate the source of contributions to elected officials on the MHDC, we reviewed campaign contribution data submitted to the Missouri Ethics Commission. However, the records could not be easily searched and limited information made it difficult to always match specific donations to developers or developers' organizations.

To avoid conflicts of interest or the appearances of a conflict of interest, elected officials serving on the commissioner should recuse themselves from decisions or

actions on housing development projects proposed by individuals or entities from whom they have received campaign contributions.

- D. Soliciting donations for conference expenses from entities doing business with the MHDC gives the appearance of, and may result in, potential conflicts of interest.

The MHDC solicited and received contributions from various housing development-related companies and organizations to partially fund the 2006 Governor's Housing Conference hosted by the MHDC and the 2007 Governor's Conference on Economic Development hosted by the Missouri Department of Economic Development. According to MHDC records, contributions totaling approximately \$42,000 were received during the 2 years ended June 30, 2007. We examined the list of contributors and noted that many of the companies and organizations provided services to the MHDC or were developers funded by the MHDC.

Actively soliciting contributions from these entities gives the appearance of, and may result in, a conflict of interest. The MHDC should discontinue soliciting contributions from companies and organizations which have a business relationship with the MHDC.

- E. Assistant attorney generals acting on the behalf of the Attorney General do not file annual personal financial disclosure forms with the Missouri Ethics Commission pursuant to state law.

Several different assistant attorney generals attended MHDC meetings to represent the Attorney General during the last several years. These assistant attorney generals act as a commissioner with the full powers and duties of the Attorney General including discussing and voting on policies, contracts, and agreements; approving millions of dollars of long term debt; and approving millions of dollars of project funding and tax credits to multi-family housing project developers and homeowner assistance programs.

Section 105.483.12, RSMo, requires any person who is designated as a decision-making public servant to file personal financial disclosures. It appears the assistant attorney generals who fulfill duties of a commissioner are decision-making public servants and should file annual personal financial disclosures.

WE RECOMMEND the MHDC:

- A. Finalize a new Standards of Conduct policy that requires commissioners and employees to disclose conflicts of interest and/or the appearance of conflict of interest in writing to the MHDC. Those reports should be included in the official record of the MHDC and made readily available to the general public. The policy should be in compliance with the state and federal law.

- B&C. Ensure commissioners and employees abstain from voting on issues and decisions when actual/potential conflicts of interest and/or the appearance of a conflict of interest have been identified.
- D. Discontinue the practice of soliciting contributions from companies and organizations which have a business relationship with the MHDC.
- E. Work with the Attorney General to ensure the assistant attorney generals acting as a commissioner on his behalf file annual personal financial disclosures with the Missouri Ethics Commission.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A-C. The Standards of Conduct Committee met on May 12, 2009. The Committee is in the process of developing appropriate revisions to MHDC's current Standards of Conduct Policy.*
- D. MHDC staff agrees with this recommendation. Such practice has already been terminated and a new policy has been developed and will be submitted to the Policy Committee and the Commission for approval during the next fiscal year.*
- E. MHDC staff disagrees with this recommendation. The elected officials who serve on the Commission submit their Personal Financial Disclosure Statements (PFDS) to the Missouri Ethics Commission. The determination of the individuals within their offices who should also submit a PFDS is rightfully made by the elected officials.*

2.	Personnel Matters
-----------	--------------------------

According to some former and current employees, MHDC's management practices contribute to low employee morale. In addition, some hiring practices need to be improved and MHDC's records were not always in agreement with the state's merit system records.

Pursuant to state law, MHDC employees are classified as state employees. With a few exceptions, employees are subject to the Missouri Merit System rules and regulations administered by the Office of Administration (OA).

- A. It appears management practices may be contributing to low employee morale. Low employee morale may negatively affect MHDC programs and operations.

Complaints concerning management and employee morale issues were reported to us during the audit. To review these complaints/concerns and to help us gain a better understanding of the extent of the low employee morale, we sent a survey

to 48 former employees who terminated employment between July 2005 and March 2008 and 27 current employees. We excluded former employees who had been fired to eliminate individuals who would tend to have a negative bias. Responses were received from 23 former employees (48 percent response rate) and 17 current employees (63 percent response rate).

The survey asked various questions, including the employee's overall level of job satisfaction, reason(s) for leaving, and how they were treated by management. Responses to questions posed in the survey provided the following results:

- 48 percent of former employees and 30 percent of current employees who responded reported low job satisfaction.
- 78 percent of former employees and 41 percent of current employees who responded reported management/supervisors 1) did not treat employees well and with respect, 2) did not give fair and equal treatment, and 3) did not welcome suggestions and feedback from employees.
- Many of the surveys returned by former employees cited multiple reasons for leaving employment including, but not limited to, conflict with supervisor(s)/management, higher pay, better job opportunity, and retirement. The most commonly cited reason was conflict with management and/or supervisors.

While some surveys returned provided positive feedback regarding the employment experience with MHDC management, the survey results indicate there are employee morale problems, some involving the relationship between employees and management. It should be noted the complaints/concerns shared with us involved various positions from clerks to management, including some individuals with many years of experience.

The following represent selected comments received from former and current employees who returned a survey to us. For these employees, the average length of employment reported on the surveys was over 9 years.

- "The atmosphere at MHDC is a hostile/negative work environment."
- "I did not feel like a valued employee."
- "Morale is very low. You are labeled a trouble maker for making suggestions."
- "Morale is at an all time low. Most people are scared they will lose their job for basically no reason."

- "I respectfully decline to reply (to the survey) for fear of retaliation from management."

There was also the perception management did not use fair practices when hiring or promoting employees and employees were written up for minor indiscretions to support terminating those employees, especially longer tenured employees. In addition, we noted the employee manual was not available to employees from October 2007 through March 2008. According to management, the manual was removed from the MHDC intranet so that revisions could be made. However, based on comments in the surveys it appears this action was perceived negatively by some individuals. Providing clear expectations to employees, including providing access to the official employee manual, is vital to good personnel management and supervision.

It appears efforts are needed to improve employee/management relations. The MHDC should conduct or authorize an in-depth, independent review of management practices to gain a better understanding of the problems that exist and take corrective actions as needed. Additionally, the MHDC should consider conducting exit interviews with employees to determine reasons employees leave employment and/or to obtain suggestions from employees.

B. Some hiring practices need to be improved.

- 1) The MHDC does not normally verify applicants' education, professional certifications, prior employment, or personal references when filling job vacancies. MHDC management indicated they believed individuals hired through the state merit system had been subjected to these verifications by the OA. However, according to OA personnel, agencies are expected to perform these verifications when making hiring decisions for applicants under final consideration.

Good personnel management practices include verifying information submitted by applicants prior to making offers of employment. Additionally, the OA policy provides that state agencies under the Governor are required to perform professional reference checks. This policy may be adopted by commissions of the state. For applicants being considered for employment, the MHDC needs to establish procedures to verify an applicant's education, professional certifications, prior employment, and personal references.

- 2) The MHDC had no documentation to support criminal background and state income tax filing compliance checks were performed for three recently hired employees. Also, the MHDC does not periodically conduct criminal history checks for employees in sensitive or management positions.

Upon request by the MHDC, the Department of Economic Development (DED) conducts criminal background, tax compliance, and driver license checks for new employees. It appears the MHDC did not request these checks from the DED for these 3 employees.

OA policy SP-10 provides that state agencies under the Governor shall perform pre-employment criminal history checks and also should perform criminal history checks on current employees who may assume duties in sensitive job areas and/or managerial positions. This policy may be adopted by commissions of the state. Also, Section 105.262.1, RSMo, requires, "As a condition of continued employment with the state of Missouri, all persons employed full time, part time, or on a temporary or contracted basis by the executive, legislative, or judicial branch shall file all state income tax returns and pay all state income taxes owed."

The MHDC needs to ensure all applicable employment checks are performed for new employees.

- C. MHDC records were not always in agreement with state merit system records. The OA maintains merit system records for employees based on information furnished by the MHDC.

- 1) One employee's actual job responsibilities and duties did not appear compatible with the job description for the employee's merit system classification. The employee's merit system classification is Housing Development Officer; however, the employee's internal title is executive assistant.

The MHDC has not developed a job description for the position of executive assistant, and the actual duties/responsibilities of this employee are not consistent with the job description of a housing development officer in the merit system. The employee's compensation is within the pay range for this merit classification; however, it is unclear what the proper compensation should be for an executive assistant.

It appears the MHDC may have circumvented requirements of the merit system for this employee. Such practices may give the appearance of favoritism in employee appointments. The MHDC should prepare a job description for the duties of an executive assistant, correct the employee's merit system classification, and ensure the employee's pay is consistent with the corrected classification's pay range. Similar actions should be taken to review and correct merit system classifications for any other employees whose actual duties/responsibilities are not compatible with their merit system classification.

- 2) A second employee's position and classification was identified in OA records as an unclassified attorney position. However, this employee serves as MHDC human resource director and is not identified as an attorney by the Missouri Bar Association.

The state merit system rules and regulations allow certain positions to be unclassified (not subject to merit system rules/regulations regarding hiring practices) if certain requirements are met, such as serving as an attorney for the agency. Merit system records need to be complete and accurate to ensure positions are properly identified and proper merit system practices are followed.

WE RECOMMEND the MHDC:

- A. Take action to improve employee/management relations to positively impact employee morale and MHDC programs, and operations. Such actions should include an in-depth, independent review and evaluation of management/supervisory practices.
- B.1. Establish procedures for verification of education, professional certifications, prior employment, and personal references for applicants under final consideration.
2. Perform criminal history and state income tax filing compliance checks for all individuals under final consideration for employment. In addition, periodic criminal history checks should be performed for current employees in sensitive or management positions.
- C.1. Ensure employees' actual job duties/responsibilities and pay rates are compatible with the state merit system job descriptions and pay ranges.
2. Ensure employees' positions/classification are properly identified in the state merit system records and proper merit system practices are followed.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A. *MHDC staff agrees with a portion of this recommendation. MHDC strives to provide a professional culture that encourages the development of its staff. MHDC currently administers employee programs which include recognition for milestones and extraordinary performance, thereby fostering an environment of positive reinforcement. MHDC will continue to recognize and reward quality performance. In addition, MHDC will provide supervisory and management training intended to encourage positive employee/management communications and relations.*

The auditor recommends an in-depth, independent review and evaluation of management/supervisory practices. MHDC staff will consider this recommendation and discuss options with the Board Chairman.

- B.1. MHDC staff agrees with this recommendation. Although MHDC has sought verifications for management level positions, we have been inconsistent in verification of non-management level positions. MHDC currently employs a professional and qualified human resources staff capable of developing a standardized process in this area. MHDC will immediately implement a process to follow the recommendations of the auditors in verifying the qualifications of applicants.*
- 2. MHDC staff agrees with this recommendation. For the past couple of years, MHDC consistently ensured that background checks were completed for all new hires and will continue to do so. MHDC will immediately implement a process to conduct periodic criminal history checks for current employees in sensitive or management positions.*
- C.1. Insofar as MHDC continues to be statutorily required to participate in the merit system, MHDC staff agrees with this recommendation. However, the nature of MHDC's business does not fit neatly within the merit system and variances from generic job descriptions provided through the Office of Administration are, therefore, inevitable. MHDC does, however, recognize that the job classifications specific to MHDC's business are outdated and in need of revision. MHDC will review such classifications in fiscal year 2010 and investigate the feasibility of changes.*
- 2. Insofar as MHDC remains statutorily required to participate in the merit system, staff agrees with this recommendation. MHDC endeavors to ensure that all applicable employee positions are properly identified and classified within the merit system and will continue to do so.*

3. Procurement Policy

MHDC procurement policies and procedures need to be improved. There is inadequate guidance on the solicitation method, evaluation criteria, renewal options and frequency of bids, and documentation to be maintained/retained.

The previous procurement policy required competitive bids for equipment and services costing more than \$5,000 and delegated purchasing authority to various management staff for items costing less than \$5,000. The revised policy, effective September 2008, now requires the use of a purchase requisition and competitive price quotes for all purchases exceeding \$3,000 and Executive Director approval for all purchases exceeding \$5,000. The following weaknesses in the procurement policies and procedure were noted:

- A. The revised procurement policy requires written price quotes from at least three vendors. However, the policy does not allow for other methods of solicitation.

Through August 2008, the MHDC used many different methods of solicitation and did not document the rationale for selecting one method over another, other than the personal preference of the individual procuring the goods/services. For example, price quotes/bids were obtained by phone, Internet, catalog, or mail. In addition, the MHDC used multiple methods of notifying potential vendors of opportunities for bids/requests for proposal including advertising in newspapers and professional publications, publishing information on its web-site, and direct notification to vendors.

Depending on the situation and estimated cost of the goods/services, various methods could be used including catalog comparisons, e-mail quotes/bids, telephone quotes/bids, fax quotes/bids, and sealed bids. Also, consideration should be given to when bids/proposals should be formally advertised, when sealed bids should be used, and when requests for quotation or bids are necessary. The policy should also indicate exceptions to the policy (i.e. emergency or sole source procurements) and the minimum number of bids required.

- B. Although the revised procurement policy provides some guidance on selecting the supplier using objective and/or subjective criteria such as availability, quality, value, and supplier performance, the policy does not require documentation of the evaluation of bids/proposals.

Documented evaluation criteria was not used for the procurement of some services such as commercial banking, bond counsel, multi-family bond trustee, financial advisor, loan servicing, or a tax credit study. Also, the decision process for selecting the commercial banking and financial advisor services was not clearly documented. In addition, no documentation was available to support why a lower cost proposal for financial advisor services was not selected.

Establishing evaluation criteria helps ensure bids/proposals comply with mandatory specifications and requirements and are the lowest and best. Additionally, the criteria and the relative weight of each criterion should be part of the solicitation document if a subjective evaluation is used. Also, the evaluation documentation should be retained.

- C. Although the revised procurement policy provides that competitive price quotations may be waived for a period not to exceed 3 years in connection with supplier performance, the policy does not provide guidance regarding limits on the number of renewal options for contracts or the frequency of when goods and services should be bid. On an individual basis, MHDC management determines the length of contracts/agreements and when to bid for goods and services.

Establishing the number of renewal options and the frequency for bidding helps ensure the opportunity for prospective vendors to compete and the MHDC receives the best value for the cost.

- D. The revised procurement policy does not include guidance on documentation retention requirements.

MHDC staff who perform bidding generally create and maintain procurement documentation in their department. However, bid documentation was not always adequate and/or retained. In addition, some expenditures were not supported by original invoices, the method to notify prospective vendors was not always documented, and the date and time sealed bids were received was not always recorded. Additional documentation weaknesses are identified in MAR finding number 4.

All documentation related to each procurement should be maintained in a centralized manner so there is a clear audit path linking the solicitation process, evaluation, award, and payment. Documentation may include 1) solicitation document, 2) list of vendors solicited, 3) original/copy of each written bid received, 4) bid record/tabulation summary sheet, 5) correspondence concerning the procurement, 6) evaluation, 7) written explanation if award is to other than the lowest/best bidder, 8) written justification for restrictive, proprietary, or brand name specification, and 9) written documentation for a single feasible source procurement.

WE RECOMMEND the MHDC:

- A. Establish policies and procedures regarding the appropriate solicitation methods and the applicable cost threshold for each method. The policy should also indicate possible exceptions to the policy and the minimum number of bids required.
- B. Require objective and/or subjective criteria be used to evaluate bids and proposals, as appropriate. The evaluation documentation should be retained.
- C. Establish guidance regarding renewal periods and frequency of when goods and services should be bid.
- D. Maintain procurement documentation in a centralized manner so there is an audit path linking the solicitation process, evaluation, award, and payment.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A-C. *MHDC staff agrees with this recommendation. Staff will continue to refine the agency's purchasing policy and will submit the revised policy for commission approval during fiscal year 2010. In certain circumstances, competitive procurement may not be necessary or appropriate for certain business needs and circumstances. In*

such situations, MHDC will continue to exercise prudent judgment and decision-making.

- D. MHDC staff will evaluate its current process and determine the efficiencies of making the recommended change.*

4. Expenditures

A competitive bidding process was not always appropriately used, bid documentation was not always obtained and retained, and supporting documentation for expenditures and journal entries was not always adequate. Also, some expenditures did not appear to be necessary or prudent uses of MHDC funds or properly classified in the accounting system.

According to MHDC audited financial statements, general and administrative expenses, excluding payroll related expenses, totaled over \$10.8 million for the 3 years ended June 30, 2008.

As noted previously, there are weaknesses in MHDC procurement policy. These weaknesses contributed to the problems noted below:

- A. Competitive proposals are not always obtained on a periodic basis for some professional services. For example, it has been many years since the procurement of bond trustee and bond credit rating services for the single and multi-family bond programs. The MHDC established these programs in 1995 and 2000, respectively. The MHDC paid approximately \$785,000 and \$430,000 for the bond trustee and bond credit rating services, respectively, during the 3 years ended June 30, 2008.

The MHDC indicated the selection of a vendor for these services is most appropriate when a bond program is established and transferring services to a different vendor would be inefficient. Thus, MHDC practice is to only obtain bond trustee and rating services when a bond program is created or substantially changed. According to MHDC management, competitive proposals have not been solicited since these programs have not substantially changed. MHDC management also told us the bond trustee's performance and changes in fees are periodically reviewed for reasonableness and compared to fees paid by other housing finance agencies and a major competitor. However, limited documentation was available to substantiate the performance reviews or assessment of the reasonableness of the fees. In addition, the original vendors for the bond trustee services have been acquired by or merged with other financial entities and the economy and financial markets have changed significantly since the programs were created. Also, the bond trustee made campaign contributions to some elected officials serving as commissioners. This situation could

contribute to the perception of political influence impacting commission decisions.

The MHDC should consider requesting proposals for bond trustee and rating services related to the Single Family Bond and Multi-Family Bond programs on a periodic basis, especially when there are significant changes in the conditions and circumstances regarding the vendor or the financial market. If the MHDC decides competitive procurement for professional services approved by the MHDC is not necessary or feasible, the reason(s) should be clearly documented and alternative procedures should be performed, documented, and retained to ensure the MHDC is receiving the best services at the best value.

- B. The MHDC did not always solicit bids or request competitive proposals for goods and services in compliance with its procurement policy and/or did not retain documentation of the bids/requests. In addition, some bids, studies, or price quotes were over 10 years old and did not appear to justify the continued use of the same vendors.

Competitive bids/proposals were not performed or documentation was not retained for the following goods and services:

Purchase	Costs for the three years ended June 30, 2008
Office rent	
Kansas City	\$ 1,736,752
St. Louis	675,876
Computer services	
Wide area network	316,201
Data back up and recovery	71,250
Wireless internet access	55,507
Equipment leases	
Computer hardware lease	279,032
Copier leases	299,575
Legal Counsel	200,842
Mortgage bankers bond	173,921
Appraisals	184,125
Governor's Conference on Housing	
2006 facilities and lodging	42,907
2006 banquet	13,832
2005 facilities and lodging	39,908
2005 banquet	18,784
Property Management Conference	
2006 facilities and lodging	18,949
Commission Meeting	
June 2006 facilities and lodging	14,650
Printing and publishing	
promotional brochure	28,850
2005 annual report	16,787
	\$ <u>4,187,748</u>

The MHDC indicated bids were solicited for the wireless internet access; price quotes were obtained for the 2005 annual report, conferences and commission meetings; price quotes were obtained for the wide area network services in 2004 and the mortgage bankers bond in 2003; and a study was performed for the computer hardware lease in 1998; however, documentation was not retained. Also, we question whether price quotes and studies in 1998, 2003, and 2004 justify continued use of the same vendors.

In addition, the MHDC extended a vendor's existing contract to obtain unrelated services. The existing contract was to review and evaluate the budgets of entities

receiving funding from the MHDC under its multi-family bond program. The MHDC extended the contract to obtain 1) modifications to a web-based reporting system used by the MHDC and 2) a comprehensive assessment and conceptual design of significant enhancements for the web-based reporting system. The amended contract provided up to \$30,375 and \$100,00 for the system modifications and assessment/conceptual design, respectively. Also, the vendor was allowed to begin performing services several months before the MHDC formally accepted the vendor's proposal outlining the services and associated costs.

Good procurement practices for purchases provide a framework for the economical management of resources and help ensure the MHDC receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in MHDC business.

The MHDC should ensure goods and services are procured through a competitive bid process and bid documentation is retained. When, under unusual circumstances, the MHDC determines requests for proposals are not feasible, the reasons should be clearly documented and alternative procedures should be performed and documented to ensure the vendor selected is uniquely qualified to provide the services required and fees for the services are reasonable. Also, when the scope of services changes significantly, the new services should be competitively bid. Although the MHDC may purchase goods and services using contracts issued by the OA in lieu of bidding, the MHDC has chosen not to utilize these contracts. Purchasing through OA contracts, if feasible, could save the MHDC time and effort in its procurement process.

- C. Adequate supporting documentation was not obtained/retained for numerous expenditures reviewed and/or was not filed with the invoice. The MHDC has not established procedures to file payment documentation in a centralized location. If retained, documentation was filed in the accounting department or individual departments that reviewed and authorized the payment.

Concerns noted regarding the documentation maintained to support some expenditures included:

- 1) Some invoices reviewed did not provide sufficient information for management to verify accuracy and reasonableness of the amounts billed.
 - Three invoices, totaling almost \$289,000, for annual budget reviews of housing projects did not separately identify the projects reviewed. The invoices only indicated a total of 765 projects were reviewed.

- One invoice, totaling \$19,000, for the difference between the annual estimated and actual maintenance costs for the Kansas City office space did not explain how the difference was determined.
- Two invoices, totaling \$22,700, for legal services did not provide details of services provided/activities performed.
- Three invoices, totaling \$430,000, for annual credit rating services did not itemize the type of services provided or the associated cost of the services.
- Two invoices, totaling over \$45,000, for printing the promotional brochures and 2005 annual report did not indicate the number of copies printed.
- One invoice, exceeding \$3,200, for a classified advertisement included separate fees for various services; however, the fees did not agree to the amount billed.

For us to obtain a complete understanding of the expenditures, the MHDC provided additional documentation and/or explanations for many of the invoices. However, some of the documentation appeared to be created by the MHDC rather than the vendor.

Detailed supporting documentation for expenditures is essential to ensure expenditures are reasonable and necessary uses of public funds. Such documentation allows adequate reviews of services performed and reasonableness of amounts billed. Supporting documentation for expenditures should be retained and filed in a centralized location.

2) Invoices were not on file for some expenditures.

- A grant payment and a payment for appraisal services, totaling \$150,000 and \$30,000, respectively, were supported only by a memo from a member of management. In addition, the MHDC did not retain a copy of its appraisal services contract to justify the fees charged.
- A payment for office supplies, totaling approximately \$3,000, was supported only by a billing statement which covered multiple invoices. Although the Director of Operations indicated she reviewed the detailed invoices at the time of approving the billing statement, the invoices were not retained with the billing statement. Making payments from billing statements increases the likelihood of duplicate payments because invoices could be processed separately.

Expenditures should be supported by original vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of funds.

- D. Documentation to support journal entries in the accounting system was not always adequate. The reasons and/or purposes for the entries were not always clearly identified. In addition, there is no management review or approval for the journal entries.

Documentation of the reasons/purposes for journal entries is necessary to provide a basis for supervisory reviews and an accurate historical record of the circumstances which required the entries. Also, management should review and approve journal entries to ensure the entries are proper and for good internal control.

- E. Some expenditures reviewed did not appear to be allowable, prudent, or necessary uses of public funds, including:

- Alcohol purchases, totaling almost \$15,000, for receptions hosted by the MHDC during the 2006 and 2007 Governor's Conferences on Housing.
- 1,000 promotional brochures about MHDC programs/activities, costing \$28 each for a total of \$28,000. Similar information was previously available in the MHDC annual report at a lower cost per report. The promotional brochure has replaced the annual report.
- A security deposit, totaling \$1,000, included in an individual's relocation expenses.
- Holiday luncheons, totaling almost \$1,400.
- Engraved trinkets and a reception, totaling almost \$2,400, for employees when the MHDC reached \$2 billion in assets.
- A reception, totaling over \$500, for recognizing employees for length of service.
- Flowers, totaling almost \$5,800, for the 3 years ended June 30, 2008. Flowers were given to an employee for successfully organizing a conference and for the birth and/or death of employee family members.

The public has placed a fiduciary trust in the MHDC to expend public funds in a necessary and prudent manner. These expenditures do not appear to be necessary costs of supporting the MHDC mission and maintaining its operations/activities and constitute questionable uses of public funds.

- F. Expenditures, totaling approximately \$31,000, were not properly classified in the MHDC accounting system for 20 of 113 (18 percent) expenditures reviewed. Additionally, credit card expenditures totaling approximately \$4,600 were not properly classified for 41 of 240 (20 percent) receipts included in our review of 22 monthly billing statements.

For example, some 1) printing expenses were coded to computer expense, 2) conference registrations fees, food, meeting room rentals, and office supplies were coded to staff travel, 3) recognition awards, flowers, clothing, and reception/food expenses were charged to office supplies, and 4) reimbursement for CPA exam fees was coded to staff travel.

Expenditure misclassifications can negatively affect the budget process and result in inaccurate and inconsistent presentation of financial activity. Accurate and consistent expenditure coding is necessary to adequately monitor how funds are spent and to assist in making budgeting decisions and allocating resources. The MHDC should ensure expenditures are charged to the most appropriate expenditure category.

WE RECOMMEND the MHDC:

- A. Ensure competitive proposals for professional services are solicited on a periodic basis, especially when there are significant changes in the conditions and circumstances regarding the vendor or financial markets. If competitive procurement is not performed, the reason(s) should be clearly documented and alternative procedures should be performed, documented, and retained.
- B. Ensure goods and services are procured through a competitive bid process and bid documentation is retained. If a competitive bid process is not used, the MHDC should document rationale to support 1) why competitive bidding was not utilized, 2) how the vendor was selected, 3) why the vendor is qualified to provide the goods/services, and 4) why the cost is reasonable. In addition, when the scope of services changes significantly, the new services should be competitively bid. The MHDC should also consider purchasing goods and services through OA contracts if feasible.
- C. Require adequate, detailed supporting documentation be obtained and retained for all expenditures. The supporting documentation should be filed in a centralized location.
- D. Require adequate explanations be prepared and retained for journal entries. Also, management should review and approve journal entries to ensure the entries are proper.
- E. Ensure expenditures are limited to those which are a necessary and prudent use of public funds.

- F. Ensure expenditures are coded consistently and to the most appropriate expenditure category.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A. *MHDC staff agrees with this recommendation. MHDC will continue to obtain competitive proposals for professional services on a periodic basis. In certain circumstances, competitive procurement may not be necessary or appropriate for certain business needs and circumstances. In such situations, MHDC will continue to exercise prudent judgment and decision-making.*
- B. *MHDC staff agrees with this recommendation. MHDC will continue to obtain competitive proposals for appropriate goods and services. In certain circumstances, competitive procurement may not be necessary or appropriate for certain business needs and circumstances. In such situations, MHDC will continue to exercise prudent judgment and decision-making.*

MHDC staff agrees with the recommendation regarding purchasing goods and services through OA contracts and has utilized the state contracts in contracts relating to digital certification, telephone service, wireless services, and computer-related contracts (in an amount in excess of \$186,000). In other instances, however, the state-negotiated bid has not proven to be the lowest prices available for our particular needs.

- C. *MHDC staff agrees with the first part of this recommendation. MHDC will continue to require that adequate, detailed supporting documentation is obtained and retained for expenditures. MHDC staff disagrees with the second part of this recommendation. Supporting documentation will continue to be retained in a centralized location, when appropriate. For programmatic purposes and cost-effectiveness, certain documentation, particularly for specific programs, will continue to be retained within appropriate departmental records. This retention system works effectively for compliance purposes and results in substantial savings by avoiding duplicate efforts and records and also enhances accuracy.*
- D. *MHDC staff agrees with this recommendation. MHDC will continue to maintain adequate explanations for journal entries. Finance management will continue to review and approve non-recurring and unusual journal entries and will continue to review recurring entries on a periodic basis. Further, Finance Management will continue to perform monthly financial analysis and review, which assists in identifying posting errors or mistakes.*
- E. *MHDC staff agrees with the spirit of this recommendation. MHDC will continue to ensure that expenditures and disbursements are appropriate, representing a prudent use of funds. MHDC takes exception to the use of the term "public funds." MHDC is entirely self-supporting, financing both its statutory programs and its operations out of*

income generated from its sale of bonds and mortgage arbitrage. None of MHDC's funds are generated by an appropriation of state funds nor are MHDC funds a product of administering the state tax credit.

- F. *MHDC staff agrees with this recommendation. MHDC will continue to ensure expenditures are coded consistently to appropriate classifications.*

AUDITOR'S COMMENT

- E. The MHDC is a government instrumentality of the state of Missouri created under Section 215.020, RSMo. The commission includes four statewide elected officials with six other commissioners appointed by the governor. As such, it is unclear why the MHDC would not consider operating funds to be "public" funds.

5. Employee Related Expenses

The supporting documentation for employee related expenses such as meals, lodging, and conference/meeting charges was not always adequate. The documentation did not always comply with MHDC policy and/or did not include sufficient information. Travel expenses such as food/meals, lodging, and mileage costs are not separately tracked in the accounting system. Additionally, the Executive Director's expenses are not reviewed and approved by the Commission Chairman. Finally, guidelines have not been established to determine when reimbursement for personal vehicle use or vehicle rental is most cost effective and reasonable.

The MHDC travel policy provides travel expenses such as meals incurred for other employees and/or non-employees are reimbursed provided the business reason and name(s) of individual(s) involved are documented. Lodging and meal costs within an individual's official domicile are generally not allowed except when incurred as part of a required conference/meeting and the individual is conducting MHDC business during the meal or where it is clearly economical or advantageous to the MHDC. Also, documentation of the names of those involved or group name with the number of attendees and the business purpose should be documented for meal expense incurred as part of an a required conference/meeting held within the individual's official domicile.

Additionally, the MHDC uses a per diem rate for breakfast, lunch, dinner, lodging, and incidentals by geographical areas as established by the U.S. General Services Administration. Breakfast and dinner per diem is only allowed if business travel begins and ends at certain times.

Food/meals, lodging, and mileage costs are recorded in the accounting records as 1) staff travel compliance/meetings, 2) staff travel training/conferences, and 3) conferences and educational seminars. These three expenditure categories totaled approximately \$1.4 million for the 3 years ended June 30, 2008.

A. The supporting documentation was not adequate for some business meals reviewed.

- For the executive staff, 22 of 240 (9 percent) credit card receipts reviewed, totaling over \$1,450, did not include the complete name of the guest(s) and/or business purpose of meals. The meals were provided to both employees and non-employees. Also, eight of these receipts, totaling over \$500, were lunches within the official domicile of the employees who were provided meals.
- An employee's expense account showed meals, totaling over \$500, were provided to other individuals on four occasions. Although the names of the guests were identified, the business purposes of the meals were not documented.

Accountability over business expenses is reduced without the name of the guest(s) and a business purpose. Adequate information is needed to evaluate necessity and reasonableness.

B. Expense reports did not always include sufficient information. We reviewed 115 expense accounts totaling over \$94,000 and noted the following:

- Three expense reports included lodging or meal costs which exceeded per diem rate limits; however, explanations for exceeding the limits were not provided. In addition, 14 credit card receipts totaling over \$1,200 also included lodging or meal costs which exceeded per diem rate limits; however, explanations were not provided.
- Seventeen expense reports included breakfast and/or evening meals on the days the employees departed from or returned to their official domicile; however, there was no indication that an early departure or late arrival was required to conduct official business.

A written explanation for exceeding established lodging and meal costs and travel policies should be submitted to ensure the costs are appropriate, necessary, and reasonable.

C. Some invoices for conferences, meetings, and trainings did not include sufficient information. We reviewed invoices totaling over \$190,000 and noted the following:

- One invoice, totaling over \$8,700, related to lodging did not provide details of dates checked in/out or specific charges incurred. The invoice only listed the amount due for each person.

- Two invoices, totaling almost \$50,000 did not separately identify facility usage charges such as room rentals, snack or food service, audio visual rental, or set-up charges. These invoices provided summary totals for the usage charges.
- Four invoices, totaling over \$750, included lodging for individuals who were not employees and the reasons for paying lodging for these individuals were not documented. According to MHDC personnel, these individuals were conference speakers or consultants required to be in attendance.
- Twelve invoices indicated training, meals, banquets, and shuttle service, totaling over \$5,800, were provided; however there was no documentation to support who these services were provided to.
- Three invoices included lodging, totaling almost \$1,600, for nights before or after the date(s) of a conference. There was no reason(s) documented to justify why the extra lodging was appropriate.
- Two invoices, totaling over \$19,000, did not indicate the dates of the conferences or trainings.
- An invoice, totaling almost \$1,200, was for food provided to trainees who were not MHDC employees. There was no reason(s) documented to justify why this expenditure was appropriate.

Conference, meeting, and training related expenditures should be supported by detailed invoices, agendas, and/or other detailed documentation to support the costs incurred and allow for effective review. Such documentation is necessary to ensure the expenditures are valid, necessary, and appropriate business expenses.

- D. The MHDC has not established separate expenditure classifications within its accounting system to track food/meal, lodging, or mileage costs. As noted above, these costs may be charged to various expenditure categories; therefore, MHDC management does not know the extent of these types of expenditures.

The MHDC should establish separate expenditure classifications to track these costs to better monitor such expenses and to assist in budgeting decisions and allocating resources.

- E. Executive staff expense reimbursements and credit card account statements are not always properly reviewed and approved.
- The Executive Director's expense reimbursements were not reviewed and approved by the Commission Chairman during the 2 years ended June 30, 2007. During that time the Executive Director's expenses were

reviewed/approved by the Director of Operations. Also, the Executive Director's credit card statements from July 2007 through December 2008, totaling approximately \$8,300, were not reviewed and approved by the chairman. Two of these credit card receipts contained alcohol charges totaling over \$330. Additionally, the Director of Operations approved some of her own credit card statements, totaling over \$15,000, from July 2007 through December 2008. Beginning in July 2007, the chairman began reviewing the expense reimbursements.

- In November 2008, the Executive Director and Director of Operations received expense reimbursements of \$18,000 and \$2,545, respectively, for professional fee expenses incurred between November 2007 and November 2008. Documentation supporting the reimbursements did not include any itemization of these expenses, information supporting these expenses were actually incurred, or information explaining how the expenses related to official MHDC business. The Executive Director stated the Commission Chairman did not review or approve, but was subsequently made aware of these transactions in 2009. At our request, the Executive Director and Director of Operations provided additional information itemizing legal expenses incurred. However no additional support was provided to establish how these expenses related to official MHDC business or why it was necessary to obtain outside legal services instead of obtaining legal services from MHDC's Legal Counsel. Upon our request for additional information, the Executive Director responded, "The requested information is relative to an ongoing investigation, the specifics of which we are not at liberty to discuss."

To ensure executive staff expenses are proper and reasonable for conducting MHDC business, the executive director's expense reimbursements and credit card statements should be reviewed and approved by the commission chairman. Also, the director of operation's expense reimbursements and credit card statements should be reviewed and approved by the executive director.

- F. The MHDC has not established guidelines for determining the most cost effective and reasonable mode of travel between reimbursement for personal vehicle use or vehicle rental. Effective 2008, the MHDC reimburses for personal vehicle use at the rate allowed by the Internal Revenue Service. Previously, personal vehicle use was reimbursed at the rate allowed by the OA.

All relevant issues such as the urgency, nature of travel required, type of vehicle required for the number of passengers, tool or equipment load, employee time and effort, proximity to rental vehicles and other administrative costs should be considered when selecting the most cost effective travel option. The OA has determined for state employees that in most circumstances rental vehicles are more cost effective than personal mileage reimbursement for in-state single day trips.

The MHDC needs to ensure travel expenses are minimized to the fullest extent possible by establishing guidelines for determining whether reimbursement for personal vehicle use or vehicle rental is more cost effective and reasonable.

WE RECOMMEND the MHDC:

- A. Ensure meals within an individual's official domicile are allowed only when necessary to conduct official business and the business purpose of such meals is clearly documented. In addition, employees should clearly document the business purpose and guests when providing meals to others.
- B. Ensure lodging and meal costs do not exceed MHDC travel policy. If for significant reasons the travel policy is not followed, the reasons should be fully documented.
- C. Require charges related to conferences, meetings, and training be supported by detailed invoices, agendas, and or other detailed documentation. The business purpose for providing food/meals and lodging to non-employees and before/after conference dates should be clearly documented.
- D. Establish separate expenditure classification codes to account for, and monitor the extent of, food/meal, lodging, and mileage expenditures.
- E. Ensure the Commission Chairman reviews and approves the Executive Director's expense reimbursements and credit card statements. Also, the Executive Director should review and approve the Director of Operation's expense reimbursements and credit card statements.
- F. Establish guidelines for determining the most cost effective and reasonable mode of travel between reimbursement for personal vehicle use or vehicle rental.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A. *MHDC staff agrees with this recommendation. MHDC will continue to ensure that meals are provided only when necessary to conduct official business. Appropriate documentation will continue to be assured through the supervisor approval process.*
- B. *MHDC staff agrees with this recommendation. Exceptions to the travel policy currently require supervisor approval. Appropriate documentation will be assured through the supervisor approval process.*
- C. *MHDC staff agrees with this recommendation. MHDC supervisors require all appropriate documentation before signing approval for expense report reimbursement.*

In many instances, the business purpose has been pre-approved by the supervisor prior to the submission of the expense report.

- D. MHDC staff disagrees with this recommendation. MHDC has a well established expenditure coding system in which administrative costs are classified by business purpose, such as compliance meetings and educational training. These classifications include the related costs for such purposes, including the incidental food, lodging and mileage items. The business-purpose classifications are used consistently for budgeting and expenditure tracking for prudent management of resources. MHDC's administrative costs represent 5% of total revenues, which is comparable to peer housing finance agencies whose administrative costs range from 5% to 10% of total revenues.*
- E. MHDC staff agrees with this recommendation. Procedural changes have been implemented to effect this change.*
- F. MHDC staff will assess all pertinent factors in making determinations relating to personal vehicle use versus vehicle rental.*

6. Public Records

Policies regarding public access to MHDC records, record retention, and document destruction need to be improved.

- A. The MHDC does not have a complete written policy regarding public access to its records as required by Chapter 610, RSMo (Sunshine Law). MHDC policy for access to public records only provides the public will not be charged for information requests if the cost is less than \$10. MHDC management indicated for other requests, the cost depends on salary rate of the employee who retrieves the information. Requests for information are directed to the director of operations.

Section 610.028, RSMo, provides each public governmental body have a reasonable written policy and Section 610.023, RSMo, lists requirements for making MHDC records available to the public, including the appointment of a custodian of records, providing an address to mail such requests, and timeliness of response. Also, Section 610.026, RSMo, establishes the costs for providing copies of public records, including the fees for copying public records should not exceed 10 cents per page, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Research time may be charged at the actual cost of time required to fulfill records requests.

- B. The MHDC has not established a formal written policy for record retention and document destruction as required by state law.

We found many instances when documentation such as original invoices, price quotes, and bid documentation was not available. Usually, MHDC management indicated this information was obtained, but not retained.

Pursuant to Sections 109.200 to 109.310, RSMo (The State and Local Records Law), the MHDC should develop a records retention schedule jointly with the Secretary of State's Records Management Division. Also, Section 109.260.1, RSMo, provides that records may not be legally destroyed or otherwise disposed of unless they are on a records retention schedule. It is essential that records be retained to provide accountability and to ensure the open records law is followed.

WE RECOMMEND the MHDC:

- A. Develop a formal written policy regarding procedures to obtain public access to, or copies of, public MHDC records.
- B. Develop a formal written records retention schedule.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A. *MHDC staff disagrees with this statement. MHDC currently has in place a formal written policy regarding the procedures to obtain public access to, or copies of, public MHDC records. This policy was provided to the State Auditor's office on May 5, 2008.*
- B. *MHDC staff agrees with this recommendation. MHDC has underway an effort to develop a comprehensive retention policy. MHDC has also contacted the Secretary of State's records services department and requested their assistance in developing the applicable records retention guidelines. This project has been assigned to the appropriate personnel. It is anticipated that the formal policy will be developed and approved within the next year.*

AUDITOR'S COMMENT

- A. As noted in our comments, the policy provided did not include some relevant provisions required by state law.

7. Capital Assets

Various concerns were noted regarding the MHDC capital asset/property records and related procedures. Capital asset duties are not adequately segregated, property tag numbers are not unique, and a disposition policy has not been established. Finally, the MHDC does not perform a cost-benefit analysis for leased property.

Capital assets, net of accumulated depreciation, totaled approximately \$771,000 and \$917,000 at June 30, 2008 and 2007, respectively.

- A. Capital asset duties are not adequately segregated. The individual who maintains the records of capital assets is also responsible for performing the physical inventory. In addition, adjustments to inventory records are not routinely reviewed and approved by management.

To improve internal controls and adequately safeguard assets from theft or misuse, the physical inventory should be performed by an individual independent of the custodial and record keeping functions. Also, management should review and approve adjustments to inventory records.

- B. Capital assets are not tagged with a unique tag number. Instead, capital assets are tagged with a bar code indicating the type of asset and the asset's specific location. For example, all lateral 4 door filing cabinets are coded as LFC-0400, plus a code for the location. As a result, bar codes are identical when similar items are located in the same location and assets may not be readily accounted for.

A unique tag number allows for identification of the asset in the records, ensures the asset is properly accounted for, and helps to deter and detect theft.

- C. The MHDC has not established formal policies/procedures related to the disposal of capital assets nor are capital asset dispositions required to be formally approved or authorized.

According to MHDC personnel, an auction was held in 2005 for the disposal of assets and no assets have been disposed of since the auction. Excess and obsolete assets are placed in storage until management decides when and how to dispose of them.

The MHDC needs to establish formal written policies and procedures to ensure the disposition of capital assets is properly handled, approved and recorded in the capital asset records. These procedures should ensure the method of disposal (e.g. bids, public sale, etc.) allows for participation by the public and provides the best price. Also, the date and method of disposal should be recorded in the records. In addition, an independent management level approval of the disposition should be required.

- D. The MHDC does not periodically perform a cost-benefit analysis regarding the leasing of certain property and equipment. Rather than purchasing offices to house its operations, the MHDC leases office space in Kansas City and St. Louis. In addition, the MHDC leases its computer hardware and copiers. Expenditures for these leases totaled approximately \$3 million during the 3 years ended June 30, 2008.

Although MHDC management indicated a study was performed in 1998 for the computer hardware, the study has not been subsequently updated to ensure the continuing cost effectiveness of leasing computer equipment. MHDC management indicated copier utilization is reviewed annually; however, a lease versus purchase analysis is not performed. Eight-year leases were signed in 2003 and 2004 for the St. Louis and Kansas City office spaces, respectively, without a lease versus purchase analysis being performed.

Periodically performing a cost-benefit analysis of leasing versus purchasing of property is needed to ensure funds are used in an economical manner and the most financial benefit is received.

WE RECOMMEND the MHDC:

- A. Ensure an individual independent of the record keeping and custodial functions performs the physical inventory. Management should review and approve adjustments to inventory records.
- B. Tag its capital assets with unique identification numbers.
- C. Establish formal written policies and procedures regarding the disposition of capital assets including the requirement of management approval of dispositions.
- D. Perform a periodic cost-benefit analysis of leasing versus purchasing property to ensure the most financial benefit.

AUDITEE'S RESPONSE

The management staff of the MHDC provided the following written responses:

- A. *MHDC staff agrees with this recommendation and will take the necessary steps to modify the current procedure during fiscal year 2010.*
- B. *Staff agrees with this comment and has modified its procedure. As capital assets are purchased, they are now given a unique identification number.*
- C. *MHDC staff agrees with this recommendation and has developed a policy which is under review by the Commission.*
- D. *MHDC staff agrees that a periodic cost-benefit analysis will provide valuable information in determining the financial advantage of leasing versus purchasing. Staff will continue to use this tool in assessing the most advantageous method. MHDC's IT department has included a reassessment of previous bids/leases in its current Action Plan.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MISSOURI HOUSING DEVELOPMENT COMMISSION HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Housing Development Commission (MHDC) is a body corporate and politic established in 1969 pursuant to Chapter 215, RSMo. The MHDC is assigned to the Department of Economic Development.

The MHDC is authorized to make, purchase or participate in the purchase of mortgages to finance the building, rehabilitation or purchase of residential housing designed and planned to be available for rental or sale to low-income to moderate income persons or families or to purchase or participate in the purchase of any other securities which are secured, directly or indirectly by any such loan.

Additionally, the MHDC sells tax-exempt and taxable bonds and notes, for the purposes of financing owner-occupied residential mortgage loans for lower and moderate income persons and for providing construction and long-term financing for rental developments to be occupied by lower and moderate income persons. The MHDC's accumulated assets are an additional source of funding for such loans. The MHDC also conducts other programs related to its housing finance activities including administering the federal and state housing tax credits for the State of Missouri and the Project Based Section 8 program which provides rental subsidies from federal funds.

In the Management's Discussion and Analysis section of the fiscal year 2008 financial statements, the MHDC reported a strong financial position at June 30, 2008. Excluding the effects of fair value reporting and conduit bond assets, the net worth ratio (net assets as compared to total assets) was 23.4% at June 30, 2008, as compared to 23.1% at June 30, 2007. Net assets totaled \$484,551,000 and \$433,691,000 as of June 30, 2008 and 2007, respectively. The MHDC also indicated that the economy and market conditions have affected its financial results. Overall revenues, plus interest and investment income, increased primarily due to the increase in the fair value adjustments. In addition, the MHDC expects, depending on future financial markets, interest rate fluctuations to have a continuing material effect of its financial statements. The Standard & Poor's Ratings Services "... affirmed its 'AA+' issuer credit rating" on the MHDC and "... affirmed its ratings on all debt supported by the commission's GO pledge", and "... affirmed the AAA rating" for the MHDC's single family homeownership loan bond program, in July 2007 and October 2008, respectively.

The MHDC consists of ten members including the governor, lieutenant governor, state treasurer, attorney general, and six members selected by the governor with the advice and consent of the senate. The persons selected by the governor are individuals knowledgeable in the areas of housing, finance, or construction. No more than four of the members appointed by the governor are to be from the same political party. The members of the MHDC appointed by the governor serve terms of four years. Each member of the MHDC appointed by the governor is entitled to compensation of fifty dollars per diem plus reasonable and necessary expenses actually incurred in discharging their duties.

MHDC members and expiration of their terms as of June 30, 2008 were:

Name	Position	Term Ends
Claudia L. Oñate Greim	Chairman	October 2009
Richard F. Baalmann, Sr. (1)	Vice Chairman	October 2009
Cale Bradford	Secretary-Treasurer	October 2011
Matt Blunt, Governor (2)	Member	No term limit
Peter Kinder, Lieutenant Governor (3)	Member	No term limit
Jeremiah W. (Jay) Nixon, Attorney General (4)	Member	No term limit
Sarah Steelman, State Treasurer (5)	Member	No term limit
Loren Cook II (6)	Member	October 2008
Robert C. Fulp (7)	Member	October 2008
Bill Luetkenhaus (8)	Member	October 2011

- (1) Richard F. Baalmann, Sr. resigned from the commission in May 2009. Timothy Joyce was appointed to this position in June 2009.
- (2) Jeremiah W. (Jay) Nixon was elected governor and assumed office on January 12, 2009.
- (3) Peter Kinder was re-elected Lieutenant Governor and assumed office on January 12, 2009.
- (4) Chris Koster was elected Attorney General and assumed office on January 12, 2009.
- (5) Clint Zweifel was elected State Treasurer and assumed office on January 12, 2009.
- (6) Loren Cook continued to serve as commissioner until December 2008 since a replacement appointment had not been made. However, Commissioner Cook formally resigned from the Commission in December 2008 and the position remains vacant.
- (7) Allen Shirley was appointed by Governor Matt Blunt to replace Commissioner Fulp. However, Governor Jeremiah W. (Jay) Nixon rescinded that appointment in January 2009. Troy Nash was appointed to this position in February 2009. His term ends in October 2012.
- (8) Bill Luetkenhaus resigned from the commission in January 2009 and the position remains vacant.

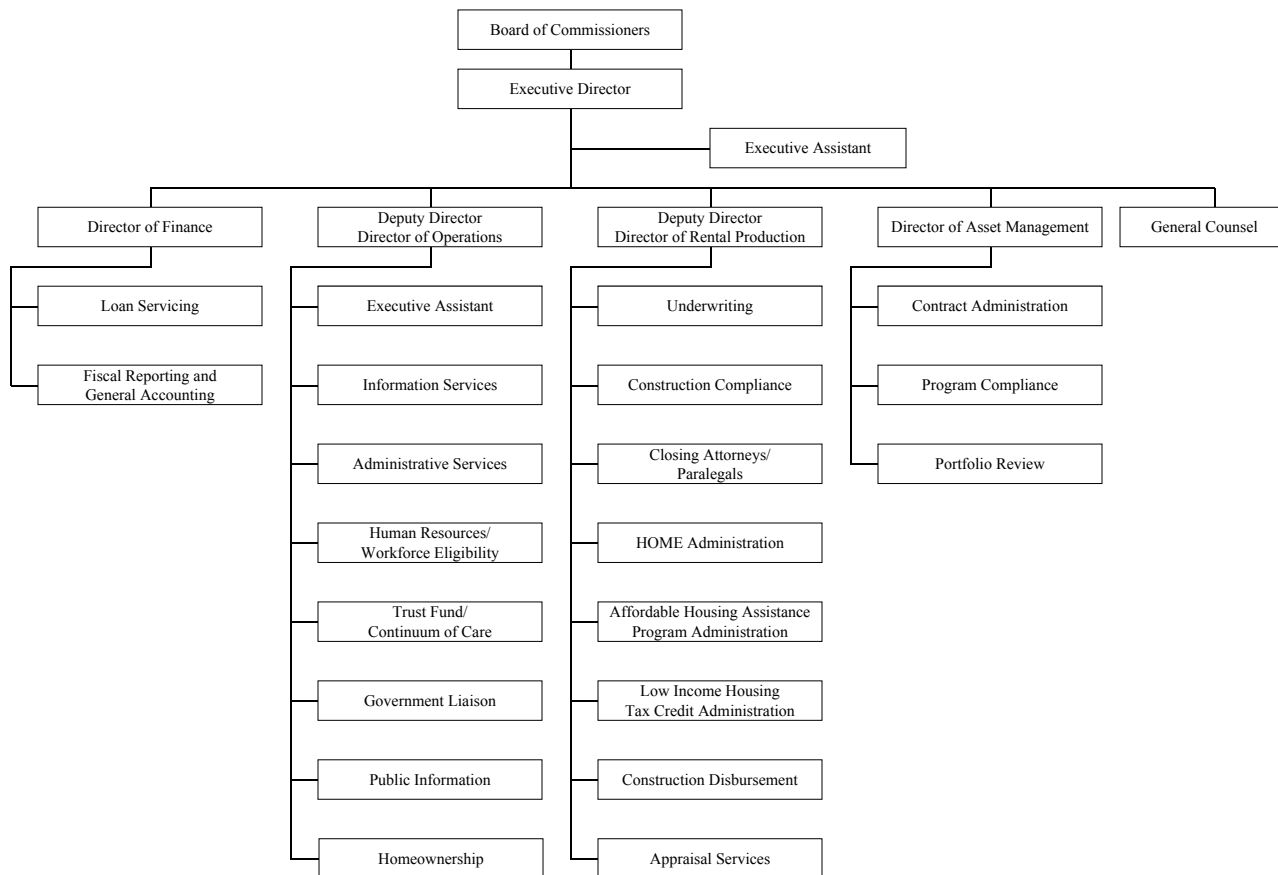
The MHDC appointed Thomas "Pete" Ramsel as Executive Director in June 2007. Mr. Ramsel had served as Acting Executive Director since October 2005, replacing Erica Dobreff. Other top administrative staff serve the MHDC and are responsible for various duties/functions. The individuals who served in these positions and their annual salaries as of June 30, 2008 were as follows:

Name	Position	Annual Salary
Thomas "Pete" Ramsel	Executive Director	\$ 109,412
Mary Helen Murphy	Director of Operations	89,977
Marilyn Lappin	Director of Finance	93,194
Debra Giffin	Director of Asset Management	85,692
Janell Thome	Director of Rental Production	89,977
Bramwell Higgins	General Counsel	90,000

The MHDC's executive operations are located in Kansas City, Missouri, while asset management operations are located in St. Louis, Missouri. As of June 30, 2008, there were 116 full-time and 5 part-time employees.

A summary of the MHDC's financial activity is presented in the following appendixes and MHDC's organization chart is presented below:

MISSOURI HOUSING DEVELOPMENT COMMISSION
 ORGANIZATION CHART
 JUNE 30, 2008



Missouri Housing Development Commission

Balance Sheet

June 30, 2008

(In Thousands)

Assets

Current Assets

Cash and temporary cash investments	\$	2,757
Investments		24,694
Mortgage investments		4,295
Accrued interest receivable		2,218
Accounts receivable – other		272
Prepaid expenses		50
		<hr/>
Total current assets		34,286
		<hr/>

Noncurrent Assets

Restricted assets

Cash and temporary cash investments	52,926
Investments	295,380
Mortgage investments	1,711,254
Accrued interest receivable	8,802
Deferred financing charges	12,195
Accounts receivable – other	43
	<hr/>

Total restricted assets 2,080,600

Investments	80,161
Mortgage investments, net of current portion and allowances for loan losses of \$42,796	79,350
Capital assets, less accumulated depreciation of \$1,563	771
	<hr/>

Total noncurrent assets 2,240,882

Total assets \$ 2,275,168

Missouri Housing Development Commission

Balance Sheet (continued)

June 30, 2008

(In Thousands)

Liabilities and Net Assets

Current Liabilities

Bonds and notes payable	\$	515
Accounts payable		777
Deferred revenue		892
		<hr/>
Total current liabilities		2,184
		<hr/>

Current Liabilities – Payable From Restricted Assets

Bonds and notes payable	80,249
Accrued interest payable	27,294
Escrow deposits	64,931
Rent subsidies and other payables	793
Accounts payable	834
	<hr/>
Total current liabilities – payable from restricted assets	174,101
	<hr/>

Noncurrent Liabilities

Bonds and notes payable	1,000
Deferred revenue	7,441
Payable from restricted assets	
Bonds and notes payable	1,605,891
	<hr/>
Total noncurrent liabilities	1,614,332
	<hr/>
Total liabilities	1,790,617
	<hr/>

Net Assets

Invested in capital assets	771
Restricted	219,566
Unrestricted	264,214
	<hr/>
Total net assets	484,551
	<hr/>
Total liabilities and net assets	\$ 2,275,168
	<hr/> <hr/>

Note: The MHDC retroactively changed its method of accounting for certain loans, loan origination fees and costs, and mortgage-backed securities, which increased the beginning of the year restricted net assets by \$92,209,000, net and unrestricted net assets by \$3,707,000. The financial statements from prior years were not restated to reflect the effects of the accounting changes.

Source: Excerpt from the MHDC's audited financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

BALANCE SHEET

Page 1 of 2
(In Thousands)

Assets

	June 30,	
	2007	2006
Current Assets		
Cash and temporary cash investments	\$ 1,890	\$ 4,242
Investments	25,631	27,066
Mortgage investments	37,652	22,217
Accrued interest receivable	1,849	1,645
Accounts receivable - other	1,021	336
Prepaid expenses	55	45
Total Current Assets	68,098	55,551
Noncurrent Assets		
Restricted Assets		
Cash and temporary cash investments	42,124	42,786
Investments	383,407	405,961
Mortgage investments	1,425,307	1,199,504
Accrued interest receivable	9,733	8,792
Deferred financing charges	48,833	39,687
Total Restricted Assets	1,909,404	1,696,730
Investments	40,980	35,269
Mortgage investments, net of current portion and allowances for loan losses (\$21,596 in 2007 and \$21,150 in 2006)	68,299	76,207
Capital assets, less accumulated depreciation	917	1,098
Total Noncurrent Assets	2,019,600	1,809,304
Total Assets	\$ 2,087,698	\$ 1,864,855

MISSOURI HOUSING DEVELOPMENT COMMISSION

BALANCE SHEET

Page 2 of 2
(In Thousands)

Liabilities and Net Assets

	June 30,	
	2007	2006
Liabilities		
Current Liabilities		
Bonds and notes payable	\$ 525	\$ 525
Accounts payable	962	861
Deferred financing and commitment fees	872	792
Total Current Liabilities	<u>2,359</u>	<u>2,178</u>
Current Liabilities - Payable From Restricted Assets		
Bonds and notes payable	34,319	27,868
Accrued interest payable	25,472	21,870
Escrow deposits	62,077	73,121
Rent subsidies and other payables	1,643	1,735
Accounts payable	1,326	853
Deferred financing and commitment fees	1,066	1,210
Total Current Liabilities - Payable From Restricted Assets	<u>125,903</u>	<u>126,657</u>
Noncurrent Liabilities - Payable From Restricted Assets		
Bonds and notes payable	1,603,181	1,403,149
Deferred financing and commitment fees	18,480	16,128
Total Noncurrent Liabilities - Payable From Restricted Assets	<u>1,621,661</u>	<u>1,419,277</u>
Total Liabilities	<u>1,749,923</u>	<u>1,548,112</u>
Net Assets		
Invested in capital assets	917	1,098
Restricted by the Commission, bond resolution and state statute	308,728	291,977
Unrestricted	28,130	23,668
Total Net Assets	<u>337,775</u>	<u>316,743</u>
Total Liabilities and Net Assets	<u>\$ 2,087,698</u>	<u>\$ 1,864,855</u>

Source: Excerpt from the MHDC's audited financial statements.

Missouri Housing Development Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(In Thousands)

Operating Revenues

Interest and investment income		
Income – mortgage investments	\$	83,803
Income – investments		18,027
Net increase in fair value of investments		<u>26,164</u>
Total interest and investment income		127,994
Administration fees		6,945
Other income		9,621
Federal program income		<u>120,811</u>
Total operating revenues		265,371

Operating Expenses

Interest expense on bonds		78,792
Bond debt expense		365
Compensation		8,097
General and administrative expenses		3,852
Provision for loan and real estate owned losses		745
Rent and other subsidy payments		1,667
Housing Trust Fund grants		4,266
Federal program expenses		116,727
Total operating expenses		214,511

Change in Net Assets 50,860

Net Assets, Beginning of Year, as Previously Reported 337,775
Adjustments applicable to prior years 95,916

Net Assets, Beginning of Year, as Restated 433,691

Net Assets, End of Year \$ 484,551

Note: The MHDC retroactively changed its method of accounting for certain loans, loan origination fees and costs, and mortgage-backed securities, which increased the beginning of the year restricted net assets by \$92,209,000, net and unrestricted net assets by \$3,707,000. The financial statements from prior years were not restated to reflect the effects of the accounting changes.

Source: Excerpt from the MHDC's audited financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

(In Thousands)

	For The Years Ended June 30,	
	2007	2006
Operating Revenues		
Interest and investment income		
Income - mortgage investments	\$ 78,590	\$ 65,975
Income - investments	17,687	16,328
Net increase (decrease) in fair value of investments	4,755	(46,586)
Total Interest And Investment Income	101,032	35,717
Administration fees	6,381	6,978
Financing fees and other	10,980	12,133
Federal program income	121,679	124,649
Total Operating Revenues	240,072	179,477
Operating Expenses		
Interest expense on bonds	70,931	60,658
Bank miscellaneous bond debt expense	5,578	4,567
Compensation	7,951	7,431
General and administrative expenses	3,750	3,235
Provision for loan and real estate owned losses	600	1,075
Rent and other subsidy payments	3,261	2,299
Housing Trust Fund grants	5,224	5,808
Federal program expenses	121,745	124,793
Total Operating Expenses	219,040	209,866
Change in Net Assets	21,032	(30,389)
Net Assets, Beginning of Year	316,743	347,132
Net Assets, End of Year	\$ 337,775	\$ 316,743

Source: Excerpt from the MHDC's audited financial statements.

Missouri Housing Development Commission
Statement of Cash Flows
Year Ended June 30, 2008
(In Thousands)

Cash Flows From Operating Activities

Interest received on mortgage investments	\$ 87,372
Fees, charges and other	16,408
Principal repayments on mortgage loans	220,869
Disbursements of mortgage loans	(347,052)
Federal revenue	120,811
Federal expenses	(116,727)
Collection of tax credit fees	1,619
Cash payments for compensation, administrative and other costs	(8,097)
Other operating payments	(10,371)

Net cash used in operating activities	(35,168)
---------------------------------------	----------

Cash Flows From Noncapital Financing Activities

Retirement of principal on bonds	(212,966)
Proceeds from issuance of bonds	267,323
Interest paid on bonds	(80,114)
Deferred financing charges paid	(1,853)
Change in escrow deposits	2,854

Net cash used in noncapital financing activities	(24,756)
--	----------

Cash Flows Used In Capital And Related Financing Activities

Payments for capital assets	(204)
-----------------------------	-------

Cash Flows From Investing Activities

Purchases of investments	(703,140)
Proceeds from maturities and sales of investments	803,670
Interest received on investments	18,027
Increase in purchased security agreements to resell	(46,760)

Net cash provided by investing activities	71,797
---	--------

Net Increase in Cash and Cash Equivalents	11,669
---	--------

Cash And Cash Equivalents, Beginning of Year	44,014
--	--------

Cash and Cash Equivalents, End of Year	\$ 55,683
--	-----------

Missouri Housing Development Commission
Statement of Cash Flows (Continued)
Year Ended June 30, 2008
(In Thousands)

**Reconciliation of Increase (Decrease) In Net Assets To
Net Cash Used In Operating Activities**

Increase in net assets	\$	50,860
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation		350
Net increase in fair value of investments		(26,164)
Amortization of discounts on loans		3,006
Amortization of deferred revenue		756
Income – investments		(18,027)
Provision for loan losses		745
Principal repayments on mortgage loans		220,869
Disbursements of mortgage loans		(347,052)
Interest expense related to bonds		78,792
Change in assets and liabilities:		
Decrease in accounts receivable		706
Decrease in accrued interest receivable		563
Decrease in prepaid expenses		5
Decrease in accounts payable		(577)
		<hr/>
Net cash used in operating activities	\$	<u><u>(35,168)</u></u>

Note: The MHDC retroactively changed its method of accounting for certain loans, loan origination fees and costs, and mortgage-backed securities, which increased the beginning of the year restricted net assets by \$92,209,000, net and unrestricted net assets by \$3,707,000. The financial statements from prior years were not restated to reflect the effects of the accounting changes.

Source: Excerpt from the MHDC's audited financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

Page 1 of 2
(In Thousands)

	For The Years Ended June 30,	
	2007	2006
Cash Flows From Operating Activities		
Interest received on mortgage investments	\$ 77,633	\$ 65,702
Fees, charges and other	18,964	21,546
Principal repayments on mortgage loans	175,428	200,056
Federal revenue	121,587	124,973
Federal expenses	(121,745)	(124,793)
Purchases of mortgage loans	(407,601)	(375,399)
Cash payments for compensation, administrative and other costs	(19,778)	(17,810)
Net Cash Used In Operating Activities	(155,512)	(105,725)
Cash Flows From Investing Activities		
Proceeds from sale of investments	891,217	844,625
Purchases of investments	(866,145)	(892,335)
Interest received on investments	17,500	15,159
Decrease in purchased security agreements to resell	(3,644)	(43)
Net Cash Provided By (Used In) Investing Activities	38,928	(32,594)
Cash Flows From Noncapital Financing Activities		
Retirement of principal on bonds	(200,046)	(274,648)
Proceeds from issuance of bonds	411,084	487,253
Deferred financing charges paid	(14,392)	(12,841)
Change in escrow deposits	(11,044)	4,103
Interest paid on bonds	(71,884)	(63,503)
Net Cash Provided By Noncapital Financing Activities	113,718	140,364
Cash Flows Used In Capital And Related Financing Activities		
Payments for capital assets	(148)	(436)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,014)	1,609
Cash And Cash Equivalents, Beginning of Year	47,028	45,419
Cash and Cash Equivalents, End of Year	\$ 44,014	\$ 47,028

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

Page 2 of 2
(In Thousands)

	For The Years Ended June 30,	
	2007	2006
Reconciliation of Increase (Decrease) In Net Assets To Net Cash Used In Operating Activities		
Increase (decrease) in net assets	\$ 21,032	\$ (30,389)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	329	267
Net (increase) decrease in fair value of investments	(4,755)	46,586
Income - mortgage investments	(78,590)	(65,975)
Income – investments	(17,687)	(16,328)
Amortization of financing charges	5,247	6,701
Provision for loan and real estate owned losses, net of charges-off loans	446	449
Interest expense related to bonds	70,931	60,658
Repayment of principal on mortgage loans receivable	175,428	200,056
Mortgage and construction loans disbursed	(407,601)	(375,399)
Interest received on mortgage investments	77,633	65,702
Change in assets and liabilities:		
Increase in accounts receivable - other	(685)	(68)
(Increase) decrease in prepaid expenses	(10)	65
Increase (decrease) in rent subsidies and other payables	(92)	324
Increases (decrease) in accounts payable	574	(877)
Increase in deferred financing and commitment fees	2,288	2,503
Net Cash Used In Operating Activities	\$ (155,512)	\$ (105,725)

Source: Excerpt from the MHDC's audited financial statements.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Office of License Collector



June 2009

Report No. 2009-64

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Office of the License Collector.

The License Collector's office could improve procedures to resolve non-compliance issues in the license application clearance process in a timely manner, including establishing guidelines for determining when it is appropriate to close non-compliant businesses and continuing to coordinate resolutions with other city departments. Our review found that, while license fees had been paid, numerous businesses have operated without a business license for several years due to other non-compliance issues.

Some follow-up procedures performed are not adequately documented and information is not maintained in a readily accessible, centralized location to allow for proper monitoring and supervision. The License Collector's office does not send out deficiency notices to businesses in a timely manner, if at all, when licenses cannot be issued as a result of pending applications that have deficiencies in the clearance process. The License Collector's office coded incorrect statuses for some businesses on the computerized license database, preventing the required follow-up work from being performed. The License Collector's office does not have adequate procedures in place to identify such errors on a timely basis.

The License Collector's office could improve procedures used to verify the accuracy of information reported on some types of business license applications where fees due are based solely on information provided by businesses. The License Collector's office has some categories of business license applications that require businesses to report and calculate license fees due based on information provided by the businesses. While the businesses sign a sworn statement on the applications certifying the accuracy of the information reported, no supporting information is provided and procedures to verify the reported information are limited.

Internal control procedures over receipts could be improved. During the fiscal year ended May 31, 2008, the License Collector's office processed approximately \$57 million in receipts. The License Collector's office maintains a mail log to track all monies received by mail; however, entries on the mail log are not reconciled to deposits. The License Collector's office does not have procedures in place to ensure monies collected in the field are turned over to the Finance Division for processing and depositing. In addition, records retained of monies collected in the field are not reliable.

The License Collector's office does not have procedures in place to ensure monies collected for duplicate license fees or insufficient fund (NSF) check fees are deposited. Checks received in the License Collector's office that have been remote deposited are not

YELLOW SHEET

maintained in a secure location. Independent or supervisory reviews and reconciliations of various records are not always performed or documented.

The License Collector's office does not have a formal written procurement policy. As a result, the decision to solicit competitive bids/proposals for purchases is made on an item-by-item basis and is generally obtained through informal inquiries or research. Supporting documentation of bids obtained or inquiries and research performed is generally not retained. The License Collector did not execute formal written contracts with several businesses for services provided. Services provided without current or formal written contracts included armored car services, general contract work for office renovations, and employee performance assessments.

Payroll procedures could be improved in the License Collector's office. A reconciliation is not performed between the payroll register and the adjusted payroll variance report to verify the accuracy of payroll distributions. Employees do not sign off on time records to verify accuracy and supervisors do not sign off on employee time records to indicate their review and approval. Payroll records in the License Collector's office contained a number of errors and inconsistencies. The personnel manual has not been updated to include all policies and procedures currently followed by the License Collector's office.

The License Collector, the Chief Deputy License Collector, and a manager use their assigned, unmarked, city-owned vehicles for commuting and personal use. While these individuals reported a combined 9,435 miles as commuting and personal use to the Internal Revenue Service as compensation on their W-2 forms for 2007, the officials do not maintain vehicle usage logs to document miles driven for official, commuting, and personal use. Records of vehicle use and monitoring procedures for the License Collector's vehicle fleet are not sufficient. Vehicles may not be used efficiently and effectively. Our review of monthly mileage records noted that 3 of the 12 vehicles had 8 months of inactivity during the 15-month period reviewed.

The License Collector could improve procedures to monitor and ensure bank accounts are sufficiently collateralized. The License Collector's office operated without a current depository agreement for 9 months during the audit period and has not competitively procured banking services for several years.

The License Collector's office operated without a formal current budget during fiscal year 2008. Also, the beginning operating account balance plus commission and interest revenues collected during 2008 was significantly more than needed to cover the operating expenditures for fiscal year 2008, even after distribution of excess 2007 commissions. While the commissions retained were not in excess of the maximum allowed by state law, the budget did not clearly indicate why such a large reserve was needed.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
OFFICE OF LICENSE COLLECTOR

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-26

<u>Number</u>	<u>Description</u>	
1.	Businesses Operating Without Valid Licenses	5
2.	Follow-up on Delinquencies and Pending Applications.....	7
3.	Verification of Business License Applications.....	11
4.	Internal Controls and Procedures.....	13
5.	Disbursements.....	16
6.	Payroll Procedures	18
7.	Vehicles	20
8.	Bank Accounts.....	22
9.	Budgetary Practices	24
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		27-30

Appendix

A	Comparative Schedule of Receipts, Disbursements, and Changes in Cash Balances Operating Account (Commissions), Two Years Ended May 31, 2008	29
B	Comparative Schedule of Receipts, Disbursements, and Changes in Cash Balances License Fees and Taxes, Two Years Ended May 31, 2008	30

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Michael McMillan, License Collector
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Office of License Collector. The scope of our audit included, but was not necessarily limited to, the 2 years ended May 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the office has adequate internal controls over significant management and financial functions.
3. Determine if the office has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of License Collector.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMO, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Douglas J. Porting, CPA, CFE
In-Charge Auditor:	Keriann Wright, MBA, CPA
Audit Staff:	Steven Re', CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
OFFICE OF LICENSE COLLECTOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Businesses Operating Without Valid Licenses

The License Collector's office could improve procedures to timely resolve non-compliance issues in the license application clearance process, including establishing guidelines for determining when it is appropriate to close non-compliant businesses.

A significant number of businesses have operated without a current business license for several years. While these businesses applied and paid the required licensing fees, their licenses were never issued due to non-compliance in other areas of the approval process. Businesses applying for or renewing a business license may appropriately have the issuance of their license delayed during the clearance process, which requires businesses to have paid all other applicable taxes such as earnings tax, property tax, and state tax, and to have obtained the appropriate city permits, such as an occupancy permit. Approval for each of these requirements is documented on a special form by either the License Collector or the Collector of Revenue once compliance is verified. If problems with compliance are noted for any one of the requirements, the issuance of the business license will be delayed. As required by city ordinance, the License Collector's office will only issue the applicable business license once clearance is obtained for all items.

The License Collector's computerized database, called the LRMS, is a city-wide system used by the License Collector's office to track all known businesses in the City of St. Louis and their status in the business license process. We obtained a listing of businesses and statuses from the database as of April 2008 for license years 2005, 2006, and 2007 for major license categories, which included graduated business licenses, restaurant gross receipts, hotel/motel gross receipts, amusement taxes, and manufacturing ad valorem taxes. These categories included about 21,000 applications for over 16,000 businesses each license year. Our review focused on businesses in the categories above with the status labeled "status 99-extension". Businesses in the "extension" status are those businesses that paid license fees but had compliance problems identified during the clearance process. Our review found numerous businesses have operated without a business license for several years:

- Of the 3,208 businesses reviewed, 700 operated without a valid business license for at least 2 years due to deficiencies noted during the clearance process.
- Of the 700 businesses noted above, 235 operating without a valid business license for at least 3 years.

There have been several improvements in the License Collector's office regarding follow-up procedures for such issues. Currently, the License Collector's office works with the

Collector of Revenue's office to resolve clearance problems. In addition, when clearance cannot be given, a letter is sent to the business indicating the reason a business license has not been issued. However, while the License Collector's office has improved procedures and there are some procedures in place to try and resolve these deficiencies, some businesses continue to operate without a valid license for long periods of time. According to the License Collector's office, this problem has continued to exist partly because the city has been hesitant to close non-compliant businesses when it is already difficult to keep existing businesses and bring new businesses into the city.

The clearance process is a beneficial part of the licensing process to help ensure businesses are operating within the law and are current in their payment of applicable city taxes and fees. Areas of non-compliance noted during our review related largely to other areas of city government not under the control or responsibility of the License Collector's office other than to withhold the business license until requirements are met.

While Section 82.340, RSMo, indicates the License Collector should prevent any persons from carrying on any business without the proper license or license receipt required for that purpose, closing all such businesses may actually do more harm than good to the city. For instance, closing a functioning, valuable business due to a minor outstanding tax bill would be counterproductive. The License Collector should continue working with other city officials to identify other possible ways to resolve the clearance issues or other potential remedies available to the city. The License Collector should also consider developing formal guidelines regarding what factors will be considered when deciding whether to take the action of actually closing a business, the steps to be taken, and the timeline for making that decision. The License Collector could consider establishing a hearing process through which to receive comments from the offending business and make the appropriate decisions.

While the License Collector has properly held the issuance of the licenses until clearance issues have been resolved, allowing non-compliant businesses to continue operating without making a determination of the cost-benefit of closure has, in effect, defeated the purpose of the clearance process and resulted in inequitable treatment for businesses that are compliant.

WE RECOMMEND the License Collector continue to coordinate with other city departments to strengthen procedures to resolve problems with businesses obtaining clearance and determine whether there are any other legal avenues the city can take against non-compliant businesses. In addition, the office should consider developing guidelines for determining what factors will be considered when deciding whether to close a business and when those determinations will be made.

AUDITEE'S RESPONSE

The License Collector provided the following written response:

The Auditor's sensitivity to the prospect of closing non-compliant businesses is greatly appreciated. As indicated, this has been a long standing problem. It is a City and State problem, not just a License Collector's Office problem. Businesses in this category have paid for their business licenses. The non-compliant status usually relates to compliance deficiencies with other city departments such as the Collector of Revenue (Earnings Tax, Personal Property Tax, and Real Estate Tax), the Building Division (Occupancy Permit) and the Health Department (Health Permit) or to the State of Missouri for Sales Tax.

The License Collector's Office continues to coordinate activities with other City offices in an attempt to resolve these issues. The great majority of these deficiencies are Collector of Revenue issues. The License Collector's Office and the Collector of Revenue's Office are in frequent dialog on possible solutions to this problem.

Since the Auditor's visit, a "Compliance Team" has been convened. The first meeting of this team included representatives of the License Collector's Office, the Metropolitan Police Department, the Building Division and the City Counselor's Office. The purpose of this team is to improve coordination amongst city departments in resolving these deficiencies. The team will meet on a monthly basis. The Collector of Revenue's Office and the Health Department have been invited to the next meeting.

In order to facilitate the activities of the "Compliance Team," the License Collector's Office is conducting a comprehensive review of our pre tax year 2009 "99" files. Deficiency reports are being prepared for each city department. These lists will be shared with each department and their assistance will be requested in helping to resolve the deficiencies.

The Board of Aldermen is also beginning to focus on this problem. A meeting was held a few weeks ago with members of the Board and "Compliance Team" members to discuss compliance issues. Hopefully, new legislation will be proposed giving individual departments wider powers in solving their own compliance issues.

2. Follow-up on Delinquencies and Pending Applications

Documentation of follow-up procedures is not always adequate or maintained in a centralized location and follow-up work is not always completed in a timely manner. In addition, some businesses were coded to incorrect statuses on the office database system, preventing proper follow-up work from being performed.

The License Collector's office has several field staff responsible for performing procedures at various times during each license year to follow-up with businesses that have either failed to apply or pay for required city business licenses or have failed to resolve deficiencies in the clearance process (see Management Advisory Report (MAR))

finding number 1). These procedures generally include sending letters, making field visits, making phone calls, or placing door hangers with license information on businesses within the city. Our review of follow-up procedures noted the following:

- A. Some follow-up procedures performed are not adequately documented and information is not maintained in a readily accessible, centralized location to allow for proper monitoring and supervision. As a result, it is difficult for management to determine what follow-up work has been performed on a particular business.

Throughout the license year, field staff are assigned a daily listing of businesses to follow-up with, based on the type of license and the related status codes. Field staff each document activity on their individual daily listing detailing which businesses were contacted, the purpose of the follow-up work, any resolutions, and further actions to be taken. Our review found that while the follow-up work was generally documented on the daily listings, it was not maintained in a readily accessible centralized location, such as a database, to provide a summary of actions performed on each business over time. The actions per the daily listings are not posted to a summary file or database for each business, but rather the daily listings are maintained by each field staff, with no efficient way to link between the various actions taken on a particular business. The large amount of paperwork involved makes it difficult for management to monitor the follow-up performed for any particular business over a period of time. According to office personnel, the LRMS system is used by management to monitor the overall changes to the status of businesses in the application process; however, the system does not track the specific follow-up procedures performed. The LRMS system shows the current status of the applications and includes a section for comments; however, information in that section is often limited or non-existent. In addition, copies of most correspondence sent to businesses was not maintained in the businesses' files.

Retaining proper documentation in an accessible centralized location is essential to maintain accurate, useful, and timely information regarding the status of businesses operating without a valid business license. Centralized summary documentation of follow-up work performed would not only allow management to determine the effectiveness of field staff but would also help ensure that proper follow-up procedures have been performed timely.

- B. The License Collector's office does not send out deficiency notices to businesses in a timely manner, if at all, when licenses cannot be issued as a result of pending applications that have deficiencies in the clearance process. The clearance process involves ensuring the business has paid not only the applicable business license fee, but has also paid taxes and fees to other departments within city government. (See MAR finding number 1). We reviewed the files for 17 of the 3,208 businesses identified with deficiencies in the application process as of April 2008, relating to the 2005, 2006, and 2007 tax years for major license categories. Our review noted 3 instances where deficiency notices were mailed several

months after the clearance process took place, and 13 instances where there was no evidence that required deficiency letters were ever sent to the businesses.

Timely follow-up procedures may help the License Collector's office hold businesses more accountable for resolving delinquency, application, and clearance issues in a more timely manner. Maintaining copies of deficiency letters sent would provide documentation that the action was performed.

- C. The License Collector's office coded incorrect statuses for some businesses on the LRMS, preventing the required follow-up work from being performed. In addition, the License Collector's office does not have adequate procedures in place to identify such errors. If businesses are tracked with an incorrect status, it can prevent adequate or appropriate follow-up work from being performed. While the License Collector's office has identified some errors when follow-up work was performed on some businesses, procedures are not in place to identify such errors on a timely basis.

We obtained listings of businesses from the LRMS system as of March and April 2008 and reviewed the files of a number of businesses in various statuses. Our review noted the following:

- Several businesses in the LRMS system were coded in an incorrect status. Through several different tests, we reviewed the files of approximately 180 businesses in various statuses and found at least 8 had an incorrect status recorded. License Collector personnel updated the status for these businesses as a result of our inquiry.
- Some manufacturing businesses were incorrectly placed in the "out-of-business" status for license year 2007 (which covers applicable property on hand as of January 1, 2007, and for which the related taxes were billed in approximately October 2007 and due by December 31, 2007). We tested 20 of the 56 businesses in the "out-of-business" status as of March 2008, relating to license year 2007. Our review found that four businesses were apparently still in operation as of January 2007 and liable for taxes. As a result of the improperly coded statuses, the businesses were not billed for the taxes due on manufacturing property on hand as of January 1, 2007. An additional two businesses had been moved from "delinquent" to the "out-of-business" status even though they had a delinquent manufacturing ad valorem tax bill for 2007. Once a business is removed from the delinquent status, delinquent billings are no longer generated, resulting in possible lost revenues to the city.
- Some businesses were in the "paid not processed" status for as many as 3 years. We reviewed all businesses in the "paid not processed" status for the major municipal license categories and found that 47 of the 69 businesses reviewed had been in this status for longer than 6 months. Of

those 47 businesses, 31 had been in this status for longer than 1 year and 8 had been in this status for longer than 2 years. This status is intended to be a temporary status only for the time period the License Collector's office is determining whether or not there are any deficiencies in the clearance process. Due to the temporary nature of this status, businesses remaining in this status for any significant length of time should be a clear signal that follow-up action is needed.

Accurate record keeping is necessary to ensure proper follow-up procedures are performed timely to resolve any problems preventing the issuance of the proper business licenses. In addition, accurate records help ensure the city is collecting all outstanding fees and maximizing revenues.

WE RECOMMEND the License Collector:

- A. Improve procedures to ensure adequate documentation is maintained in an accessible centralized location for all follow-up work performed.
- B. Ensure follow-up work is performed consistently and timely, and documentation of such actions is maintained.
- C. Establish procedures to ensure businesses are coded to the correct status in the LRMS system and actively monitor the statuses to help ensure any errors are identified timely.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

- A. *The License Collector's Field Operations Department is updating its follow-up procedures for all license types for statuses 50 (No Reply), 51 (Filed Not Paid), 61 (Delinquent Bill) and 99 (Extension). These procedures include all steps in the follow-up process including and up to closing businesses and all forms and documents used in the process. There is a definite time-line established for each step in the process.*

A complete description of the Field Operations data base is being prepared, along with procedures for maintaining and monitoring it. The data base supports the follow-up procedures required and is capable of producing status reports for all phases of individual and collective business follow-up procedures.

Field Operations' departmental filing system is being documented and integrated with the office's centralized filing system.

- B. *As noted in Management Advisory Report (MAR) finding number 1, the License Collector's Office continues to focus on improvements in handling deficiencies. During the 2008 renewal season the timeline for the notification of businesses of deficiencies was*

improved and rechecking on deficiencies and re-notification was done on a 30 day basis. As stated in our response to Management Advisory Report (MAR) finding number 1, a comprehensive project is in process to resolve all prior year deficiencies of this type.

For the 2009 renewal season, which is currently in process, notification by phone will be made immediately to businesses with these deficiencies; a follow-up letter will follow within two weeks. Support for follow-up activity will be maintained in the business files and the LRMS system.

If deficiencies are not resolved by this process, the next phase of follow-up will be by Field Operations and the "Compliance Team."

- C. *As noted by the Auditor, status codes are a long standing problem. The LRMS system has the capacity to generate monthly bills for all businesses in the 51 (Filed Not Paid), and 61 (Delinquent Bill) categories. Prior to April 2008, this capacity had not been utilized for some unknown period of time. Restoration of this capacity has not only lead to increased collections of outstanding monies, but has also opened communication channels with businesses that had unresolved status issues with the License Collector's Office.*

This increased communication has led to the implementation of a Compliance Issue/Request Form process. The following forms have been developed to document compliance, status and deficiency issues, and to document approvals of actions taken: License Waiver-Permanent/Event, Business Closings, Refunds/Credits, Move Money, Out-of-Business, Deletions, Not Liable, and Miscellaneous Adjustments. The use of these forms and the due diligence that is required to properly document and approve changes, is having a significant impact on the accuracy of our LRMS data base.

3. Verification of Business License Applications

The License Collector's office could improve procedures used to verify the accuracy of information reported on some types of business license applications where fees due are based solely on information provided by businesses.

The License Collector's office has some categories of business license applications that require businesses to report and calculate license fees due based on information provided by the businesses. For example, most businesses are required to obtain a graduated business license which requires the businesses to report the number of full-time employees and some businesses, such as restaurants and hotels, are required to report gross sales. Both amounts submitted by businesses are used in calculating the fees due to the city. While the businesses sign a sworn statement on the applications certifying the accuracy of the information reported, no supporting information is provided.

According to personnel, the office does perform some follow-up procedures when unusual fluctuations are noted or when businesses submit refund requests due to

inaccurate application data. Such procedures can include comparisons with related data in the Collector of Revenue's office; however, such reviews are limited. The License Collector's office also compares the monthly hotel/motel gross receipts to the quarterly hotel/motel gross receipts submitted by businesses on monthly and quarterly license applications to ensure the amounts are consistent; however, no procedures are in place to verify the accuracy of the information reported.

Section 8.06.170, St. Louis City Revised Code, states the License Collector has the right at all reasonable times during regular business hours to audit or examine the books and records of the applicant or licensee for the purpose of determining the truthfulness and accuracy of any statements made by the applicant or licensee in an application for a current year's or preceding year's license.

Without verifying the accuracy of pertinent data on business license applications, the License Collector's office has no assurance that all taxes and fees paid are accurate and complete and there is an increased risk that erroneous information submitted by businesses may go undetected, resulting in possible lost revenue.

WE RECOMMEND the License Collector develop procedures to verify the accuracy of information submitted on business license applications, at least on a periodic or sample basis. This could include performing audits or examinations of the information submitted in business license applications.

AUDITEE'S RESPONSE

The License Collector provided the following written response:

Coordination with other City Offices

The License Collector's Office coordinates information with other City offices and interested third parties in an effort to validate information provided by businesses.

There are a number of coordinating activities that are conducted with the Collector of Revenue's Office (COR). Periodically, information is requested on the number of employees reported on a specific business's payroll tax reports. Weekly, we get an ETAX New Business report, which we compare to our files to determine if these businesses also have a license. Annually, an ETAX & GBL Matching Report is prepared and analyzed for comparability of records on licensed versus COR registered businesses. The COR, because of confidentiality requirements, will not provide us with revenue information on businesses.

In addition, we share information and have joint monitoring responsibilities with the St. Louis Convention and Visitors Commission and the City's Excise Division.

Field Audit Activities

The Auditor's comment specifically addresses field audit activities. In our review of the history of the License Collector's Office, we determined that this capacity has not existed for some undetermined time period. We agree with the Auditor's recommendation and will reinstate this process on at least a periodic or sample basis. Our current personnel resources do not allow for a more comprehensive approach at this time. A comprehensive field auditing program will be incorporated into our strategic plan.

4. Internal Controls and Procedures
--

Internal control procedures over receipts are in need of improvement. In addition, independent or supervisory reviews and reconciliations are not performed or not always documented.

- A. Internal control procedures over receipts could be improved. During the fiscal year ended May 31, 2008, the License Collector's office processed approximately \$57 million in receipts. Of this amount, approximately \$19 million was collected in cash and checks in the License Collector's office and approximately \$38 million was collected through debit/credit card payments and bank lockbox operations.
- 1) Monies received by mail are not adequately tracked to ensure all monies received are deposited. The License Collector's office maintains a mail log to track all monies received by mail; however, entries on the mail log are not reconciled to deposits. After being entered into the log, the checks and applications received are sent to another division to agree the payment to the supporting documentation. The License Collector's office does not have procedures in place to track checks returned from the other division to ensure all checks received in the mail are deposited. More than \$11 million was received by mail during the fiscal year ended May 31, 2008.
 - 2) The License Collector's office does not have procedures in place to ensure monies collected in the field are turned over to the Finance Division for processing and depositing. In addition, records retained of monies collected in the field are not reliable. Our review noted the following:
 - Monies are sometimes collected by field staff during on-site visits to businesses within the city. While field staff maintain receipt slip books, duplicate copies are not retained in a central location and receipt slips are not always issued. When receipt slips are issued, the original is provided to the payor and the duplicate copy is turned over to the Finance Division for processing; however, there are no procedures in place to account for the numerical sequence

of receipt slips and ensure all monies have been turned over for processing and deposit.

- Notations are sometimes made on daily summary logs of when cash is received; however, this record is not reliable as notations are not always made.

Without maintaining accurate receipt records, the License Collector's office cannot ensure all monies collected in the field are turned over for deposit.

- 3) The License Collector's office does not have procedures in place to ensure monies collected for duplicate license fees or insufficient fund (NSF) check fees are deposited. Duplicate license fees and NSF check fees, generally received in cash, are not posted to the licensing database (LRMS) system because they do not directly relate to the amount due to the License Collector. While cash slips are completed, they are not prenumbered and there is no way to ensure all cash slips and fees collected are turned over to the Finance Division for deposit. Reconciliation procedures would not catch missing fees or cash slips since there is no accountable record, either from prenumbered receipt slips or system reports, with which to reconcile monies.
- 4) Checks received in the License Collector's office that have been remote deposited are not maintained in a secure location. The License Collector's office uses a remote system for depositing checks by scanning checks into the bank records without physically sending the checks to the bank for deposit. These checks are then maintained by deposit date in an unlocked container in the Finance Division, which increases exposure to businesses' bank account numbers. Without adequate controls over these checks, they are vulnerable to both theft and misuse.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and deposited, and assets are adequately safeguarded.

B. Independent or supervisory reviews and reconciliations of various records are not always performed or documented.

- 1) Office procedures require adjustments made to the LRMS system be reviewed by the Assistant Finance Manager on a daily basis; however, the review is not documented. Several adjustments are normally made to the LRMS system on a daily basis for bad checks and posting errors, and adjustments directly affect the reconciliation to cash receipts performed prior to deposit. Without adequate documentation of this review, it is

difficult to determine whether the adjustments are reasonable and the correct amount of funds is deposited.

- 2) Bank service fees are charged to each bank account on a monthly basis; however, no documentation existed to indicate anyone reviewed the propriety of the bank fees charged.
- 3) Supervisory approvals of both manufacturing on-site inspection reports and property declarations were not always documented.

Without adequate documentation of established internal control procedures, such as reconciliations and supervisory reviews and approvals, there is no assurance procedures are in place and operating effectively.

WE RECOMMEND the License Collector:

- A.1. Ensure receipts recorded on the mail log are reconciled to deposits.
2. Develop procedures to ensure monies collected by field staff are turned over to the Finance Division for deposit. This should include issuing prenumbered receipt slips, maintaining a record of receipt for all monies collected in the field, and accounting for the numerical sequence of receipt slips.
3. Develop procedures to ensure all monies collected for duplicate license fees and NSF check fees are deposited.
4. Adequately secure remotely deposited checks.
- B. Ensure independent reviews and reconciliations are performed and adequately documented.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

- A.1. *Mail log procedures have been changed. All checks received in the mail are still logged in the cashier's area. Applications are sent to the Municipal Department for processing, but all checks are now retained in the cashier's area. Cash slips are prepared and the checks are deposited immediately.*
2. *Field Service Representatives (FSR) are using pre-numbered receipts. Receipts are now under the control of the Finance Department. A log is being maintained of the receipt numbers issued to each FSR. When payments are collected in the field, they are turned over to Finance, along with a copy of the receipt, for processing and depositing. For the appropriate receipt number, Finance logs in the business name, address, amount, check number and date.*

3. *The City's Information Technology Services Agency is currently implementing an update to the LRMS system. This update will include the capacity to process and record duplicate license fees and NSF check fees like all other collections.*
 4. *Remotely deposited checks are now immediately stamped "CANCELLED" and have been relocated to a locked storage area.*
- B. *Adjustments to the LRMS system are now fully documented, reviewed and approved as indicated in our response to Management Advisory Report (MAR) finding number 2.*

Bank service fees are reviewed on a monthly basis as part of the monthly reconciliation process. A sign-off of this review is now part of the documentation.

Supervisors are required to sign-off on their review of Site Inspection reports. This is now being verified.

5. Disbursements

The License Collector's office does not have formal written policies for procurement and does not have current, written contracts for some services obtained.

- A. The License Collector's office does not have a formal written procurement policy. As a result, the decision to solicit competitive bids/proposals for purchases is made on an item-by-item basis and is generally obtained through informal inquiries or research. Additionally, supporting documentation of bids obtained or inquiries and research performed is generally not retained. Costs were incurred for the following goods or services without documentation of competitive bids or proposals:

- Printing and copying services from seven companies totaling approximately \$51,600 for the 2 years ended May 31, 2008.
- A printer costing \$5,000.
- A new automobile purchased for approximately \$23,000 from a local car dealership.
- A company hired to perform employee performance assessments, at a cost of \$6,750.

According to office personnel, the printer is a special purpose piece of equipment and was a sole source purchase from a vendor that carried equipment compatible with existing software; however, documentation of such factors was not retained. For the automobile, officials indicated the Supply Commissioner recommended a vehicle similar to ones purchased for other city officials, but the License Collector

decided to obtain a less expensive model. Officials indicated price shopping was done; however, documentation of the prices obtained was not retained.

While the License Collector, as a separately elected official, is not required to follow city policies and typically has his own policies in place, his office has used some of the city's policies when it has not established any of its own. The city's current purchasing policy indicates that sealed bids are required for purchases over \$500 and certain advertising is required to obtain such bids for purchases over \$5,000. The License Collector should either formally adopt and follow the city's policies or develop a formal procurement policy for his office.

Formal procurement procedures provide a framework for the economical management of office resources and would help ensure the License Collector's office receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids/proposals received and reasons noted why the bid was selected. If the provider is a sole source, adequate documentation of that determination should be retained.

- B. The License Collector did not execute formal written contracts with several businesses for services provided. Services provided without current or formal written contracts included armored car services, general contract work for office renovations, and employee performance assessments. Contract documentation provided was either outdated or did not include final versions signed by both parties. A combined total of \$79,000 was paid for these services during the 2 years ended May 31, 2008.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The License Collector's office should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the License Collector:

- A. Establish formal procurement policies and procedures, including documentation requirements regarding bids, quotes, or proposals received and justification for the selection made.
- B. Enter into current, formal written contracts for all services received.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

- A. *The License Collector's Office was working on a Procurement Policy and Procedures Manual at the time of the Auditor's visit. We have adopted a policy requiring sealed bids for purchases over \$1,000. Bids can be obtained by telephone quotation, written quotation or sealed submission based on dollar amount and type of purchase. Advertising is required to obtain sealed bids for purchases over \$5,000. Complete documentation will be maintained on all bids received and the reasons noted why the bid was selected. If the provider is a sole source, adequate documentation of that determination will be retained. The manual is in the final stages of completion.*
- B. *Many of the contractual relationships are carryovers from the previous administration. We have begun the process of re-bidding these goods and services.*

6. Payroll Procedures

Payroll procedures could be improved and payroll records are not always consistent or accurate. In addition, the personnel manual does not reflect current procedures followed in the License Collector's office.

- A. Payroll procedures could be improved in the License Collector's office. Our review noted the following:

- 1) A reconciliation is not performed between the payroll register and the adjusted payroll variance report to verify the accuracy of payroll distributions. The License Collector's personnel officer submits manual information to the City Comptroller for entry into the payroll processing system. Before processing payroll, the Comptroller's office sends a payroll variance report to the License Collector's office for review, any necessary adjustments are made manually, and the variance report is resubmitted to the Comptroller's office. Once payroll is processed, the License Collector's office receives a payroll register as its record of payroll processed. The personnel officer does not compare the final payroll register to the adjusted variance report to ensure reported adjustments are made and payroll disbursed is accurate and complete.

Failure to reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis.

- 2) Employees do not sign off on time records to verify accuracy and supervisors do not sign off on employee time records to indicate their review and approval. Staff employees do not prepare individual timesheets. Instead, staff employees sign in and out daily on a sign-in

sheet maintained by the personnel officer, which is used to update other internal payroll records. When an employee is absent, the personnel officer will document the leave taken on the daily sign-in sheet for the absent employee. Without an indication of review and approval, it is difficult to determine if the daily sign-in sheets are an accurate reflection of time actually worked.

Accurate time records provide information necessary to monitor overtime worked, leave, and compensatory time usage, and are beneficial in demonstrating compliance with personnel policies and the federal Fair Labor Standards Act. Time records should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the personnel officer.

- B. Payroll records in the License Collector's office contained a number of errors and inconsistencies. The License Collector's office utilizes several manual payroll records to track information, including daily sign-in sheets for staff employees, employee leave request forms, daily absentee records, employee attendance cards, and bi-weekly attendance reports. In addition, information is submitted to the Comptroller's office on the bi-weekly payroll report and bi-weekly payroll variance report. We reviewed related payroll records for 10 of the 43 License Collector's employees for the pay period ended March 29, 2008. Our review of these payroll records noted the following:

- Five employee attendance cards, which track employee leave balances, contained mathematical errors.
- Leave usage reported on the bi-weekly payroll reports was not included on the daily absentee record for one employee.
- Leave usage reported for six employees did not agree between the various records. In some instances leave reported did not agree between the daily sign-in sheet, daily absentee records, employee attendance cards, or the bi-weekly attendance reports.

Reconciling the payroll information among the various payroll records would help ensure the consistency, accuracy, and completeness of payroll information for all employees.

- C. The personnel manual has not been updated to include all policies and procedures currently followed by the License Collector's office. The License Collector's office has developed its own personnel manual, separate from the city; however, it does not contain some of the policies followed by the office. The personnel manual does not include information about the amount of sick leave time earned, maximum accruals allowed for leave balances, and handling of accumulated leave

balances upon termination or resignation, or guidelines for the shared leave program which allows employees to donate leave to other employees at will.

A comprehensive and updated personnel policy manual would help provide guidance and control for the effective and consistent management of office employees.

WE RECOMMEND the License Collector:

- A.1 Ensure the adjusted payroll variance reports are reconciled to the final payroll registers.
- 2. Ensure all time records are signed off by both employees and supervisors attesting to the accuracy of the time reported.
- B. Establish procedures to ensure all payroll records are checked for mathematical accuracy, completeness, and agreement with other records.
- C. Update the personnel manual to ensure it includes all significant personnel policies and procedures currently in use.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

A&B. The License Collector's Office has procured and implemented an electronic time keeping and payroll processing system. This system includes an electronic time clock, which requires a pin number for each employee. This system eliminates the manual records cited by the Auditor as being inconsistent or inaccurate.

Reconciliations are now being performed between the payroll register and the adjusted payroll variance report. The new system generates a sign-off report for employees and their supervisors to verify and approve time records.

C. An updated Personnel Policies and Procedures Manual is in process.

7.

Vehicles

The License Collector and two employees use assigned city-owned vehicles for commuting and personal use and such mileage claimed is not adequately supported. Records of vehicle usage and monitoring procedures for all of the License Collector's fleet vehicles are not sufficient. In addition, vehicles may not be used efficiently and effectively.

- A. The License Collector, the Chief Deputy License Collector, and a manager use their assigned, unmarked, city-owned vehicles for commuting and personal use. During 2007, these individuals reported a combined 9,435 miles as commuting and personal use to the Internal Revenue Service as compensation on their W-2 forms, approximately 38 percent of total miles driven on those vehicles. The officials do not maintain vehicle usage logs (see part B below) to document miles driven for official, commuting, and personal use. Without adequate documentation, the License Collector's office cannot ensure mileage claimed as compensation is accurate or complete.

In addition, while the License Collector's office properly reported personal and commuting mileage as compensation, the City Vehicle Policy Manual Section 3.8.1, states that city vehicles may not be used for personal use other than commuting unless an exception is granted in writing to the employee from the appointing authority. The License Collector's office did not provide documentation approving and justifying personal use of the vehicles.

- B. Records of vehicle use and monitoring procedures for the License Collector's vehicle fleet are not sufficient. The License Collector's office indicated it follows the city's vehicle policy; however, the city's vehicle policy does not address records to be maintained for vehicles (see audit report No. 2008-61, *City of St. Louis Board of Public Service*, issued in September 2008). While periodic mileage readings are recorded on a monthly basis and when vehicles are fueled, the License Collector's office does not require detailed vehicle usage logs be maintained to document beginning and ending odometer readings, destination, and trip purpose for any of its 12 vehicles.

Without adequate usage logs, the License Collector cannot effectively monitor that vehicles are used for official business only. Vehicle usage logs should include trip information (i.e. beginning and ending odometer readings, destination, and purpose) which should be reviewed on a periodic basis for reasonableness and to ensure vehicles are used for official business only.

- C. Vehicles may not be used efficiently and effectively. The License Collector's office has a total of 12 vehicles. Our review of monthly mileage records noted that three of these vehicles had 8 months of inactivity during the 15-month period reviewed. Mileage during this period totaled only 2,000 to 3,000 miles for each of these three vehicles.

Low mileage and periods of inactivity may indicate the office is not using the vehicles efficiently. In an effort to reduce costs and to ensure the efficient use of city-owned vehicles, the need for all fleet vehicles and the vehicle assignments should be periodically reviewed to ensure they are necessary and justified.

WE RECOMMEND the License Collector:

- A. Discontinue the use of city-owned vehicles for personal use or ensure proper approval documentation is maintained for any exceptions. The License Collector should also ensure personal and commuting mileage reported for compensation is adequately supported.
- B. Require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.
- C. Review vehicle usage and vehicle assignments periodically to ensure the number of vehicles in the fleet are necessary and justified.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

- A. *The License Collector has approved personal use of office vehicles by the Chief of Staff and the Manager of Field Operations. As indicated in the Auditor's comment, personal use of office vehicles is reported to the City, in accordance with City regulations, for reporting to the Internal Revenue Service as compensation on the W-2 forms of the drivers. Documentation of usage will be improved.*
- B. *In addition to procedures currently in place, the License Collector's office will require detailed vehicle usage logs be maintained to document beginning and ending odometer readings, destination, and trip purpose for fleet vehicles.*
- C. *The License Collector's Office has conducted an analysis of fleet usage. As a result of this analysis, the oldest vehicle in the fleet has been returned to the City of St. Louis and two other vehicles have been sold to the City of St. Louis.*

8. Bank Accounts

The License Collector could improve procedures to monitor and ensure bank accounts are sufficiently collateralized. In addition, the License Collector's office operated without a current depository agreement for nearly a year and has not competitively procured banking services for several years.

The License Collector's office has utilized the same local bank for the past several years for maintaining five bank accounts, providing and monitoring collateral securities, and processing lockbox payments. As of May 31, 2008, the License Collector's office had approximately \$9.3 million in accounts held by its depository bank. Our review noted the following:

- A. The License Collector could improve procedures to monitor and ensure bank accounts are sufficiently collateralized. While securities are released at the authorization of the Chief Deputy License Collector and a month-end summary of pledged collateral is reviewed, the License Collector's office relies on the bank to monitor and ensure adequate collateral securities are pledged on a daily basis to cover amounts deposited in the various bank accounts. Due to frequent large deposits and periodic distributions, bank account balances can fluctuate significantly throughout the month.

Section 110.010, RSMo, states that public funds of every city which are deposited in any banking institution acting as a legal depository of the funds shall be secured by the deposit of securities. State law further requires the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the Federal Deposit Insurance Corporation.

Inadequate collateral securities could leave the License Collector's funds unsecured and subject to loss in the event of a bank failure. To properly protect public funds, the License Collector's office should actively monitor and ensure bank accounts are properly collateralized.

- B. The License Collector's office operated without a current depository agreement for 9 months during the audit period and has not competitively procured banking services for several years. The depository agreement with the bank expired in August 2007 and was not renewed until May 2008. During this time, office personnel indicated they maintained a verbal agreement with the bank as to the services to be received. In addition, the office has not competitively procured banking services since at least 2005 when the prior banking agreement was established.

To ensure the quality of banking services, fairness of fees charged, and the maximization of interest earnings, the License Collector's office should procure its banking services through a periodic competitive process. In addition, the License Collector's office should ensure it has a written agreement in effect at all times with its depository bank. A written depository agreement would help both the bank and the License Collector's office understand and comply with the requirements of a banking arrangement.

WE RECOMMEND the License Collector:

- A. Establish procedures to actively monitor and ensure bank accounts are adequately collateralized.
- B. Ensure the office has a written depository agreement in effect at all times for banking services and competitively procure banking services on a periodic basis.

AUDITEE'S RESPONSE

The License Collector provided the following written responses:

- A. We agree with the Auditor's recommendation that we should more actively monitor our collateral position. Accordingly, new procedures have been implemented with the bank. A daily report is provided on the collateral position and information is exchanged on a daily basis concerning deposit and disbursement activity.*
- B. The depository agreement was a carryover from the previous administration. The financial institution and the current administration agreed to continue the existing agreement for the 9 month period cited by the Auditor, while consideration was given to re-bidding the agreement. After giving careful consideration to going out for bid, the current administration decided to renew the agreement. The current depository agreement expires March 31, 2010. Banking services will be bid out at that time.*

9.

Budgetary Practices

The License Collector's office operated without a formal current budget during fiscal year 2008. According to officials, the office used the 2007 budget as a guideline for fiscal year 2008 and met frequently to discuss current expenditures.

The operations of the License Collector's office are funded by retaining a percentage of license fees and taxes collected each year, approximately 2 to 4 percent of revenues collected, as allowed by state statute. Commissions retained are transferred to the License Collector's operating account throughout the year to fund the operations of the License Collector's office. Commissions transferred to the operating account, along with interest earned on the operating account, totaled approximately \$1.98 million and \$2.19 million during the fiscal years ended May 31, 2008 and 2007, respectively. Section 82.397, RSMo, provides that any fees in the hands of the License Collector which exceed two times the amount of the previous year's operational disbursements, shall be paid into the treasuries of the state, city, and school in proportion to the amount of revenue collected.

The operating account had balances of approximately \$2.63 million and \$3.56 million at May 31, 2008 and 2007, respectively. In 2008, the License Collector disbursed excess revenues of approximately \$768,000 from 2007 in accordance with state statute, however, the maximum amount allowed per statute was retained. As a result, the beginning balance plus revenues collected during 2008 were significantly more than the amount needed to cover the \$2.14 million in operating expenditures for fiscal year 2008, even after the distribution of the 2007 excess commissions.

Beginning cash balance June 1, 2007	\$3,561,729
Fiscal year 2008 commissions collected	1,981,047
Fiscal year 2007 excess commissions distributed	(768,448)
Total funds available for fiscal year 2008 operating expenses	<u>\$4,774,328</u>
 Fiscal year 2008 operating expenses	 <u><u>\$2,139,727</u></u>

While the commissions retained were not in excess of the maximum allowed by state law, it is unclear why such a large reserve is needed. Better budgeting procedures would allow the License Collector's office to better plan for needed revenues and only retain the necessary funds to operate the License Collector's office and maintain a more reasonable reserve amount. Additional reserves for future planned projects should be clearly identified in the budget. This would also allow more funds to be distributed to the various taxing authorities, such as the schools and library.

A complete and well-planned budget can serve as a useful management tool by establishing specific costs and revenue expectations for each area of operation and ensuring revenue amounts are sufficient for operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. In addition, a budget would allow the citizens of the City of St. Louis to better understand the plans for operations in the License Collector's office.

WE RECOMMEND the License Collector prepare a formal budget on an annual basis, including a plan to retain only the necessary commissions for the operations of the office and to maintain a reasonable reserve level. If additional monies are being reserved for planned projects or needs, such issues should be identified in the budget document.

AUDITEE'S RESPONSE

The License Collector provided the following written response:

Budgetary Practices

Operating expenditures for fiscal 2007/2008 were carefully monitored by the License Collector and the Chief of Staff, using the 2006/2007 budget as a guideline. A formal budget was prepared for fiscal 2008/2009 and presented to the Ways and Means Committee of the Board of Aldermen. The fiscal 2009/2010 budget has been prepared and is being implemented. The current budget has reduced staff by 15% and includes a one week furlough for staff and two week furlough for management. The furlough results in a 1.9% decrease in pay for staff and a 3.8% decrease for the License Collector and management team.

Reserve Balances

The representation of the reserve balance in the License Collector's Office needs additional clarification. The actual balance in the Commission Account (Reserve) at the time of the surplus

distribution of \$768,448 was \$3.8 million. The balance has not exceeded \$3.2 million since that transaction. The balance is currently \$2.3 million. Since June 2007, the reserve balance has been consistently under the maximum limit set by Section 82.397, RSMo. The License Collector has consistently been in full compliance with Section 82.397, RSMo. We have also distributed \$500,000 from the Commission Account (Reserve) in 2009 to assist the budget deficits of the city and other governmental agencies.

ADDITIONAL AUDITEE COMMENTS

The License Collector provided the following additional comments as part of their written responses:

In Appendix A of this report, the Auditor presents a Schedule of Receipts, Disbursements, and Changes in Cash Balance - Operating Account (Commissions). The current administration in the License Collector's Office considers this schedule to need additional clarification if they are to be compared. Our concerns with the schedule relate to the issue of responsibility. The Year Ended May 31, 2008 would be the first full year of responsibility for the current License Collector and would properly reflect the financial impact of new management and operating objectives and updated accounting policies and procedures. Seven months of the Year Ended May 31, 2007 were under a previous administration. Presenting these two distinctly different fiscal years in a comparative format does not account for the expanded mission, the personnel classification study commissioned by the new administration, and the enhanced services and policy compliance of the office.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. LOUIS
OFFICE OF LICENSE COLLECTOR
HISTORY AND ORGANIZATION

The Office of License Collector is an elective office responsible for collecting various licensing fees and taxes assessed against businesses within the City of St. Louis, in accordance with Missouri statutes and City of St. Louis Revised Code and ordinances. The License Collector employs approximately 40 people.

Michael McMillan currently serves as the License Collector for the City of St. Louis. He has served in that capacity since he took office in January 2007. His current term expires in December 2010. Gregory F. X. Daly served as the License Collector from 1988 through 2006. Administrative office functions are supervised by the License Collector's Chief Deputy. The License Collector coordinates the work of the following four divisions:

Field Service

The Field Service Division is responsible for acting as the policing agency for the Manufacturing and Municipal Divisions. The division's main functions are to help existing businesses stay in good standing with the city, offer new businesses assistance in obtaining a license, help with on-site visits, and follow-up with businesses that have either failed to apply or failed to pay for proper business licenses.

Manufacturing

The Manufacturing Division oversees various activities relating to the manufacturing ad valorem tax, which is a personal property tax imposed on the machinery, tools, and appliances held or used by manufacturers operating within the city.

Municipal

The Municipal Division is responsible for overseeing the collection and processing of various business license fees and gross receipts sales taxes from businesses operating within the city, including items such as cigarette taxes, graduated business licenses, restaurant gross receipt taxes, hotel taxes, and other fees and taxes.

Finance

The Finance Division is responsible for managing all financial activity within the License Collector's office, including all receipt and disbursement procedures. Monies received are disbursed by this division to the city and various local agencies, such as the school district and the city zoo and museums. In addition, a portion of receipts are retained as commissions and used for the operating expenses of the License Collector's office.

See the Appendix for additional information for the Office of License Collector.

Appendix A

CITY OF ST. LOUIS
OFFICE OF LICENSE COLLECTOR
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
OPERATING ACCOUNT (COMMISSIONS)
(UNAUDITED)

	Year Ended May 31,	
	2008	2007
RECEIPTS		
Commissions transferred in	\$ 1,854,803	1,937,651
Interest	120,897	166,702
Other	5,347	84,929
Total Receipts	<u>1,981,047</u>	<u>2,189,282</u>
DISBURSEMENTS		
Personal service	1,712,803	1,201,830
Supplies	40,727	45,875
Equipment	31,548	29,869
Contract services	327,127	242,837
Other	27,522	26,327
Distribution of excess commissions	768,448	860
Total Disbursements	<u>2,908,175</u>	<u>1,547,598</u>
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(927,128)	641,684
CASH BALANCE, JUNE 1	3,561,729	2,920,045
CASH BALANCE, MAY 31	<u>\$ 2,634,601</u>	<u>3,561,729</u>

Appendix B

CITY OF ST. LOUIS
OFFICE OF LICENSE COLLECTOR
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
LICENSE FEES AND TAXES
(UNAUDITED)

	Year Ended May 31,	
	2008	2007
RECEIPTS		
Municipal license fees and taxes	\$ 26,567,428	25,857,912
Manufacturing taxes	13,866,450	19,283,215
Hotel taxes	7,200,036	6,979,251
Convention and tourism taxes	7,235,384	7,463,033
Paid under protest	2,063,155	738,405
Interest	235,482	490,575
Other	612	1,500
Total Receipts	<u>57,168,547</u>	<u>60,813,891</u>
DISBURSEMENTS		
City of St. Louis - Treasurer	31,258,774	34,574,556
St. Louis Public School District	9,019,806	12,636,096
Zoo/Museums	559,949	812,478
Metro Sewer District	160,288	214,814
Community College District	481,363	701,360
State Blind Fund	73,210	95,216
MR/DD Resources	307,126	436,067
Community Mental Health Fund	185,251	263,062
Community Children's Service Fund	421,038	532,225
Convention and Visitor's Commission	7,256,636	7,313,773
Commissions transferred out	1,854,803	1,937,651
Protest distributions	0	6,555,126
Miscellaneous	31,127	34,624
Total Disbursements	<u>51,609,371</u>	<u>66,107,048</u>
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	5,559,176	(5,293,157)
CASH BALANCE, JUNE 1	1,617,998	6,911,155
CASH BALANCE, MAY 31	<u>\$ 7,177,174</u>	<u>1,617,998</u>



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Department of Streets



June 2009

Report No. 2009-63

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Department of Streets.

At least \$1,210 in permit fee collections could not be accounted for properly and appear to be missing, and additional amounts may also be missing. These missing funds were not detected on a timely basis due to various internal control weaknesses including accounting duties in the Director's office are not adequately segregated, there is no independent oversight related to receipts, and the method of payment and date received are not recorded on some receipt slips. Receipt slips are not issued in numerical sequence, and the numerical sequence of receipt slips issued is not accounted for properly. Some receipts are not transmitted to the City Treasurer's office in a timely manner. In addition, procedures are not established to properly document, investigate, and resolve daily cash overages and shortages. The office does not maintain documentation of daily overages/shortages to determine if there is a pattern which should be investigated. Also, some receipt and transmittal documentation maintained by the Director's office accountant was poorly organized and maintained. The department does not account for the numerical sequence of permits issued, has not established adequate procedures related to the issuing of permits, and does not reconcile permits issued to monies collected and amounts transmitted.

At least \$1,380 in towing and storage fee monies could not be accounted for properly and appear to be missing, and additional amounts may also be missing. By not providing adequate oversight, the division placed funds at risk. Several control weaknesses allowed the missing monies to go undetected. The method of payment is not recorded on the towing tickets or the daily receipt ledger, thus the composition of receipts cannot be reconciled to the composition of transmittals to the City Treasurer's office. In addition, the division does not obtain information from the City Treasurer's office documenting the composition of transmittals. The division does not adequately document monies received for vehicles auctioned. As a result of making cash refunds for overpayments of towing and storage fees paid by debit card, transmittals to the City Treasurer's office are not made intact. The division does not adequately document approval and the reason why some allowable charges for towing and vehicle storage services are reduced and not collected. The division does not have a written policy and procedure for the distribution of excess auction monies. A \$200 administration charge is assessed on each vehicle sold to cover the costs of labor and paperwork involved in auctioning a vehicle; however, no documentation of costs or how this fee was determined was available, and the fee is not adequately recorded in the division's accounting records. The division does not have written procedures concerning the handling of damage claims and claims are not adequately documented.

YELLOW SHEET

Some emergency purchases did not appear to meet the city's definition of "emergency." In September 2007 and January 2008, the department purchased traffic signal detection devices totaling approximately \$433,000, to be used at heavily traveled intersections to help improve traffic flow. A solar powered trailer was purchased for approximately \$18,000 in May 2007. These purchases were made in conjunction with the closing of Interstate 64/40 in the St. Louis Metropolitan Area; however, the extensive advance planning of this project should have given the department enough time and notice to purchase these items through normal city purchasing procedures.

The department does not have a written policy concerning the sale of road salt. There is no written documentation of how the sale price was determined for the salt. The sale price on certain dates was not consistent between various entities. In addition, while the sale of salt to other political subdivisions low on salt can be viewed as necessary due to a public safety issue, it is unclear if the department has the legal authority to sell salt to landscaping and construction companies. Also, the department did not withhold and report sales tax from the sale of salt to these companies.

The department does not turn over old accounts receivable balances to a collection agency or the City Counselor's office in a timely manner and does not properly follow up on old outstanding paving and sealing invoices.

The department has not documented how fees charged for several permits were established or determined. The department has not recently updated the annual excavation fee charged to three large companies that have elected to pay a flat annual fee. Fees were not consistently charged in accordance with the established schedule for sidewalk permits.

The department does not adequately document changes to and approval of street paving and sealing invoices mailed to contractors. Some invoices are not mailed to the contractors in a timely manner for street paving and sealing work.

Records and monitoring procedures for vehicles and equipment are not sufficient. The department does not require vehicle usage logs be maintained for its vehicles and does not regularly monitor the fleet to ensure vehicles are used efficiently and effectively. The Street Division uses 16 pool/on call vehicles for commuting purposes but does not report commuting mileage to the IRS as compensation.

The audit also includes recommendations related to the 50/50 Sidewalk Program, the school crossing guard program and petty cash funds.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
DEPARTMENT OF STREETS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-27
<u>Number</u>	<u>Description</u>
1.	Director's Office Controls and Procedures5
2.	Towing Division10
3.	Emergency Purchases16
4.	Sale of Salt17
5.	Collection Procedures18
6.	Permits and Fees20
7.	Street Paving and Sealing22
8.	Vehicles23
9.	50/50 Sidewalk Program.....25
10.	School Crossing Guard Program25
11.	Petty Cash26
HISTORY AND ORGANIZATION	28-30
APPENDIX.....	31-32

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of Streets
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Streets. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Streets.

Additional audits of various officials and departments of the City of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch Jr.
Audit Staff:	Julie M. Moore, MBA
	Travis Owens
	Monique M. Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF STREETS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Director's Office Controls and Procedures
-----------	--

At least \$1,210 in permit fee collections could not be accounted for properly and appear to be missing, and additional amounts may also be missing. Accounting duties in the Director's office are not adequately segregated and there is no independent oversight of receipts. Various concerns were noted related to receipt procedures, change funds, and procedures for handling permits.

The Director's office is responsible for the administration of the department and handles the collection of monies for several divisions. The Towing Division and the Refuse Division collect and transmit monies to the City Treasurer's office separately. The Director's office oversees the issuance of permits for various items such as street blockages, parades, parking, sidewalk and driveway construction, etc. In addition, the office administers the collection of monies for the 50/50 Sidewalk Program, street paving and sealing repairs, and street light and traffic signal damage programs. During the year ended June 30, 2008, the Director's office transmitted approximately \$2,114,000 to the City Treasurer's office.

- A. At least \$1,210 in permit fee collections could not be accounted for properly and appear to be missing, and additional amounts may be missing. Payments to the Director's office are received primarily by check. The clerks in the director's front office issue receipt slips for fees collected from individuals in person, record checks received in the mail on the check log, and transmit collections to the Director's office accountant along with one copy of the receipt slip. The accountant initials the receipt slip indicating receipt of the monies, prepares a transmittal report, and transmits collections to the City Treasurer's office for deposit.

A review of April 2008 transmittals showed 19 receipt slips which did not appear to have been transmitted to the City Treasurer's office. The receipts slips were marked as cash received and the accountant's copies of the receipt slips were marked void. However, the front office clerk's copies of the receipt slips were not marked void, the permit numbers were recorded on the receipt slips, and valid permits appear to have been issued for each of the receipt slips in question (see Appendix for a complete list of unaccounted for receipts).

These missing funds were not detected on a timely basis due to various internal control weaknesses as discussed in B and C below. The department should take necessary action to recover missing funds and work with law enforcement

officials regarding any criminal prosecution. In addition, department personnel should determine if any additional monies are missing.

B. The following concerns were noted related to the Director's office receipts:

- 1) Accounting duties are not adequately segregated and there is no independent oversight related to receipts. Three front office clerks issue and collect monies for permits. The Director's office accountant receives and reconciles turnovers from the clerks, records the transactions, prepares transmittals to the City Treasurer's office, and reconciles the monies transmitted with the City Treasurer's documentation of the turnover. However, there is no documented supervisory review or comparison of monies received by the front office clerks to amounts transmitted to and received by the City Treasurer's office.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of work performed and investigation into unusual items and variances is necessary.

- 2) The method of payment (i.e., cash, check, or money order) and date received are not recorded on some receipt slips. As a result, the composition of receipt slips cannot be reconciled to the composition of monies transmitted. To ensure all receipts have been recorded properly and transmitted intact, the method of payment and date received should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of transmittals.
- 3) Receipt slips are not issued in numerical sequence, and the numerical sequence of receipt slips issued is not accounted for properly. The Director's office accountant is responsible for issuing receipt slip books to the front office clerks. The receipt slip sequences are not unique for each clerk and often receipt slip books are not issued in sequence. In addition, the clerks sometimes prepare permits in advance for customers to pick up at a later date and issue receipt slips, which are attached to the permits, before the monies are actually collected. Our test work also noted several missing receipt slip numbers. To adequately account for all monies received, receipt slips should be issued in numerical sequence and accounted for properly.
- 4) Some receipts are not transmitted to the City Treasurer's office in a timely manner. For example, an April 8, 2008, transmittal for \$875 included receipts from April 3, 2008. To adequately safeguard receipts and reduce

the risk of loss or misuse of funds, transmittals should be made on a timely basis.

- 5) Procedures are not established to properly document, investigate, and resolve daily cash overages and shortages. The three clerks in the Director's office, who collect monies, reconcile their cash drawers to the receipt slips issued and the check log each day. Any overage or shortage is simply absorbed by the change fund. A cash count on September 25, 2008, found one clerk's change fund was short \$49. In addition, office personnel indicated an additional \$100 change fund was normally maintained as an emergency fund; however, this fund had been used to replenish the change funds of the three front office clerks when shortages occurred. The office does not maintain documentation of daily overages/shortages to determine if there is a pattern which should be investigated.

To ensure all receipts are properly accounted for and deposited, the Director's office should adopt procedures to ensure differences between recorded receipts and amounts to be transmitted (overages/shortages) are properly documented, investigated, and resolved. In addition, the change funds should be maintained at a constant amount and the overages/shortages should be reflected in the amounts transmitted.

- 6) Some receipt and transmittal documentation maintained by the Director's office accountant was poorly organized and maintained. The accountant paperclips receipt slips included in a transmittal to the transmittal form. Several paperclips came off of documentation making a reconciliation of receipt slips and transmittals to the City Treasurer's office difficult. The receipt slips included in a transmittal are not identified on the transmittal form. Maintaining accounting records in an organized manner helps to ensure all records are present and can be located efficiently when needed.

C. The Director's office issues and collects fees for various types of permits. Procedures related to the handling of these permit fees need improvement:

- 1) The department does not account for the numerical sequence of permits issued. The department uses general permits for many types of permits, but there are instances when this general permit does not fit special circumstances or restrictions which need to be documented on the permit. The department voids the general permit and assigns its number to a "blank" permit. The "blank" permit has room for documentation of special restrictions. The "blank" permits are also used when a time frame has to be amended. In addition, unused permits are maintained in a supply room in an unsecured location with access by all department employees. To provide additional assurance all monies are properly collected, recorded, and transmitted, the numerical sequence of permits should be

accounted for properly. In addition, unused permits should be maintained in a secure location.

- 2) The department has not established adequate procedures related to the issuing of permits. The department prepares some permits from information received over the phone and holds the permit for the customer to pick up. The permit is voided if the individual does not pick it up. By holding the permits for customers, the department is not transmitting monies collected for permits in numerical sequence making it difficult to trace receipts to transmittals. The department needs to improve procedures which define how permits should be issued by the department to ensure the permits are properly processed and approved or more clearly indicate which receipt slips are included in each transmittal.
- 3) Permits issued are not reconciled to monies collected and amounts transmitted. For example, a \$20 parade permit issued on April 8, 2008, could not be traced to a receipt slip. In addition, an excavation permit was issued on August 15, 2007, for \$130 but the department collected \$195. The department also issues street blocking permits to storage unit companies, but does not issue receipt slips to the companies since they do a large amount of business in the city and do not want the receipt slips. The department started maintaining a ledger to record payments from these storage unit companies in December 2007; however, the ledger is not reconciled to amounts transmitted. To ensure fees for all permit charges are properly collected, recorded, and transmitted, permits issued should be periodically compared to amounts recorded and transmitted.

WE RECOMMEND the Department of Streets:

- A. Take necessary action to recover missing funds and work with law enforcement officials regarding any criminal prosecution. In addition, department personnel should determine if any additional monies are missing.
- B.1. Segregate the accounting duties of the Director's office to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of work performed and investigation into unusual items and variances is necessary.
2. Ensure the method of payment and date received is recorded on each receipt slip, and the composition of receipt slips issued is reconciled to the composition of transmittals.
3. Require receipt slips be issued in numerical sequence and accounted for properly.
4. Transmit all monies in a timely manner.

5. Establish procedures to ensure personnel properly document, investigate and resolve daily overages and shortages. In addition, the department should ensure the change funds remain at a constant amount and any overages/shortages are reflected in amounts transmitted.
6. Ensure all records are well organized and properly maintained.
- C.1. Ensure the numerical sequence of permits is accounted for properly. In addition, unused permits should be maintained in a secure location.
2. Improve procedures and requirements for handling and issuing permits.
3. Reconcile permits issued to amounts transmitted.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *The information has been forwarded to the City of St Louis Police Department, the investigation is ongoing.*
- B.1. *The accounting duties have been segregated. The clerical supervisor reviews each transaction daily and creates a record of the daily review and verification. This is being performed separate from the accounting duty.*
 2. *Method of payment and date received is now recorded on each receipt slip. Reconciliation is occurring daily.*
 3. *The clerical supervisor is charged with this duty and receipts are secured in a locked cabinet.*
 4. *All monies are now transmitted daily.*
 5. *This is now covered in the actions of B.2, any shortages will be noted and handled on the daily sheet. Change funds are checked daily.*
 6. *Files have been established to handle all paperwork.*
- C.1. *The clerical supervisor now maintains a secure location for all numerical permits and issues them from a registrar. Unused permits are secured in locked desk drawers.*
 2. *Procedures for the insurance and voiding and variances of permits have been established.*
 3. *This is now completed daily.*

At least \$1,380 in towing and storage fee monies could not be accounted for properly and appear to be missing, and additional amounts may also be missing. The division does not send vehicle notification letters by certified mail, has not established a formal policy regarding the distribution of excess auction monies, and has not recorded in the accounting records or kept documentation to support the administration fee assessed and collected on auctioned vehicles. Finally, the division has not established written procedures for the handling of damage claims.

The Towing Division is responsible for the towing, storage, and if necessary, auction of abandoned, wrecked, and illegally parked vehicles within the city. The division assesses and collects fees for the towing and storage of vehicles. In addition, the division collects monies from the auction of vehicles which are not claimed by their owners within 30 days. The division collected approximately \$2,566,000 during the year ended June 30, 2008.

- A. Receipts totaling \$1,380 received by the division could not be accounted for properly and appear to be missing. The missing receipts were made up of all six towing tickets from the first shift on September 13, 2007. The towing manager indicated he reconciles the City Treasurer's receipt record to the daily receipt ledger; however, his reconciliation is not documented. Towing and storage fees are collected during three daily shifts by the division's front office clerks and recorded on a daily receipt ledger. At the end of each shift, the foreman compares the fees collected to the daily receipt ledger, initials the ledger, and transmits the fees to the towing manager. The towing manager compares the fees collected to the daily receipt ledger, initials the ledger, and prepares a transmittal to the City Treasurer. The monies are placed in a locked bag and given to a tow truck driver to deliver to the City Treasurer. The monies collected on one shift on September 13, 2007, could not be traced to a transmittal to the City Treasurer; however, the daily receipt ledger was properly initialed. The towing manager does not ensure all monies transmitted to the City Treasurer are properly received by the City Treasurer.

By not providing adequate oversight, the division placed funds at risk, resulting in the missing monies. The division should implement procedures to improve control weaknesses, as noted in Part B, that apparently allowed the missing monies to go undetected. The department should take the necessary action to recover the missing funds and work with law enforcement officials regarding any criminal prosecution. In addition, department personnel should determine if any additional monies are missing.

B. The following concerns were noted regarding receipt procedures:

- 1) The method of payment (i.e., cash or check) is not recorded on the towing tickets or the daily receipt ledger, thus the composition of receipts cannot be reconciled to the composition of transmittals to the City Treasurer's office. The division uses tow tickets to document the process involved in towing a vehicle including the fees to be charged to vehicle owners based on the type of tow, extra labor if needed, and the number of storage days. The division marks the tow tickets and daily receipt ledger if the payment is made by credit or debit card only.

In addition, the division does not obtain information from the City Treasurer's office documenting the composition of transmittal. Currently, the division receives the transmittal form signed by the City Treasurer's office to indicate the monies were received. The transmittal form only indicates the total amount received and not the amount of cash and check received for each shift and auction.

To adequately account for all monies received, the method of payment should be indicated on all towing tickets and the daily receipt ledger, and the composition of towing tickets and the daily receipt ledger should be reconciled to amounts transmitted to the City Treasurer's office.

- 2) The division does not adequately document monies received for vehicles auctioned. The division holds an auction every week for vehicles held in the storage lot for more than 30 days. The auction date, amount bid, if payment was cash, and the tow ticket number are recorded on a ledger sheet at the time of the auction. Most auction monies are collected the day of the auction; however, some regular customers are allowed to bring in payment and claim the vehicle over the course of the week. The payment date is not recorded on the ledger nor is the receipt of these monies recorded on any other records. To ensure all monies are properly handled and recorded, all monies received should be recorded in division records. In addition, posting the date received to the ledger for each vehicle auctioned would allow the ledger to be reconciled to the transmittal to the City Treasurer's office.
- 3) As a result of making cash refunds for overpayments of towing and storage fees paid by debit card, transmittals to the City Treasurer's office are not made intact. For example, the September 24, 2007, transmittal for \$2,440 contained a debit card payment of \$200. The division determined a refund of this payment was due to the individual. The refund of \$200 was made in cash. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be recorded and transmitted intact daily and all refunds should be made by check.

Failure to implement adequate receipting procedures increases the risk that loss or misuse of monies received will go undetected.

- C. The division does not adequately document approval and the reason why some allowable charges for towing and vehicle storage services are reduced and not collected. The division documents the various services performed and the fees to be charged to vehicle owners for these services on the tow ticket. However, some tow tickets are subsequently marked as "no charge" or the amount collected is less than the charges noted on the tow ticket with no documentation of why the fees were reduced.

Adequate documentation and approval of a reduction in the amount collected on a tow bill is necessary to ensure consistency and to establish adequate internal controls over towing and storage fees.

- D. The division sends notification letters by first class mail instead of certified mail to vehicle owners whose vehicles have been towed. City Revised Code Sections 17.56.140 through 17.56.190, sets forth procedures concerning the impoundment and redemption of towed vehicles. The code indicates the division is required to send notification to the owner of a towed vehicle in a sealed envelope with postage prepaid. The notification informs the owner of the location of the vehicle and procedures for redemption of the vehicle. The code does not specifically mention if the notification should be sent by first class mail or certified mail. Although City Revised Code does not require notification letters to be sent by certified mail, the division should consider using certified mail in order to adequately document the division's attempt to contact owners.

Section 304.156.1, RSMo, provides requirements for private towing companies and states the towing company shall notify the owner of a towed vehicle by certified mail. Certified mail would give the division proper documentation of its attempt to contact the owner of a towed vehicle and notify them of the storage location and redemption procedures. Without this documentation, the division is unable to adequately document it made an attempt to contact the owner of a towed vehicle.

- E. The following concerns were noted with the auctioning of towed vehicles:
 - 1) The division does not have a written policy and procedure for the distribution of excess auction monies. When a vehicle is not claimed by the owner within 30 days of being towed, the division auctions the vehicle. If the amount received for the vehicle is greater than the towing, storage, and administration fees, the excess amount is transmitted to the City Treasurer's office for deposit into an escrow account. The vehicle owner has one year to claim these monies. The division transmitted excess auction monies totaling approximately \$48,000 during the year ended June 30, 2008, to the City Treasurer for deposit to the escrow account.

At the end of each fiscal year, the Comptroller's office distributes unclaimed monies to the city's General Fund. However, the Towing Division or city do not have written policies and procedures in place to ensure these unclaimed monies are properly distributed. There are several reasons a vehicle could be towed by the division including illegal parking, abandonment, accident, asset forfeiture, etc. The various reasons for towing a vehicle could warrant different courses of action concerning the distribution of unclaimed monies per various state laws.

The division should develop written policies and procedures to provide guidance when determining how excess auction monies should be distributed. This would allow for the consistent distribution of these monies. Without written policies and procedures, the division may be distributing unclaimed monies to the General Fund which possibly should have been distributed elsewhere such as the state Unclaimed Property Fund.

- 2) A \$200 administration charge is assessed on each vehicle sold to cover the costs of labor and paperwork involved in auctioning a vehicle; however, no documentation of costs or how this fee was determined was available.

The division should calculate and document the administrative costs of auctioning a vehicle. The fee charged should be set at a level sufficient to cover the costs of the auction service.

- 3) The \$200 administration fee for auctioning a vehicle is not adequately recorded in the division's accounting records, and as a result, the accounting records and the amount transmitted as surplus from the auction sale do not reconcile. The court based REJIS computer system is used by the division to obtain information concerning a vehicle it has towed and to record information such as the fees charged for towing and storage; however, the \$200 administration fee is not recorded on this system.

By not recording the \$200 administration fee on the REJIS system, the division's records do not adequately document the total amount of fees charged by the division. While the correct amount is transmitted to the escrow account, the system used to calculate any excess auction monies due to the vehicle's owner should properly reflect this information.

- F. The division does not have written procedures concerning the handling of damage claims and claims are not adequately documented. The owners of vehicles towed by the division can complete damage claim forms if they believe the division was responsible for damage to the vehicles. The towing manager reviews the situation and approves the claim if warranted. The vehicle owners have the option of obtaining two bids and receiving a check for the low bid amount, or letting the division use its vendor to make the repairs. The division expended approximately

\$28,000 in damage claims during the year ended June 30, 2008. The following are examples of concerns noted in a review of damage claims paid:

- The division did not obtain bids for three of four damage claims reviewed. These repairs were handled by the owners of the vehicles. Division officials indicated the vehicles from two of these claims were not drivable and they do not make owners tow the vehicles to several locations to obtain bids. It appears it is standard procedure for the division not to require owners to obtain bids when vehicles are not drivable; however, this is not a written procedure and this information is not properly documented in claim files. Bidding documentation could not be located for the third damage claim.
- The division has not obtained bids or entered into a written contract with the auto repair shop utilized by the division. During the year ended June 30, 2008, the division spent approximately \$6,000 on repairs by this vendor. Division personnel indicated they use the same repair shop for all damage claim repairs.
- The division did not properly complete damage claim forms. Two damage claims reviewed did not have a completed claim form on file. A third damage claim reviewed showed the towing manager had not signed the form approving the claim.
- The division did not obtain adequate documentation for a \$1,100 car rental paid on one damage claim reviewed. The division can approve a car rental for a vehicle owner while the vehicle is being repaired. The documentation obtained for the rental did not clearly indicate the type of vehicle rented and the dates of the car rental did not appear to agree with the dates noted on the repair shop invoice. The repair shop invoice indicated the vehicle repairs were completed on August 13, 2007, and the car rental documentation showed the rental car was returned on August 20, 2007. In addition, the car rental documentation did not clearly indicate the amount due for the rental.
- The division did not retain documentation for one damage claim reviewed; however, copies of some documentation was retrieved from the Comptroller's office. This documentation indicated the vehicle was repaired at a repair shop selected by the vehicle's owner; however, the repair shop documentation was not adequate. The invoice was not detailed and appeared to be an estimate for repairs.

A written policy or procedure for handling damage claims would provide guidance for handling damage claims fairly and uniformly. Such procedures should consist of obtaining and properly documenting bids for vehicle repairs. A damage claim form should always be completed and properly approved. In

addition, adequate documentation should be obtained to support disbursements, such as car rental and repairs. The invoices should be detailed and the division should ensure amounts paid are correct. Also, the division should ensure claim files are properly retained and request the city's Supply Division to obtain bids for auto repair services in compliance with city purchasing procedures.

WE RECOMMEND the Department of Streets:

- A. Take necessary action to recover missing funds and work with law enforcement officials regarding any criminal prosecution. In addition, department personnel should determine if any additional monies are missing.
- B.1. Require the method of payment to be recorded on each towing ticket and the daily receipt ledger, and the composition of receipts be reconciled to the composition of transmittals. In addition, the department should obtain documentation of the composition of transmittals from the City Treasurer's office.
- 2. Record the date monies are received for auctions and reconcile auction monies received to amounts transmitted.
- 3. Ensure monies are transmitted intact and checks are written to refund any overpayments.
- C. Ensure adequate documentation and approval is maintained for reductions in towing amounts.
- D. Evaluate the costs of sending towed vehicle notifications by certified mail versus the benefits of better documentation.
- E.1. Adopt a written policy and procedure concerning the distribution of excess auction monies.
- 2. Review and document the division's costs of administering auctions of towed vehicles and establish the administrative fee to recover those costs.
- 3. Ensure the fees for towing, storing, and auctioning a vehicle, including the \$200 administration fee, are documented in the REJIS system.
- F. Establish a written policy or procedure for the handling of vehicle damage claims. Procedures should include proper handling of bids, completing damage claim forms, and obtaining adequate documentation for expenditures. In addition, the Division should work with the city's Supply Division to obtain bids and enter into a written contract for auto repair services.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. The information has been forwarded to the city of St Louis Police department, the investigation is ongoing.*
- B.1. Method of payment is now being recorded on each towing ticket and the daily receipt ledger. We are also receiving documentation back from the Treasurer's Office indicating the receipt's composition.*
 - 2. Auction money is now being recorded in the daily receipt ledger with the date received and appropriate Treasurer's receipt number.*
 - 3. Monies will be transmitted intact and checks will be issued for overpayments.*
- C. Documentation to reduce tow tickets, including an explanation, is now placed on the individual ticket.*
- D. As noted in the detailed report, code indicates to send notification in a sealed envelope, which we do. Very few vehicles are sold with notification being an issue. The vehicles for which this is an issue have out of state lien holders that would not be notified thru any process as they are unknown to our mailing system. Our claims for wrong action on our part for notification are very small, less than \$10,000 per year. To send certified letters instead of standard mail would increase costs annually by \$150,000. If these changes were done, it would increase the operating costs that would then be passed on thru the tow charges. We plan on continuing with our current plan.*
- E.1. Written policy and procedures will be developed regarding the distribution of excess auction money.*
 - 2. This cost is now documented.*
 - 3. We are updating REJIS with the \$200 fee.*
- F. A written procedure is now in place to handle damage claims. We are working with Supply Division to set up contracts for auto service repair.*

3. Emergency Purchases

Some emergency purchases did not appear to meet the city's definition of "emergency." City policy states an emergency purchase can only be made when a condition exists which might cause injury to a person or property damage, or seriously impair public health or services. Three of five emergency purchases reviewed, did not appear to meet this definition:

- In September 2007 and January 2008, the department purchased traffic signal detection devices totaling approximately \$433,000, to be used at heavily traveled intersections to help improve traffic flow. The department purchased these as a result of closing Interstate 64/40 in the St. Louis Metropolitan area for construction in January 2008. Due to the extensive advance planning of this construction project by the state, the Department of Streets appears to have had enough notice to make this purchase through normal city purchasing procedures.
- A solar powered trailer was purchased for approximately \$18,000 in May 2007. The trailer was needed to count traffic volumes on certain city streets before the start of the Interstate 64/40 construction project. As noted in the previous example, it appears the department had significant advance notice of this construction project.

It appears the department may be using emergency purchases to circumvent normal city purchasing procedures. The department should work with the city Supply Division and Comptroller's office to ensure emergency purchases meet the city's definition of an emergency and all applicable procedures are followed for such purchases. This would ensure purchases are reasonable and necessary and the city receives the best price for all purchases.

WE RECOMMEND the Department of Streets ensure emergency purchases meet the definition of an emergency.

AUDITEE'S RESPONSE

The Director provided the following written responses:

We agree with your recommendations, and will ensure that emergency purchases meet the definition of an emergency purchase.

4.	Sale of Salt
-----------	---------------------

The department does not have a written policy concerning the sale of road salt. The department purchased approximately \$275,000 of salt during the year ended June 30, 2008. The department determined it had excess reserves of salt, which it sold in February and March 2008, for approximately \$226,000. The salt was sold to various St. Louis metropolitan area cities and school districts, several cities in Wisconsin, and four landscaping and construction companies. The following concerns with the sale of salt were noted:

- There is no written documentation of how the sale price was determined for the salt. The department indicated it started with the city's purchase price of approximately \$34 per ton and added in costs for labor and equipment to have the salt loaded for transport to the entities; however, this was not documented.

The sale price ranged from \$40 to \$60 per ton. In addition, the department has not clearly documented if the salt was sold at a profit or loss.

- The sale price on certain dates was not consistent between the various entities. For example, on February 22, 2008, salt was sold to a city in Wisconsin for \$40 per ton, a landscaping company for \$60 per ton, and four other entities at \$50 per ton.
- The department did not enter into written agreements for the sale of salt.
- While the sale of salt to other political subdivisions low on salt can be viewed as necessary due to a public safety issue, it is unclear if the department has the legal authority to sell salt to the four landscaping and construction companies. In addition, the department did not withhold and report sales tax from the sale of salt to these companies. The department sold approximately \$134,000 of salt to these four companies. Three of these companies were located in Wisconsin and the other was located in St. Louis.

A written policy should establish procedures for selling salt including how the price is to be determined and the requirement of written agreements with the entities. In addition, a determination needs to be made if the department has the legal authority to sell salt to private companies and whether sales tax should be charged to the private companies. Such a policy would ensure the sale of salt in the future is done fairly and uniformly.

WE RECOMMEND the Department of Streets develop a written policy concerning the sale of salt.

AUDITEE'S RESPONSE

The Director provided the following written responses:

We agree and are preparing a policy dealing with sale of salt.

5. Collection Procedures

The Department of Streets has not developed procedures to properly follow-up and turn over old accounts receivable balances to a collection agency or the City Counselor's office.

The Director's office handles the administrative duties for several of the department's programs and accounts receivable areas including the 50/50 Sidewalk Program, paving and sealing fees, and traffic and street light damage. The following items were noted with each of these areas:

- The Department of Streets does not turn over old accounts receivable balances to a collection agency in a timely manner. Traffic and street light damage invoices are for individuals and contractors who have caused damage to city traffic lights, street lights, or related items such as pipes, conduits, etc. The department sends an invoice for the repair of these items and posts the information to a spreadsheet. The department turns over old accounts receivable balances to a collection agency; however, these are not turned over in a timely manner. A turnover to the collection agency was last done in March 2008. An analysis of the department's spreadsheet from April 1, 2008 through November 7, 2008, shows outstanding balances of approximately \$288,000.
- The Department of Streets is not consistent or timely in turning over old accounts receivable balances for the 50/50 Sidewalk program to the City Counselor's office. The 50/50 Sidewalk Program is a program in which the city and property owner share in the cost of sidewalk repairs. Once the repairs are complete, the property owner has the option of paying their share of the cost immediately or in 10 monthly payments. Old accounts receivable balances are sent to the City Counselor's office to pursue collection, but the department is not timely or consistent in how this is handled. The department has been waiting until the end of the fiscal year to review invoices and then makes a judgment call on whether the property owner has consistently made payments. A report of amounts currently owed to the department could not be generated due to how files are organized. As a result, the total due to the department could not be determined.
- The Department of Streets does not properly follow up on old outstanding paving and sealing invoices. Paving and sealing invoices are prepared when the department must make repairs to the street as a result of contractors performing excavation work under the street. Contractors are required to obtain an excavation permit to perform this work. Once the excavation work is complete the department sends an invoice for the street repair work and records this information in a book containing a ledger sheet page for each contractor. Outstanding invoices are not sent to the City Counselor's office or a collection agency, but instead are added to a delinquent list. A contractor added to the delinquent list is not allowed to obtain future excavation permits. However, it appears the delinquent list is not updated in a timely manner. The delinquent list was last updated in September 2008. For example, an invoice from February 1, 2008, for \$396 was not marked as paid but was not on the delinquent list. A report of amounts currently owed to the department could not be generated due to how files are organized. As a result, the total due to the department could not be determined.

Inadequate collection procedures could result in lost revenue for the city. The department needs to develop a more efficient organization system for accounts receivable which would allow the department to more easily review the amounts owed to the department. The department also needs to ensure appropriate steps are developed to collect all

amounts owed on a timely basis, such as turning over old accounts receivable balances to the City Counselor's office or a collection agency.

WE RECOMMEND the Department of Streets develop procedures to ensure accurate lists of accounts receivable are prepared and updated on a timely basis, and to monitor and pursue timely collection of outstanding amounts due to the city.

AUDITEE'S RESPONSE

The Director provided the following written responses:

We agree and have established procedures to ensure accurate listings of accounts receivable and are prepared to monitor and pursue timely collection of outstanding amounts due the City.

6. Permits and Fees

The Department of Streets has not documented how fees for several permits were determined. The department has not recently updated the annual flat excavation fee charged to several large companies and sidewalk permit fees are not consistently charged in accordance with city code.

The Department of Streets issues permits and collects fees for such items as street blocking, excavation, barricade rental, oversized vehicles, etc. The Director's office handles the administration of permits, including issuing the permits and collecting the fees. The Department of Streets collected approximately \$800,000 in permit fees during the year ended June 30, 2008.

- A. The Department of Streets has not documented how fees for several permits charged by the department were established or determined. Many permit fees charged by the department have been established by City Revised Code or City Ordinances; however, there are several permit fees such as bike rack rentals (security barriers), street performer permits, city street map sales, street paving and sealing charges, traffic count book (number of vehicles using specific city streets) sales, and dumpster impound charges which are not set by City Revised Code or City Ordinance. These fees are currently set at the discretion of the director with no written documentation of how the fees were determined.

To ensure fees are set at a level at least sufficient to cover the cost of the service, the Department of Streets should calculate and document the costs of various permits, items, or services.

- B. The Department of Streets has not recently updated the annual excavation fee charged to three large companies. City Revised Code 20.30.140, addresses street excavation permits and allows companies to elect to pay a flat annual fee for inspections based on certain criteria or pay a fee per permit obtained. Currently,

three companies have elected to pay a flat annual fee, but the fee amount has not changed in over 10 years. Each company makes quarterly payments to the Department of Streets which totaled approximately \$15,500 for the three companies during the year ended June 30, 2008.

The Department of Streets should periodically review the flat annual fee charged to large companies for excavation inspections to ensure it is adequate for the current volume of work performed. This review would also help ensure fees charged are both fair and uniform. The department should consult with the Board of Aldermen if a change to the ordinance is necessary.

- C. Fees were not consistently charged in accordance with the established schedule for sidewalk permits. City Revised Code Section 20.46.010, indicates a sidewalk construction permit in a residential zone is \$10 and all other zoning areas are \$50 per permit. The department has not adequately documented why these amounts are not charged for some sidewalk permits. For example, a sidewalk permit issued on April 4, 2008, was charged \$20 instead of \$10 as required by the City Revised Code. There was no documentation to support the additional amount charged for this permit.

To ensure citizens receive equitable treatment, permit fees should be collected in accordance with the established policies. Any exceptions should be documented and approved by a supervisor.

WE RECOMMEND the Department of Streets:

- A. Review and document the costs of various permits, items, and services and establish fees to recover those costs.
- B. Periodically review the annual fee charged to companies for excavation inspections to ensure it is adequate.
- C. Ensure fees charged for sidewalk permits are in accordance with the established policies. Exceptions should be fully documented and approved by a supervisor.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *We are reviewing and updating costs for various permits and items and services, the costs for these items will be recovered.*
- B. *We are in the process of updating the annual fees for the three companies and will review these annual charges each year.*

- C. *Fees charged for each permit will be reviewed daily by the clerical supervisor as outlined in 1.B.2.*

7. Street Paving and Sealing

The Department of Streets does not adequately document changes to and approval of street paving and sealing invoices mailed to contractors. In addition, the department needs to improve procedures for the processing of inspection reports and invoices mailed to contractors.

The Department of Streets performs street paving and sealing repairs to excavation sites in the city. Contractors obtain excavation permits to perform work needed under city streets. The Director's office handles the administration of the street paving and sealing program. The Department of Streets charges \$3 per square foot to pave over an excavation site once complete and \$3 per linear foot for sealing around the pavement patch. The department collected fees for street paving and sealing totaling approximately \$602,000 for the year ended June 30, 2008.

- A. Some amounts recorded as payments received from contractors in the manual log do not agree to the invoices mailed to the contractors. After the street paving and sealing work is complete, an invoice is prepared by a front office clerk, based on the inspection report, and mailed to the contractor for payment. The Director's office maintains a book with a ledger sheet for each contractor and an entry is made to this ledger indicating the amount due per the invoice. Department personnel indicated that sometimes a contractor informs the Director's office about a mistake in the charges on the invoice. The Director's office obtains verbal approval to change the invoiced amount from the Street and Traffic Inspector Supervisor. The Director's office does not maintain documentation of the revised invoice, but the entry in the ledger is revised when payment is received from the contractor. For example, an invoice was mailed to a contractor in April 2008 for \$1,886. The ledger indicates the amount of payment received later that month was \$1,706. There is no documentation to explain the difference of \$180.

The department should ensure proper documentation including supervisory approval is maintained for changes to street paving and sealing bills. The documentation should properly reflect the approval process for adjusting these invoices. Without proper documentation, the department cannot ensure proper authorization was obtained for the changes.

- B. Some invoices are not mailed to the contractors in a timely manner for street paving and sealing work. Invoices are sent to the contractors after a street inspector approves the work performed at the site. The inspectors submit the inspection report to the Director's office and the invoice is prepared by the clerical staff. The inspector's report indicates when the work was completed but does not clearly indicate when it was submitted to the clerical staff for processing. One

street paving and sealing invoice reviewed was prepared over 100 days after the paving and sealing work had been completed.

The department needs to improve procedures to ensure inspection reports are processed quickly and invoices are mailed in a timely manner. In addition, the department should clearly indicate when inspections are received by the clerical staff. By not mailing invoices in a timely manner, the department is delaying the receipt of revenue for the city.

WE RECOMMEND the Department of Streets:

- A. Ensure proper documentation, including supervisory approval, is maintained for changes to street paving and sealing invoices.
- B. Improve procedures for the processing of inspection reports and ensure invoices for street paving and sealing are mailed in a timely manner.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *We now verify proper documentation, including supervisors approval is maintained on all street paving invoice changes.*
- B. *Procedures have been improved and invoices for street paving and sealing are mailed in a timely manner.*

8. Vehicles

Records and monitoring procedures for department vehicles and equipment are not sufficient. In addition, the Street Division does not report commuting mileage on employee Internal Revenue Service (IRS) W2 Forms as compensation for some vehicles.

- A. Records and monitoring procedures for the Department of Street's vehicles and equipment are not sufficient. The city's vehicle policy does not address records to be maintained for vehicles (see audit report No. 2008-61, City of St. Louis Board of Public Service, issued in September 2008). The Department of Streets has approximately 646 vehicles and other pieces of equipment such as street maintenance equipment, trash trucks, tow trucks, etc.

The Department of Streets does not require vehicle usage logs be maintained for its vehicles. Although a check out log is maintained for the Street Division's maintenance equipment, mileage is not documented on the log. The division does not maintain a check out log for its pool vehicles. The Refuse Division maintains mileage logs for the garbage trucks.

In addition, the Department of Streets does not regularly monitor the fleet to ensure vehicles are used efficiently and effectively. The department could accomplish this with a review of usage logs. Also, the Board of Public Service Equipment Services Division maintains a fleet management report of all city vehicles, including those of the Department of Streets, which shows the mileage for vehicles when they are refueled; however, the Department of Streets does not regularly obtain these reports and review them to ensure vehicles are used efficiently and effectively. For example, one of the pool vehicles in the Street Division was driven only 5,866 miles during the year ended June 30, 2008.

Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by a supervisor to ensure vehicles are used only for city business and are used efficiently and effectively.

- B. The Street Division uses 16 pool/on call vehicles for commuting purposes but does not report commuting mileage to the IRS as compensation. These vehicles are assigned to division employees for use during the snow season of approximately Thanksgiving through March. Most of these employees are supervisors in charge of snow removal for the city. The employees have the option of taking the vehicles home every day during the snow season or just before a snow storm. A snow plow was added to the 10 full-size trucks which are used by the supervisors but no modifications were added to the remaining 6 smaller trucks. Normally, the 6 smaller trucks are used as backup if the supervisors are sick, on vacation, etc. The employees do not maintain vehicle usage logs to document miles driven for official, commuting, and personal use (See part A). The department was unable to show why these vehicles should be exempt from IRS reporting requirements.

The IRS reporting guidelines indicate commuting mileage is reportable compensation. The department may be subject to penalties and/or fines for failure to report all taxable benefits. The department needs to review the situation to identify and comply with applicable IRS guidelines and reporting requirements.

WE RECOMMEND the Department of Streets:

- A. Require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.
- B. Ensure commuting mileage is reported in compliance with IRS requirements.

AUDITEE'S RESPONSE

The Director provided the following written responses:

- A. *Vehicle logs are now generated daily and GPS devices are being added to these vehicles to more closely monitor their use.*
- B. *Commuting mileage is now reported in compliance with IRS standards.*

9. 50/50 Sidewalk Program

The Department of Streets does not submit a monthly report to the Board of Public Service on the 50/50 Sidewalk Program as required by city code; however, the code appears to require revision since this report is actually required and used by the Comptroller's office. City Revised Code Section 20.26.210, states the Board of Public Service is authorized to issue special tax bills for sidewalk repair when property owners have refused to accept the 50/50 Sidewalk Program and indicates the Department of Streets is to forward a list of locations where the special tax bills need to be issued to the Board of Public Service monthly. Currently, the Department of Streets forwards this list to the Comptroller's office, where the tax bills are issued, and not the Board of Public Service as required by city code.

The special tax bills for sidewalk repairs are a tool used by the city to help ensure monies are collected for work performed by the Department of Streets. The Department of Streets should ensure the report is sent to the correct department per the city code to help in this process or request the city code be revised as necessary if it is determined the Comptroller's office is the correct office to receive this report.

WE RECOMMEND the Department of Streets forward the monthly list of unpaid sidewalk repairs to the Board of Public Services as required by city code or request the city code be revised.

AUDITEE'S RESPONSE

The Director provided the following written responses:

Monthly listings of unpaid sidewalk repairs are now forwarded to the Board of Public Service as required by City Code and to the Comptroller's office.

10. School Crossing Guard Program
--

The Department of Streets does not have written policies and procedures for the school crossing guard program. Both private and public schools can request the Director of Streets to provide a crossing guard for its school. Department personnel indicated they

evaluate the intersection affected by each request and determine if a crossing guard is needed; however, this review is not documented. The crossing guards are considered Department of Streets employees and paid through city payroll. The crossing guards report to the school, who determines the appropriate working hours and location of the crossing guard. During the year ending June 30, 2008, the Department of Streets spent approximately \$149,000 on the crossing guard program.

Developing written policies and procedures for the school crossing guard program would help ensure the program is handled fairly and uniformly for each school. The procedures could help in establishing how a school makes a request to the Department of Streets. In addition, the procedures would establish criteria the Department of Streets should use when evaluating the need for a crossing guard versus possible improvements to a street intersection. These procedures could also address the relationship between the school and the crossing guard and the school's reporting requirements to the Department of Streets concerning the employee's performance.

WE RECOMMEND the Department of Streets develop written policies and procedures for the handling of the school crossing guard program.

AUDITEE'S RESPONSE

The Director provided the following written responses:

We now have an established policy for the school crossing guard program.

11.	Petty Cash
------------	-------------------

Controls and procedures over the department's petty cash funds need improvement. The petty cash funds are not maintained on an imprest basis and complete and accurate petty cash ledgers are not maintained. The Director's office maintains a petty cash fund of \$100 for office supplies and the Traffic and Lighting Division maintains a petty cash fund of \$100 for street sign purchases and to make change. A cash count on September 24, 2008, showed paid receipts of \$160 and cash on hand of \$6, resulting in an overage of \$66 in the Director's office petty cash fund and paid receipts of \$57 and cash on hand of \$47, resulting in an overage of \$4 for the Traffic and Lighting Division petty cash fund. The two petty cash funds did not receive any reimbursement during the year ended June 30, 2008.

Good internal controls require petty cash be set at an established amount and be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, receipt and disbursement records should be maintained. Due to the low amount of activity, the department should also determine if the petty cash funds are necessary.

WE RECOMMEND the Department of Streets determine if petty cash funds are needed, and if needed, ensure they are maintained at a constant amount on an imprest basis. In addition, a complete and accurate petty cash ledger should be maintained to support reimbursement of the petty cash funds.

AUDITEE'S RESPONSE

The Director provided the following written responses:

No petty cash funds will be used, all petty cash has been deposited.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF STREETS
HISTORY AND ORGANIZATION

The City of St. Louis Department of Streets was created by a Charter Amendment in 1958. The department consists of five divisions which include streets, refuse, traffic and lighting, towing, and port authority. The Mayor appoints a director to oversee the operations of the department. The director is responsible for the supervision and coordination of all activities for the five divisions. Currently, the Director of Streets is Todd Waeltermann who was appointed in December 2006. The department has approximately 424 full-time and 51 part-time equivalent employees.

The following briefly describes the responsibilities of the Director's Office and each of the five divisions in the department:

1. Director's Office

The Director's Office is responsible for the administration of the department. This includes various accounting duties of the department, as well as oversight on purchasing, accounts payable, and receivables. The office also oversees the issuance of permits and collection of permit fees for various items such as street blockages, parades, parking, and sidewalk and driveway construction. In addition, the office administers the sewer lateral repair, 50/50 sidewalk, and school crossing guard programs. The office also handles the billing and collection for damage to street signals and signs caused by accidents and for the 50/50 sidewalk program.

2. Division of Streets

This division is responsible for the maintenance of streets and alleys within the city. These duties include resurfacing, repairing, and cleaning the streets; removing snow from the streets; cleaning the wharf; and maintaining the riverfront. The division is also responsible for maintaining the city floodwalls and levees.

3. Division of Refuse

This division is responsible for the collection and disposal of all refuse from city residences. The division also coordinates efforts to recycle and reduce the amount of waste going to landfills. The division collects fees for the sale of extra trash carts, rentals of refuse containers for events, recycling, and the sale of scrap metal.

4. Division of Traffic and Lighting

This division is responsible for the management of the traffic and lighting needs of the city. The division ensures traffic signals are properly maintained and repaired when needed. In addition, the division fabricates, installs, and maintains all street and traffic

signs and markings throughout the city. The division also repairs any damage to the traffic signals and signs caused by accidents.

5. Division of Towing

This division is responsible for the towing of abandoned, wrecked, and illegally parked vehicles within the city as requested by the St Louis Police Department and other city departments. The division also stores the towed vehicles on its lot and auctions any not claimed. The division collects fees for towing, storage, and auctioning of vehicles.

6. Division of Port Authority

The Port Authority is established under the authority of Chapter 68, RSMo. This entity is responsible for managing and leasing the city-owned riverfront property, including dock and mooring space and parking lots. Its activities are funded through a combination of state and federal grants and self-generated revenues which are maintained in city accounts. The St. Louis Development Corporation, a not-for-profit corporation, provides administrative services for the Port Authority.

APPENDIX

CITY OF ST. LOUIS
DEPARTMENT OF STREETS
APPENDIX

The following table provides supporting documentation for the unaccounted for monies discussed in MAR finding number 1.

Receipt Slip Number	Date Issued	Amount
24275	4/15/08	\$ 10
23667	4/08/08	65
23670	4/08/08	100
23682	4/08/08	100
23693	4/09/08	20
23694	4/09/08	80
23778	4/14/08	450
23786	4/15/08	20
23789	4/15/08	30
23790	4/15/08	20
23793	4/15/08	20
23802	4/15/08	10
23808	4/16/08	20
23818	4/16/08	20
23819	4/16/08	20
23820	4/16/08	10
23821	4/16/08	10
23828	4/17/08	10
23846	4/17/08	195
	Total	<u>\$ 1,210</u>



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Office of Collector of Revenue



June 2009

Report No. 2009-62

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Office of Collector of Revenue.

The Collector of Revenue's office does not competitively procure banking services on a periodic basis and has not executed written depository agreements. The Collector of Revenue's office does not monitor daily the collateral securities pledged by the banks. Additionally, no collateral securities were pledged for three of the temporary accounts and, as a result, property tax collections totaling about \$1.4 million were not secured by the Federal Deposit Insurance Corporation (FDIC) or collateral securities at December 31, 2007.

Office staff indicated they attempt to notify taxpayers of overpayments and outstanding refund checks by letters and telephone contacts; however, documentation of this activity is not retained. As of July 2008, the Duplicate Payment Account contained about 600 taxpayer accounts with unclaimed duplicate payments from 1 to 2 years old totaling approximately \$470,000 and the Escrow Account contained about 500 outstanding checks from 1 to 7 years old totaling approximately \$151,000. In addition, the procedures for reconciling bank statements and signing checks are not properly segregated.

The Collector of Revenue does not have a formal written procurement policy and has contracted some services without soliciting competitive bids/proposals. In addition, the Collector of Revenue's office indicated bids or price quotes were received for printing and stationary and automobiles, but the documentation was not retained. The Collector of Revenue's expenditure allocation percentages are not periodically evaluated for reasonableness and documentation supporting the development of the percentages is not maintained.

Procedures to verify deposits of water bill collections and motor vehicle and drivers license fees are not documented. The duties of processing earnings tax returns and payments and closing taxpayer accounts are not segregated. Taxpayer accounts on the earnings tax system are closed without supervisory review and approval, and the reasons for closing accounts are not always clearly indicated on the system.

The Collector of Revenue does not have written policies addressing the assignment of vehicles to individuals, personal use, or commuting. Vehicle mileage logs are not maintained for the vehicles assigned to the Chief of Staff and Collector of Revenue, and the logs for the compliance vehicles indicate only the daily beginning and ending odometer readings. The destination and trip purpose are not recorded on the logs.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
OFFICE OF COLLECTOR OF REVENUE

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	Bank Accounts.....5
2.	Expenditures8
3.	Receipt Processing and Account Maintenance Procedures11
4.	Vehicle Policies and Records13
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	15-16

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Gregory F. X. Daly,
Collector of Revenue
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. Additionally, the City of St. Louis Office of Collector of Revenue engaged KPMG LLP, CPAs, to audit the office's financial statements for the year ended March 2, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit reports. We have conducted an audit of the City of St. Louis Office of Collector of Revenue. The scope of our audit included, but was not necessarily limited to, the year ended March 2, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the office has adequate internal controls over significant management and financial functions.
3. Determine if the office has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of Collector of Revenue.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Douglas J. Porting, CPA, CFE
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Joe Adrian
	Kimberly Shepard

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF COLLECTOR OF REVENUE
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.

Bank Accounts

The Collector of Revenue does not competitively procure banking services on a periodic basis, execute written agreements for banking services, daily monitor the amount of pledged collateral securities for bank accounts, document efforts to contact taxpayers about unclaimed amounts, and properly segregate the duties of bank statement reconciliation and check signing.

The Collector of Revenue maintains 23 accounts at 10 banks. Eight accounts are held at one bank for processing most of the office's receipts and eight accounts are held at three different banks for processing office expenditures, protested taxes, and refunds. In addition, seven temporary accounts are held at six different banks throughout the city for the collection of property taxes during November and December.

- A. The Collector of Revenue's office does not competitively procure banking services on a periodic basis and has not executed written depositary agreements. Proposals for these services were last solicited in April 2006. The Collector of Revenue's office did not execute depositary agreements with the banks and, according to the Assistant Collector, the banks and Collector of Revenue's office have verbally agreed to the conditions in the banks' proposals. The interest rates vary among the bank accounts and, during February 2008, the annual rate from the bank holding five of the accounts was more than 1.5 percent lower than most other accounts. Various factors can affect the rate of interest earnings and the ability of banks to offer proposals such as frequency, type, and amount of transactions; required minimum balances; type of institution; and collateral needs.

To ensure the quality of banking services, fairness of fees charged, and the maximization of interest earnings, the Collector of Revenue should procure banking services by periodically soliciting competitive proposals. The solicitations should include various factors used in making the selection of depositaries such as interest rates to be earned, minimum balance requirements, collateral limits, and other considerations. In addition, the Collector of Revenue's office should execute written agreements with its depositary banks. Written depositary agreements would help the banks and Collector of Revenue's office understand and comply with the requirements of a banking arrangement.

- B. The Collector of Revenue's office does not monitor daily the collateral securities pledged by the banks. The Collector of Revenue requires the banks to increase the amount of pledged securities when necessary, and the banks provide the office with a month-end list of pledged securities the office staff reviews to ensure

pledged collateral is sufficient at month-end. However, because the bank balances often fluctuate throughout the month, a more frequent review is needed to ensure the banks have pledged sufficient collateral, especially when large deposits are planned. Additionally, no collateral securities were pledged for three of the temporary accounts and, as a result, property tax collections totaling about \$1.4 million were not secured by the Federal Deposit Insurance Corporation (FDIC) or collateral securities at December 31, 2007. The balances in the temporary accounts are transferred twice each month to a permanent account for distribution. To adequately protect the balances in the temporary accounts, the Collector of Revenue should require those banks pledge collateral securities or transfer the balances to the permanent account when the balances are expected to exceed FDIC coverage.

Section 110.010, RSMo, states that public funds of every city which are deposited in any banking institution acting as a legal depository of the funds shall be secured by the deposit of securities. State law further requires the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC.

Inadequate collateral securities leave the Collector of Revenue's funds unsecured and subject to loss in the event of a bank failure. To properly protect public funds, the Collector of Revenue's office should actively monitor and ensure bank accounts are properly collateralized.

- C. Efforts to contact taxpayers about unclaimed amounts in bank accounts are not always documented.
- 1) The Collector of Revenue's office transfers overpaid property taxes to the Duplicate Payments Account and issues refund checks when taxpayers claim duplicate payments. The Collector of Revenue's office staff indicated taxpayers are notified by letter upon receipt of a duplicate payment and follow-up letters are sent after 6 months; thereafter, further follow-up efforts are made by telephone. However copies of notification letters are not retained or otherwise documented and telephone calls are not documented. As of July 2008, the Duplicate Payment Account contained about 600 taxpayer accounts with unclaimed duplicate payments from 1 to 2 years old totaling approximately \$470,000.
 - 2) At the end of each fiscal year, the Collector of Revenue's office transfers the amount of outstanding refund checks from the Duplicate Payments Account and the Earnings Tax Refund Account to the Escrow Account. The Collector of Revenue's office staff indicated they attempt to contact the payees of the outstanding checks once annually, but these actions are not documented. As of July 2008, the Escrow Account contained about 500 outstanding checks from 1 to 7 years old totaling approximately \$151,000.

To ensure follow-up efforts are performed, the Collector of Revenue's office should document the date and method of follow-up on each of the unclaimed duplicate payments and outstanding refund checks and the documentation should be reviewed by management. If the taxpayers cannot be located, the monies should be remitted to the State Treasurer's office, Unclaimed Property Section according to state law.

- D. The procedures for reconciling bank statements and signing checks are not properly segregated. While the checks for distribution of property taxes and earnings taxes are computer generated, other checks to transfer monies between bank accounts and for expenditures from the office operations account are prepared manually. These checks are signed by the Assistant Collector of Revenue in the Finance Department, who also reconciles the bank statements and has access to the blank checks. The Collector of Revenue's Chief of Staff reviews the bank reconciliations but does not review the cancelled checks. Proper segregation of check preparation, signing, and bank statement reconciliation procedures are necessary to ensure errors or irregularities are prevented or detected. If proper segregation cannot be achieved, an independent review of cancelled checks should be periodically performed.

WE RECOMMEND the Collector of Revenue:

- A. Periodically solicit competitive proposals for banking services and execute written agreements with depository banks.
- B. Establish procedures to actively monitor collateral securities and ensure bank accounts are adequately collateralized. In addition, the Collector of Revenue should require collateral securities be pledged for the temporary accounts or transfer balances from those accounts when FDIC coverage is exceeded.
- C. Document efforts to contact taxpayers about unclaimed duplicate payments and outstanding refund checks. If taxpayers cannot be located, the amounts should be turned over to the state's Unclaimed Property Section. Old outstanding checks and unidentified monies should be followed up on and resolved timely.
- D. Properly segregate check preparation, signing, and bank reconciliation procedures or require independent reviews of cancelled checks.

AUDITEE'S RESPONSE

The Collector of Revenue provided the following written responses:

- A. *The Collector's Office has and will continue to solicit competitive proposals for banking services and will execute written agreements with depository banks. However, many responsible government agencies across the country do not rely exclusively on bids to secure competitive banking services. Securing cost-effective*

banking services requires a range of factors and this report does not reflect the complexity of these decisions.

- B. We will continue to choose banks that are on the City's authorized depository list. While we currently and actively monitor collateral securities and ensure bank accounts are adequately collateralized, we now secure the pledged collateral for the temporary accounts or transfer balances from those accounts when FDIC coverage is exceeded. With this recommendation, the banks chosen by this office in the future may not have the proximity to citizens that they enjoy now, particularly to citizens in north St. Louis.*
- C. While we currently document efforts to contact taxpayers about unclaimed duplicate payments, we now keep all correspondence on file for at least 24 months. All funds have been turned over to the state's Unclaimed Property Section. Note: The Office retained funds in the City to make it easier for taxpayers to collect their duplicate payments. Citizens must work through the State of Missouri to reclaim their funds with this recommendation.*
- D. A new process has been implemented, and we are pleased that no irregularities have occurred in this office.*

2. Expenditures

The Collector of Revenue does not have a formal procurement policy and expenditure allocation percentages are not periodically re-evaluated and documented.

During the year ended March 2, 2008, the Collector of Revenue expended approximately \$7.4 million for salaries and other expenses to operate the office. The Collector of Revenue's office withholds commissions from the collection of property taxes, earnings taxes, and water billings, and transaction fees on motor vehicle and drivers license activity to fund these expenditures. Throughout the year expenditures are charged to the various commissions and fees and at fiscal year-end, excess property tax commissions are returned to the taxing entities; excess water billing commissions are paid to the City of St. Louis Water Fund; and excess commissions from earnings taxes and fees from motor vehicle and drivers license collections are paid to the City of St. Louis General Fund.

- A. The Collector of Revenue does not have a formal written procurement policy. As a result, the decision of whether to solicit competitive bids/proposals for a particular purchase is made on an item-by-item basis. We noted costs were incurred during the year ended March 2, 2008, for the following services without soliciting competitive bids/proposals:*

Architectural services	\$29,029
Consulting services – human resources and management issues	50,294
Legal services – employment issues	11,755
Audit services	25,500

According to the Chief of Staff, the Collector of Revenue's office generally utilizes vendors that have already been approved by the city of St. Louis; vendors that have been successfully utilized in the past by the Collector of Revenue's office and previously chosen through a bidding process; and/or vendors that have been vetted and successfully utilized by another county or city office. Specifically, for the services noted above, the Collector of Revenue's office indicated competitive bids or proposals were not obtained for the following reasons:

- The architect had plans and drawings from previous work with the Collector of Revenue that were useful for the current services.
- The consultant was selected based on the recommendation from another county office which had used the vendor for similar services for about five years.
- The law firm providing legal services for employment issues had worked successfully with the human resources consultant for many years and the law firm offered hourly rates less than many other law firms in the city.
- The audit services were originally bid in 2004 and the same audit firm was retained for each of the succeeding annual audits. The firm established a new audit fee each year. In addition, the Comptroller's office had recommended retaining the same firm used for the city's audit to improve audit efficiency since the city's auditor would need to do a significant amount of work in the Collector's office already.

Additionally, while the Collector of Revenue's office indicated bids or price quotes were received for printing and stationary and automobiles, the documentation was not retained. Office personnel indicated the bid documentation for the automobiles was provided to the office's external auditor and not returned. The amounts expended for these items during the year ended March 2, 2008, totaled approximately \$243,000 and \$65,000, respectively.

Formal procurement procedures would provide a framework for the economical management of resources of the Collector of Revenue's office and help ensure the Collector of Revenue's office receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the business of the Collector of Revenue's office. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar

amount and type of purchase. In addition, a request for proposal or request for qualification process may be more appropriate for professional services. For architectural services, Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such services. Those sections require the office to obtain annual statements of qualifications and performance data from interested firms and consider at least three highly qualified firms. No matter which approach is used, complete documentation should be maintained of all bids/proposals received and reasons noted why the bid/proposal was selected.

- B. The Collector of Revenue's expenditure allocation percentages are not periodically evaluated for reasonableness and documentation supporting the development of the percentages is not maintained. Expenditures that benefit only one of the office's departments (i.e. Property Tax, Earnings Tax, Water, Motor Vehicle and Drivers License) are charged to the commissions or fees from the respective revenue source, while expenditures that benefit all departments are allocated to the commissions of all the various revenue sources. The allocation percentages currently used are 55 percent, 35 percent, and 10 percent for earnings tax, property tax, and water, respectively. The Chief of Staff indicated these percentages were determined based on the number of employees several years ago and have not been re-evaluated. Personnel of the Motor Vehicle and Drivers License Department, who represent about 6 percent of total personnel of the Collector of Revenue's office, were excluded in the development of the percentages because the office considers that department to be independent of the rest of the office and consequently the fees earned by that department are not allocated a portion of office-wide costs. However, it appears that department also benefits from activities of the office's administrative personnel and certain professional service contracts and should be allocated some of those costs. Additionally, documentation of the development of the allocation percentages was not maintained. Because the allocation percentages directly affect the final distribution of excess commissions to the various taxing authorities, the failure to periodically evaluate the percentages for reasonableness, and include all departments in the allocation, may result in inequitable distributions of excess commissions.

WE RECOMMEND the Collector of Revenue:

- A. Establish formal written procurement policies and procedures, including documentation requirements regarding the bids or proposals received and justification for the vendor selected.
- B. Periodically recalculate the cost-allocation percentages, consider including the Motor Vehicle and Drivers License Department in the calculations, and maintain documentation of the calculations and supporting information.

AUDITEE'S RESPONSE

The Collector of Revenue provided the following written responses:

- A. *The Collector's Office will be pleased to develop a formal written procurement policy at the Auditor's recommendation, and solicit competitive bids for new purchases and new work required. We will also keep the documentation on file for 12 months.*
- B. *The Collector's Office will annually recalculate the cost-allocation percentages, include the Motor Vehicle and Drivers License Department, and maintain documentation of the calculations and supporting information.*

3. Receipt Processing and Account Maintenance Procedures

The Collector of Revenue does not always require employees to document verifications of deposits and does not have adequate procedures for closing taxpayer accounts on the earnings tax system.

During the year ended March 2, 2008, the Collector of Revenue processed receipts of property taxes, earnings taxes, water billings, and motor vehicle and drivers license fees totaling about \$303 million, \$183 million, \$41 million, and \$7 million, respectively.

- A. Procedures to verify deposits of water bill collections and motor vehicle and drivers license fees are not documented.
 - 1) Employees in the Collector of Revenue's Finance Department indicated they verify the daily batch reports of collections prepared by the Collector of Revenue's Water Department with the monies remitted for deposit by that department, but they do not sign the batch reports to document the review.
 - 2) The Motor Vehicle and Drivers License supervisor indicated she verifies the vehicle and drivers license fee collections on the daily cashier reports to the monies collected, but she does not sign the cashier reports to document her review.

To ensure receipts have been properly processed, collection reports should be verified with monies received. These procedures should be documented by the reviewing employee's signature on the related collection report to provide assurance to management the procedure was completed.

- B. Procedures for closing taxpayer accounts on the earnings tax system could be improved. Taxpayer accounts are closed on the system when the taxpayer moves out of the city, goes out of business, or otherwise is determined not liable for earnings taxes. Once accounts are closed, routine follow-up efforts are no longer

performed by the Collector of Revenue's office. During the year ended March 2, 2008, at least 5,500 accounts were closed. Our review noted the following concerns:

- The duties of processing earnings tax returns and payments and closing taxpayer accounts are not segregated. Some employees in the Earnings Tax Department are able to close taxpayers accounts and these same employees can also receive and process earnings tax returns and payments.
- Taxpayer accounts on the earnings tax system are closed without supervisory review and approval.
- The reasons for closing accounts are not always clearly indicated on the system. The documented reason for closing most accounts is "not liable", with little or no additional explanation as to why. We reviewed 18 closed accounts coded as "not liable" and noted the system contained a St. Louis taxpayer address for 5 of those accounts. Consequently, it was not clear from the data on the system why the account was closed.

Because the duties of closing accounts and processing receipts are not properly segregated, accounts are closed without adequate supervisory approval and the closure reasons are not clearly noted, errors or irregularities could occur and not be detected.

WE RECOMMEND the Collector of Revenue:

- A. Require deposit verification procedures be documented for water and motor vehicle and drivers license fee deposits.
- B. Segregate the duties of closing earnings tax taxpayer accounts and processing earnings tax receipts. Additionally, supervisory approval of closed accounts and detailed descriptions of the closure reasons should be required and documented.

AUDITEE'S RESPONSE

The Collector of Revenue provided the following written responses:

- A. *As always, the water, motor vehicle and driver's license fee deposits balance perfectly, and we now provide signature documentation on all deposits.*
- B. *The Collector's Office currently segregates the duties of closing taxpayers' accounts and processing earning tax receipts in the Earnings Tax Department. While we currently have several checks and balances to ensure integrity of the system, we have added more formal supervisory approval of closed accounts, and descriptions of the closure reasons will be documented.*

4.**Vehicle Policies and Records**

The Collector of Revenue has not developed policies for vehicle use and vehicle usage logs are not complete.

The Collector of Revenue maintains a fleet of seven vehicles. A vehicle is assigned to each of the five compliance officers, the Chief of Staff, and the Collector of Revenue. One of the compliance officers, the Chief of Staff, and the Collector of Revenue also use the assigned vehicles for personal and commuting purposes.

- A. The Collector of Revenue does not have written policies addressing the assignment of vehicles to individuals, personal use, or commuting. The Collector of Revenue and Chief of Staff do not maintain vehicle usage logs (see part B) to document miles driven for official, commuting, and personal use. Those officials and other employees with personal and commuting use estimate the number of such miles for reporting to the Internal Revenue Service as compensation on their W-2 forms. Additionally, the use of vehicles assigned to the compliance officers is relatively low. We reviewed the mileage logs for a 2-week period and noted the daily mileage for the compliance vehicles averaged about 20 miles each. Several vehicles had one or more days during the period with no recorded use.

Policies regarding the assignment of vehicles to individuals are necessary to ensure the vehicles are necessary and used for intended purposes. The policies should specify criteria for assigning vehicles to individuals, the proper uses of the vehicles, and how personal and commuting miles should be recorded and reported on W-2 forms. In developing the policies and periodically thereafter, the need for all fleet vehicles should be reviewed to ensure the vehicles are necessary and the most efficient use of city owned vehicles is achieved.

- B. Records of vehicle use and monitoring procedures for the vehicle fleet of the Collector of Revenue's office could be improved. Vehicle mileage logs are not maintained for the vehicles assigned to the Chief of Staff and Collector of Revenue, and the logs for the compliance vehicles indicate only the daily beginning and ending odometer readings. The destination and trip purpose are not recorded on the logs. The Chief of Staff indicated that he actively monitors the activities of the compliance officers by reviewing the mileage logs, gasoline invoices, site visits per their daily reports of interactions with taxpayers, and reports of collection activity.

Adequate usage logs would allow the Collector of Revenue's office to more effectively monitor the vehicles are used for official business only. Vehicle usage logs should include trip information (i.e. beginning and ending odometer readings, destination, and purpose) which should be reviewed on a periodic basis for reasonableness and propriety.

WE RECOMMEND the Collector of Revenue:

- A. Develop written policies addressing the assignment of vehicles to specific employees and periodically evaluate the proper size of the vehicle fleet. The policies should also prohibit personal use and address how commuting is to be documented and reported on W-2 forms.
- B. Maintain vehicle usage logs with daily destinations, purpose, and odometer readings for all vehicles. The logs should be periodically reviewed and the use of the vehicles evaluated for reasonableness and propriety.

AUDITEE'S RESPONSE

The Collector of Revenue provided the following written responses:

- A. *The Collector's Office currently fully complies with City standards for vehicle usage, and has been in total compliance with those standards for decades. Personal usage of Collector of Revenue vehicles is permitted by the City and reported to the Internal Revenue Service as required by City standards. Upon the Auditor's request, the Collector's Office will develop a new policy to define personal use and documentation, consistent with the City's new vehicle policies.*
- B. *The Collector's Office will continue to monitor the vehicle usage by members of the Compliance Department. Only one employee takes a car home in the evenings and weekends, and that is permitted because the employee is a sworn sheriff and required to serve papers during non-traditional business hours.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. LOUIS
OFFICE OF COLLECTOR OF REVENUE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Office of Collector of Revenue is an elective office. The Collector of Revenue's duties are defined in Missouri statutes and the city of St. Louis Revised Code. These duties include collecting real estate and personal property taxes, city earnings taxes and payroll expense taxes, and water fees. Additionally, the Collector of Revenue collects motor vehicle sales taxes and drivers' license fees under contract with the Missouri Department of Revenue.

Gregory F.X. Daly currently serves as the Collector of Revenue for the city of St. Louis. He has served in that capacity since he was elected to the position and took office on March 5, 2007. His current term expires March 4, 2011. Office functions are performed and supervised by the Collector of Revenue's appointed staff. The Collector of Revenue employs approximately 100 employees.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Department of Human Services



June 2009

Report No. 2009-61

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Department of Human Services.

The Department of Human Services (DHS) is responsible for administering over \$15 million annually in various federal and state grants related to aging, homeless, utility assistance, jail diversion, and veterans programs. DHS procedures for awarding and monitoring funds for some of the grants need improvement. The DHS does not routinely advertise for proposals for subgrantees of the Homeless Veterans Reintegration Project, Utility Assistance Program, Federal and Missouri Emergency Shelter grants, or Homeless Challenge Program. The DHS does not sufficiently document reasons for the amount of funding awarded to some subgrantees for the St. Louis Area Agency on Aging (SLAAA). The DHS did not conduct annual fiscal monitoring reviews required by DHS policy for some subgrantees, and as a result, it appears the DHS did not detect misspent grant funds of \$23,134 on a timely basis. The DHS did not perform adequate follow up or take disciplinary action for serious deficiencies noted with two SLAAA subgrantees.

The DHS needs to improve procedures to ensure expenditures of grant funds meet the requirements for allowable costs, and to ensure approval of expenditures is adequately documented in accordance with city and department policy. Some unallowable costs were paid from two grants, including unbudgeted travel costs, utility bills for properties not included in the grant agreements, cellular phone bills, and collect calls by clients. In addition, proper approval of some travel and other expenditures was not always documented in accordance with city and DHS purchasing procedures.

The SLAAA did not retain some records in accordance with its program services contract with the Missouri Department of Health and Senior Services. The SLAAA does not currently have an advisory council as required by the Older American's Act and Missouri Code of State Regulations.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-12
<u>Number</u>	<u>Description</u>
1.	Grant Administration
2.	Expenditures
3.	St. Louis Area Agency on Aging (SLAAA) Compliance Issues.....
HISTORY AND ORGANIZATION	13-15

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of the Department of Human Services
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Human Services. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal and grant provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Human Services.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Ryan Redel
	Travis Owens

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1.	Grant Administration
-----------	-----------------------------

The Department of Human Services' (DHS) procedures for awarding and monitoring funds for some grants need improvement. The DHS is responsible for administering over \$15 million annually in various federal and state grants related to aging, homeless, utility assistance, jail diversion, and veterans programs. The DHS administers these funds by subgranting monies to various organizations throughout the city who provide direct services to clients.

- A. The DHS does not routinely advertise for proposals for subgrantees of the Homeless Veterans Reintegration Project (HVRP), Utility Assistance Program, Federal and Missouri Emergency Shelter grants (FESG and MESG), or Homeless Challenge Program. While the DHS has policies and procedures to advertise for proposals, only one subgrantee has been consistently used for each of the HVRP and Utility Assistance Program, and sole source justification was not documented for these subgrantees. For the FESG, MESG and Homeless Challenge Program, the DHS renewed the subgrantees' contracts annually since 2005 without soliciting proposals from other vendors.

Requests for proposals or other competitive processes help ensure all interested parties are given the opportunity to participate in city business and the city receives the best services for each grant. The DHS should request proposals from subgrantees periodically to ensure subgrantees with the best ability to provide services to clients are chosen. If sole source procurement is considered necessary, the DHS should document the applicable circumstances.

- B. The DHS does not sufficiently document reasons for the amount of funding awarded to some subgrantees for the St. Louis Area Agency on Aging (SLAAA). Requests for proposals (RFP) are solicited for SLAAA subgrantee funding and a selection committee is formed as required by City of St. Louis Ordinance 64102; however, minutes of committee meetings are not maintained as required by the ordinance. Although the SLAAA utilized a formal evaluation criteria in the form of a scoring system, reasons for funding decisions were not always documented. In addition, documentation was not maintained for funding reductions for subgrantees that did not fully utilize funding awarded in a prior year. It appears funding decisions are made primarily at the discretion of the SLAAA Program Manager and staff, while the RFP committee's purpose is to provide oversight and approval authority.

Due to the complex nature of SLAAA funding sources and services and the subjective criteria used to make funding decisions, the funding awards should be well documented with proper justification given for decisions made.

C. The DHS did not conduct annual fiscal monitoring reviews required by DHS policy for some subgrantees, and as a result, it appears the DHS did not detect some misspent grant funds on a timely basis. Additionally, required program monitoring was not completed for one SLAAA subgrantee. We noted the following monitoring concerns:

- The subgrantee of the HVRP notified the DHS in August 2008 of potential misspending of grant funds. The DHS performed monitoring reviews and found ineligible costs charged to the grant due to lack of supporting documentation. As a result, the DHS disallowed \$23,134 in costs charged to the grant in 2008. DHS officials stated that monitoring visits were conducted in prior years but were informal and not documented. It appears the required monitoring reviews could have detected the misspent funds in a more timely manner.
- Our review of six subgrantees of the Supportive Housing Program (SHP) and FESG grants noted the DHS did not conduct required annual monitoring reviews for these subgrantees. DHS officials stated that while they made frequent contact with the subgrantees, staffing shortages contributed to the lack of formal monitoring procedures.
- In addition to lack of annual monitoring reviews, the subgrantee for the Utility Assistance Program did not submit supporting documentation for payments made to utility companies. The lack of documentation and routine monitoring prevents the DHS from ensuring client eligibility is determined correctly.
- The DHS did not perform some required monitoring of one subgrantee for the SLAAA. DHS officials stated this agency denied the DHS access to certain records which prevented them from performing some required program monitoring reviews.

Without periodic program and fiscal monitoring, the DHS has less assurance that subgrantees are complying with grant requirements and spending funds appropriately.

D. The DHS did not perform adequate follow up or take disciplinary action for serious deficiencies noted with two SLAAA subgrantees. Deficiencies were noted during fiscal and program monitoring, and it appears the SLAAA made at least one follow up visit to each of these agencies; however, some findings were not resolved in a timely manner and no action was taken for failure to comply with the grant agreements. The problems included lack of documentation to support services billed, inadequate cash reserves, and missing or incomplete

personnel files. The noncompliance was also noted in the fiscal year 2008 monitoring review of the SLAAA by the Missouri Department of Health and Senior Services (MDHSS).

To ensure monies are spent appropriately and subgrantees comply with grant requirements, the DHS should follow up and resolve in a timely manner serious deficiencies identified during monitoring reviews. In addition, appropriate action should be taken if an agency refuses to resolve the deficiencies, including withholding reimbursements or canceling contracts.

WE RECOMMEND the Department of Human Services:

- A. Periodically solicit proposals for all subgrantee awards and document reasons for sole source procurement situations.
- B. Maintain written documentation of decisions made for the amount of funding awarded to SLAAA subgrantees.
- C. Ensure all subgrantees are subject to annual fiscal and program monitoring as required by department policy.
- D. Promptly follow up on all monitoring findings and consider taking disciplinary action when serious deficiencies are not corrected in a timely manner.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *The DHS Veterans Services Program will solicit proposals for future HVRP program operations (subcontractors) if awarded funds under a new DOL solicitation. In prior years when submitting competitive applications for funding from DOL - HVRP funds, DHS has pre-identified the subcontractor based upon the language in the Federal Register. It was presumed that funding had been awarded to DHS for HVRP services, based upon the project design and operating structure that DHS had described in our application for funding.*

The DHS Utility Assistance Program subcontractors will be secured via Request for Proposals effective fall 2009.

DHS conducted a Request for Proposal (RFP) for FESG in November 2004 for 2005 funding which can be provided. MESG and HCP are funded by the State on a 3-year cycle. DHS will, from this point on, conduct an RFP every 3 years for FESG, MESG, and HCP.

- B. *DHS will, from this point on, more completely document the reasons for funding subgrantees. Funding limitations and the need for 'maintenance of effort' with many of*

the services limit what increases can be awarded to a subgrantee for simply having a higher evaluation score. Most service awards are based on utilization of services and current client maintenance and not on how well the bidder completes the bid packet. The RFP committee has always and will continue to make all decisions that are necessary in the funding process.

DHS will, from this point on, more completely document and maintain the reasons for reducing funding to those subgrantees who do not fully utilize funding awarded in a prior year.

C. *Bullet 1:*

Monitoring of the HVRP subcontractors records had been performed by both DHS and the DOL VET representative in early 2008, however the irregularities in record keeping occurred at the subcontractor level after that monitoring was performed. DHS will perform quarterly programmatic reviews of subcontractors' files.

DHS has a written agreement with the Internal Audit Section of the Comptroller's Office to fiscally monitor all DHS Homeless subrecipients. In addition, DHS has on staff an auditor to fiscally monitor all DHS SLAAA subrecipients. This covers about 98% of all required DHS fiscal monitoring.

The DHS on staff auditor will, from this point on, perform HVRP and any other required miscellaneous fiscal monitoring to ensure that subgrantees are complying with the grant requirements. Payroll costs will be exceptioned accordingly.

Bullet 2:

DHS acknowledges this finding and will ensure that all Homeless subgrantees are subject to annual program monitoring as required by policy.

Bullet 3:

Annual programmatic and fiscal monitoring of the Utility Assistance subcontractor under the Equitable Relief for Utility Tax funds will be performed as recommended. Because the Affordable Housing Commission had already secured the services of the City's Internal Audit section to perform monitoring of both DHS and the DHS utility assistance subcontractor under the AFHC funding, it was assumed by DHS to be a duplication of effort. The utility assistance subcontractor will be required to submit supporting documentation of payments made to the utility companies in addition to other documentation already required. The subcontract will be amended to include the additional document requirement.

Bullet 4:

DHS acknowledges this finding and will ensure that all SLAAA subgrantees are subject to annual program monitoring as required by policy.

- D. *DHS acknowledges this finding and will promptly follow up on all monitoring findings and consider taking disciplinary action when serious deficiencies are not corrected in a timely manner.*

2. Expenditures

The DHS needs to improve procedures to ensure expenditures of grant funds meet the requirements for allowable costs, and to ensure approval of expenditures is adequately documented in accordance with city and department policy.

- A. Our review of reimbursement payments to subgrantees noted some unallowable costs paid from the HVRP and SHP grants. Unallowable costs included unbudgeted travel costs, utility bills for properties not included in the grant agreements with the DHS, cellular phone bills, and collect calls by clients.

While DHS policy and grant agreements require DHS employees to review supporting documentation to ensure costs are allowable, the above costs were not identified during those reviews. Two employees review the allowability of costs for the HVRP grant and two others review costs for the SHP grant. DHS officials indicated that budget adjustments were made to approve additional travel for the HVRP grant; however, those adjustments were not documented nor was the approval of additional travel. In addition, the grant agreements require all travel be budgeted.

For the SHP and other homeless services grants, there appears to be miscommunication as to who is responsible for reviewing the documentation in detail. When asked, each individual responded that the other was responsible for a detailed review of allowable costs. In addition, most homeless services subgrantees submit bills that exceed the amount available for reimbursement. When this occurs, the maximum available is paid, and it appears a detailed review of the bills is not conducted. A detailed review should be conducted to ensure the allowable costs submitted equal or exceed the maximum reimbursement available.

Sound business practices and grant requirements dictate expenditures charged to grant funds should be adequately monitored for allowability. The DHS should review its procedures for approval of grant-funded expenditures to ensure only allowable costs are paid from grant funds.

- B. Our review noted proper approval of expenditures was not always documented in accordance with city and DHS purchasing procedures. Examples of inadequate approval documentation include some travel expenses and the purchase of a computer. In addition, the DHS paid some bills for the city Department of Health (DOH) as part of an inter-departmental agreement; however, there was no documentation the DOH approved the invoices prior to payment. Finally, one expenditure did not include an approved DHS equipment purchase form.

DHS personnel indicated their department purchasing manuals and forms included out-of-date information, and as a result, the required forms are not always used. This may have contributed to the lack of proper approval on some expenditures.

To ensure expenditures are allowable, prudent, and comply with city and DHS policies, the DHS should ensure all expenditures are approved and documentation of the approval is retained.

WE RECOMMEND the Department of Human Services:

- A. Implement procedures to ensure only allowable costs are paid with grant funds.
- B. Ensure expenditures are approved in accordance with city and department policy and retain documentation of the approval. In addition, the department should update its purchasing manuals and forms to reflect current policies and procedures.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *While procedures already exist for reviewing supporting documentation for grant reimbursements in order to ensure allowability of costs, DHS agrees that more detailed review techniques should be utilized by DHS staff. DHS will review the current policies and procedures regarding approval of allowable expenditures for subgrantees. Additionally, staff conducting the reviews will receive training. Specifically for SHP and HVRP, billings from subrecipient agencies should be scrutinized more carefully by the Homeless and Veterans program staff and by the accountant for each program to ensure that only allowable costs are incurred with grant funds.*
- B. *While procedures already exist for ensuring that approval of expenditures is adequately documented in accordance with city and department policy, DHS agrees that proper approval for a very small number of expenditures was not adequately documented. From this point on, DHS will be more diligent in its effort to ensure that expenditures are approved in accordance with city and department policy and that documentation of the approval is retained.*

In addition, DHS will endeavor to update its purchasing manuals and forms to reflect current policies and procedures.

3. St. Louis Area Agency on Aging (SLAAA) Compliance Issues
--

The SLAAA has not complied with some regulations and grant stipulations. The SLAAA is responsible for administering federal Older Americans Act funding and

supplemental grants to provide needed services to the elderly, including, but not limited to meals, transportation, case management, homemaker services, and minor home repair. The amount of funds allocated to the various programs is contained within the area plan and approved by the MDHSS on an annual basis.

- A. The SLAAA did not retain some records in accordance with its program services contract with the MDHSS. The MDHSS provides funding for the various programs administered by the SLAAA. Per the contract, the SLAAA is required to retain all books, records, and other documents relevant to the contract for a period of 3 years after the final payment is received by the SLAAA or the completion of an audit, whichever is later. We attempted to review a bid submission for subgrantee awards from fiscal year 2007, but the SLAAA had destroyed the records due to limited storage space. While scoring forms were retained, there is little or no support for the scoring of bids submitted from the various vendors or funding decisions made by the SLAAA.

To ensure compliance with the grant agreement and to adequately document the reasons for awarding grant funds to the various subgrantees, the SLAAA should retain all applicable records for the required time period.

- B. The SLAAA does not currently have an advisory council as required by the Older American's Act and the Missouri Code of State Regulations (CSR) 15-4.110. State regulations require each area agency on aging establish an advisory council to advise on developing and administering the area plan; conducting public hearings; representing the interests of the elderly; and reviewing and commenting on policies, programs, and actions affecting the elderly. The advisory council is required to meet quarterly.

According to SLAAA officials, the council has not met for several years due to deaths of former members, and the SLAAA employee position responsible for coordinating the meetings is vacant. This issue was also noted in the most recent audit of the city's federal programs (A-133 audit). To ensure there is additional oversight and guidance available regarding issues affecting the elderly and to ensure compliance with applicable requirements, the SLAAA should reinstate the advisory council.

WE RECOMMEND the Department of Human Services and the St. Louis Area Agency on Aging:

- A. Retain records in accordance with the grant agreement with the MDHSS.
- B. Re-establish an advisory council to comply with applicable federal and state regulations.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *The records in question were the bid submissions from January of 2006 for subgrantee awards for fiscal year 2007. These documents had been subject to MDHSS monitoring and audit for over 3 consecutive years. Due to the impending move of DHS to a new building and the receipt of new bid submissions for the FY 2010 contract year, the documents were mistakenly destroyed. From this point on, SLAAA will retain records in accordance with the grant agreement with MDHSS.*
- B. *SLAAA will re-establish an advisory council to comply with the Older Americans Act and the Code of State Regulations.*

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES
HISTORY AND ORGANIZATION

The City of St. Louis Department of Human Services' (DHS) major goals are to enhance the quality of life of citizens through the provision of social service programs to the aged, homeless, veterans, disabled, youth, and families in need, and to promote city living and neighborhood stabilization through the preservation of affordable and accessible housing and support services that enhance the quality of life for those in need. This is done with the administration of federal, state, and city programs by various divisions. The department operates under the direction of the Director, William Siedhoff. The department employs 43 individuals in the following six divisions:

1. Program Management

Program Management provides administrative support and guidance to all other DHS divisions. Program Management engages in legislative and budgetary advocacy to increase available resources for services and issues facing all clients served by the DHS. In addition, Program Management works to increase coordination and collaboration with the city and community organizations in planning and program development processes related to a wide array of social issues. Program Management also administers programs not administered by the other divisions, including the Utility Assistance Program and Substance Abuse and Mental Health Services Administration Jail Diversion grant.

2. Aging Services (St. Louis Area Agency on Aging)

The St. Louis Area Agency on Aging (SLAAA) provides a comprehensive and coordinated system of community-based services for older adults in the City of St. Louis. The SLAAA administers programs largely through contracts with local service providers delivering services at the neighborhood level. SLAAA programs and services include meal programs at senior centers, transportation, information and referral, health promotion, employment training, legal assistance, housing assistance, home-delivered meals, personal care and homemaker services, and respite care. The SLAAA also provides ombudsman services for complaint resolution regarding long-term care facilities.

3. Homeless Services

The Homeless Services Division provides a comprehensive response to the different needs of homeless or at-risk individuals and families in the City of St. Louis. Homeless Services contracts with social services agencies to provide outreach and assessment efforts to identify an individual's or family's needs and make connections to facilities and services, immediate shelter as a safe alternative to the streets, transitional housing, and/or permanent housing or permanent housing arrangements.

4. Veterans' Affairs

The Veterans' Affairs Division acts as an advocate to those veterans within the City of St. Louis who are at risk because of poverty and poor living conditions. In addition, this division seeks public and private grant resources for direct assistance to veterans and their families in employment and supportive services. Veterans' Affairs administers employment programs sponsored by the U.S. Department of Labor, Veterans Employment and Training Service.

5. Youth and Family Services

The Youth and Family Services Division administers and participates in the planning of a broad range of programs which are intended to improve and enhance the quality of life of at-risk children and families in the City of St. Louis. Programs include the summer food service program, the child and adult care food program, the M.I.N.E. (mentoring, instruction, nutrition, and esteem) program, after school initiatives, and the early childhood success initiative.

6. Office on the Disabled

The Office on the Disabled serves as the city's Americans with Disabilities Act (ADA) coordinating agency, providing information on the ADA, reasonable accommodations for applicants and employees, and ADA training. The office provides reserved residential parking spaces for city residents with disabilities, issues permits exempting persons with disabilities unable to activate parking meters in the city, offers interpreters for hearing impaired individuals dealing with city offices, and works with the city's Building Division for occupancy permit approvals based on ADA compliance.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Lead Safe St. Louis Program



June 2009

Report No. 2009-60

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Lead Safe St. Louis Program.

The overall effectiveness of the Lead Safe St. Louis Program (LSSL) could be improved by better communication and sharing of information between the three city agencies responsible for administration of the program: the Department of Public Safety, Building Division (BD), the Department of Health (DOH), and the Community Development Administration (CDA). From January to October 2008, the BD did not share access to a database system to track home inspections and lead remediation work. Without adequate communication between agencies involved in the LSSL, the city may not be reaching its full potential to provide services to at-risk children.

Lead remediation projects are not always completed on a timely basis, and the BD did not always refer applicable cases to court. City ordinance establishes timelines for property owners to complete lead remediation and allows the city to refer cases to court if not completed in a timely manner. In addition, the BD did not re-inspect some residences within the timeframe set by policy, and the BD and CDA did not maintain proper documentation for some remediation projects.

The DOH and BD did not adequately monitor the LSSL temporary relocation process, resulting in expenditures in excess of the maximum allowance for lodging and meals. The DOH approves the expenditure of temporary relocation funds; however, the process of determining eligibility and placing families in temporary lodging is performed by BD employees who typically work more closely with the families. Prior to June 2008, the DOH approved relocation reimbursements without monitoring the eligibility of the families and reasonableness of the expenditures.

The DOH and BD overspent applicable grant funding during the year ended June 30, 2008, and the errors were not corrected in a timely manner. The DOH overspent the Lead Hazard Outreach grant by \$96,000 for payroll expenditures. The BD overspent the Lead Hazard Reduction grant by \$24,000 for payroll, communications, and transportation expenditures.

Other audit findings included in the report relate to Special Fund receipts.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
LEAD SAFE ST. LOUIS PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	Communication Between Program Agencies5
2.	Lead Remediation6
3.	Temporary Relocation Expenditures8
4.	Special Fund Receipts.....9
5.	Grant Compliance10
HISTORY AND ORGANIZATION	12-14

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Interim Director of the Department of Health
and
Building Commissioner
and
Acting Executive Director of the Community Development Administration
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Lead Safe St. Louis Program. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the program has adequate internal controls over significant management and financial functions.
3. Determine if the program has complied with certain legal and grant provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the program, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the program's management and was not subjected to the procedures applied in our audit of the program.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Lead Safe St. Louis Program.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Michael Reeves, MPA
	Ryan Redel

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
LEAD SAFE ST. LOUIS PROGRAM
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Communication Between Program Agencies
--

The overall effectiveness of the Lead Safe St. Louis Program (LSSL) could be improved by better communication and sharing of information between the three city agencies responsible for administration of the program. The Department of Public Safety, Building Division (BD), is responsible for home inspections and lead remediation on contaminated properties. The Department of Health (DOH) provides education and outreach services, including lead testing of children and case management services. The Community Development Administration (CDA) oversees the applicable federal grant funding provided for the program.

When the DOH determines a child has elevated blood lead levels, the DOH notifies the BD to perform the applicable home inspections; however, the BD receives requests from various other sources for home inspections but does not normally share this information with the DOH. Our review noted 11 inspection requests to the BD made by sources other than the DOH where children were present in the homes, and there was no documentation that this information was forwarded to the DOH. As a result, it appears the DOH was not aware of the potential need for testing and providing services to the children residing in these homes.

In addition, our review noted 11 instances where the BD documented numerous attempts to reach residents and inspect applicable properties but were unsuccessful due to lack of cooperation from the residents. LSSL policy states the BD should notify the DOH of uncooperative residents to allow the DOH to continue efforts to reach the families. The BD and DOH have not adopted formal procedures to ensure this policy is followed, and there was no documentation in these 11 BD files to indicate the DOH had been notified.

In January 2008, the BD established a database system to track home inspections and lead remediation work but did not initially share access of this system with the DOH or CDA. The database includes the number of residences inspected, which is information the DOH and CDA need to complete grant paperwork and other reports. The BD began providing the DOH and CDA access to the database in October 2008.

Without adequate communication between agencies involved in the LSSL, the city may not be reaching its full potential to provide services to at-risk children.

WE RECOMMEND the Building Division, Department of Health, and Community Development Administration work together to improve communication and ensure all pertinent information is shared between the agencies. The Building Division should

adopt a procedure to notify the Department of Health of outside requests for home inspections to allow for potential lead testing of children who reside in these homes.

AUDITEE'S RESPONSE

The Mayor's office coordinated the process of obtaining responses from the various agencies and submitted the following written response:

The City agrees that communication between agencies involved in the Lead Program could be improved. As such, towards the end of 2004, the City secured an EDI Grant through a Congressional earmark appropriated by Senator Bond for the purposes of training and technology. The City procured the services of a data management company who designed a web-based database, which became operable in January of 2008. On April 14, 2008, the Building Division provided a demonstration on the database to Matt Ammon, the Deputy Director of HUD's Office of Healthy Homes and Lead Hazard Control. Mr. Ammon declared that it was the most advanced database in the country. This database, which became available to CDA and the Department of Health in October of 2008, will greatly improve communication and allow for the implementation of the recommendations suggested by the auditors. In addition, the City is also very concerned about improving communication between the citizens and the lead inspectors and is looking at relocating the Citizen Advocates staff to the same location as the inspectors to improve communication.

2. Lead Remediation

Lead remediation projects are not always completed on a timely basis, and the BD did not always refer cases to court in accordance with city ordinance. The BD did not re-inspect residences within the timeframe set by policy, and the BD and CDA did not maintain proper documentation for some projects. Our review of 75 lead remediation referrals and projects noted the following:

- A. Remediation projects tested from fiscal years 2007 and 2008 took an average of 179 days, or almost six months, from initial inspection to completion. While it appears many projects were completed on a timely basis, 4 remediation projects took approximately 400 days or more from inspection to completion, including one project that required 595 days to complete. BD policy and City of St. Louis Ordinance 64690 requires property owners to show significant progress towards completed remediation 14 days after the initial inspection. At that time, a 30-day extension may be granted to complete the project. If no progress is shown after the extension, the BD is allowed to refer property owners to court, or additional extensions may be granted if the owners are showing progress towards completion. For many of the projects reviewed, there was no documentation to support reasons for extensions granted to owners or why these individuals were not referred to court.

- B. Our review of remediation projects noted 19 of 43 (44 percent) applicable residences were not re-inspected within the required timeframe after the violation notice was sent. BD policy requires properties to be re-inspected within 14 days of the violation notice to monitor progress towards remediation.
- C. Our review of remediation project files noted 26 of 75 (35 percent) were missing at least one required piece of documentation. BD and CDA policy requires documentation for proof of ownership, tax compliance, signed agreements, and proof of insurance be maintained in the project files.

Timely completion of remediation projects and re-inspections is necessary to ensure exposure to lead hazards is mitigated. In addition, lengthy remediation projects may lead to additional relocation costs for the city. Documentation should be maintained in files to ensure projects were completed according to policy and grant monies were provided only to eligible property owners.

WE RECOMMEND the Building Division:

- A. Implement procedures to ensure remediation projects are completed in a timely manner, including referring property owners to court when progress is not made, and documenting reasons for granting extensions.
- B. Re-inspect properties 14 days after the violation notice is sent, in accordance with division policy.
- C. And the Community Development Administration ensure required documentation is obtained and maintained in remediation project files.

AUDITEE'S RESPONSE

The Mayor's office coordinated the process of obtaining responses from the various agencies and submitted the following written response:

During fiscal year 2007-2008, a total of 975 housing units were remediated. The four projects cited in the report only represent 0.0041% of the total. It is important to point out that in the four units in question, there were not any children with elevated blood lead levels living in the units. The timeframe in which to complete a remediation project varies depending on several factors that are not in the control of the Building Division or the Community Development Administration. First, the most significant delay is the amount of time that it takes an applicant to submit an application for financial assistance. Often, this takes several weeks. In addition, it can take another two weeks to obtain the Section 106 Review which is required for all projects that count toward the HUD grant deliverables. Furthermore, it can take up to 10-12 weeks for the manufacturer to produce the historic replacement windows that are often required. As such, a contractor often cannot start a project until up to 3 months after the contract is awarded. Nevertheless, the City agrees that the four projects in question did take longer than they should

have, and we have implemented procedures to ensure that we adhere to the policies prescribed in the ordinance, and that any requests for extension are properly documented.

In some cases it may not be necessary to re-inspect a property in 14-day intervals. Examples include: if the owner has applied for financial assistance and the application is pending; or if a contractor has been assigned to do the work but has not yet started. In any event, for all cases with elevated blood lead level (EBL) children, the Building Division assigns the case to their in-house detox crews in order to expedite remediation of the lead hazards on the interior so that it is safe for the child to stay in the property. On projects completed by contractors, the BD inspects each project at more than the required 14-day intervals to ensure that the contractor is adhering to the terms of the contract and making the repairs in a lead-safe manner. Nevertheless, the Building Division agrees with the auditor's recommendation and will establish procedures to make sure that we adhere to them.

Concerning the items missing from CDA files, it is important to point out that the missing items did not affect any applicant's eligibility to participate in the program. As such, all applicants assisted met the grant requirements. The Community Development Administration has developed a new checklist for all files and staff will be required to review work done by peers to verify that all of the eligibility items have been included within the file, and that the client is eligible. Staff will be required to sign off on cases handled by peers, and a case will not be allowed to proceed without appropriate staff review and sign off.

3.

Temporary Relocation Expenditures

The DOH and BD did not adequately monitor the LSSL temporary relocation process, resulting in expenditures in excess of the maximum allowance for lodging and meals. LSSL policy allows a maximum of one week of expenditures to be reimbursed to eligible families for lodging and meals during lead remediation of their homes. The policy includes maximum daily meal allowances and guidelines for eligibility of certain purchases (such as prohibiting reimbursement for alcoholic beverages). Our review noted 4 of 10 (40 percent) relocation files indicated the families were reimbursed for lodging and meals for more than one week, with one stay exceeding 20 days. There was no documentation in the four files to indicate the reasons for payment of expenditures in excess of one week.

The DOH approves the expenditure of temporary relocation funds; however, the process of determining eligibility and placing families in temporary lodging is performed by BD employees who typically work more closely with the families. Prior to June 2008, the DOH approved relocation reimbursements without monitoring the eligibility of the families and reasonableness of the expenditures. In June 2008, the DOH implemented procedures to better monitor lodging and meal reimbursements by pre-approving the lodging arrangements and requiring itemized lists of food and beverage purchases.

Without adequate monitoring, the city may be paying for unnecessary or unallowed relocation expenses. In addition, excessive costs may lead to the early depletion of the funding provided for relocation.

WE RECOMMEND the Department of Health and Building Division continue to monitor the eligibility and expenditures of temporarily relocated families to ensure compliance with LSSL policies.

AUDITEE'S RESPONSE

The Mayor's office coordinated the process of obtaining responses from the various agencies and submitted the following written response:

We agree with the finding and immediately reviewed best practices nationwide; revised and implemented the temporary relocation housing policy to adhere to time periods and cost controls; and transferred the responsibility for temporary relocation to the Building Division to assure the coordination of eligibility decisions and fiscal accountability.

4. Special Fund Receipts

The DOH does not reconcile Medicaid or court fine deposits to applicable billing and receipt records. St. Louis City Ordinance 64701 allows income derived from Medicaid reimbursements, court fines, and grants and gifts to be deposited into the Lead Remediation Special Fund (Special Fund). During the year ended June 30, 2008, the DOH received approximately \$44,000 in Medicaid reimbursements and \$6,500 in court fines.

The BD is responsible for billing Medicaid for applicable home inspections, and these funds are direct-deposited into the Special Fund bank account. Court fines are received by the municipal court and sent to the DOH, and the DOH transmits these receipts to the Comptroller's Office for deposit in the Special Fund. While the DOH receives monthly reports of deposits from the Comptroller's Office, the DOH does not reconcile deposits to BD Medicaid billing records or to fines received from the municipal court.

Sound business practices dictate controls should exist to ensure that amounts billed are reconciled to amounts received and deposited. Without reconciliation of deposits, the DOH has limited assurance that all funds billed are received and deposited to the Special Fund.

WE RECOMMEND the Department of Health implement procedures to reconcile deposits into the Special Fund to applicable billing and receipt records.

AUDITEE'S RESPONSE

The Mayor's office coordinated the process of obtaining responses from the various agencies and submitted the following written response:

Health Department Management Response:

The Department of Health agrees with the finding and immediately responded by implementing a procedure to reconcile receipts deposited into the Special Fund for Medicaid billing prepared by the Building Division that relates to applicable home inspections. The Department of Health currently is coordinating efforts to ensure that the Special Funds receipts are reconciled.

5. Grant Compliance

The DOH and BD overspent applicable grant funding during the year ended June 30, 2008, and the errors were not corrected in a timely manner. The DOH overspent the Lead Hazard Outreach grant by \$96,000 for payroll expenditures. The BD overspent the Lead Hazard Reduction grant by \$24,000 for payroll, communications, and transportation expenditures.

A routine monitoring review by the CDA in June 2008 (grantee agency for the LSSL) noted the overspending of these grants, and the CDA recommended journal entries to transfer the overspent amounts from the earlier grants to the newly awarded Lead Hazard Outreach and Reduction grants. DOH and BD officials stated the overspending was due to incurring lead-related payroll and other expenditures before the new grants were finalized, so amounts were charged to the older grants which resulted in overspending of those grants. The new grant awards were finalized in 2007 and transfers could have been made at that time; however, the correcting journal entries were not made until June 2008.

Without proper controls over grant spending and timely correction of excess grant expenditures, there is little assurance grant monies are spent appropriately and in compliance with grant requirements. In addition, timely correction of errors is necessary to ensure the city has accurate and up-to-date information on available grant funding when preparing budgets for the LSSL program.

WE RECOMMEND the Department of Health and Building Division implement controls to ensure grant monies are expended within grant budgets, and correcting entries are made timely.

AUDITEE'S RESPONSE

The Mayor's office coordinated the process of obtaining responses from the various agencies and submitted the following written response:

CDA discovered this issue when it conducted its subrecipient monitoring visits of the Building Division and the Health Department. Upon instruction from CDA, both the Building Division

and Health Department initiated the paperwork in order to charge the accounts to the correct grants. Since this event occurred, both departments have implemented procedures to monitor on a monthly basis the spending levels and balances of each line item in their various grant accounts to ensure that this does not occur in the future.

Health Department Management Response:

The Department of Health agrees with the finding and immediately responded by implementing a reconciliation procedure to keep track of grant funds by grant year. This procedure will ensure that grant monies are expended within grant budgets, and that correcting entries are made timely.

AUDITEE'S OVERALL RESPONSE

*The City of St. Louis has made tremendous strides in combating lead poisoning. Since 2003, at the time that Mayor Slay unveiled his Comprehensive Action Plan to Eradicate Lead Poisoning by 2010, the prevalence rate of lead poisoning was 13.6%. At the end of 2008, the rate was 3.6%, a decline of 74%. In addition, over 4,000 housing units have been made lead-safe since 2003. **We have the data that shows that much of this remediation effort is focused in the areas of greatest need, and it corresponds to where the funds are being spent.** The decrease in the number of lead poisoned children and the increase in remediation of housing units indicates that the City is wisely targeting its resources to effectively address the problem of lead poisoning in the City of St. Louis, **and certainly addresses concerns raised in the petition for the audit.***

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
LEAD SAFE ST. LOUIS PROGRAM
HISTORY AND ORGANIZATION

The City of St. Louis Lead Safe St. Louis Program (LSSL) was created in November 2003 by Mayor Francis G. Slay. The main goal of the program is the eradication of childhood lead poisoning in the City of St. Louis by 2010. The LSSL is comprised of three different city agencies each playing a different role in the function of the program. The Department of Public Safety, Building Division, is responsible for home inspections and lead remediation on contaminated properties. The Department of Health provides education and outreach services, including lead testing of children and case management services. The Community Development Administration distributes and monitors federal grant monies related to the program. Services of the Building Division and Department of Health include:

Lead Inspections are provided to test surfaces in homes to determine the presence of lead. Lead inspection services are available free of charge to owners of city residential properties.

Remediation Services are provided to remove or contain the portions of the property contaminated with lead. Owners of homes with lead can apply and receive assistance to pay for remediation. Assistance eligibility depends upon income, presence of children under the age of 6, and owner occupancy. Temporary relocation services are available to eligible families depending on the condition of the residence.

The Multi-Family Lead Remediation Program provides financial assistance for lead remediation to eligible developers of multi-family properties which are marketed to low to moderate income families, particularly those with children.

The Multi-Family Window Replacement Program provides owners of vacant multi-family buildings reimbursement of up to \$200 per window for the installation of new windows.

The Lead Testing and Case Management Program provides testing of children for elevated lead levels and is provided free of charge at locations throughout the city. Case management services are provided for children who test positive, are uninsured, and not Medicaid eligible.

The Education and Outreach Program includes a hotline to provide immediate public access to resources related to lead poisoning prevention and early detection programs, and programs that allow pregnant woman to have their homes inspected before the baby arrives. Outreach services also include brochures, promotional events, and an advertising campaign to educate the public about the dangers of childhood lead poisoning.

The following is a summary of information compiled by the city which compares the prevalence of elevated blood lead levels (EBL) in children during calendar years (CY) 2007 and 2008 to lead hazard spending during fiscal years (FY) 2007 and 2008 by city aldermanic ward:

Monies Spent on Lead Hazard Controls by Ward

Ward	Number of Projects	LHC* Expenditures in FY 2007-2008	Average Cost per Project	% of Total Projects	<i>***% of Total Expenditures</i>	CY 2007-2008 Combined EBL Prevalence Rate
21	69	\$445,778	\$6,461	7.08%	5.81%	7.0%
3	57	\$400,704	\$7,030	5.85%	5.22%	7.5%
20	62	\$394,788	\$6,368	6.36%	5.15%	6.0%
26	60	\$357,833	\$5,964	6.15%	4.67%	4.5%
8	70	\$306,446	\$4,378	7.18%	4.00%	2.6%
15	51	\$287,815	\$5,643	5.23%	3.75%	4.2%
25	41	\$243,243	\$5,933	4.21%	3.17%	3.1%
1	35	\$242,788	\$6,937	3.59%	3.17%	6.9%
18	33	\$242,783	\$7,357	3.38%	3.17%	5.9%
4	35	\$220,126	\$6,289	3.59%	2.87%	5.7%
9	39	\$205,748	\$5,276	4.00%	2.68%	4.6%
2	31	\$187,984	\$6,064	3.18%	2.45%	4.3%
27	25	\$180,786	\$7,231	2.56%	2.36%	5.3%
17	31	\$168,996	\$5,451	3.18%	2.20%	4.0%
22	30	\$164,144	\$5,471	3.08%	2.14%	5.8%
13	24	\$148,640	\$6,193	2.46%	1.94%	1.6%
11	27	\$137,360	\$5,087	2.77%	1.79%	2.4%
7	21	\$117,925	\$5,615	2.15%	1.54%	3.3%
14	21	\$108,938	\$5,188	2.15%	1.42%	3.1%
5	24	\$101,848	\$4,244	2.46%	1.33%	2.2%
6	20	\$95,208	\$4,760	2.05%	1.24%	2.1%
10	15	\$94,782	\$6,319	1.54%	1.24%	2.5%
12	11	\$83,897	\$7,627	1.13%	1.09%	0.0%
24	11	\$80,005	\$7,273	1.13%	1.04%	1.4%
28	9	\$78,333	\$8,704	0.92%	1.02%	3.6%
19	11	\$78,197	\$7,109	1.13%	1.02%	3.7%
23	6	\$59,512	\$9,919	0.62%	0.78%	0.0%
16	4	\$37,512	\$9,378	0.41%	0.49%	0.7%
Churchill Apts. ***	102	\$2,397,962	\$23,509	10.46%	31.26%	N/A
TOTALS	975	\$7,670,081	\$7,867	100.00%	100.00%	4.1%

*LHC=Lead Hazard Controls

**Sorted by Percent of Total Expenditures

***Churchill Apartments is a 102 unit multi-family project in Ward 26.

The city provided \$110,000 (\$1,080/unit) and the developer provided private funding of \$2,287,962 for this project.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Department of Health



June 2009

Report No. 2009-59

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the City of St. Louis, Department of Health.

Department of Health (DOH) employees attended out-of-state conferences and incurred excessive lodging expenses by staying at the hotels that sponsored the conferences. Daily hotel rates exceeded federal CONUS rates (maximum lodging rates allowed for federal employees) for 16 of 24 applicable trips reviewed. Hotel costs exceeded \$350 per night in several instances. In addition, the DOH paid some travel expenses from grant funds that did not appear allowable or included expenses that were not allowed by travel regulations. Approval for some travel expenses was not adequately documented.

The DOH incurred payroll and other expenditures with grant monies that were not supported by appropriate documentation and did not appear allowable under the applicable grants. For example, indirect administrative grant funds were used to purchase two items that did not fulfill an administrative purpose or relate to the overall purpose of the grant. For eight emergency purchases totaling \$46,158, the DOH did not adequately document that the purchases met the city's definition of an emergency. Items purchased included air mattresses, CPA review materials, and mobile satellite telephones. The DOH entered into two agreements for the creation of data management systems without soliciting proposals or justifying the reason for the sole source purchase.

Eight inspectors of the Air Pollution Control Program (APCP) regularly take their assigned vehicles home rather than parking them at the air pollution control building. APCP officials stated there is no particular business purpose for allowing the inspectors to drive the vehicles home and this practice has been allowed for many years. In addition, the inspectors are not required to maintain mileage logs. The APCP did not inspect 11 of 24 large pollution emitting facilities during the year ended June 30, 2008, as required by an agreement with the Missouri Department of Natural Resources. The city does not currently have a Board of Air Pollution Control Appeals and Variance Review as required by city code.

The DOH provides nurses to private schools in the City of St. Louis but does not provide a similar service to the city's public schools. DOH maintains a memorandum of understanding with the Archdiocese of St. Louis and the Lutheran Elementary School Association of St. Louis to provide nursing staff on-site at their associated private schools as well as nurse consulting services. Neither organization provided compensation for the services, and the program is funded by the city's use tax.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-13
<u>Number</u>	<u>Description</u>
1.	Travel Expenses5
2.	Payroll and Other Expenditures7
3.	Air Pollution Control Program10
4.	School Nurse Program12
HISTORY AND ORGANIZATION	14-16

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Interim Director of the Department of Health
and
Commissioner of Health
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Health. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal and grant provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Health.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in progress, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Michael Reeves, MPA Ryan Redel

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Travel Expenses
-----------	------------------------

Department of Health (DOH) employees incurred travel expenses to various conferences that did not appear reasonable and necessary, were not properly approved, and were not supported by required documentation. The DOH spent over \$180,000 for travel during the 2 years ended June 30, 2008, which represented 21 percent of the total travel expenditures incurred by all city departments. We reviewed 26 DOH travel expenditures totaling approximately \$36,000 and noted the following concerns:

- A. DOH employees attended out-of-state conferences and incurred excessive lodging expenses by staying at the hotels that sponsored the conferences. Daily hotel rates exceeded federal CONUS rates (maximum lodging rates allowed for federal employees) for 16 of 24 (70 percent) applicable trips reviewed. Hotel costs exceeded \$350 per night in several instances. In one instance, a DOH employee attended a one-day conference in San Francisco and incurred over \$500 for two nights of hotel fees. The CONUS rate for San Francisco is \$140 per night.

City travel regulations encourage employees to stay at the sponsoring hotel for the conference and allow transportation expenses between the airport and the hotel; however, travel regulations state taxi services within a city are unallowable expenses. For example, the city does not reimburse employees for taxi transportation from a hotel to a conference site. As a result, it appears employees have little choice except to stay in sponsoring hotels.

The DOH should work with the city's Board of Estimate and Apportionment to amend city travel policies to allow reimbursement of transportation costs within a city. This would allow employees to obtain lodging at more reasonable rates rather than being forced to stay at the conference sponsoring hotels.

- B. The DOH incurred the following travel expenses that did not appear allowable under the funding grant or included expenses that were not allowed by travel regulations:
- 1) The Director of the Internal Audit Section of the Comptroller's Office utilized DOH grant funding to attend an internal audit conference that cost \$1,800. This does not appear to be allowable by the grant agreement, or by agreements between the DOH and the Internal Audit Section which include a continuing education budget of only \$1,250. DOH personnel stated they considered this expense an indirect cost of the grant; however,

the conference did not appear to relate to the Internal Audit Section's responsibilities for the DOH.

- 2) Meal expenditures were reimbursed to DOH employees in two instances when meals were provided as a part of conference registration fees. City travel regulations state only meals not provided as part of the conference may be claimed for reimbursement. Lack of oversight by DOH personnel appears to have allowed these meal reimbursements to occur.
- C. The DOH allowed requested trips to be completed without required approvals and documentation. Of the 26 travel expenses reviewed, 20 (77 percent) were missing at least one required approval and 22 (85 percent) were missing at least one required document. Most of these expenses were missing documentation of approval from the Comptroller's Office for the travel reimbursements and travel justification letters to the Mayor's Office.

City travel regulations require travel requests and reimbursements be approved by the department head, Comptroller's Office, and Federal Grants Section (if travel is grant funded) prior to travel or reimbursement. For travel and expense reimbursements to be approved, employees must submit justification letters to the comptroller's and mayor's offices, a travel request form, a travel reimbursement form with original receipts or invoices for expenses incurred, and copies of the advance payment check stub.

To ensure travel expenses are reasonable and necessary and are in compliance with city travel regulations, the DOH should adopt procedures to ensure all required approvals are documented and all required documents are submitted prior to incurring travel expenses.

WE RECOMMEND the Department of Health:

- A. Work with the Board of Estimate and Apportionment to change city travel policies to allow reimbursement for travel expenses incurred within a city.
- B. Ensure travel expenses are paid only for amounts allowed by city travel regulations and applicable grant agreements.
- C. Adopt procedures to ensure all travel requests and reimbursements are approved by the appropriate authorities and required documentation is obtained prior to approval.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

*The Department of Health agrees that it has incurred a number of travel expenses; however all of the travel is relevant to the Department of Health's mission of assuring a healthy community through continuous protection, prevention and promotion of the public's health. In addition, the Department of Health's programs are largely grant funded with program deliverables **requiring** meeting and training travel.*

*The Department of Health is 65% grant funded at the amount of approximately \$16 million annually. In order to meet the requirements of these grants and remain competitive both within the state and nation for these needed service dollars, staff is **required** to travel.*

Travel for the Director and Commissioner is non-mandated but essential and primarily grant funded. The Director and Commissioner obtain approval from both the City and the grant funding sources to attend certain trainings, conferences and other events related to increasing staff and funding to support current and potential Department of Health programs. Other travel for the Director and Commissioner relate to obtaining expertise necessary to achieve identified health outcomes in the areas of Health Disparities, HIV/AIDS, World Wide Emerging Infections (such as pandemic influenza) and Bioterrorism Emergency Response.

The \$1,800 questionable expense in the Comptroller's Office was directly related to an interagency agreement between the Comptroller and the Department of Health which has been discontinued. The Comptroller has taken appropriate personnel action.

The Department of Health agrees that the copies of travel documents provided to the State Auditors were not completely approved. The original and fully approved travel document is filed in the Comptroller's Office. The Department of Health will work with the Comptroller's Office to implement a process where fully approved copies of all travel documents will be available in the Department of Health's fiscal files.

The Department of Health will ensure that all required documentation is obtained prior to approval and will ensure that all travel expenses are paid only for amounts allowed by city travel regulations and applicable grant agreements.

The Department of Health agrees with the finding regarding excessive lodging costs and will work with the Board of Estimate and Apportionment to change city travel policies.

2.	Payroll and Other Expenditures
-----------	---------------------------------------

The DOH incurred payroll and other expenditures with grant monies that were not supported by appropriate documentation and did not appear allowable under the applicable grants. In addition, the DOH purchased items on an emergency basis without

adequate justification and purchased two data management systems without soliciting bids or proposals.

- A. Our review of payroll expenditures from grant funds in fiscal years 2007 and 2008 noted 44 of 57 (77 percent) applicable timesheets reviewed did not have documentation of time spent on grant-related functions.

DOH procedures require employees to submit timesheets showing arrival and departure times for each day. Until May 2008, these records did not document time spent on grant-related functions. In May 2008, the DOH began requiring salaried employees to include a statement certifying hours worked on grant-related functions in response to an audit recommendation; however, this documentation is not required for hourly-paid employees.

Sound business practices and grant requirements dictate payroll expenditures charged to grant funds should be adequately documented. Without such documentation, there is little assurance that grant funds are properly spent.

- B. Our review of 31 grant-funded expenditures noted 3 items that did not appear allowable under the funding grant. Indirect administrative grant funds were used to purchase two items that did not fulfill an administrative purpose or relate to the overall purpose of the grant. In addition, a digital camera was purchased for promotional photos; however, the applicable grant agreement specifically excludes purchases of promotional items.

The DOH should review its procedures for approval of grant-funded expenditures to ensure only allowable purchases are made from grant funds.

- C. Our review of eight emergency purchases totaling \$46,158 noted none included justification that adequately documented the city's definition of an emergency. City policy states an emergency purchase can only be made when a condition exists which might cause injury to a person or property damage, or seriously impair public health or services. Items purchased included air mattresses, CPA review materials, and mobile satellite telephones. City purchasing rules require emergency purchases be justified to show the reason the purchase must be made without soliciting bids.

Emergency purchases without adequate justification or soliciting bids gives the appearance the DOH may be circumventing normal city purchasing procedures. The DOH should review its current procedures related to emergency purchases and ensure the emergency nature of each purchase is adequately documented or bids are solicited for all applicable purchases in accordance with city policy.

- D. The DOH entered into two agreements for the creation of data management systems without soliciting proposals or justifying the reason for the sole source purchase. Instead, the DOH entered into inter-departmental agreements with the

City of St. Louis Department of Human Services (DHS) to use a DHS contractor for the service. Per the agreement, the DOH paid the DHS \$55,000 for the creation of a Special Needs Registry and \$31,580 for a data management system for the School Health Program. The DHS was responsible for paying the invoices from the contractor.

The DHS previously negotiated the purchase of a data management system for its use from this vendor in accordance with the city's definition of a sole source provider. However, neither the DOH or DHS solicited bids or proposals or documented the sole source justification for the purchase of the two systems used by the DOH. To ensure city funds are spent efficiently and effectively and to ensure compliance with city purchasing requirements, the DOH should have documented the reason for the sole source purchase or solicited proposals for the purchase of the data management systems.

WE RECOMMEND the Department of Health:

- A. Require all employees document time spent on grant-related functions.
- B. Implement procedures to ensure only allowable items are purchased with grant funds.
- C. Ensure city policy is followed for all emergency purchases, including adequately documenting the emergency nature of the purchase. Bids should be solicited for purchases that do not meet the city's definition of an emergency.
- D. Ensure city purchasing policies are followed for purchases of data management systems.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the findings and has immediately responded to the State Auditor's recommendations by implementing policies and procedures requiring all employees to:

- *document time spent on all DOH functions;*
- *ensure only allowable items are purchased with grant funds;*
- *ensure that the City policy is followed for all emergency purchases, including adequately documenting the emergency nature of the purchase; and*
- *ensure that City purchasing policies are followed for purchases of data management systems.*

In addition to the above policies and procedures, the Department of Health requires all DOH employees to complete a time documentation form (or personal activity report) on a bi-weekly basis. The time documentation form tracks the number of hours worked daily, the activities

associated with the hours worked, and the funding source that the hours of activity is appropriately charged.

Special Needs Registry:

A requirement of the Centers for Disease Control and Prevention emergency preparedness grant is to assure that the needs of special populations such as seniors and the disabled as well vulnerable populations such as children are met. The special needs registry is a vital part of our ability to save lives during a disaster by assessing those needs, as well as locating citizens who are at risk and communicating critical, life saving information to those individuals. Building onto the existing data base housed in Human Services was the most cost effective and efficient manner of building this capability.

Emergency Purchase (Camera):

The camera (\$4,033.40) was purchased for in-house production of items that would have cost us \$6,000 for the initial STD/HIV Sexual Responsibility campaign - and \$2,500 for 2008, \$2,000 for 2009 to date, and \$4,000 annually for subsequent years of campaign studio rental/production work if outsourcing was required. The purchase has realized the DOH a \$6,467 cost savings to date, which does not include the staff/personnel cost associated with setting up and managing the creative productions that would have been required because of the utilization of the diverse celebrity/spokesperson individuals involved in the campaigns. This equipment has been used in the production of the DOH's spokespersons campaigns featuring Murphy Lee and St. Lunatics Health Campaign for magazine and print ads, Blu Bolden Vice-President of Derrty Ent., and Penelope Jones featured Sexual Health Responsibility Poster Campaign, Lead Safe Saint Louis program promotional ads. The equipment has been used in the production of numerous DOH Departmental and Community Displays and Health promotion events and fairs, newsletters, etc. It has been proven to be more efficient and effective to purchase this equipment and produce these materials with existing staff.

3.

Air Pollution Control Program

Air Pollution Control Program (APCP) inspectors are allowed to use their assigned city vehicles for commuting purposes; however, there appears to be no valid business purpose for this, and the DOH has no mechanism to monitor the use of these vehicles. The APCP also has not complied with some grant and city code requirements.

- A. Eight employees of the APCP regularly take their assigned vehicles home rather than parking them at the air pollution control building. APCP officials stated there is no particular business purpose for allowing the inspectors to drive the vehicles home and this practice has been allowed for many years. The inspectors are not on-call nor required to respond to emergencies.

In addition, the inspectors are not required to maintain mileage logs. While the city reports taxable benefits for each day the employees use the vehicles for

commuting purposes as required by IRS regulations, the city has no means to distinguish between business and commuting mileage incurred by the inspectors. Mileage logs should include the purpose and destination of each trip and the beginning and ending odometer readings.

To ensure city vehicles are only used for city business, mileage logs should be maintained and the DOH should discontinue allowing APCP inspectors to use city vehicles for commuting purposes.

- B. The APCP did not inspect 11 of 24 required pollution emitting facilities during the year ended June 30, 2008. The APCP receives state grant funds and maintains an agreement with the Missouri Department of Natural Resources (DNR) to inspect pollution emitting facilities in the City of St. Louis including 24 large manufacturing facilities. APCP officials indicated staff vacancies prevented them from inspecting 11 of these large facilities. To ensure compliance with the DNR agreement and maintain grant funding, the APCP should establish a method to inspect all facilities.
- C. The city does not currently have a Board of Air Pollution Control Appeals and Variance Review as required by city code. St. Louis City Revised Code Section 11.34.090 requires the city to maintain a board, consisting of members appointed by the mayor, to conduct hearings on appeals from actions and orders of the health commissioner and all petitions for variance. The board is also responsible for advising the APCP on rules and regulations.

The board was eliminated when the APCP was transferred to the DOH from the Department of Public Safety in 2003. ACPP officials indicated the former board was eliminated with the intention of starting a new board but this was not done. To ensure there is an outlet for appeals of air pollution decisions and compliance with city code, the city should reinstate the board.

WE RECOMMEND the Department of Health:

- A. Require mileage logs for all city vehicles and discontinue the practice of allowing employees to commute in city vehicles when there is no clear business purpose.
- B. Fulfill its agreement with the DNR and inspect all required pollution emitting facilities.
- C. Work with the Mayor's Office to reinstate the Board of Air Pollution Control Appeals and Variance Review to comply with City Code.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the finding related to the APCP vehicles and immediately responded to the State Auditor's recommendation by discontinuing APC inspectors' use of City vehicles for commuting purposes. As early as October 2008, a policy was implemented to require the eight APC City vehicles to be parked overnight at 634 N. Grand, the Department of Health site. Subsequent to this policy being implemented, the Department of Health has begun the process of reducing the APC fleet to one vehicle required to meet the Special Purpose Monitoring contract deliverables. Commuting usage will not be allowed on this vehicle, and will be parked overnight on City property.

The Department of Health, with the support of the Missouri Department of Natural Resources, has made a cost efficiency decision to replace the Air Pollution Control Program vehicles with mileage reimbursement. Currently, the Department of Health is working with Procurement Commissioner, Mr. Freddie Dunlap, to adhere to the procedures in accordance with the State requirements to surplus the vehicles.

The Department of Health agrees with the finding related to facility inspection compliance. This issue arose due to the APCP being understaffed during the 2007-2008 grant period. During the State and Local Agreement meeting prior to the beginning of the grant period, the Department of Health's Air Pollution Control Program informed the Missouri Department of Natural Resources of the staffing issues, and stated that there potentially would be compliance issues regarding facility inspection. The Missouri Department of Natural Resources acknowledged the issue and verbally granted a waiver given that the Department of Health agreed to a) work diligently to fill the vacant positions and b) inspect as many facilities it could with its current staff. As of the 2008-2009 grant period, APCP is fully staffed and is on target for fulfilling its agreement with the DNR and to inspect all required pollution emitting facilities.

The Department of Health agrees with the finding related to reinstating the Board of Air Pollution Control Appeals and Variance Review and will work with the Mayor's Office to comply with City Code.

4. School Nurse Program

The DOH provides nurses to private schools in the City of St. Louis but does not provide a similar service to the city's public schools. The DOH maintains a memorandum of understanding with the Archdiocese of St. Louis and the Lutheran Elementary School Association of St. Louis to provide nursing staff on-site at their associated private schools as well as nurse consulting services. Neither organization provided compensation for the services, and the program is funded by the city's use tax. In fiscal year 2008, 5 nurses served 36 private schools at a cost to the city of \$223,025. Per DOH officials, city public schools are not provided the same services because the public schools provide nursing staff with school district funds.

While this appears to be a beneficial service, the school nurse program operated by the DOH is providing services with public funds to a limited group without compensation. Sound business practices dictate city public funds should be used to benefit all city residents. The DOH should consider providing nursing services to both city public and private schools with city funds, seeking compensation from the private schools for these services, or discontinuing the program.

WE RECOMMEND the Department of Health review the school nurse program and consider providing equitable services to all city students.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the findings and will proactively approach and work with the Board of Estimate and Apportionment to provide equitable services to all city students.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH
HISTORY AND ORGANIZATION

The City of St. Louis Department of Health's (DOH) mission is to assure a healthy St. Louis community through continuous protection, prevention, and promotion of the public's health. This is done with the administration of federal, state, and city programs by various bureaus. The department operates under the direction of the Interim Director, Pamela Rice-Walker, and Commissioner of Health, Melba Moore. The department employs 212 individuals in the following six offices and bureaus:

1. Director of Health

The Director of Health is responsible for providing leadership and direction to the DOH by establishing strategic goals and objectives for planning, developing, implementing, and evaluating programs and services provided. The Lead Safe St. Louis Program operates under the director's office.

2. Commissioner of Health

The Commissioner of Health is responsible for implementing the strategic goals and objectives of the DOH, along with providing administrative support to the other offices and bureaus. Services include personnel management, budget preparation, grant administration, and the promotion of health programs.

3. Communicable Disease Control

The Communicable Disease Control Bureau monitors, protects, and promotes public health to the citizens of St. Louis with regards to communicable diseases. Services include prevention programs, diagnostic testing, treatment, follow-up, and contact investigations for all reported communicable diseases.

4. Animal Care and Control

The Animal Care and Control Bureau is responsible for operation of the animal shelter and enforcing animal regulations. The Vector Control Section is responsible for containing and controlling mosquito and rat populations. Services include the apprehension of stray animals, public education, vaccinations, animal adoption services, containment and elimination of mosquito and rat populations, and disease testing and monitoring of mosquitoes and birds.

5. Environmental Health Services

The Environmental Health Services Bureau is responsible for monitoring the air quality in the city and monitoring food establishments. Services include hazardous materials

management, water quality monitoring, sanitation control, air pollution control and monitoring, and food regulation enforcement.

6. Family/Community/School Health Services

The Family/Community/School Health Services Bureau performs services to help prevent disease, provide care to families, and provide community outreach services. Services include school health screenings and referrals, providing school nurses to private schools, immunization audits, community outreach, infant mortality initiatives, and other prenatal care services.



Susan Montee, JD, CPA
Missouri State Auditor

City of Olympian Village



June 2009

Report No. 2009-58

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the city of Olympian Village.

The city of Olympian Village is in poor financial condition resulting from the failure of the board to monitor and provide guidance and controls necessary to ensure the continuing operations of the city. Due to inadequate cash balances, the city has paid bills from whichever funds had monies available and has used restricted monies for general operations of the city. Also, the city has not properly funded the sewer repair and replacement accounts and has accumulated substantial debt including \$14,900 in payroll taxes and \$48,650 due to various vendors. Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city. These weaknesses include the absence of budgets and financial statements, the lack of bank reconciliations, and the lack of planning and monitoring of the city's sewer system. A similar financial condition was noted in our prior report dated June 8, 2000.

The city does not have formal written agreements with several companies or individuals providing services. Also, the city does not have a formal bidding policy. Several checks totaling over \$6,000 were made payable to cash or the bank. The former Mayor cashed \$1,279 of these checks and no supporting documentation could be located related to the disposition of these monies. In addition, detailed documentation was not retained or could not be located for some disbursements reviewed totaling approximately \$25,100. Board approval of recurring bills paid is not documented. Several disbursements totaling over \$3,600 did not appear to be prudent and necessary uses of public funds, including a barbecue grill, dog food and a feeding pan, soda and candy bars, a Christmas rug, and a rare image sapphire. A current board member indicated the city is not in possession of the items nor would these items have been used by the city. The city has not established procedures to ensure Forms 1099 are filed with the Internal Revenue Service when required.

Several control weaknesses were noted concerning receipts. Duties related to receipts are not adequately segregated. Sewer monies received are not deposited on a timely basis. Receipt slips are not issued for franchise tax payments and some sewer payments. A receipt report is not generated from the city's sewer system and reconciled to amounts deposited. The city does not maintain a control ledger to account for total billings and payments received each month and, as a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid are not performed. The board does not compare the list of delinquent sewer accounts to the accounts receivable report each month. In addition, it appears the city did not charge the appropriate fees for the construction of two apartment buildings in May and June 2006.

The city does not properly report wages, withhold payroll taxes, or pay the employer's share of Social Security and Medicare taxes for compensation paid to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney. Police officers were paid a monthly mileage allowance for commuting to and from the city in their personnel cars in lieu of a salary. There was no documentation indicating these allowances were authorized or how the varying amounts

YELLOW SHEET

paid to each officer were determined. In addition, the payments were not properly reported as compensation for tax purposes. The city does not maintain payroll registers listing gross wages, payroll taxes withheld, net pay, and year-to-date totals for each employee. The city does not have a comprehensive employee manual. Records of vacation or sick leave earned and taken and accumulated balances were not maintained or could not be located. The former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively, and was paid approximately \$3,000 for overtime in 2007. Time sheets were not prepared or could not be located and the board did not approve payroll transactions.

The city does not maintain property records to account for capital assets owned by the city or conduct physical inventories. The city sold several parcels of property without publicizing the sale, obtaining current appraisals, or soliciting bids. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city. In addition, a review of vendor statements and charge receipts for 2006 and 2007 indicated several purchases of fuel at gas stations located several miles from the city limits.

The city has not established a separate accounting for road taxes, motor vehicle-related receipts, law enforcement training fees, and sewer fees. In addition, transfers are not properly tracked and documented.

Compensation paid to city employees and some officials is not set by ordinance. The city has not adopted a policy regarding public access to city records, and some board minutes did not include sufficient detail of matters discussed and actions taken. It is not clear if the Board of Aldermen properly followed state law for impeachment proceedings when it voted to terminate an alderman at the November 8, 2007, meeting. There was no documentation or cause shown for the dismissal or that the alderman had been given the opportunity to be heard as required by the impeachment process.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF OLYMPIAN VILLAGE

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT		1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS		4-31
<u>Number</u>	<u>Description</u>	
1.	Financial Condition.....	5
2.	Disbursement Controls and Procedures	6
3.	Budgets and Financial Reports	13
4.	Accounting Controls and Procedures	15
5.	Payroll Procedures and Policies.....	18
6.	Capital Assets and Vehicle Usage	23
7.	Maintenance of Streets and Sewer System	25
8.	Restricted Receipts	27
9.	Minutes and Ordinances	29
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		32-35

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Olympian Village, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Olympian Village. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Olympian Village.

An additional report, No. 2008-037, *Twenty-Third Judicial Circuit, City of Olympian Village Municipal Division*, was issued in June 2008.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF OLYMPIAN VILLAGE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition

The city of Olympian Village is in poor financial condition resulting from the failure of the board to monitor and provide guidance and controls necessary to ensure the continuing operations of the city. The current officials appear to have taken some steps to establish controls and procedures to monitor the city's finances; however, budgets and financial statements have not been prepared (see MAR finding number 3).

The city operates with very low cash balances. On June 30, 2008 and 2007, the total of all cash balances was \$5,595 and \$1,143, respectively. Due to inadequate cash balances in some funds, the city has, at times, paid bills from whichever funds had monies available. The city has used restricted road and sewer monies for general operations of the city (see MAR finding number 8). Also, the city has not properly funded the repair and replacement accounts for its sewer system as required by ordinance (see MAR finding number 7) and has accumulated substantial debt. At June 30, 2008, approximately \$14,900 was due to the US Treasury for failure to file and remit payroll taxes for 2007 (see MAR finding number 5) and \$48,650 was due to various vendors (see MAR finding number 2). In addition, several purchases did not appear to be prudent uses of city funds (see MAR finding number 2) and it appears the former City Clerk was overpaid approximately \$4,100 (see MAR finding number 5).

Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city and have resulted in or contributed to the problems noted above. These weaknesses include the absence of budgets and financial statements, the lack of bank reconciliations, and the lack of planning for and monitoring of the city's sewer system. Additionally, disbursements exceeded receipts by \$74,797 for the year ended June 30, 2007; however, receipts exceeded disbursements by \$4,852 for the year ended June 30, 2008.

The current board has eliminated cellular telephones and fuel credit cards, and suspended court from November 2008 through April 2009, in an attempt to reduce disbursements. In addition, the board has reduced work hours for the City Clerk and City Collector and has concentrated its efforts on resolving and paying off amounts due. However, it appears additional steps need to be taken.

The Board of Aldermen should continue to review disbursements, reducing discretionary spending as much as possible, and ensure adequate resources are available to fund the necessary core city services. These plans should be formalized in a detailed annual budget. In addition, the board should ensure an effective system of accounting and administrative controls are in place, including procedures to monitor the financial condition of the city by reviewing budget to actual comparisons and financial statements

on a timely basis. The specific recommendations contained in the following MAR findings, if implemented, will help establish these records, controls, and procedures.

A similar financial condition was noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen and Mayor closely monitor the financial condition of the city, reducing discretionary spending as much as possible. In addition, the board and Mayor should ensure the recommendations in this report are addressed and implemented on a timely basis.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following response:

We have been working on improving the overall financial condition of the city. We have reduced the city's outstanding debt significantly. The city has paid off past due amounts for several vendors and remains current on all required payroll tax reports and payments per the IRS agreement. Additionally, we are developing a budget and financial report which will be available for the beginning of the 2010 fiscal year.

2. Disbursement Controls and Procedures

Controls and procedures over disbursements are in need of improvement. The city does not have formal written agreements for some services or a formal bidding policy. The board does not document its approval of some invoices, supporting documentation was not obtained or retained for some disbursements, and some invoices did not indicate the receipt of goods or services. In addition, several checks were written to cash or to the bank and blank checks are not stored in a secure location. Also, the city is in arrears to several vendors, some purchases did not appear prudent and necessary, the city does not have a cellular telephone policy, and the city has not established procedures to ensure Internal Revenue Service (IRS) Forms 1099 are filed as required.

- A. The city does not have formal written agreements with several companies or individuals providing services. The following services were obtained without written contracts for the time period January 1, 2007 through June 30, 2008:

Payee	Amount paid
Street paving	\$ 14,771
Snow removal	10,494
Building inspector	5,425
City Attorney	3,706

Formal written agreements are necessary to document each party's duties and responsibilities, and the manner and amount of compensation to be paid. In

addition, Section 432.070, RSMo, requires political subdivisions' contracts to be in writing.

- B. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The city solicited bids for some items such as street paving and snow removal. However, bids were either not solicited or bid documentation was not retained for the following items during the time period of January 1, 2007 through June 30, 2008:

	Amount Paid
Operation and maintenance of the sewer system	\$ 46,975
Sewer spill cleanup	25,124
Street paving	14,771
Asphalt	4,712
Engineering	4,000

In addition, the city accepted a bid of \$41,364 for the repaving of several streets, but there was no indication why the low bid of \$28,850 was not accepted. In addition, the amount paid exceeded the original bid by \$8,500; however, there was no documentation indicating the reason for the increase in cost.

Formal bidding procedures for major purchases provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected. In addition, any changes to the original bid amount should be documented and approved.

- C. The following concerns were noted regarding disbursements:

- 1) Adequate supporting documentation was not retained for some disbursements made from January 1, 2007 through June 30, 2008. Detailed documentation was not retained or could not be located for 16 of 34 disbursements reviewed, totaling approximately \$25,100. Examples include payments of approximately \$14,800 for street paving, \$5,000 for sewer maintenance, \$600 for building inspection fees, and \$2,000 for fuel. In addition, billing statements and invoices are not checked for accuracy and canceled upon payment.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. In addition, billing statements or invoices should be checked for accuracy to ensure the proper amount is paid, and canceled upon payment to avoid duplicate payment.

- 2) The board receives and approves a list of bills to be paid, which is included in the monthly meeting minutes; however, recurring disbursements are not included on this list. In addition, the board generally does not review and approve individual invoices for payment.

To adequately document the board's review and approval of all disbursements, a complete and detailed list of checks written should be prepared and signed or initialed by board members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made to ensure all disbursements represent valid operating costs of the city.

- 3) Several checks, totaling \$4,357, were made payable to cash and two checks, totaling \$2,229, were made payable to the bank. It appears \$3,078 of the checks made payable to cash were used to purchase money orders to pay for electric services. However, the remaining checks totaling \$1,279 were cashed by the former Mayor and no supporting documentation could be located indicating the disposition of these monies. In addition, supporting documentation could not be located for the checks made payable to the bank. The checks made payable to the bank were signed by only the former Mayor, after his resignation. To reduce the risk of misuse of monies, the practice of writing checks payable to cash or the bank should be prohibited. In addition, the board should investigate checks cashed by the former Mayor and consult with legal counsel regarding any action to be taken.
- 4) Receipt of goods and services is not indicated on some invoices prior to payment. To ensure goods and services have been properly received by the city, procedures should be established to ensure all invoices and other supporting documentation are initialed or signed by a city employee.

- D. The city has not established procedures to ensure all checks issued contain dual signatures as required by city policy. Currently, the Mayor Pro Tem, City Treasurer, and one board member are authorized to sign checks. In the past, the Mayor, Mayor Pro Tem, and City Clerk were authorized to sign checks. Until recently, the city's printed checks had only one signature line; however, city policy requires two individuals to sign checks. During the year ended June 30, 2008, numerous checks were issued and cleared the bank with only one signature from either the former City Clerk or former Mayor. The current City Clerk

indicated the city ordered and received checks with dual signature lines. In addition, blank checks are not stored in a secure location. The current City Clerk indicated the check books are kept on a stand behind her desk.

To reduce the risk of fraud or misuse of funds, the board should establish procedures to ensure all checks drawn on the city treasury have dual signatures as required by city policy and ensure blank checks are stored in a secure location.

- E. The city failed to pay numerous invoices timely resulting in a significant increase in current liabilities. Per vendor invoices and discussion with various entities, the city owed approximately \$48,650 at June 30, 2008, and the following amounts were due as of November 18, 2008:

Description	Amount
Sewer clean-up	\$ 5,247
Supplies	186
Waste treatment	6,633
Court room rental	1,110
Sewer certification	100
Sewer maintenance	312
Check printing	340
Electrical work	2,665
Sewer testing	404
Court Clerk	2,574
Sewer equipment	265
Fuel	8,471
Trash hauling	344
Sheriff response	2,839
911 service	9,322
Attorney fees	1,113
State regulations	291
Workmen's compensation insurance	1,690
Street paving	4,177
Office supplies	321
Cellular telephones	260
Calibration of sewer system	105
Heating repair	107
Electronic equipment	203
Bookkeeping services	188
Test sewer backflow	265
Total	\$ <u>49,532</u>

In addition, the city owed approximately \$11,800 and \$14,900 in back federal payroll taxes (see MAR finding number 5) at November 18, 2008, and June 30, 2008, respectively.

Unpaid invoices should be monitored and appropriate follow up action taken. Also, the city should monitor liabilities to properly plan and budget expenses. Procedures should be in place to ensure bills are paid timely to avoid late charges and interest.

- F. Several disbursements from January 2004 through August 2008 did not appear to be prudent and necessary uses of public funds:

Barbecue grill plus assembly	\$	184
Five gallons of paint		76
Ceiling fan		60
Outside porch lamps		34
Rental for a rug cleaning machine		65
Motor oil		263
Propane tank and refills		82
Dog food and feeding pan		11
Bib overalls		94
Soda and candy bars		50
Generator including extended warranty		679
Christmas rug		10
Rare image sapphire		65
Propane		17
Over-the-counter medication		212
Telephones		78
Computer printer ink cartridge		437
Camera film		153
510 rolls of bathroom tissue (purchased in an 18 month period)		687
210 rolls of paper towels (purchased in a 14 month period)		401
Total	\$	<u>3,658</u>

A current board member indicated the city is not in possession of the items listed above, nor would these items have been used by the city. Additionally, it appears the city would not have used the large quantities purchased for several of the items. Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

- G. The city has not established a formal policy regarding cellular telephone use or guidelines to determine whether cellular telephones are needed or beneficial to the city. From January 2007 through February 2008, the city paid \$1,962 for cellular telephone service provided to the former City Clerk, the former sewer operator, and a third cellular telephone which was obtained and activated in September 2007. Current officials do not know who used the third telephone. The

September 2007 bill, totaling approximately \$248, consisted of \$175 in plan charges, \$23 in directory assistance charges, and \$50 in other charges and adjustments. Of these amounts, \$65 of the plan charges and \$36 of the other charges were for the third telephone. A review of the bills for the third telephone revealed the majority of the calls took place during non business hours. The city is not currently in possession of the cellular telephones. Current city officials indicated service on the third cellular telephone was cancelled on November 14, 2007, and the remaining two cellular telephones were cancelled in February 2008.

While cellular telephones can help increase employee productivity, they are also costly. A policy is needed to ensure cellular telephones are used only for business purposes. Such a policy should address which employees need a cellular telephone and allowable use of the telephone. Effective procedures should be implemented to monitor cellular telephone use and review invoices for propriety.

- H. The city has not established procedures to ensure Forms 1099 are filed with the IRS when required. It could not be determined if Forms 1099 were filed for the following payments made in 2007:

	Total Paid
Building inspections	\$ 4,875
Snow removal	4,225
Street paving	9,662

Sections 6041 through 6051 of the Internal Revenue Code require payment of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

Conditions A through C2 were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Enter into written agreements for all services.
- B. Establish a formal bidding policy regarding the procurement of goods and services. In addition, complete documentation of the bidding process should be maintained, including bid specifications and bid forms, all bids received, and documentation of the justification for selecting and rejecting bids.
- C.1. Ensure disbursements are supported by paid receipts and/or vendor-provided invoices and require invoices to be checked for accuracy and canceled upon payment.

2. Approve invoices prior to payment and adequately document its approval by including a list of approved disbursements in the board minutes.
 3. Discontinue the practice of making checks payable to cash and the bank. In addition, the board should investigate checks cashed by the former Mayor and consult with legal counsel regarding any action to be taken.
 4. Establish procedures to ensure invoices contain indication goods or services have been received prior to payment.
- D. Ensure blank checks are stored in a secure location and checks issued are properly signed.
- E. Implement procedures to ensure bills are paid timely.
- F. Ensure disbursements are necessary and prudent uses of public funds.
- G. Develop a policy regarding the use of cellular telephones, which includes procedures to monitor use and periodically assess whether the plan selected meets the needs of the city and is cost effective.
- H. Ensure Forms 1099 are issued in accordance with IRS regulations.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. The city is now entering into contracts for services. The city has signed contracts for street paving and snow removal, and with the City Attorney.*
- B. *We have begun obtaining bids and will develop a formal bidding policy. We will ensure bids are documented in the minutes including explanations to support our selection.*
- C.1. *This recommendation has been implemented. All invoices are retained and reviewed when checks are signed.*
2. *This recommendation has been implemented. All invoices are approved for payment at the board meetings and a list of the bills approved for payment is attached to the minutes.*
 3. *This recommendation has been implemented. Checks are no longer made payable to the bank or cash. We will discuss this with our legal counsel.*
 4. *This recommendation has been implemented. The receipt of goods is documented on the invoices.*

- D. *This recommendation has been implemented. Blank checks are stored in a locked file cabinet. In addition, all checks are now printed through the computer and require dual signatures.*
- E. *This recommendation has been implemented. The city has worked on paying vendors timely and has reduced outstanding debt significantly.*
- F. *This recommendation has been implemented. The questionable purchases were made by the prior administration and all of those vendor accounts have been closed.*
- G. *Cellular phones were utilized by the prior administration. The current board determined cellular phones were not necessary for the city.*
- H. *This recommendation has been implemented. The city issued 1099 forms to independent contractors providing services to the city for 2008.*

3.	Budgets and Financial Reports
-----------	--------------------------------------

Budgets are not prepared and financial statements are not prepared, published, or submitted to the State Auditor's office as required by state law. In addition, the city does not obtain annual audits.

- A. The board did not prepare and approve a budget for the year ended June 30, 2008. The current Mayor indicated a budget had not been prepared and approved for several years. The failure to prepare budgets has been a significant contributing factor to many of the city's problems. City officials are unable to compare budgeted to actual receipts and disbursements preventing them from taking necessary steps to address revenue shortfalls and deficit spending or to readily determine funds available.

Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provides a means to effectively monitor financial activity. It will also assist in setting tax levies and informing the public about the city's operations and current finances. A complete budget should include separate receipt and disbursement estimates by fund, beginning available resources, and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The current Mayor indicated the city has not published semi-annual financial statements for several years as required by state law. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annually a full and

detailed account of the receipts, disbursements, and indebtedness of the city. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo, states the City Treasurer cannot legally disburse funds until the financial statement is published.

- C. The city did not submit annual financial reports for the years ended June 30, 2004 through 2008, to the State Auditor's office. Section 105.145, RSMo, requires political subdivisions to file an annual report of financial transactions with the State Auditor's office.
- D. The city does not obtain annual audits. Section 250.150, RSMo, requires the city to obtain an annual audit of its sewer system revenues and transactions.

In addition to being required by state law, annual audits of city funds would help ensure financial transactions are properly recorded.

Conditions A through C were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Prepare and adopt annual budgets as required by state law.
- B. Ensure semi-annual financial statements are published or posted in accordance with state law.
- C. Ensure annual financial reports are filed with the State Auditor's office.
- D. Obtain an annual financial audit of sewer transactions.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. The board is currently developing budget procedures and will adopt a budget for the year ending June 30, 2010.*
- B. *This recommendation has been implemented. The city is working on the financial statement for the year ending June 30, 2009.*
- C. *The city will implement this recommendation upon completion of the financial statement for the year ending June 30, 2009.*
- D. *The city will implement this recommendation beginning with the year ending June 30, 2009.*

4.**Accounting Controls and Procedures**

Formal bank reconciliations are not prepared and accounting duties are not properly segregated. Sewer monies collected are not deposited timely, receipt slips are not issued for some monies received, the composition of receipt slips issued is not reconciled to deposits, and the numerical sequence of receipt slips issued is not accounted for properly. Checks and money orders are not restrictively endorsed upon receipt. In addition, the sewer accounts receivable balance is not reconciled to total billings less collections, and there is no review of account balances. Fees for a building permit did not appear to follow the established fee schedule.

- A. Formal bank reconciliations are not documented by the current City Clerk and were not prepared by former City Clerks or could not be located. The current City Clerk indicated she attempted to reconcile the bank accounts for April 2008, when she took over this position; however, she was unable to reconcile. As a result, she began new check registers for all accounts. The current City Clerk indicated she reconciles the bank accounts each month; however, the reconciliation is not documented.

Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

- B. Duties related to receipts are not adequately segregated. The City Collector prepares the monthly sewer billings, enters and approves adjustments, issues shut off notices on delinquent accounts, collects payments, prepares deposits, records receipts and maintains sewer accounts receivable records. The City Treasurer agrees deposits to deposit slips and deposit reports prepared by the City Collector; however, she does not reconcile deposits to receipt slips issued. These duties should be segregated to allow for a system of checks and balances. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the City Collector's records.

A similar condition was noted in our prior report dated June 8, 2000.

- C. The following concerns related to receipts were noted:

- 1) Sewer monies received are not deposited on a timely basis. Deposits are prepared daily by the City Collector; however, they are held at city hall until the City Treasurer reviews and approves the deposits at the end of each week and takes the deposits to the bank. For example, the deposits prepared daily for the week of April 10 through April 16, 2008, totaling \$2,634 and including \$427 in cash, were deposited on April 16, 2008. In

addition, checks and money orders are not restrictively endorsed immediately upon receipt. The City Treasurer endorses checks and money orders when she verifies the deposits.

- 2) Prenumbered receipt slips are not issued for some monies received. Receipt slips are not issued for franchise tax payments and some sewer payments. In addition, the City Collector does not reconcile the composition of receipt slips issued to the composition of deposits or account for the numerical sequence of receipt slips issued. A review of April 2008 receipts revealed three receipt slips which did not indicate the method of payment and two checks deposited for which receipt slips were not issued.
- 3) A receipt report is not generated from the city's sewer system and reconciled to amounts deposited. The City Collector posts sewer payments to the city's computerized sewer system. This system is used to generate monthly billings and to determine unpaid accounts which should be disconnected.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, prenumbered receipts slips should be issued for all monies received, the composition of receipts should be reconciled to the composition of deposits, checks and money orders should be restrictively endorsed immediately upon receipt, and all monies should be deposited timely. Also, a receipt report should be generated from the sewer system and reconciled to receipt slips issued and deposits.

- D. The city maintains individual customer sewer accounts; however, the city does not maintain a control ledger to account for total billings and payments received each month. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid are not performed.

Monthly reconciliations are necessary to ensure accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made, and to facilitate independent reviews.

- E. The board does not compare the list of delinquent sewer accounts to the computerized accounts receivable report each month. The City Collector is responsible for making adjustments to accounts and preparing and issuing shut-off notices each month for delinquent accounts. The City Collector indicated she scans each account in the computer and compiles a list of delinquent accounts and sends out shut-off notices. The board is given a copy of this list to review; however, the board does not compare the list to an accounts receivable report generated by the computer. The board should compare the accounts receivable

subsidiary report to the delinquent list each month and document its approval to provide assurance all shut-off notices have been issued timely.

- F. It appears the city did not charge the appropriate fees for the construction of two apartment buildings in May and June 2006. The city's fee schedule states new construction requires building permits at a cost of \$100 plus 17 cents per square foot of living space, \$300 for covering three inspections, and a \$1,000 sewer tap fee. A current board member indicated the fees applied to each building and each apartment building contained 3,540 square feet of living space. The city only charged for one sewer tap fee; however, it appears at least two sewer tap fees should have been charged since there were two buildings. The following shows the comparison of calculated fees to actual fees collected:

Fee	Actual Fees	Fees per Audit
Building permit	\$ 100	200
Square foot cost	193	1,204
Inspections	400	600
Sewer tap	1,000	2,000
Total	\$ 1,693	4,004

There was no documentation indicating how the city calculated the fees charged.

The city should assess fees charged for new construction according to its fee schedule. The reasons for variances should be documented and retained.

WE RECOMMEND the Board of Aldermen:

- A. Ensure formal monthly bank reconciliations are prepared and maintained for all city accounts.
- B. Segregate the duties of the City Collector and/or establish a periodic review of the receipt records by an independent person.
- C.1. Deposit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt
 2. Require receipt slips be issued for all monies received, the method of payment be recorded, the numerical sequence of receipt slips issued be accounted for properly, and the composition of receipt slips issued be reconciled to deposits.
 3. Ensure a receipt report is generated from the city's sewer system and reconciled to amounts deposited.

- D. Require the City Collector to maintain an accounts receivable control record and periodically reconcile individual customer accounts receivable balances to the total ending accounts receivable balance.
- E. Compare the delinquent accounts list to the receivables subsidiary report and document its approval.
- F. Ensure construction fees are charged according to the city fee schedule.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. Formal bank reconciliations are now prepared by the City Clerk for all accounts.*
- B. *This recommendation has been implemented. All adjustments are reviewed and approved by the board each month.*
- C.1. *This recommendation will be implemented. The board will review the amount of cash collected during the week and make deposits more frequently (twice a week) when significant amounts of cash are collected.*
- 2. *This recommendation has been partially implemented. Receipt slips are now issued for all monies received. In addition, the composition of receipt slips will be reconciled to the deposits by the Treasurer before the deposit is taken to the bank.*
- 3. *This recommendation will be implemented.*
- D. *The city will establish procedures to reconcile sewer balances each month.*
- E. *This recommendation has been implemented. The board reviews the delinquent accounts each month. We will begin printing out a copy to document this review and approval.*
- F. *This recommendation has been implemented. The city follows the fee schedule when assessing all required fees. Any deviation from the established fee schedule will be documented as to the reasons why. The city has entered into legal action to recoup lost fees from a developer incorrectly charged by the prior administration.*

5.	Payroll Procedures and Policies
-----------	--

Payroll taxes were not withheld from some compensation payments. In addition, some compensation was not reported on W-2 forms, and the city failed to file reports and remit payments for federal and state payroll tax withholdings. Payroll registers are not maintained detailing gross wages and deductions for each pay period and year-to-date

totals. The city does not maintain an employee personnel manual, require time sheets, or track overtime and leave. The city does not have adequate procedures to ensure payroll expenses are properly reported and payroll tax withholdings are properly computed and disbursed. In addition, the former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively.

A. The following payments to employees were not subject to payroll tax withholdings or W-2 reporting as required:

- 1) The city does not properly report wages, withhold payroll taxes, or pay the employer's share of Social Security and Medicare taxes for compensation paid to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney. City officials indicated the City Attorney and Municipal Judge were issued IRS 1099 forms; however, copies of the 1099 forms could not be located.

Payments made to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney represent compensation subject to IRS reporting, payroll tax, and income tax withholdings. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes from and pay the employer's share of Social Security and Medicare taxes on compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security tax purposes.

- 2) Police officers were paid a monthly mileage allowance for commuting to and from the city in their personnel cars in lieu of a salary. There was no documentation indicating these allowances were authorized or how the varying amounts paid to each officer were determined. In addition, the payments were not properly reported as compensation for tax purposes. Officers were not required to report mileage or actual vehicle expenses incurred. Three officers were reimbursed a total of \$1,559 and \$1,333 for mileage driven between home and city hall for personal travel for calendar years 2007 and 2006, respectively. In addition, the city allowed the officers to charge at least \$500 in gasoline to the city from July through September 2007 for use in their personal cars. Additional amounts may have been charged to the city for use in personal cars, but current city officials were not able to obtain copies of vendor invoices for gasoline purchases in order to determine the total. The officers, who serve as volunteers for the city, were provided city vehicles for patrolling the city.

The city should require police officers to report all city-related expenses incurred on their personal vehicles to ensure gasoline charges are

reasonable and the use of personal vehicles for patrolling is necessary, or consider reimbursing the police officers for actual mileage incurred and discontinue paying mileage allowances. In addition, the mileage allowance payments appear to be taxable compensation to the officers, but the city did not report the payments on the officers' W-2 forms. IRS regulations require travel and expense reimbursements be reported on the recipients' W-2 forms unless the recipients are required to report the related expenses to their employer, and commuting mileage is required to be reported on the recipients' W-2 forms unless specific criteria are met. No other current city employee received similar mileage reimbursements, and the current city administration has discontinued the mileage allowance.

- B. The city failed to file required payroll reports and remit payments to the IRS and Missouri Department of Revenue (DOR) for payroll and unemployment taxes for the year ended December 31, 2007. The city recently filed the required payroll tax forms with the IRS and DOR for 2007, and paid the DOR in full, including penalties and interest of approximately \$250. In addition, the city entered into a payment plan with the IRS for back taxes. The payment plan requires the city to remain current on all required tax filings and payments and pay \$500 per month on the outstanding balance. As of June 30, 2008, the city has remained current on tax filings and payments and has an outstanding balance of approximately \$14,900 for 2007. Interest and penalties on federal payroll taxes for the first and second quarters of 2007 totaled approximately \$2,400.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of Social Security and Medicare taxes withheld from the employee and the employer's share, as well as federal income taxes withheld. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. Good business practices require the city to make timely deposits of tax withholdings to avoid unnecessary penalties and interest.

This condition was noted in our prior report dated June 8, 2000.

- C. The city does not maintain payroll registers listing gross wages, payroll taxes withheld, net pay, and year-to-date totals for each employee. In addition, the city does not have adequate procedures to ensure payroll expenses are properly reported and withholdings are properly computed and disbursed. Some mathematical errors were noted in the calculation of gross wages and an incorrect percentage was used for the determination of some Medicare taxes.

Adequate payroll registers and calculations of payroll taxes are needed to file accurate payroll reports, and retention of payroll documentation is required to support payroll tax computations and to show compliance with applicable federal

and state laws and regulations. Failure to properly withhold and report payroll taxes could result in fines and penalties levied against the city.

- D. The city does not have a comprehensive employee manual detailing personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees.

A comprehensive employee manual which summarizes policies can benefit both city officials and employees by providing a basic understanding between management and employees regarding rights and responsibilities. It can also help ensure management's policies are fairly and consistently applied to all city employees. The city should establish formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

- E. Records of vacation or sick leave earned and taken and accumulated balances were not maintained or could not be located. The city currently does not offer benefits including vacation and sick leave to employees. However, the former administration did offer employees vacation and sick leave and some employees were paid for unused vacation leave. The former City Clerk was paid approximately \$1,200 and \$700 for vacation for the years ended December 31, 2007 and 2006, respectively. Adequate documentation of leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure time used is not in excess of time accumulated. Without leave records, payments for unused leave cannot be properly verified.
- F. The former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively. In addition, she was paid approximately \$3,000 for overtime during the year ended December 31, 2007. Time sheets were either not prepared or could not be located to support the payments. Also, there was no documentation of board approval of payroll. In 2007, the City Clerk was issued 52 checks during the 43 weeks she was employed, including 3 checks for vacation. In 2006, she was issued 58 checks for the 52 week time period including a check for 2 weeks vacation. Some checks were issued as payroll checks and some were issued as vendor checks. The vendor checks, which totaled approximately \$8,720, were not included in gross payroll amounts or recorded on her W-2 form at year end for 2006.

Time sheets are necessary to document hours actually worked, substantiate payroll disbursements and the allocation of payroll disbursements to the various funds, and to provide the board with a method to monitor and approve hours worked. The current board requires all city employees to prepare time sheets which are reviewed and approved. The board should consult with the City Attorney to investigate any legal action that can be pursued to recoup excess amounts paid.

WE RECOMMEND the Board of Aldermen:

- A.1. Ensure payroll taxes are properly withheld and remitted for any wages or salaries paid. In addition, the board should ensure compensation paid is properly reported.
- 2. Consider reimbursing police officers for actual mileage incurred and discontinue paying the mileage allowance. In addition, the board should ensure all personal mileage reimbursements are properly reported to the IRS.
- B. Ensure federal and state payroll tax forms are filed and payments remitted on a timely basis to avoid penalty and interest charges.
- C. Ensure complete detailed payroll registers are maintained.
- D. Develop a comprehensive employee manual.
- E. Require records of vacation, sick leave, and compensatory time earned, taken, and any accumulated balances be maintained if leave benefits are re-established in the future.
- F. Consult with the City Attorney to investigate any legal action that can be pursued to recoup excess compensation paid and consider issuing a corrected IRS W-2 form to include all monies paid to the former City Clerk. In addition, the board should continue to require time sheets be prepared, approved, and retained.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A.1. *This recommendation has been implemented. The city is withholding payroll taxes on all employee wages and remitting them timely.*
- 2. *We no longer pay the police force and only pay for gasoline for city vehicles.*
- B. *This recommendation has been implemented. The city has prepared all required payroll tax reports and remitted them timely along with payment to the proper agencies.*
- C. *This recommendation has been implemented. The city currently uses quick books payroll software to process and maintain payroll information including weekly, quarterly, and year to date information.*
- D. *The city currently does not provide benefits to their employees. We are working on developing a personnel policy.*
- E. *This recommendation will be implemented if the city establishes employee benefits in the future.*

- F. *The city will consult with legal counsel concerning the excess compensation paid. In addition, the city will continue to require time sheets from all employees and consult with the IRS regarding the issuance of a corrected W-2 form.*

6. Capital Assets and Vehicle Usage
--

The city does not maintain records for capital assets, including procedures for an annual physical inventory. The city sold several parcels of property without publicizing the sale, obtaining current appraisals, or soliciting bids. In addition, controls over the use of city owned vehicles are not adequate.

- A. The city does not maintain property records to account for capital assets owned by the city and does not conduct physical inventories. Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting.

To develop appropriate records and procedures for capital assets, the city should undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all capital asset transactions and ensure the accuracy of the recorded capital assets. Periodically, the city should take a physical inventory of its assets and compare to the detailed records. Accurate capital asset records are essential to ensure all city assets are accounted for and insured against loss.

This condition was reported in our prior report dated June 8, 2000.

- B. During the year ended June 30, 2006, the Board of Aldermen voted to sell three parcels of property (lots 285, 286 and 135 known as the park property) to an interested buyer without publicizing the sale, obtaining a current appraisal, or soliciting bids. Each parcel of property was sold for \$5,000.

Good business practices require the sale or purchase of real estate be formally publicized, bids obtained, and an independent appraisal obtained to ensure a reasonable price is received.

- C. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city and used by the street, sewer, and police departments. As a result, fuel usage by vehicle cannot be reviewed for reasonableness or reconciled to billings received and paid by the city. The city owns two police cars, a backhoe, a dump truck, and a skid loader. The city purchased \$7,076 and \$10,199 of fuel during calendar years 2007 and 2006, respectively. The city reduced fuel spending significantly in 2008 as a result of eliminating fuel credit card use and police patrols.

In addition, a review of vendor statements and charge receipts for 2006 and 2007 indicated several purchases of fuel at gas stations located several miles from the city limits. Purchases totaling \$4,925 were made in Festus, \$68 in Desoto, and \$887 in Barnhart. Several of the receipts were marked "personal" and one police officer stated at a board meeting that he used the city's fuel credit card to purchase fuel for his wife's vehicle with the prior administration's knowledge (see MAR finding number 5).

Mileage/usage logs are necessary to document appropriate use of vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, daily beginning and ending odometer readings (or hours of use for equipment), and operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business and are properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs. In addition, paying for fuel for personal use is not a prudent use of city funds.

WE RECOMMEND the Board of Aldermen:

- A. Ensure capital asset records are maintained that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Obtain current appraisals and solicit bids for the sale of property.
- C. Require complete and accurate mileage/usage and maintenance logs be maintained for all vehicles and heavy equipment. The logs should be reviewed by the board periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs. In addition, the board should cease allowing fuel to be charged for personal use.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation will be implemented. The city will prepare a list of its capital assets to include acquisition date, description, cost, and location. In addition, the city will tag all assets and perform an annual inventory.*
- B. *The board will require current appraisals and bids be obtained for the sale of real or personal property.*
- C. *The city has developed a mileage log for police vehicles. The board will develop and maintain a log for all other city owned equipment.*

7.**Maintenance of Streets and Sewer System**

A maintenance plan for the sewer system was established by ordinance in 1983; however, the plan was not followed or updated and the city raised sewer rates without conducting a formal cost study. In addition, a formal maintenance plan for the streets has not been prepared.

- A. The city does not have a current repair and replacement plan for the sewer system and treatment plant and has not estimated related future costs. In 1983, the city adopted ordinance number 123, which required the establishment and funding of several specific restricted accounts for the operation, maintenance, repair, and replacement of the sewer system. The ordinance called for the city to establish an operations and maintenance account, a grinder pump repair and replacement account, and a treatment plant and sewer system repair and replacement account. The ordinance also established the methodology for annually establishing the monthly user fee and the required contributions to the above accounts based on a 20 year repair and replacement schedule. As of June 30, 2008, the city has established the Operations and Maintenance Account and one Replacement Account, but has not distinguished its specific purpose. The Replacement Account has a balance of approximately \$200 and has not received any additional funding.

The former board approved an increase in sewer rates of \$10 per month from \$25.50 to \$35.50 for city residents and from \$35.50 to \$45.50 for non-city residents in April 2006, which went into effect in April 2007. There was no documentation to show the methodology used in determining the rate increase. As of June 30, 2008, the city had virtually no funds set aside for future repair and replacement costs for the sewer system. In February 2008, the city entered into a contract with Alliance Water Resources to operate and maintain the sewer system at a cost of \$75,000 per year; however, the city remains responsible for the cost of supplies, equipment replacement, and repairs.

The city needs to update its repair and replacement plan ordinance and ensure adequate funding is set aside to carry out the plan, including planning for any additional bond issue or grant subsidy. An updated repair and replacement plan, with anticipated timetables and estimated costs, would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the adequacy of funding and progress made in the repair and replacement of sewer system components throughout the year. In addition, the city should document its justification for setting rates for utilities.

- B. The city has not developed a maintenance plan for its streets. The city spent \$49,864 and \$55,337 during the years ended June 30, 2008 and 2007, respectively, for repaving streets. This paving work was performed without a

master plan for future street work and the city did not document reasons for choosing these streets rather than other streets in the city which were in poor condition.

Maintenance plans should be prepared in conjunction with the annual budget and include descriptions of the streets, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plans should be included in the budget message and approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan would provide a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of the city's infrastructure throughout the year.

These conditions were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A Prepare a repair and replacement plan for the city sewer system and periodically update the plan. The board should review the progress made in the repair and replacement of sewer system components to make appropriate decisions on future projects. In addition, the board should conduct a formal cost study to determine if rates are sufficient to ensure adequate funding exists to operate, maintain, and upgrade the system as required.
- B. Prepare a formal maintenance plan for the streets at the beginning of the year and periodically update the plan throughout the year.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been partially implemented. The city has established a maintenance plan for the sewer system and has submitted it to the Department of Natural Resources. The city will also review the ordinances establishing the accounts required and conduct a cost study to ensure rates are set to properly fund sewer operations and replacement accounts. The city is also in the process of securing stimulus money along with an interest free loan to update the city's sewer system.*
- B. *The city will develop a maintenance plan for the repair and replacement of streets.*

8.**Restricted Receipts**

The city has not established a separate accounting for road taxes, motor vehicle-related receipts, law enforcement training fees, and sewer fees. In addition, some restricted receipts are inappropriately used for general city operations, and transfers are not properly tracked and documented.

- A. Road levy property tax receipts are not clearly spent on roads. The city levied approximately \$5,000 in property taxes for roads during each of the years ended June 30, 2008 and 2007. While it appears this tax has been levied by the city for a number of years, the city could not locate a copy of the original ballot or an ordinance or formal policy defining the allowable uses of these monies.

This tax is currently collected and direct deposited into the city's General Fund by the Jefferson County Collector. The city does not transfer the property taxes for roads from the General Fund account to the Road and Street Fund account and does not track road expenses paid from the General Fund to ensure restricted road monies are spent for their specific purpose. As a result, it appears the monies generated by this tax may have been used by the city for disbursements unrelated to roads. While it is unclear what restrictions were placed on the original ballot, it appears the monies received from this property tax would be restricted for road expenses only.

		Year Ended June 30, 2008
Total road taxes	\$	5,801
Less amounts deposited in the Road and Street Fund		(2,450)
Amount deposited in the General Fund		3,351
Less road expenses paid out of the General Fund		(1,562)
Amount of restricted road taxes used to fund city operations	\$	1,789

The city should establish procedures to ensure all restricted receipts are properly recorded and transfer the road funds from the General Fund into the Road and Street Fund monthly to ensure these restricted monies are used for their intended purposes.

- B. The city uses restricted funds, such as motor vehicle-related receipts, sewer fees, and law enforcement training fees, for general city operations. The city deposits motor vehicle-related monies into the Road and Street Fund, sewer fees into the Sewer Fund, and law enforcement training fees into the General Fund. However, general city expenses such as insurance, payroll taxes, utilities, court costs, and other fees were paid from these funds. The City Clerk indicated that due to low

fund balances, she paid bills from whichever fund had monies available instead of allocating them to the proper funds. In addition, the city does not maintain proper documentation to support transfers between funds and board approval. In some instances, the City Clerk noted a transfer was a "reimbursement"; however, no documentation was available to show what was being reimbursed. A review of bank statements from January 1, 2007 through June 30, 2008, indicated the city transferred:

From	To	Amount
Sewer Fund	General Fund	\$ 11,355
Sewer Fund	Road and Street Fund	3,595
Road and Street Fund	General Fund	7,640
Total		\$ <u>22,590</u>

Restricted funds such as the Road and Street, Sewer, and Law Enforcement Training Funds should only be used for their intended purposes and should not be used to subsidize general operations of the city. Allocation of expenses is necessary for the city to ensure sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the use of certain funds, such as motor vehicle-related receipts and law enforcement training fees, are limited by state law for specified purposes. In addition, proper documentation to support transfers should be maintained and any transfers from restricted funds, which are to be used for general purposes, should be board approved and reimbursed within a reasonable time period. The board should repay the Road and Street, and Sewer Funds for any monies used to pay the expenses of other funds or inappropriately transferred to other funds.

Similar conditions were reported in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Ensure road taxes are transferred to the Road and Street Fund monthly. In addition, the board should authorize the transfer of \$1,789 from the General Fund to the Road and Street Fund.
- B. Develop procedures to ensure restricted monies are used for intended purposes and not for general city operations. These procedures should include maintaining proper documentation to support transfers and allocation of expenses. If monies are borrowed from restricted funds, the board should ensure its approval is documented and reimbursements to the restricted funds are made within a reasonable time period.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. The city has corrected the account number for road taxes monies to be deposited. In addition, the city will transfer the road tax monies from the General Fund to the Road and Street Fund.*
- B. All transfers will be made by resolution, approved by the board, and adequately documented. The city will ensure restricted funds are used for their intended purpose, and any monies used for general operations will be tracked and repaid.*

9. Minutes and Ordinances

Compensation paid to city employees and some officials is not set by ordinance and there is no formal policy documenting public access to records. It is not clear if the board properly followed state law for impeachment proceedings. Additionally, minutes lack proper documentation of discussions held during board meetings.

- A. The City Clerk and City Collector are paid by the hour; however, the hourly rates are not established by ordinance.

Section 79.270, RSMo, provides that city officials and employees salaries be set by ordinance. Establishing ordinances to set compensation rates, in addition to meeting statutory requirements, documents the approved amounts to be paid and eliminates misunderstandings regarding the amount of compensation to be received by each employee.

- B. The city has not adopted a policy regarding public access to city records. The City Clerk indicated the city charges 10 cents per copy. Although the city appears to follow the Sunshine Law for fees charged for copying public records, the city has not formally adopted a policy. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records.

Section 610.026, RSMo, establishes the fees for copying public records, and Section 610.023, RSMo, lists requirements of making city records available to the public.

- C. It is not clear if the Board of Aldermen properly followed state law for impeachment proceedings when it voted to terminate an alderman at the November 8, 2007 meeting. There was no documentation or cause shown for the dismissal or that the alderman had been given the opportunity to be heard as required by the impeachment process. Section 79.240, RSMo, allows the mayor

with consent of a majority of all elected board members to remove from office for cause shown, any elected officer after such officer is allowed along with witnesses to be heard before the board sitting as a board of impeachment.

To ensure compliance with state law, the board should establish procedures to remove an elected official from office. In addition, the board should consult with legal counsel to provide assurance all legal requirements are followed.

- D. Some board minutes did not include sufficient detail of matters discussed and actions taken. For example, the Mayor indicated one of the board members abstained from voting when his wife was hired as City Clerk; however, his abstention was not documented in the minutes. Additionally, there was no documentation indicating property tax rates were approved.

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and include the date, time, and place; members present and absent; and a record of votes taken. Minutes serve as the official permanent record of decisions made by the board. Therefore, it is necessary minutes clearly document all business conducted.

Conditions A and B were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Establish the compensation, duties, and terms of offices for all city officials and employees by ordinance.
- B. Establish written policies and procedures regarding public access to and/or copies of city records.
- C. Establish procedures for removal of an official from office to ensure compliance with state law.
- D. Ensure minutes clearly document all business conducted.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation will be implemented.*
- B. *This recommendation has been implemented. The City Clerk is the custodian of city records.*
- C. *The city will ensure compliance with state law.*

D. The city will obtain and record votes by roll call in the future. Minutes will also be reviewed to ensure all matters discussed are documented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF OLYMPIAN VILLAGE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Olympian Village is located in Jefferson County. The city was incorporated in 1965 and is currently a fourth class city. The population of the city in 2000 was 669.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2008, are identified below.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the Year Ended June 30, 2008</u>	
Antonette Casey, Mayor (1)	April 2008 – June 2008	
Robert Link, Mayor (1)	July 2007 – November 2007	
Jennifer Johnston, Alderman (2)	July 2007 – June 2008	
Keith Atchley, Alderman (3)	October 2007 – June 2008	
George Slocum, Alderman (4)	December 2007 – June 2008	
Royce Link, Alderman (4)	July – 2007 – November 2007	
Larry Fodge, Alderman (5)	May 2008 – June 2008	
Cody Feverston, Alderman (5)	July 2007 – March 2008	
<u>Other Officials</u>	<u>Dates of Service During the Year Ended June 30, 2008</u>	<u>Compensation Paid for the Year Ended June 30, 2008</u>
Leady Atchley, City Clerk (6)	April 2008 – June 2008	\$ 3,224
Melissa Fodge, City Clerk (6)	November 2007 – March 2008	3,260
Dianne Warren, City Clerk (6)	July 2007 – October 2007	8,519
Sherri Eames, Collector * (7)	December 2007 – June 2008	1,752
Pat Kanevsky, Collector * (7)	July 2007 – November 2007	4,521
Johanna Cooke, Treasurer * (8)	April 2008 – June 2008	0
Mary Yount, Treasurer * (8)	December 2007 – March 2008	0
Steven Davis, City Prosecuting Attorney	July 2007 – June 2008	3,000
Sandra Koester, City Attorney (9)	January 2008 - May 2008	3,706
Lawrence Schmidt, City Attorney (9)	July 2007 – November 2007	0

* Elected position

- (1) Robert Link resigned as mayor at the November 8, 2007 meeting. Cody Feverston, Mayor Pro Tem, acted as mayor until April 2008.

- (2) Jennifer Johnston was re-elected in April 2009.
- (3) Keith Atchley was appointed in October 2007, to fill the vacant alderman seat of John Williams who resigned in May 2007.
- (4) George Slocum was appointed in December 2007, to fill the vacant alderman seat of Royce Link who was terminated in November 2007.
- (5) Larry Fodge was appointed in May 2008, to fill the vacant alderman seat of Cody Feverston who resigned in March 2008. Larry Fodge resigned in September 2008 and Jerel Eames was appointed to complete the term. Jerel Eames was elected to this position in April 2009.
- (6) Leady Atchley was hired as City Clerk in April 2008, to replace Melissa Fodge who resigned in March 2008. Melissa Fodge was appointed in December 2007 to replace Dianne Warren who was suspended October 29, 2007, without pay and terminated in November 2007.
- (7) Sherri Eames was appointed Collector in December 2007, to replace Pat Kanevsky who resigned in November 2007. Sherri Eames was elected in April 2008.
- (8) Johanna Cooke was elected in April 2008. Mary Yount was appointed in December 2007, and served through March 2008.
- (9) Sandra Koester was appointed as city attorney in January 2008, and resigned in May 2008. Lawrence Schmidt's services were terminated in November 2007. Steven Davis was appointed as city attorney in December 2008.

Assessed valuations and tax rates for June 30, 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$	3,022,123
Personal property		1,196,415
Total	\$	<u>4,218,538</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

		Rate
General	\$	<u>.02341</u>
Road		.01217

The city is in arrears with several vendors for past due invoices.

A statement showing receipts, disbursements, and changes in cash for each bank account for the year ended June 30, 2008 follows.

CITY OF OLYMPIAN VILLAGE

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BY BANK ACCOUNT

YEAR ENDED JUNE 30, 2008

	General Fund Account	Road and Street Fund Account	Sewer Fund Account	Total
Receipts	\$ 51,640	89,213	118,916	259,769
Disbursements	51,599	86,529	116,789	254,917
Receipts over (under) disbursements	41	2,684	2,127	4,852
Beginning balance July 1	468	136	539	1,143
Ending balance June 30	<u>\$ 509</u>	<u>2,820</u>	<u>2,666</u>	<u>5,995</u>



Susan Montee, JD, CPA
Missouri State Auditor

City of Hayti Heights



June 2009

Report No. 2009-57

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report on the city of Hayti Heights.

Given the concerns noted in our report and the responses received from the city, it is apparent that the Board of Aldermen was not adequately monitoring the city. The responses from the Board of Aldermen indicate the board members were unaware of various procedures and requirements. Because of the lack of accounting records and financial reporting, it is not clear whether the Board of Aldermen and Mayor are fully aware of the poor financial condition and outstanding debt of the city. The Board needs to take a more active role in city business and take steps to improve the financial condition, records, and internal controls of the city. In addition, there is no evidence the elected officials are providing the guidance and controls necessary to ensure the continuing operations of the city.

The city's total bank balance was \$4,940 at June 30, 2008. Annual receipts from the city's major funding sources are estimated to be approximately \$208,000 per year and annual payroll is approximately \$160,000, leaving only \$48,000 to operate the water, sewer, and refuse services, and fund remaining operations of the city each year. In addition, the city has substantial outstanding debt totaling at least \$229,000 at June 30, 2008, including \$70,391 due to vendors, at least \$38,238 due in payroll and unemployment taxes, a \$30,207 balance on a fire truck loan, and \$90,755 due on a sewer loan. Also, various officials have loaned the city approximately \$8,700, and the city does not have sufficient funds to cover water deposits totaling \$15,750.

The board did not approve a budget for the year ended June 30, 2008, and the Mayor indicated a budget had not been approved for several years. The city has not published semi-annual financial statements or submitted annual financial reports, and does not obtain annual audits, as required by state law.

Internal controls and accounting records of the city of Hayti Heights were inadequate. Budget and financial records accounting for city funds, including receipts and disbursements, have not been prepared. In addition, bank reconciliations are not prepared and transfers between funds are not adequately documented. As a result, there is no assurance all monies collected were accounted for properly.

The city does not maintain a general ledger system, disbursement record or listing, or a running cash balance. For disbursements, the only record is bank statements which simply show the check numbers and amounts. The city has no accounting record indicating the amount of cash available at any time, which has led to several overdrafts and service charges. An incorrect rate is used to calculate and charge sales tax on water sales and amounts collected are not paid to the Missouri Department of Revenue as required. The City Clerk is responsible for all record keeping duties of the city and no person independent of the cash custody and record-keeping functions provides adequate supervision or review of the work performed by the City Clerk. City records are not well organized, and some records were missing or could not be located in a timely manner.

YELLOW SHEET

In May 2008, receipt slips issued exceeded amounts deposited by \$3,129. Vendor receipts totaling \$786 for cash purchase/payments were located, leaving an identified difference of \$2,343. Due to the lack of records, we could not determine whether these monies were used for cash purchases or were missing. Prenumbered receipt slips are not issued for some monies received. The city does not indicate which receipts are included in deposits, reconcile the composition of receipt slips issued to the composition of deposits, account for the numerical sequence of receipt slips or deposit monies intact.

The city has not established a separate accounting for motor vehicle receipts, capital improvement sales tax monies, local law enforcement training fees, health property tax receipts, and water, sewer and refuse receipts, and does not maintain proper documentation to support transfers between funds. Also, water, sewer, and refuse receipts are deposited haphazardly into various checking accounts allowing restricted monies to be commingled and used for general operations of the city. The city does not maintain adequate records for water deposits or allocate disbursements and salaries between various funds. In addition, the city has not conducted a recent formal cost study to ensure rates charged for water, sewer, and refuse services are adequate.

Controls and procedures over city disbursements are in need of significant improvement. As a result, there is no assurance all disbursements were properly handled, recorded, approved, or used for city business. The board does not approve disbursements prior to payment of invoices, and adequate documentation is not retained for some disbursements. Blank checks are signed in advance and some purchases do not appear reasonable. The city reimburses the Mayor for gasoline expense for his personal vehicle without requiring the Mayor to account for city-related travel expenses.

Complete personnel files are not maintained by the city for each employee. Salaried employees and the Court Clerk do not submit time sheets, and records are not maintained of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee. The city does not appropriately file and disburse the required payroll taxes and withholdings, and payroll registers were not complete.

Adequate written agreements were not obtained for several loans from city officials and board approval was not documented. The Mayor indicated he lent the city \$5,000 in April 2008 from his personal monies to pay back the amount of grant funds misspent by the city. The Police Chief currently does not pay for his water and sewer services as repayment for a loan he made to the city. The city failed to track the amount and length of time the Police Chief has not been billed for water and sewage services or the amount still due to the Police Chief. Additional loans totaling \$3,700 were made by the Police Chief and other elected officials.

Other findings in the audit report relate to maintenance plans for the streets, as well as the water and sewer systems, capital asset records, property tax records and procedures, ordinances, Sunshine Law compliance, and grant accounting.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF HAYTI HEIGHTS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-34
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Budgets and Financial Reports7
3.	Accounting Controls and Procedures10
4.	Receipt Controls and Procedures13
5.	Capital Assets and Vehicle Usage14
6.	Maintenance of Streets, Water, and Sewer Systems.....16
7.	Property Tax Collections16
8.	Restricted Receipts19
9.	Disbursement Controls and Procedures23
10.	Payroll26
11.	Meeting Minutes and Ordinances29
12.	Loans32
13.	Grants34
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	35-38

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Mayor
and
Members of the Board of Aldermen
City of Hayti Heights, Missouri

The State Auditor was requested by former Governor Matt Blunt, under Section 26.060, RSMo, to audit the city of Hayti Heights. Significant concerns had been expressed by taxpayers. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary

given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

Internal controls and accounting records of the city of Hayti Heights were inadequate. Budget and financial records accounting for city funds, including receipts and disbursements, have not been prepared. In addition, bank reconciliations are not prepared and transfers between funds are not adequately documented. As a result, we were unable to design and perform procedures to provide reasonable assurance of detecting instances of noncompliance significant to legal provisions.

Except as discussed in the preceding paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Hayti Heights.

An additional report, No. 2009-33 *Thirty-Fourth Judicial Circuit, City of Hayti Heights Municipal Division*, was issued in April 2009.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF HAYTI HEIGHTS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The city of Hayti Heights is in poor financial condition and there is no evidence the elected officials are providing the guidance and controls necessary to ensure the continuing operations of the city. The city's total bank balances decreased from \$21,846 at June 30, 2007, to \$4,940 at June 30, 2008. The poor condition of city records and lack of financial statements made it impossible to review for unusual trends which might have affected the decreasing cash balance.

Annual receipts from the city's major sources, including water, sewer, and refuse services; sales taxes; court costs and fines; and utility and property taxes, are estimated to be approximately \$208,000 per year. The city's annual payroll is approximately \$160,000 (see MAR finding number 10 for payroll and salary concerns), over 76 percent of the city's annual receipts, leaving only \$48,000 to operate the water, sewer, and refuse services and fund remaining operations of the city each year. The city uses restricted receipts to fund general operations of the city (see MAR finding number 8).

In addition, the city has substantial outstanding debt (see MAR finding numbers 9 and 10). The city has several outstanding loans, is in arrears on payments to numerous vendors (\$70,391), and has not paid some payroll taxes, withholdings, and unemployment taxes to the state and federal government (at least \$38,238). The proceeds from a loan were used to purchase a fire truck for the city; however, the city has not had an active Fire Department for several years (see MAR finding number 9). On June 30, 2008, approximately \$30,207 remained outstanding on the fire truck loan, and \$90,755 remained outstanding on the city's sewer loan. The city's total debt at June 30, 2008 (as described above), was at least \$229,000, whereas the cash balance was \$4,940. Also, various city officials loaned the city approximately \$8,700, which remains outstanding (see MAR finding number 12), and the city does not have sufficient funds to cover water deposits totaling approximately \$15,750 (see MAR finding number 8). The city has not paid sales taxes collected on the sale of water (see MAR finding number 3) and Crime Victim's Compensation and Peace Officer Standards and Training fees collected by the court (see Municipal Court Report No. 2009-33 *Thirty-Fourth Judicial Circuit, City of Hayti Heights Municipal Division*) to the state as required.

Because of the lack of accounting records and financial reporting, it is not clear whether the Board of Aldermen and Mayor are fully aware of the poor financial condition and outstanding debt of the city. Annual budgets and financial statements are not prepared, accounting records are not maintained, and controls are lacking (see MAR finding numbers 2 through 4). In addition, it is not evident that the board approves all disbursements of the city and some city purchases do not appear to be necessary or prudent uses of taxpayer monies (see MAR finding number 9).

The city does not maintain property or liability insurance (see MAR finding number 5). The lack of insurance would make it very difficult for the city to replace property damaged through an accident or disaster, especially given the financial condition of the city.

Given the concerns noted in this report, it is apparent that no one is adequately monitoring the city. The Board of Aldermen and Mayor need to request accurate monthly financial reports and insist that the recommendations in this report are implemented on a timely basis to ensure the city is operated professionally and competently.

The Board of Aldermen should review disbursements, reducing discretionary spending as much as possible. In addition, the board should continually monitor the financial condition of the city by reviewing budget to actual comparisons and financial statements on a timely basis.

WE RECOMMEND the Board of Aldermen review the financial condition of the city and consider various alternatives of reducing disbursements and/or increasing receipts. In addition, the board and Mayor should ensure the recommendations in this report are addressed and implemented on a timely basis.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Audit Report states that the City has income of approximately \$208,000.00 from all sources and a payroll of \$160,000.00 a year, leaving only \$48,000.00 for all operations of the City. The audit also shows that the City has substantial outstanding debt of \$229,000.00 and only \$4,940.00 in cash. The City questions whether this amount includes long term government loans for the water and sewer systems through Rural Development, and if so, the balance accrued. The Audit does not reflect whether the amount stated includes only the 2007-2008 fiscal year or prior years of unpaid employee taxes and interest. A breakdown of these amounts would be most helpful to the City in the budget process and paying its obligations. It appears from the audit that the mayor secured personal loans from City officials of approximately \$8,700 to meet payroll for employees. The Board was unaware of the loans and did not authorize them. The Board has directed that the City will not borrow money for City operations. Any official who makes such loans on behalf of the City in the future will be subject to removal from office. Due to the lack of income, the City will be trying to locate an insurer to provide quotes for insurance, bonds and Workers Compensation.

The Board has been provided little information of the condition of the City prior to this audit and was not aware of the lack of adequate accounting and record keeping. It has insisted that neither the Mayor, Clerk or other official or employee obligate the City or issue any payment without prior board approval and providing detailed monthly financial reports.

The Audit has made the Board aware of the dire financial condition of the City and it is currently looking at means of reducing disbursements, including reductions in work force and discretionary spending. The only practicable means of increasing its receipts is by raising real estate taxes and water and sewer user fees. The City has discontinued its trash service and will be contracting that service out to a third party. It will collect for trash service and pay the service company each month. The funds collected will be placed in a separate account with the funds to be used solely for payments for trash pick-up.

AUDITOR'S COMMENT

The information requested in the auditee's response is presented in the following MAR findings as referenced in our comments above.

2. Budgets and Financial Reports

Budgets are not prepared and financial statements are not prepared, published, or submitted to the State Auditor's office as required by state law. In addition, the city has not obtained annual audits.

- A. The board did not approve a budget for the year ended June 30, 2008, and the Mayor indicated he did not think a budget had been approved for several years. Board meeting minutes indicate a budget was presented for 2008; however, the board indicated it needed to be revised. The Mayor indicated a revised budget was not prepared and presented to the board as requested. In addition, the original budget submitted could not be located. Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless authorized in the budget. The failure to prepare budgets has been a significant contributing factor to many of the city's financial problems. City officials are unable to compare budgeted to actual receipts and disbursements preventing them from taking necessary steps to address revenue shortfalls and deficit spending or readily determining the amount of funds available.

Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the city's operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, beginning available resources, and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The city has not published semi-annual financial statements as required by state law. The Mayor indicated the city has not published financial statements for several years. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annually a full and detailed account of the receipts, disbursements, and indebtedness of the city. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.
- C. The city did not submit annual financial reports for the years ended June 30, 2001 through 2008, to the State Auditor's office as required by state law. Section 105.145, RSMo, requires political subdivisions to file an annual report of its financial transactions with the State Auditor's office.
- D. The city does not obtain annual audits as required by state law. Section 250.150, RSMo, requires the city to obtain an annual audit of its sewer system revenues and transactions. In addition, the city disbursed monies from 2003 through 2006, from two federal grants through the Missouri Department of Economic Development, Community Development Block Grant Program. Audits are required when grantees expend \$500,000 or more in federal funds in a year. The city has not responded to a request from the Missouri Department of Economic Development inquiring as to whether the city received in excess of \$500,000 in federal funds for the years ended June 30, 2004 and 2003. As a result, the city cannot receive additional grants through the Missouri Department of Economic Development until an audit or response indicating one was not required is received. City records are in such poor condition the city cannot determine the amount of federal monies spent in a year.

In addition to being required by state law, annual audits of city funds would help ensure financial transactions have been properly recorded.

WE RECOMMEND the Board of Aldermen:

- A. Prepare and adopt annual budgets as required by state law.
- B. Ensure semi-annual financial statements are published or posted in accordance with state law.
- C. Ensure annual financial reports are filed with the State Auditor's office.
- D. Ensure an annual financial audit of the city's sewer system is obtained in compliance with state law. In addition, the board should consider obtaining an annual financial audit of the city to ensure financial transactions are properly recorded and all grant requirements are met.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Audit Report states that the City has not prepared and approved a budget for 2007 and 2008. The Audit states that though a proposed budget was presented in 2008, a copy of the budget could not be located. Alderwoman Barbara Johnson has a copy of the proposed 2008 Budget and a copy is attached. It shows the 2007 Operational Budget as \$248,410.75 and actual expenditures of \$271,695.69 resulting in a deficit of \$23,284.93 for the year. Missouri law does not permit deficit spending by the municipalities.

The Board is carefully reviewing its expenditures. It has questioned the payment of approximately \$600 a month for cell phones for City employees and will likely discontinue those services in an effort to trim its expenses. The Mayor's salary has been over \$17,000.00 for many years. It is likely the City will want to consider substantially reducing the salary to an amount in line with other cities of the same size. However, no salary change can become effective until the next mayoral election. The Mayor has appointed a Budget Committee which is preparing a statement of City income and expenses and will recommend cost savings to keep the City within its budget. The City Attorney has provided the Committee with a copy of "Financial Management for Small Missouri Municipalities Budgeting" to assist them to prepare and draft a budget recommendation. The City will also consider taking out and reducing the cost of insurance, including Worker Compensation.

Until recently the Board was not aware that the City was required to prepare and publish an annual financial statement and semi-annual statements. It will consider implementing your recommendations along with preparing audits required by the Community Development Block Grant (CDBG) programs. The only limitations on their efforts are the cost of accountants and its financial resources. The City understands that it will be ineligible for additional CDBG grants until an audit is provided or it is determined none is required. It may qualify for future grants and wants to comply with CDBG requirements to be eligible. It expects to work closely with the grant agencies to resolve the matters. The Board will attempt to implement all of the recommendations your office has made in this regard.

AUDITOR'S COMMENT

As previously noted, the proposed fiscal year 2008 budget could not be located during audit fieldwork and there was no evidence of board approval. The 2008 budget proposal provided to us with the response appeared to present 2007 actual receipts and disbursements; however, this was not clearly indicated. The proposed budget does not comply with the requirements of the state budget law. The budget does not include estimated amounts for 2008 or present cash balances and outstanding debt. In addition, the 2007 amounts combine all accounts and appear to be at least partially estimated since the same amounts are shown each month for some items.

3.**Accounting Controls and Procedures**

The city does not maintain accounting records. As a result, there is no assurance all monies collected were properly deposited or all disbursements were properly approved and for city business. In addition, given the current lack of records, there is no assurance monies were not misappropriated or misspent.

Sales tax charged for utilities is incorrect and is not paid to the Missouri Department of Revenue (DOR) as required. City officials and employees responsible for processing receipts and disbursements are not bonded. Accounting duties are not adequately segregated and records are not organized.

- A. The city does not maintain a general ledger system, disbursement record or listing, or a running cash balance. The city maintains a ledger for water billings which shows the amount billed and collected for each user by month; however, it does not include the amounts billed for refuse and sewer, is not totaled, and is not reconciled to deposits. For other types of receipts, the City Clerk indicated receipt slips are issued; however, they are not posted to any type of summary record or reconciled to deposits. For disbursements, the only records are bank statements which simply shows the check numbers and amounts. There are no records showing the vendor or a description for disbursements. As a result, the city has no accounting records indicating the amount of cash available at any time. The Mayor indicated that before writing checks, the city calls the bank to obtain the current cash balance available in the various accounts. This has led to several overdrafts resulting in service charges totaling \$4,475. In addition, as a result of the lack of records, bank reconciliations and summary financial statements cannot be prepared.

In addition, Section 150.250, RSMo, requires the city "to install and maintain proper books of records and accounts (entirely separate from all other records and accounts of the city, town or village or sewer district) in which correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the sewerage system or of the combined waterworks and sewerage system. Such accounts shall show the amount of revenues received from the system, the application of such revenues and all financial transactions in connection therewith."

Receipt, disbursement, and cash information is necessary to prepare annual budgets and financial statements, perform monthly bank reconciliations, and support the city's accounting transactions. To adequately inform the board of all financial activity and to allow the board to monitor the financial condition of the city, monthly reports summarizing all city receipts, disbursements, and cash balances should be prepared and included with the monthly board minutes. Complete and accurate bank reconciliations are necessary to ensure accounting

records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

- B. The city has 18 bank accounts; however, 9 of the accounts are not utilized including the Replacement Account, Financial Loan Account, Bond Account, Fire Department Account, Municipal Development Account, Water Replacement Account, and 3 accounts with no names shown as "dormant" by the bank. At June 30, 2008, the bank balances in the unused accounts totaled \$1,510. The city should review and determine which accounts are necessary and consider eliminating and consolidating the unused bank accounts to save record keeping time.
- C. An incorrect rate is used to calculate and charge sales tax on water sales, and amounts collected were not paid to the DOR as required. Per the DOR, the city is authorized to charge and collect a 2.25 percent sales tax on utilities; however, the city assessed and collected sales tax at a rate of 6.975 percent. As a result, the city over-collected sales taxes of approximately \$1,290 for the year ended June 30, 2008 (based on the minimum residential bill per month and total customers). Additionally, the city has not reported and remitted sales taxes charged and collected to the DOR. An entity may have its sales tax license revoked for failure to remit sales tax collected from its customers to the DOR. The city should correct the sales tax rate charged on utilities and contact the DOR to discuss any additional corrective action needed.
- D. The city does not have bond coverage on officials or employees responsible for handling city assets. City Ordinance 21.540 requires the City Collector to be bonded in the amount of \$5,000 and City Ordinance 21.420 requires the City Clerk to record and maintain bonds for all city officers. Failure to properly bond all persons with access to assets exposes the city to an unnecessary risk of loss.

To reduce the risk of loss, the city should base its bond coverage on the monies an official or employee has access to at any one time, the cost of increased bond coverage, and the level of risk the Board of Aldermen is willing to assume.

- E. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer and City Collector. The city has not appointed a Treasurer or Collector to perform the duties of each respective office. The City Clerk's duties include billing and collecting for utility services and property taxes, monitoring delinquent utility and property tax accounts, receiving and depositing monies, maintaining payroll records, reviewing invoices, and preparing and distributing checks. No person independent of the cash custody and record-keeping functions provides adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth class city, the holding of the positions of City Clerk, City Treasurer, and City

Collector, or any two of these offices, by the same person at the same time would be incompatible. Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law. If segregating these offices is not possible, at a minimum, procedures for an adequate independent review should be established.

- F. City records are not well organized. Receipt books, checks, and other various documents are filed in several different locations in the office in no apparent order. Several records were missing or could not be located in a timely manner. Some invoices, city ordinances, sales tax returns, property tax information, federal payroll tax returns, leases, minutes, and grant agreements could not be located. Failure to maintain accurate, complete, and organized records provides less assurance that all monies are properly accounted for and increases the possibility that misuse of funds will go undetected. The Secretary of State's office provides guidelines on record retention. In addition, the Secretary of State Retention Manual indicates accounting records including adopted budgets, payroll tax filings, financial statements, general ledgers, and significant grant records should be retained 5 years.

WE RECOMMEND the Board of Aldermen:

- A. Ensure accounting records are maintained including a record of all receipts, disbursements, and cash balances; monthly financial statements are prepared for board review and approval and are filed with the board minutes; and monthly bank reconciliations are prepared and maintained for all city accounts.
- B. Consider eliminating and/or consolidating some of the city bank accounts.
- C. Ensure the correct amount of sales tax is charged and collected on utilities and distributed to the Department of Revenue, as required.
- D. Obtain adequate bond coverage for all persons handling city monies.
- E. Consider appointing separate individuals to the positions of City Clerk, City Collector, and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- F. Ensure city records are maintained in an organized manner so relevant accounting documents can be located in a timely fashion and retained in compliance with guidelines.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board of Aldermen was unaware of the administrative accounting procedures of current and former city officials. Having reviewed the Audit findings, it agrees with the recommendations and will be implementing many of the recommendations.

4. Receipt Controls and Procedures

The city does not maintain proper records of receipts, and controls are lacking. As a result, there is no assurance all monies collected were properly handled, recorded, or deposited to the city's accounts. Monies collected are not deposited intact, the composition of receipt slips issued is not reconciled to deposits, and the numerical sequence of receipt slips is not accounted for properly. The city records different types of receipts in multiple receipt slip books creating confusion and inconsistency and blank receipt slips are not properly stored in a secure location.

- A. At least \$2,300 in monies received cannot be accounted for properly. Also, prenumbered receipt slips are not issued for some monies received. In addition, the city does not indicate which receipts are included in deposits, reconcile the composition of receipt slips issued to the composition of deposits, account for the numerical sequence of receipt slips, or deposit monies intact. The City Clerk indicated she withholds varying amounts from deposits in order to maintain cash on hand to make purchases and other cash payments. There is no accounting system established for these cash payments or to show board approval or review of these disbursements.

In May 2008, receipt slips issued exceeded amounts deposited by \$3,129. Vendor receipts totaling \$786 for cash purchase/payments were located for May 2008, leaving an unidentified difference of \$2,343. Due to the lack of records, we could not determine whether these monies were used for cash purchases or were missing. In addition, some checks/money orders deposited in May had not been receipted. Also, some receipt slips had not been posted to the utilities ledger and some amounts posted to the ledger did not agree to the amounts receipted.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received, the composition of receipts should be reconciled to the composition of deposits, and all monies should be deposited intact. Also, receipt slips should be reconciled to the utilities ledger. If a petty cash fund is considered necessary, it should be established by the board and maintained on an imprest basis.

- B. Seven different receipt slip books are used to record various types of receipts. In May 2008, some receipt slips were not issued in sequential order and some were

used to record cash purchases made by the city. In addition, water, sewer, and refuse receipts were recorded in several different receipt books and blank receipt books are not placed in a secure location. Multiple receipt books are cumbersome and reduce the assurance that all monies received are accurately recorded and accounted for properly. Blank receipt slip books should be stored in a secure location to prevent loss or misuse.

WE RECOMMEND the Board of Aldermen:

- A. Ensure monies are deposited intact. In addition, the board should require improved receipting procedures to adequately account for all monies received. Such procedures should include accounting for the numerical sequence of all receipt slips issued, including the method of payment on all receipts slips, and reconciling the composition of receipt slips to deposits. If a petty cash fund is considered necessary, it should be established by the board and maintained on an imprest basis.
- B. Consider reducing the number of receipt slip books used and store blank receipt slip books in a secure location.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees with your recommendations and will require the Clerk to implement them immediately.

5. Capital Assets and Vehicle Usage
--

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. In addition, the city has no property or liability insurance and controls over the use of city owned vehicles are not adequate.

- A. The city does not maintain property records to account for the capital assets owned by the city and does not conduct physical inventories. Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting.

To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all capital asset transactions and ensure the accuracy of the recorded capital assets. Periodically, the city should take physical counts of its assets and compare

to the detailed records. Accurate capital asset records are essential information needed to ensure all city assets are accounted for and insured against loss.

- B. The city has no insurance coverage for city owned buildings or other property items; nor do they have liability insurance. Without adequate insurance, losses of or damages to city owned assets and/or claims or judgments assessed could prohibit the city from being able to replace necessary buildings or equipment or making sufficient liability payments creating further financial strain. Failure to obtain property and liability insurance exposes the city, elected officials, employees, and taxpayers to losses incurred to city property or due to judgments.
- C. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city and used by the street, water, and police departments. As a result, fuel usage by vehicles cannot be reviewed for reasonableness and cannot be reconciled to billings received and paid. The city owns two police cars, a tractor, a garbage truck, and a fire truck. Additionally, the Police Chief uses a personally owned vehicle as a patrol car for the police department. The city currently pays for gasoline and maintenance costs for this vehicle (see MAR finding number 12). The total amount of fuel purchased could not be determined due to the poor records of the city; however, the city spent at least \$1,300 from January to June 2008.

Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, daily beginning and ending odometer readings (or hours of use for equipment), and operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business and are properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

WE RECOMMEND the Board of Aldermen:

- A. Ensure property records for capital assets are maintained that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Ensure the city obtains insurance to protect all city owned assets from potential losses or liability judgments.
- C. Require complete and accurate mileage/usage and maintenance logs be maintained for all vehicles and heavy equipment. The logs should be reviewed by the board periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees with findings and will implement recommendation to extent financial condition will permit. The City has removed its chief of police and no longer pays him for gasoline and maintenance for his personal vehicle.

6. Maintenance of Streets, Water, and Sewer Systems
--

Formal maintenance plans for the streets, as well as the water and sewer system, have not been prepared. Maintenance plans should be prepared in conjunction with the annual budget and include descriptions of the streets or systems to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plans should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from city residents.

Formal maintenance plans would serve as a useful management tool and provide greater input into the overall budgeting process. Plans provide a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of the city's infrastructure throughout the year.

WE RECOMMEND the Board of Aldermen prepare formal maintenance plans for the streets and the water and sewer system at the beginning of the year and periodically update the plans throughout the year. In addition, the board should review the progress made in the repair and maintenance of the city's infrastructure to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees that formal maintenance plans for street, water, and sewer systems should be made and reviewed on an annual basis. Such plans will further assist the City as it prepares its annual budget and assure that funds are properly restricted to the projects intended. It will adopt your recommendations.

7. Property Tax Collections

The city does not maintain property tax books, and reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent. As a result, there is no assurance all property taxes are properly handled, recorded, and

deposited into the city treasury. Public hearings are not held to discuss tax rates and rates are not set by ordinance. In addition, the tax rates levied are less than the maximum amount, preventing the city from maximizing revenues.

A. The following concerns regarding property taxes were noted:

- 1) The City Clerk did not prepare a tax book for the 2007 tax year. The City Clerk used the assessed valuation information obtained from the Pemiscot County Assessor and extended the taxes directly to tax bills prepared for each property holder. Tax bills, additions, abatements, and payments received are not documented in one place to allow the city to readily determine which taxes have been paid. As a result, there is no assurance all property owners and correct amounts have been billed and collected. Additionally, the City Clerk cannot prepare delinquent tax books; therefore, allowing businesses and residents that have not remitted their taxes to go undetected.

Section 94.130, RSMo, requires the City Clerk to prepare the tax book and charge the City Collector with the amount to be collected. Failure to monitor property taxes for unpaid amounts could result in loss of revenue for the city.

- 2) A detailed annual report of property taxes is not prepared and presented to the Board of Aldermen. Section 79.310, RSMo, requires the City Collector to make a detailed report to the Board of Aldermen, stating the monies collected during the year, the amounts uncollected, and the names of the persons from which amounts are uncollected. A detailed annual report, which complies with state law, classified by type of tax would provide greater assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report should summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. An annual report, examined by the Board of Aldermen, would help detect any errors or irregularities that might occur.
- 3) An account book to record property tax charges, collections, and remaining delinquent taxes is not maintained. A properly maintained account book, including (by type) the property taxes charged to the City Collector at the beginning of the year, collections each month, and balances uncollected, can be useful in preparing the annual report required by state law.

- 4) A list of delinquent taxes is not prepared and turned over to and approved by the Board of Aldermen. Section 94.320, RSMo, provides the Board of Aldermen shall require the City Collector, at the first meeting of the board in April each year, to prepare lists of delinquent taxes. The Board of Aldermen shall examine and approve the lists and charge the City Collector with the lists to collect the taxes due.
- B. The Board of Aldermen did not hold public hearings prior to establishing property tax rates or establish annual tax rates by ordinance. In addition, the city did not levy the maximum approved tax rates for the 2007 tax year preventing the city from maximizing revenues. The city levied a tax rate of 94 cents per \$100 assessed valuation compared to the approved rate of 96 cents (76 cents general plus 20 cents health) per \$100 assessed valuation.

Section 67.110, RSMo, states at least one public hearing is to be held on proposed rates of tax prior to the board's approval of the rates, and Section 94.210, RSMo, requires tax rates to be established by ordinance. The board should review and levy the approved tax rates to ensure tax revenues are maximized.

WE RECOMMEND the Board of Aldermen:

- A.1. Require the City Clerk to prepare tax books and charge the City Collector with the amount to be collected.
2. Require the City Collector to prepare a detailed annual report as required by state law. The Board of Aldermen should examine the report for propriety and accuracy.
3. Require the City Clerk to maintain an account book.
4. Require the City Collector to submit a list of all taxes remaining due and uncollected at the first meeting of the board in April for board approval.
- B. Ensure public hearings are held on proposed property tax rates, annual levies are established by ordinance, and the approved tax rates are levied to maximize revenues.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board was unaware of the tax setting and collection process. It believes that your recommendations are essential to the sound administration of the City's finances. It will discuss the recommendations with the Clerk and City Collector and require them to implement the recommendations. It will also require regular reports be made to the Board to enable it to monitor and enforce tax collection.

8.**Restricted Receipts**

The city has not established a separate accounting for motor vehicle receipts, capital improvement sales tax monies, local law enforcement training fees, health property tax receipts, and water, sewer and refuse receipts, and does not maintain proper documentation to support transfers between funds. Also, water, sewer, and refuse receipts are deposited haphazardly into various checking accounts allowing restricted monies to be commingled and used for general operations of the city. The city does not maintain adequate records for water deposits or allocate disbursements and salaries between various funds. In addition, the city has not conducted a recent formal cost study to ensure rates charged for water, sewer, and refuse services are adequate.

A. The following concerns relating to restricted revenues were noted:

- 1) Capital improvement sales tax monies are not accounted for properly. In October 1992, city voters passed a ½ cent capital improvement sales tax to be used for the purpose of funding, operating, and maintaining capital improvements. During the year ended June 30, 2008, sales tax receipts totaling approximately \$2,070 were deposited in the city's General Account. Disbursements specifically for capital improvement projects are not identified in the city's records.

Section 94.577, RSMo, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements. In addition, separate records of receipts and disbursements would help inform the city residents of the specific projects funded by the sales tax.

- 2) Motor vehicle-related receipts are not accounted for properly. During the year ended June 30, 2008, the city received motor vehicle-related receipts totaling approximately \$30,900 from the state. The city maintains a separate bank account for the deposit of these funds; however, the city transferred \$15,555 from this account to the city's Payroll Account (see part D below). As a result, monies legally restricted for street purposes may have been used for general operations of the city. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended only for street-related purposes.

To ensure compliance with the Missouri Constitution, the city should maintain a separate accounting of motor vehicle-related receipts and ensure these monies are used only for the purposes allowed by the constitution.

- 3) The city has not established a separate fund or separate accounting to ensure law enforcement training receipts are expended only for the purpose of local law enforcement training. Due to the city's lack of records, the amount of law enforcement training fees received and spent could not be determined.

Section 488.5336, RSMo, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should transfer law enforcement training fees collected to a separate fund or maintain a separate accounting of these monies to ensure these fees are used in accordance with state law.

- 4) The city levied approximately \$2,000 in health property taxes during each of the years ended June 30, 2008 and 2007. While it appears this special purpose tax has been levied by the city for a number of years, the city could not locate a copy of the original ballot or an ordinance or formal policy defining the allowable uses of these monies. Due to the lack of records, the actual amount of health receipts received and spent could not be determined.

The monies generated by this tax have been used by the city for expenditures unrelated to public health. These monies have been collected and deposited into various accounts and used to fund general city operations. Section 94.260, RSMo, allows the city to establish a property tax for public health. While it is unclear what restrictions were placed on the original ballot, it appears the monies received from this property tax would be restricted for public health expenses only.

The city should develop a policy regarding the type of allowable expenses to be paid from this tax and ensure the policy is in compliance with state law. The city should transfer health tax receipts collected to a separate fund or maintain a separate accounting of these monies to ensure these fees are used for the purpose levied.

- B. The city does not maintain adequate records of water deposits collected from customers. The city charges and collects a \$75 deposit from each water customer before establishing water service. Deposits for water service are refunded after water service is terminated by the customer and the balance due has been paid in full. The City Clerk indicated deposits received are noted in the utility ledger; however, a comprehensive list of each customer showing the receipt slip number, amount, and date for amounts received, and the check number and date of all refunds of deposits is not maintained. The city has approximately 210 customers, thus approximately \$15,750 should be maintained in the Water Account to provide sufficient monies for refunds. The current balance in the Water Account is \$418.

To ensure the city is properly holding water deposits from customers, an accurate list of water deposits held by the city should be prepared, which includes the deposit amount and date received from each customer and the dates and amounts of all deposit refunds. In addition, a separate accounting of the water deposits should be established to document the total amount held by the city. The water deposit report should be reconciled monthly to the balance held, and a supervisory review of the reconciliation should be documented to ensure records are in balance and all deposits are accounted for properly.

C. The city charges and collects fees for water, sewer, and refuse services provided to residents and businesses in the city. Monies collected are to be used to fund the cost of providing the services, and maintenance and improvements to the systems. The following concerns related to water, sewer, and refuse receipts and disbursements were noted:

- 1) Restricted monies collected for water, sewer, and refuse services are used to fund city operations. Although the city has established separate bank accounts for each service, receipts are deposited haphazardly into various accounts with no accounting for how much was actually collected for each type of fee.
- 2) The city does not calculate and allocate administrative salaries or disbursements to the various accounts. The city should consider allocating administration salaries based on the number of hours related to water, sewer, and refuse services, or other activities, and disbursements should be allocated based on usage. City personnel indicated bills are paid and monies are transferred to the Payroll Account from whichever account has monies.
- 3) The city recently considered raising utility rates; however, no current formal study has been performed of the adequacy of the water, sewer, and refuse rates. Information necessary to properly conduct the study is not readily available, due to the city's inadequate record keeping. Water, sewer, and refuse fees are user charges which should be sufficient to cover the cost of providing the related services, without generating profits to subsidize other city services.

The city should perform a detailed review of its water, sewer, and refuse costs, including depreciation and debt service costs, and set rates to cover the total costs of operation. In addition, the city should document its justification for setting the rates for utilities.

Proper allocation of receipts and expenses (including payroll) is necessary for the city to ensure water, sewer, and refuse rates are sufficient to cover the cost of providing the respective service without generating profits to subsidize other city services. Documentation and proper allocation of expenses based upon actual

hours worked is useful for both management and compliance purposes. Additionally, reflecting receipts and disbursements in the proper fund is necessary to accurately determine the results of operations of specific activities, thus, enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs.

- D. During the year ended June 30, 2008, the city transferred monies from various bank accounts including restricted funds (water, sewer, refuse, and road and street) to the Payroll Account. At least the following amounts were transferred:

Transferred From	Amount
Refuse Account	\$ 3,700
Water Account	13,533
Road and Street Account	15,555
Local Law Enforcement Grant Account	11,100
Sewer Account	5,400
Total	<u>\$ 49,278</u>

Amounts were transferred by telephone and by issuing checks; however, due to the lack of records, the total transferred could not be determined. There was no documentation to support the amounts transferred from these accounts or to indicate the board approved the transfers. As noted above, the City Clerk indicated the city transfers monies from whatever account has a balance in order to meet payroll.

Revenues of restricted funds such as the Refuse, Water, Road and Street, Local Law Enforcement Grant, and Sewer Accounts represent restricted monies that should only be used for the operation of that fund and should not be used to subsidize the general operations of the city.

WE RECOMMEND the Board of Aldermen:

- A. Establish separate funds or a separate accounting of restricted receipts and disbursements for capital improvement sales tax, motor vehicle-related, law enforcement training, and health property tax monies to ensure they are used solely for allowable purposes and to inform the voters of the use of these restricted funds.
- B. Establish and maintain a detailed comprehensive record of all deposits and refund transactions for water services. In addition, the board should ensure sufficient water funds are available to cover deposit liabilities.
- C.1. Ensure receipts and disbursements are allocated to the appropriate fund and not used to fund general city operations.

2. Ensure the allocation of administrative salaries is based on the number of hours related to streets, water, sewer, refuse, or other activities.
 3. Periodically perform a review of water, sewer, and refuse rates to ensure revenues are sufficient to cover all costs of providing these services. In addition, the board should retain documentation to support justification for changes made to utility rates and cease using utility monies to fund general city operations.
- D. Ensure restricted funds are used for their intended purposes. In addition, the board should ensure transfers to and from various funds are properly tracked and documented.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees with your recommendations and has begun a process for implementing them.

9. Disbursement Controls and Procedures
--

Controls and procedures over city disbursements are in need of significant improvement. As a result, there is no assurance all disbursements were properly handled, recorded, approved, or used for city business. The board does not approve disbursements prior to payment of invoices, and adequate documentation is not retained for some disbursements. Blank checks are signed in advance and some purchases do not appear reasonable. The city reimburses the Mayor for gasoline expense for his personal vehicle without requiring the Mayor to account for city-related travel expenses.

- A. The Board of Aldermen does not document its review and approval of city disbursements. Disbursements made from city funds should be reviewed and approved by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city. In addition, to adequately document the board's review and approval of all disbursements, a complete and detailed listing of checks written should be prepared, the numerical sequence accounted for, signed or initialed by the board members to denote their approval and review of invoices, and retained with the official minutes.
- B. Adequate supporting documentation was not available for several disbursements. We noted 13 of 30 disbursements reviewed, totaling approximately \$7,120, for which detailed documentation was not retained. Examples include payments of \$1,916 for boarding of prisoners, \$250 for water treatment chemicals, \$328 for copier repair, and \$350 for furnace repair. In addition, billing statements and invoices are not checked for accuracy and canceled upon payment. All disbursements should be supported by a vendor invoice to ensure the obligation

was actually incurred and the disbursement represents an appropriate use of public funds.

- C. Blank checks are signed in advance by the Mayor and then processed by the City Clerk. Although a second signature is required on the checks, signing in advance negates the additional control of requiring two signatures.

To prevent misuse of city funds, checks should not be signed prior to processing and final approval.

- D. Several disbursements reviewed did not appear to be prudent and necessary uses of public funds.

- The city spent \$125 for a Holiday Greeting on the radio in December 2007.
- The city pays \$385 per month to the US Department of Agriculture Rural Development for the lease purchase of a fire truck with an outstanding balance of \$30,207 as of June 30, 2008. The city has not had an active fire department since 2005.
- The city currently pays \$2,078 annually to a company to clean two employees' uniforms. While cleaning employee uniforms may be a legitimate use of city monies, the total paid appears excessive.

Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner. The city should consider selling the fire truck to pay off the loan if the city is not providing fire protection to its citizens.

- E. During the year ended June 30, 2008, approximately \$2,310 in disbursements were identified as reimbursements to the Mayor for gasoline purchased for his personal vehicle; however, due to the poor disbursement records, additional monies could have also been reimbursed. The Mayor was not required to report mileage or actual vehicle expenses incurred for city business; therefore, the city has no assurance the Mayor's gasoline expenses were entirely incurred for city business.

The city should require the Mayor to report all city-related expenses incurred on his personal vehicle to ensure all gasoline charges are reasonable, or consider reimbursing the Mayor for actual mileage incurred and discontinue paying for gasoline. In addition, the gasoline payments appear to be taxable compensation to the Mayor but are not reported on his W-2 forms as required by Internal Revenue Service (IRS) regulations.

- F. The city failed to pay numerous invoices timely resulting in a significant increase in current liabilities. Per vendor invoices and discussion with various entities, the city owed the following amounts as of June 30, 2008:

Description	Amount
Water treatment	\$ 30,874
Board bills	10,000
Electric services	8,206
Food supplies	7,272
Fire responses	4,710
Transfer station	2,740
Capital lease purchase police car and garbage truck	2,750
Summer Food Program excess funds	2,516
Auto and tractor supplies	724
Water meters and supplies	480
Welding	119
Total	\$ <u>70,391</u>

Procedures should be in place to ensure bills are paid timely to avoid late charges and interest.

WE RECOMMEND the Board of Aldermen:

- A. Review and approve all disbursements of city funds prior to the disbursements being made.
- B. Require adequate supporting documentation prior to approving disbursements for payment. Additionally, the board should ensure all supporting documentation is retained.
- C. Ensure checks are signed only after they have been processed and approved.
- D. Ensure all disbursements are necessary and prudent uses of public funds.
- E. Require the Mayor to report all city-related expenses incurred on his personal vehicle to ensure all gasoline charges are reasonable or report the reimbursements to the IRS as required. The board should consider reimbursing the Mayor for actual mileage incurred and discontinue paying for gasoline.
- F. Implement procedures to ensure bills are paid timely.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees with your recommendations and has begun a process for implementing them.

10.	Payroll
------------	----------------

Adequate documentation and complete personnel files are not maintained for each employee. Time sheets are not required for some employees and records are not maintained of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee. Additionally, the compensation for board members and employees is not set by ordinance and employees appear to be paid for hours worked while at lunch. The city does not have adequate procedures to ensure payroll expenses and withholdings are properly computed, reported, and disbursed.

- A. Complete personnel files are not maintained by the city for each employee. Employee withholding forms (W-4s) are not on file for some employees and documentation of the employees' approved salaries and any adjustments (e.g. starting salary and approved raises) is not in individual personnel files.

The IRS requires employers to ensure an IRS Form W-4 is completed by each employee to support withholdings and taxes. In addition, personnel files should be maintained for each employee to provide documentation of personnel actions to provide readily accessible work histories. The personnel files should contain documentation of the board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate.

- B. The city has not established ordinances for the compensation paid to city officials and employees or the duties and terms of officials.

Section 79.270, RSMo, provides that city officials and employees salaries be set by ordinance and Section 79.320, RSMo, requires the City Clerk's duties and term of office be established by ordinance. Establishing ordinances to set compensation rates and terms of office, in addition to meeting statutory requirements, documents the approved amounts to be paid and eliminates misunderstandings regarding the amount of pay each city official and employee receives. Also, Section 70.270, RSMo, provides that "...the salary of an officer shall not be changed during the time for which he was elected or appointed." Thus, the term of office is significant in determining when pay increases are allowable under state law.

- C. Salaried employees and the Court Clerk do not submit time sheets, and records are not maintained of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee. In addition, employees are paid for hours

worked while at lunch. Timesheets are necessary to document hours actually worked, substantiate payroll disbursements and the allocation of payroll costs to the various funds, and provide the board with a method to monitor hours worked. The city should require all employees to submit detailed time sheets which are reviewed and approved by a supervisor and only compensate employees for time worked. Documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

- D. The city does not appropriately file and disburse required payroll taxes and withholdings, and payroll registers were not complete. The city did not file required reports or submit payroll taxes and withholdings to the appropriate entities for several quarters. A review of the city's payroll records noted Federal 941 returns were not prepared or filed for the third and fourth quarters of 2007 and the first and second quarters of 2008. Although the city prepared returns for the first and second quarters of 2007, documentation of payments could not be located. Based on information prepared for the first and second quarters of 2007, the city has a potential liability of approximately \$34,800 to the IRS for these filing periods.

In addition, the city has not filed state withholding returns for the third and fourth quarters of 2007 and the first and second quarters of 2008. Due to the city's poor records, the amount due to the DOR could not be determined. In addition, the Missouri Department of Labor and Industrial Relations indicated the city owes \$3,438 for state unemployment for the first, second, and third quarters of 2006 and the first quarter of 2007. Returns for the remaining three quarters of 2007 and the first and second quarters of 2008 could not be located.

City payroll registers were missing all payroll information for the fourth quarter of 2007 and the entire month of May for the second quarter of 2008. In addition, some mathematical errors were noted on employee pay stubs including using a slightly higher percentage than required for the determination of federal Social Security and Medicare taxes.

Adequate payroll registers and calculations of payroll taxes are needed to file accurate payroll reports, and retention of payroll documentation is required to support payroll tax computations and to show compliance with applicable federal and state laws and regulations. The city should review its records and contact the IRS and the state to ensure all applicable payroll tax reports and withholdings have been filed and disbursed. Failure to properly withhold, report, and submit payroll taxes could result in fines and penalties levied against the city.

- E. On June 2, 2008, the City Clerk received a \$300 payroll advance from the city; however, there was no documentation regarding the pay back terms or board approval. The City Clerk paid back the advance by the end of July 2008;

however, a review of the payback total indicated an overpayment of \$50. Due to the inadequate payroll records, it could not be determined whether additional payroll advances had been made.

Salary advances represent loans and grants of public funds, and as such, are prohibited by the Missouri Constitution. Article VI, Sections 23 and 25 of the Missouri Constitution, prohibit the loaning or granting of public funds to individuals. The city should cease the practice of making payroll advances to employees.

- F. A comparison of the salaries of the Mayor, Board of Aldermen, and Police Chief to other cities with similar population sizes was performed using compensation information obtained from the Missouri Municipal League. The information indicates each board member's compensation of \$60 for each monthly meeting and the Police Chief's annual salary of \$23,040 appear to be in line with other fourth class cities with similar populations. However, the Mayor's salary revealed a significant variance when compared to other cities. The Mayor of Hayti Heights receives yearly compensation of \$17,093 while compensation paid by cities of similar size ranged from \$300 to \$4,800 per year.

The city's payroll represents a significant portion of the city's disbursements for the year. The city is forced to transfer monies from restricted funds each pay period in order to cover payroll liabilities (see MAR finding number 8). Salaries of elected officials should be reviewed periodically to ensure compensation rates are set at levels that are reasonable and fiscally sound.

WE RECOMMEND the Board of Aldermen:

- A. Ensure all individuals receiving wages from the city have a properly completed W-4 form on file. Additionally, complete personnel files should be maintained for all city employees which include authorization for the employee's hiring, the initial pay rate, subsequent increases in pay, and any other personnel actions.
- B. Establish the compensation, duties, and terms of offices for all city officials and employees by ordinance.
- C. Require all city employees to prepare time sheets reflecting the actual time worked and signed by the employee and the applicable supervisor. The board should ensure employees are paid for actual hours worked which does not include time off for lunch. In addition, records should be maintained of vacation, sick leave, and compensatory time earned, taken, and accumulated balances.
- D. Ensure all payroll taxes are properly computed and disbursed, all federal and state payroll tax forms are prepared and filed on a timely basis, and complete payroll registers are maintained. Copies of all forms and computations should be maintained. The city should contact the IRS and the state to ensure all prior

payroll taxes have been properly submitted and all payroll reports have been filed accurately and timely, and file amended returns as necessary.

- E. Cease allowing payroll advances.
- F. Review the Mayor's current salary structure to ensure it is in line with cities of similar size.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board agrees with your recommendations and has begun a process for implementing them.

11. Meeting Minutes and Ordinances

Numerous problems were noted with city procedures for establishing and maintaining ordinance records, providing public access to records, and conducting and documenting board meetings.

- A. Improvement is needed in the organization of the city's ordinances.
 - 1) A complete orderly set of ordinances is not maintained, and ordinances are not properly updated. Several ordinances are missing from the official ordinance book including subchapter "A" (Aldermen) and subchapter "B" (Officers and employees) under city organization. Although the City Clerk was able to locate the missing ordinances, the city's ordinance book is not labeled and organized. In addition, city ordinance 63.130, which establishes water rates and deposits is not current. The ordinance establishes water rates at \$2.50 for the first 3,000 gallons of water and 10 cents for each additional 100 gallons and requires a \$10 deposit from each customer; however, the city currently charges \$11 for the first 2,000 gallons and 31 cents for each additional 100 gallons and requires a \$75 deposit.
 - 2) An index of all ordinances passed and rescinded by the city is not maintained which makes it difficult for the city to determine which ordinances are still active. In addition, the city has not adopted ordinances to address all issues required by state law, including current compensation of some officials and employees, establishment of the approved property tax levy for the year, and the procedures for collecting delinquent taxes.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that city ordinances be maintained in a complete and up to date manner. An index of all ordinances

passed and rescinded by the city could help keep track of additions and changes made to the city ordinances. In addition, a complete set of original signed ordinances should be maintained at city hall.

- B. A tentative agenda was not prepared and posted for all meetings. The City Clerk indicated agendas are not posted with the notice of the meeting, but are presented by the Mayor at the beginning of the meeting. Section 610.020, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of the matters to be considered. The notice shall be given at least 24 hours prior to the meeting.
- C. Board meeting minutes are not signed by the City Clerk and Mayor. In addition, minutes for several months could not be located. The board meeting minutes should be consistently signed by the City Clerk as the preparer, and the Mayor or a designated member of the board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings. The minutes represent the official record of discussions held and actions taken at the meetings of the Board of Aldermen. The Secretary of State retention manual indicates that meeting records by public bodies including minutes, agendas, etc. are to be retained as permanent records.
- D. The city has not adopted a policy regarding public access to city records. The City Clerk indicated the city charges 10 cents per copy. Although the city follows the Sunshine Law for fees charged for copying public records, the city has not formally adopted a policy. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.026, RSMo, describes the allowable fees for copying public records, and Section 610.023, RSMo, lists requirements of making city records available to the public. In addition, the ordinance and policy should establish a person to contact and an address to mail requests for access to records.

- E. Improvement is needed in the handling of closed meetings. Numerous closed sessions were held by the board, but the various requirements in Chapter 610, RSMo (the Sunshine Law), regarding closed meetings were not always followed.
 - Some minutes of open meetings do not document the reasons for closing the meeting or the related vote.
 - While minutes of closed meetings are required by state law, the city failed to provide minutes of several closed meetings held by the board.

- Decisions made in closed meetings were not always properly disclosed in open meetings, or due to the lack of closed session minutes, it is not known whether any decision was properly disclosed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

WE RECOMMEND the Board of Aldermen and Mayor:

- A.1. Update the city's ordinances for any resolutions passed and ensure a complete set of ordinances is maintained.
2. Ensure all ordinances required by state law are adopted and consider establishing an index of all city ordinances passed and rescinded.
- B. Ensure proper notification and agendas for public meetings are given or reasons for any deviation are documented in the minutes in accordance with applicable statutes.
- C. Ensure all minutes are signed by the Mayor and City Clerk and retained per the Secretary of State retention guidelines.
- D. Establish written policies and procedures regarding public access to and/or copies of city records.
- E. Ensure minutes are maintained to support all closed meetings, document the vote to go into closed session, state the reasons for going into closed meetings, and publicly disclose the final disposition of applicable matters discussed in closed meetings.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The City retained a new City Attorney in January. One of the first things he did was to make the Board familiar with the open Sunshine Law. The City has since been preparing meeting agendas, including notice of closed session, posting them at least 24 hours in advance, and signing of Board minutes once approved. The City is in the process of adopting the remainder of your recommendations.

12.**Loans**

The city failed to adequately document and approve loans received from various elected officials and to monitor the payback of some of the loans. In addition, it appears these loans violate the Missouri Constitution.

A. Adequate written agreements were not obtained for the following loans and board approval was not documented:

- 1) The Mayor indicated he loaned the city \$5,000 on April 11, 2008, from his personal monies to pay back the amount of grant funds misspent by the city (see MAR finding number 13). There is no written agreement documenting payback terms between the city and the Mayor for this loan and the only documentation of this loan was a copy of the Mayor's cancelled check. In addition, there is no documentation of board approval. The City Clerk indicated this loan had not been repaid as of November 25, 2008.
- 2) The Police Chief currently does not pay for his water and sewer services. The Mayor indicated the Police Chief does not pay for these services in order to repay the Police Chief for a loan he made to the city. The amount of water and sewer services credited to the Police Chief from July 2007 through June 2008 is approximately \$955. There is no written agreement between the city and the Police Chief indicating the date, amount, or payback terms for the loan. In addition, the city failed to track the amount and length of time the Police Chief has not been billed for water and sewer services or the amount still due to the Police Chief. Also, there is no documentation of the original amount loaned to the city by the Police Chief, when this loan occurred, or when the Police Chief stopped paying for his water and sewer services.
- 3) Two additional loans to the city made by the Police Chief and a former alderman for \$1,700 and \$500, respectively, were noted for which there were no formal agreements. Another loan from several elected officials totaling \$1,500 made to the city was documented; however, the agreement was not dated and signed by the parties and no payback terms were indicated.

B. The Police Chief personally purchased a 1996 Chevrolet Caprice in May 2003, which is currently used by the police department as a patrol car. The car is registered and licensed to the Police Chief and is equipped with a police radio and emergency lights and siren. The Mayor and Police Chief indicated the city agreed to purchase the vehicle from the Police Chief for \$4,000 in 2003; however, this transaction did not take place. The Mayor indicated no formal document pertaining to this agreement was made. Currently, the city pays for the gas and

maintenance of this vehicle, but the Chief purchases the insurance and retains the title.

Good business practices require proper documentation and approval of all loan transactions the city enters into as essential to allow the city to track its liabilities and indebtedness to all parties. Failure to obtain proper documentation and payback terms increases the city's risk and exposure to legal disputes that may arise. The city should review all loans to determine the original amount, payments made, and current amounts outstanding.

In addition, Article VI, Section 26a, Missouri Constitution, states that no city shall become indebted in an amount exceeding in any year the revenues provided for such year plus any unencumbered balances from previous years, except as otherwise provided in the constitution. Due to the poor financial condition of the city, as noted in MAR finding number 1, it appears even these small loans may exceed these limits.

WE RECOMMEND the Board of Aldermen review all loans the city has entered into with officials and individuals, and amounts repaid, to determine the total debt the city has encumbered. Additionally, the board should cease the practice of accepting loans from city officials. If additional loans are deemed necessary, the board should adopt a policy regarding the documentation and approval of these loans to ensure compliance with the constitution.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The Board has been advised that the Missouri Constitution does not allow deficit spending by municipalities. You are correct that the City may not expend or obligate itself to pay more than the income for the year plus any unencumbered balances from previous years. The loans by city official were not approved by the Board or documented. It is the understanding of the Board from your audit that the Mayor loaned \$5,000 to the City on April 11, 2008 to partially repay approximately \$7,834 misspent by the City under the Local Law Enforcement Block Grant. The audit indicates the grant money was misapplied to pay other city operating expenses. There is no indication that the \$5,000 was placed in a separate account or its use thereafter restricted to its intended purposes. No repayment of any loans should be made until the Board has fully reviewed the circumstance and determined whether the City is legally obligated to repay the loans. Any loans made by city officials without formal approval of the Board are not binding on the City, and especially so if they violate the Missouri Constitution. The Board is adopting your recommendation to identify and review each loan, determine who obtained the loan, whether the Board or prior Boards approved the loans, and track the receipt and disbursement of the funds. The Board has already begun implementing a policy requiring any contracts or loans be reviewed by the City Attorney and approved by the Board before being made. Any such loans will be required to be in writing and contain all payment information.

The city used Local Law Enforcement Block Grant monies to fund general city operations. The city received a Local Law Enforcement Block grant of \$7,834 through the Missouri Department of Public Safety (DPS) which was deposited into the Local Law Enforcement Project Account on February 13, 2008. As of June 30, 2008, the balance in the Local Law Enforcement Project Account was \$264, indicating the city has used \$7,570 of the grant funds for general city operations. The Mayor, City Clerk, and Police Chief indicated that none of the grant funds were spent for the intended purpose.

The city received a letter from the DPS stating the grant expired June 30, 2008. The DPS requested documentation of purchases and payments made and that any unexpended funds be returned. Funds received through approved grants are restricted monies that are to be used within a specified time period and expended only for approved purchases. Failure to comply may result in denial of future funding.

WE RECOMMEND the Board of Aldermen ensure grant monies are used only for the intended purposes in a timely manner. In addition, the city should contact the granting agency to determine how to resolve this situation.

AUDITEE'S RESPONSE

The Board of Aldermen and City Attorney provided the following written response:

The members of the Board of Aldermen were unaware of the receipt of Local law Enforcement Block Grants or how they were spent. No bills were presented to the Board of Aldermen for approval before they were paid. It appears the city officials apparently wrote checks and used the grants to pay routine operating expenses of the City rather than spending them for their intended purposes. Since the Mayor and the Clerk did not provide proper monthly financial reports or obtain Board approval for the expenditures, the Board was unaware that the grant fund had been misused. The Board of Aldermen has taken a more active role in demanding regular financial reports to ensure that grant monies are used only for their intended purposes. The City Clerk is providing the City Attorney copies of correspondence from the Department of Public Safety to determine how to resolve the matter.

AUDITEE'S OVERALL RESPONSE

The Board of Aldermen believes the audit provided by your office to be a valuable management resource and tool which will help them put the City on a sound financial basis by adopting proper procedures and controls for collection and expenditures of City funds. In doing so the Board is optimistic that it can become current in its obligations and avoid the problems you have identified in the future. The Board appreciates the time and work your office has taken in performing the audit.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF HAYTI HEIGHTS HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The city of Hayti Heights is located in Pemiscot County. The city was incorporated in 1972 and is currently a fourth class city. The population of the city in 2000 was 771.

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2008, are identified below. The Mayor is paid \$17,093 annually and Board of Aldermen members are paid \$60 for regular monthly meetings and \$15 for each special meeting attended. The Police Chief is elected for a 4-year term and paid \$1,920 monthly. The compensation of these officials has not been established by ordinance.

Mayor and Board of Aldermen	Dates of Service During the Year Ended June 30, 2008
Laurence Newman, Mayor	July 2007 – June 2008
Gregory Williams, Alderman	July 2007 – June 2008
Barbra Johnson, Alderwoman (1)	November 2007 – June 2008
Ethel White, Alderwoman (1)	July 2007 – October 2007
Linda McBride, Alderwoman (2)	February 2008 – June 2008
Earnmor Burns, Alderwoman (2)	July 2007 – February 2008
James Willie Thomas, Alderman	July 2007 – June 2008
Martha Johnson, Alderwoman	July 2007 – June 2008
Darion Thomas, Alderman (3)	July 2007 – March 2008

Other Officials	Dates of Service During the Year Ended June 30, 2008
Vernis Farmer, Police Chief *	July 2007 – June 2008
Deborah Borders, City Clerk (4)	December 2007 – June 2008
Henrietta Stokes, City Clerk (4)	July 2007 – December 2007
Reginald Williby, City Attorney (5)	April 2008 – June 2008
Jacqueline McGee, City Attorney (5)	July 2007

* Elected position

- (1) Barbra Johnson was appointed in November of 2007 upon the resignation of Ethel White.
- (2) Linda McBride was appointed in February 2008 upon the resignation of Earnmor Burns. In April 2008, no one ran for the position so she was reappointed in May 2008. She resigned in June 2008 and Theola Mooney was appointed in July 2008.

- (3) Darion Thomas completed his term in March 2008. In April 2008, no one ran for the office so it remained vacant until John Johnson was appointed in July 2008.
- (4) In December 2007, Henrietta Stokes resigned and Deborah Borders was appointed City Clerk. The City Clerk is paid \$1,280 per month.
- (5) In January 2009, Jim Bruce was appointed City Attorney. In April 2008, Reginald Williby was appointed City Attorney and resigned in December 2008. The city was without an attorney since Jacqueline McGee resigned in July 2007.

In addition to the officials identified above, the city employed 4 full-time employees and 3 part-time employees on June 30, 2008.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$	825,689
Personal property		238,294
Total	\$	<u>1,063,983</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

		Rate
General	\$	<u>.7600</u>
Health		.2000

TAX RATE(S) PER \$1 OF RETAIL SALES

		Rate
General	\$	<u>.0100</u>
Capital improvement		.0050

As of June 30, 2008, the city has several outstanding loans as follows:

The city owes Missouri Development Finance Board \$90,775 for improvements to the city's sewer and water system. This loan matures in July 2028.

The city also currently has two loans with the United States Department of Agriculture Rural Development. The first loan has an outstanding balance of \$19,320 as of June 30, 2008, and matures in December 2016. The second loan has an outstanding balance of \$30,207 as of June 30, 2008, and matures in October 2016.

Additionally, the city is in arrears with several vendors for past due invoices.

A statement showing receipts, disbursements, and changes in cash by each bank account for the year ended June 30, 2008 follows. This was the only financial information available for the city.

CITY OF HAYTI HEIGHTS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BY BANK ACCOUNT

YEAR ENDED JUNE 30, 2008

	General Account	Road and Street Account	Payroll Account	Water Account	Sewer Account	Refuse Account	Municipal Court Account	Inner City Financing Account	Local Law Enforcement Project Account	Other Accounts *	Total
Receipts	\$ 54,357	30,924	115,193	24,837	18,623	18,385	43,918	14,906	0	712	321,855
Disbursements	<u>56,373</u>	<u>30,472</u>	<u>113,812</u>	<u>24,434</u>	<u>18,676</u>	<u>18,657</u>	<u>45,245</u>	<u>15,472</u>	<u>13,870</u>	<u>1,750</u>	<u>338,761</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,016)	452	1,381	403	(53)	(272)	(1,327)	(566)	(13,870)	(1,038)	(16,906)
BEGINNING BALANCE JULY 1	<u>2,260</u>	<u>62</u>	<u>354</u>	<u>15</u>	<u>233</u>	<u>232</u>	<u>1,226</u>	<u>783</u>	<u>14,134</u>	<u>2,547</u>	<u>21,846</u>
ENDING BALANCE JUNE 30	<u>\$ 244</u>	<u>514</u>	<u>1,735</u>	<u>418</u>	<u>180</u>	<u>(40)</u>	<u>(101)</u>	<u>217</u>	<u>264</u>	<u>1,509</u>	<u>4,940</u>



Susan Montee, JD, CPA
Missouri State Auditor

County Collector Miller County



June 2009

Report No. 2009-56

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of County Collector, Miller County

Bank Reconciliations	Formal bank reconciliations are not prepared and retained. In addition, monthly lists of liabilities are not prepared and reconciled to cash balances. As a result, differences have occurred and not been corrected or resolved. As of February 28, 2009, the reconciled bank balance exceeded the identified liabilities by \$8,770. An attempt should be made to determine the proper disposition of the differences.
Receipts	Receipts are not deposited intact. During our cash count, we noted nine checks that could not be traced to a subsequent deposit. The County Collector's Chief Deputy indicated checks received are sometimes withheld from deposits and returned to the payer if they are written for the wrong amount, but no documentation is maintained to indicate checks were returned.
Annual Settlements	The annual settlement for the year ended February 28, 2009, was not filed as of May 4, 2009. In addition, the County Collector's annual settlements for the years ended February 28 (29), 2008 and 2007, contained numerous errors and inconsistencies in amounts reported. Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.
Review of Annual Settlements	While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.
Budgets	The Collector's Tax Maintenance Fund budgets included in the consolidated county budget for 2008 and 2007 were not complete. Beginning cash balances, budgeted receipts, and prior year actual receipts and disbursements were not always included. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

All reports are available on our Web site: auditor.mo.gov

Miller County Collector

Table of Contents

State Auditor's Report	2
Management Advisory Report - State Auditor's Findings	4
Organization and Statistical Information	8



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
County Collector
Miller County, Missouri

Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. The County Collector of Miller County resigned effective November 14, 2008. A successor was appointed and sworn into office effective December 17, 2008.

To satisfy our statutory obligation, we have audited the operations of the County Collector of Miller County. The scope of our audit included, but was not necessarily limited to, the period March 1 to November 14, 2008 and the years ended February 28 (29), 2008 and 2007. Miller County was audited by McBride, Lock and Associates, CPAs, for the years ended December 31, 2007 and 2006. The objectives of our audit were to:

1. Determine the financial condition of the accounts of the office of the County Collector.
2. Determine the proper compensation that should have been paid to the prior County Collector during the audit period and the compensation actually paid during such period.
3. Determine if the County Collector has adequate internal controls over significant financial functions.
4. Determine if the County Collector has complied with certain legal provisions.
5. File a report of our findings with the County Commission and the individual appointed to fill the vacancy in the office of the County Collector.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office of County Collector, as well as other county officials and certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and Miller County and was not subjected to the procedures applied in our audit of the County Collector.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owing to the county or the past County Collector. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector of Miller County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Patrick M. Pullins, M.Acct Tina Gildehaus, M.Acct.

Miller County Collector Management Advisory Report State Auditor's Findings

1. Accounting Controls and Procedures

The County Collector does not prepare formal bank reconciliations, does not reconcile liabilities to cash balances and does not document the final disposition of all receipts. An annual settlement has not been filed for the year ended February 28, 2009, and annual settlements filed for the years ended February 28 (29), 2008 and 2007, contained errors. In addition, budgets filed for the Collector's Tax Maintenance Fund were not complete.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Property taxes and other monies totaling approximately \$16.9 million were collected and distributed during the year ended February 29, 2008.

1.1 Bank reconciliations

Formal bank reconciliations are not prepared and retained. In addition, monthly lists of liabilities are not prepared and reconciled to cash balances. The County Collector maintains several bank accounts for the deposit of property tax collections, protested taxes, lodging taxes, and the Collector's Tax Maintenance Fund. Collections are distributed monthly, with the exception of interest earnings and surtax, which are distributed once a year.

The County Collector records transactions on a computer software program; however, formal bank reconciliations are not prepared identifying checks outstanding and deposits in transit. As a result, the County Collector does not have a documented reconciled bank balance that can then be used to reconcile to a monthly list of liabilities.

Upon our request, the current County Collector provided a reconciled bank balance for the main bank account as of November 30, 2008; however, there were no outstanding checks or deposits in transit noted on the reconciliation. This reconciliation indicated a reconciled bank balance of \$1,907,368 while the check register showed a balance of \$1,912,801. Because the reconciling items were not identified, we could not determine which balance was correct. In addition, the County Collector could not provide a list of liabilities as of that date. Based on a review of the Collector's records, we identified liabilities totaling \$1,912,212 at November 30, 2008, including November taxes of \$1,893,905, surtax of \$16,682 and interest of \$1,625. These liabilities were \$4,844 more than the reconciled bank balance and \$589 less than the balance recorded on the check register.

The February 2009 bank reconciliation was completed and compared to identified liabilities by the current County Collector in April 2009. The bank reconciliation reflected an unidentified balance in the account of \$693,599; however, an adjustment for protested taxes reduced the unidentified amount to \$8,770.

Adequate reconciliations between liabilities and reconciled cash balances are necessary to ensure the cash balance is properly identified and monies



Miller County Collector
Management Advisory Report – State Auditor's Findings

are sufficient to meet liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. An attempt should be made to determine the proper disposition of unidentified differences.

1.2 Receipts

Receipts are not deposited intact. Checks received are sometimes withheld from deposits and returned to the payer if they are written for the wrong amount. During our cash count on January 21, 2009, we noted nine checks totaling \$4,682 that could not be traced to a subsequent deposit. The County Collector's Chief Deputy stated these checks must have been returned to the payer because they were written for the wrong amount, but there was no documentation of the checks being returned. The Chief Deputy said the Collector's office sends a card along with the returned check indicating the correct amount due; however, a copy of this card or other documentation is not maintained to indicate the check was returned. We were able to contact the payer to confirm one of the checks for \$2,124 was returned. All receipts should be deposited intact on a timely basis or, at a minimum, documentation of their disposition should be maintained so all monies received can be accounted for properly.

1.3 Annual settlements

The annual settlement for the year ended February 28, 2009, was not filed as of May 4, 2009. In addition, the County Collector's annual settlements for the years ended February 28 (29), 2008 and 2007, contained numerous errors and inconsistencies in amounts reported including:

- 1) Property tax charges for back taxes reported on the annual settlement for the year ended February 29, 2008, did not agree to the delinquent tax amounts on the prior year's annual settlement. Delinquent taxes reported on the settlement for the year ended February 28, 2007, were \$54,081 more than the charges carried forward to the settlement for the year ended February 29, 2008. No documentation was provided to support the change in the amount.
- 2) Some distributions reported on the settlements did not agree to supporting documentation maintained. Differences between the distributions per the annual settlement and the County Collector's computer system totaled \$53,600 for the year ended February 29, 2008, and \$72,000 for the year ended February 28, 2007. Most of the differences appeared to be due to miscellaneous receipts and commissions. However, other errors were noted as follows:
 - Distributions to fire districts as reported on the annual settlement for the year ended February 29, 2007, were \$4,000 more than the amounts collected per the County Collector's computer system.



Miller County Collector Management Advisory Report – State Auditor's Findings

- Distributions to the library district as reported on the annual settlement for the year ended February 28, 2008, were \$4,700 more than the amounts collected per the County Collector's computer system.

Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.

To help ensure the validity of the tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements on a timely basis. Section 139.160, RSMo, requires the County Collector to settle accounts with the County Commission by the first Monday of March.

1.4 Review of annual settlements

While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.5 Budgets

The Collector's Tax Maintenance Fund budgets included in the consolidated county budget for 2008 and 2007 were not complete. Beginning cash balances, budgeted receipts, and prior year actual receipts and disbursements were not always included. The County Collector maintains custody of the Collector's Tax Maintenance Fund and handles all duties relating to the fund. At December 31, 2008, the balance of the Collector's Tax Maintenance Fund was \$77,663.

Chapter 50, RSMo, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year and describes details to be provided in budget documents. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.



Miller County Collector
Management Advisory Report – State Auditor's Findings

Similar conditions
previously reported

Similar conditions to 1.1, 1.3, and 1.5 were noted in our prior audit report.

Recommendations

- 1.1 The County Collector prepare and document bank reconciliations on a monthly basis and compare lists of liabilities and other reconciling items to the reconciled bank balance. An attempt should be made to identify and resolve the differences in the cash balance that currently exist.
- 1.2 The County Collector deposit all monies intact on a timely basis or, at a minimum, document the disposition of all receipts.
- 1.3 The County Collector file complete and accurate annual settlements in a timely manner.
- 1.4 The County Clerk and the County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.
- 1.5 The County Collector prepare complete and accurate budgets as required by state law.

Auditee's Response

The current County Collector provided the following responses:

- 1.1 *I now understand how to perform the bank reconciliations and asset to liability comparisons and intend to perform these procedures in the future.*
- 1.2 *We are now documenting the checks that have been returned in a log. A letter is sent to the taxpayer and a copy of the letter will be retained.*
- 1.3 *I will try to file the settlements timely each year. We are currently working on the settlement for the year ended February 2009 with the software company. I will maintain supporting documentation for settlement amounts.*
- 1.5 *I will prepare the annual budget in accordance with state law.*

The County Clerk and County Commission provided the following response:

- 1.4 *When the settlement is received, we will try to review it properly.*

Miller County Collector

Organization and Statistical Information

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Larry Sullivan served as County Collector until November 14, 2008. William (Bill) Harvey was appointed the Miller County Collector and sworn into office on December 17, 2008.

The County Collector received compensation of \$31,673 for the period March 1 to November 14, 2008. During the years ended February 28 (29), 2008 and 2007, the County Collector received compensation of \$45,000 and \$43,000, respectively. Compensation was in accordance with statutory provisions.



Susan Montee, JD, CPA
Missouri State Auditor

Village of Collins



June 2009

Report No. 2009-55

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

The following findings were included in our audit report of the Village of Collins.

The cash balance of the village's General Fund has been declining. Several factors have contributed to this decline. The village spent approximately \$280,000 to construct a storm shelter paying approximately \$130,000 from the General Fund. This cost was significantly more than estimated, and the village did not prepare a budget to properly monitor these costs. Additionally, expenses, such as wages and fringe benefits, are mostly paid from the General Fund even though employee duties relate to water, sewer, and street services. Further, the village is authorized to pay the cost of street lighting from motor vehicle related fees from the state, but has been paying these costs from the General Fund since 2005. The financial condition of the village's General Fund should be closely monitored by ensuring budgets are prepared, spending is monitored, and expenses are allocated to the proper fund.

The village paid the Maintenance Supervisor \$19,500 during the 2 years ended December 31, 2008, in addition to his hourly wage, for extra duties that are not adequately documented. This compensation is based upon agreements that expired as far back as 2002, and these services appear to duplicate the job description and duties listed in the employee policy book. Time sheets are not signed by employees to certify the accuracy of work performed and are not reviewed and approved by the Board of Trustees. Leave benefits are not always calculated in compliance with village policy.

The village needs to improve accountability over its water and sewer system. The village disburses approximately all water and sewer receipts received and does not maintain reserve funds for improvements or major repairs. Additionally, the village does not have documentation to support water and sewer rate increases, and does not compare the total gallons of water pumped to the total gallons of water billed to customers to ensure all water usage is properly billed. The village is holding approximately \$2,400 in meter deposits that should be refunded to customers, the meter deposit list is not compared to the balance in the Meter Deposit Fund monthly, and annual audits of the water and sewer system are not obtained as required by state law. Further, the village has not adequately monitored a project to update the lagoon, and total costs for the project have not been tracked. The village does not have adequate maintenance records for its water and sewer system, and the Board of Trustees has not addressed recommendations from a 2007 inspection of the water storage tank.

Improvements over disbursements, such as maintaining written contracts, documenting approval of disbursements and evaluating cellular phone costs is needed. Additionally, fuel usage and mileage logs are not maintained for the village truck, and commuting mileage is not documented and included on the Maintenance Supervisor's W-2 Form.

YELLOW SHEET

The village's budget document lacked some information required by state law, did not properly reflect transfers between funds or interest earned on investments, and did not include adequate documentation of the board's approval. Additionally, the Board of Trustees did not periodically compare actual receipts and disbursements with budgeted amounts, and as a result, the village spent more than budgeted from several funds. Further, the village has spent very little from the Capital Improvement Sales Tax Fund for street improvement, and does not have a plan documented on how to utilize the balance of more than \$59,000 that has accumulated as of December 31, 2008.

Accounting duties are not adequately segregated and there is no evidence the Board of Trustees provided adequate supervision or review of the work performed by the Village Clerk. Procedures used to record monies received need improvement. Receipt slips are not always prepared, the method of payment received is not always documented, and checks and money orders received are not restrictively endorsed upon receipt. Additionally, monthly bank reconciliations performed by the Village Clerk are not documented, and the village does not have bond coverage for the two board members authorized to sign checks.

The village does not maintain current, complete, and detailed records of capital assets.

All reports are available on our Web site: www.auditor.mo.gov

VILLAGE OF COLLINS, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-20
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Payroll Issues6
3.	Water and Sewer System8
4.	Village Disbursements12
5.	Budgets and Financial Reporting.....14
6.	Accounting Controls17
7.	Capital Assets19
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	21-25

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Collins, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Collins. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given

the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Collins.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Candi Copley

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF COLLINS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The cash balance of the village's General Fund has been declining. During the 2 years ended December 31, 2008, General Fund disbursements exceeded receipts by approximately \$146,000 causing the cash balance to drop to approximately \$11,000 as of December 31, 2008. Several factors appear to have caused the declining balance.

- The village completed construction of a community storm shelter in 2008 spending approximately \$130,000 from the General Fund. The shelter, costing approximately \$280,000, was partially funded by a State Emergency Management Agency grant of \$150,000. Initial grant application estimates indicate the village only anticipated spending approximately \$10,000 plus an in-kind contribution of the land with an estimated value of \$40,000. The total cost of the shelter exceeded initial estimates, and the actual appraised value of the land was significantly less than estimated, resulting in a significant increase in the amount of general funds required to complete the shelter. Additionally, the village did not prepare a budget for the Storm Shelter Fund to properly monitor these costs. (See MAR finding number 5.)
- Expenses, such as wages and fringe benefits, are not allocated to the appropriate funds. Most of these costs are paid from the General Fund even though employee duties relate to water, sewer, and street services. (See MAR finding number 2.)
- The cost of providing street lighting has been paid from the General Fund since 2005; however, motor vehicle related fees from the state, authorized to pay these costs, have been deposited into the Capital Improvement Sales Tax (CIST) Fund. (See MAR finding number 5.)

WE RECOMMEND the Board of Trustees closely monitor the financial condition of the General Fund by preparing budgets, monitoring spending, and allocating expenses to the proper funds.

AUDITEE'S RESPONSE

The Board of Trustees provided the following response:

We are aware of the decrease in the General Fund balance and will monitor the balance in the future. Sales tax revenues in the General Fund have also decreased, and with the exception of the storm shelter expenses, there has only been a \$16,000 decrease in the General Fund balance in the last 2 years. The first and second points will be implemented, and we intend to reimburse the General Fund for past electricity paid for out of the General Fund that should have come

from the motor vehicle related funds that were deposited in the Capital Improvement Fund since 2005.

2.

Payroll Issues

The Maintenance Supervisor was paid \$19,550 during the 2 years ended December 31, 2008, in addition to his hourly wage, for extra duties that are not adequately documented. Employee wages are not properly allocated to village funds, and time sheets are not signed by village employees to certify their accuracy or by the village board members to indicate their review and approval. Further, employee leave benefit calculations do not always comply with existing village policy.

- A. The village pays \$450 monthly for meter reading and mowing services and \$400 monthly for water and waste water testing services to the Maintenance Supervisor. These amounts are paid in addition to the Maintenance Supervisor's regular wage of \$12 per hour. There is no documentation to indicate these services were provided outside of the Maintenance Supervisor's normal working hours and the amounts are based upon agreements between the village and Maintenance Supervisor that expired as far back as 2002. Additionally, according to village personnel, a part-time maintenance employee also performs meter reading and mowing services for the village and is compensated based upon an hourly wage.

Further, these services appear to duplicate the job description and duties listed in the employee policy book approved by the Board of Trustees in June 2008. There is no documentation to indicate the Board of Trustees has recently reviewed the additional compensation or considered the additional duties when determining the Maintenance Supervisor's job description.

Although these additional compensation amounts are included in the Maintenance Supervisor's payroll check (with the appropriate payroll taxes withheld), time sheets prepared by the Maintenance Supervisor do not clearly identify duties performed that adequately segregate compensation amounts. The Board of Trustees should evaluate these additional compensation amounts and determine if these services are duties that should be performed and compensated as regular employment duties of maintenance personnel.

- B. The method of allocating wages paid to the Village Clerk and the Maintenance Supervisor to specific funds does not appear reasonable, and is not supported by documentation. Although the Village Clerk performs water and sewer billing and collection activities, all of her wages are paid from the General Fund. In addition, the Maintenance Supervisor's job duties include street, water, and sewer system activities, but all his wages are paid from the Water and Sewer Fund. Further, all health insurance costs and payroll taxes for village employees (the employee and employer share) are paid from the General Fund.

The funds of the village are established as separate accounting entities to account for specific activities. Wage expenses should be allocated to the various village funds based on actual time worked or estimated time worked based on historical data. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the village to establish the level of taxation and/or user fees necessary to meet operating costs.

- C. Time sheets are not signed by employees to certify the accuracy of work performed and are not reviewed and approved by the Board of Trustees. Village policy requires employees to maintain a daily journal of work performed. Daily work journals are submitted monthly as employee time sheets; however, some time sheets do not indicate duties performed. To ensure the propriety of salary disbursements, time sheets should be signed by employees, reviewed and approved by the Board of Trustees, and include adequate detail of work performed to comply with village policy.
- D. Leave benefits are not always calculated in compliance with village policy. Village policy allows for sick leave to be earned at the rate of 3 hours per month; however, employees are given credit for the entire annual benefit at the beginning of the year. As a result, leave benefits can be used before they are earned. In addition, policy restrictions placed on accumulated vacation and personal leave are not always followed. For example, one employee did not use two accumulated personal day benefits allowed by the village policy in 2007. These personal days were carried forward and recorded as sick benefits. Sick benefits are allowed to accumulate and carry forward up to 100 hours. The policy does not allow unused personal days to be carried forward to the succeeding year.

Leave benefits should be calculated in accordance with village policy to ensure all employees receive the proper amount of leave.

WE RECOMMEND the Board of Trustees:

- A. Review the duties and compensation of the Maintenance Supervisor to ensure duties performed are compensated appropriately and adequately documented.
- B. Ensure employee wages and benefits are properly allocated to village funds and the allocation is supported by adequate documentation.
- C. Ensure time sheets are signed by the employee and properly reviewed and approved by the board.
- D. Ensure leave benefits are properly calculated in accordance with village policy.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. We will review the duties and compensation of the Maintenance Supervisor and address these issues.*
- B. The village previously received a significant amount of sales tax revenue and previous boards wanted to keep water and sewer rates low by using this sales tax money to supplement the cost of providing these services. We agree disbursements should be paid from the correct fund.*
- C. We will begin reviewing time sheets monthly.*
- D. We agree and have taken steps to implement this recommendation.*

3. Water and Sewer System

The village needs to improve accountability over its water and sewer system, including planning for adequate improvement and replacement reserves, documenting rate calculations, comparing water pumped to water billed, refunding some meter deposits, and obtaining annual audits. Additionally, the costs associated with a lagoon improvement project have not been adequately tracked, and the village has not kept adequate maintenance records on the water and sewer system.

The village operates a combined water and sewer system, providing service to approximately 125 customers. The village has established a Water and Sewer Fund to account for water and sewer system receipts and disbursements.

- A. The village Water Works Fund balance has declined during the 3 years ended December 31, 2008, and the village does not have any reserve funds for improvements or major repairs. Additionally, the village does not have documentation to support water and sewer rate increases.
 - The cash balance of the Water and Sewer Fund decreased approximately \$27,000 during the 2 years ended December 31, 2007, due to the costs associated with the village's lagoon upgrade project and equipment repairs. During 2008, the cash balance of the Water and Sewer Fund remained fairly constant ending the year with a balance of \$87,580. Excluding non-routine disbursements, the village disburses approximately all water and sewer receipts received annually; however, disbursements are not properly allocated among funds and additional water and sewer related expenses have been paid from the General Fund. (See MAR finding number 2.)

- The village charges fees based on volume usage to residents connected to the village's water and sewer system. In December 2005, the base water rate was increased from \$8 to \$9 per month and in March 2007, the base sewer rate was increased from \$9 to \$12. The village did not document how the rates were determined and does not review rates annually.

Allocating expenses to the appropriate fund enables utility rates to be set at an adequate level to fully sustain the utility system. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs) and maintain reserves adequate to sustain the system. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service. Preparation of an annual statement of costs would allow the village to determine the rate necessary to support current and future operations, as well as providing documentation to customers of the rationale behind the rates.

- B. The village does not perform monthly reconciliations of the total gallons of water pumped to the total gallons of water billed to customers. At our request, the Village Clerk prepared a reconciliation for the 3 months ended February 28, 2008. The reconciliation indicated water pumped was more than water billed by approximately 89,000 gallons, approximately 6 percent of the total water pumped.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the village should prepare and maintain comparisons of water pumped to water billed on a monthly basis and investigate significant differences.

- C. Concerns were identified with meter deposits held by the village. The village collects refundable water meter deposits of \$75 per meter, which are deposited into the Water Meter Deposit Fund. At December 31, 2008, the village had approximately \$8,500 in this fund.

- 1) The village is holding approximately \$2,400 in meter deposits that should be refunded to customers. The Village Clerk maintains a ledger of meter deposits collected and indicates when meter deposits are refunded or applied to final bills. Approximately \$2,400 of the \$8,500 held in the Meter Deposit Fund at December 31, 2008, are deposits held for customers no longer receiving village services. The village should attempt to refund deposits held for individuals that are no longer residents.
- 2) The Village Clerk does not reconcile the meter deposit list to the balance in the Meter Deposit Fund monthly.

To ensure records are in balance and all meter deposits are accounted for properly, the meter deposit list should be reconciled to the bank account balance

monthly. Any differences should be investigated and any unidentified amounts should be disposed of properly.

- D. The village has not obtained annual audits of the water and sewer system as required. Section 250.150, RSMo, requires annual audits of combined water and sewer systems. Annual audits of the Water and Sewer Fund (and other village funds) would better enable the citizens to ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the village and determine the propriety and accuracy of its financial transactions. Additionally, the village must maintain adequate financial records of the water and sewer system to provide assurance rates are appropriately established.
- E. The village has not adequately monitored and managed a project to update the lagoon. The village received and rejected a bid of \$265,000 in 2005 to complete wastewater lagoon improvements. Village officials decided to perform the project using village employees to save money. A 12-month construction permit was issued by the Missouri Department of Natural Resources (DNR) for the project in May 2005, and a 1-year extension was granted at the village's request in May 2006. According to village personnel, several components of the project remain unfinished and the village has been constructing the project under an expired permit since May 2007.

Additionally, the total costs incurred by the village for this project have not been properly tracked. While the Village Clerk has tracked supplies and outside contracted labor costs totaling approximately \$67,000, employee labor costs are unknown.

To help monitor the progress of the lagoon project, the village needs to develop timelines and completion dates detailing project milestones for finishing the necessary components of the project. Total costs for the project should be adequately tracked including village personnel labor costs. Further, the village should work with the DNR to ensure the project is completed under a valid construction permit.

- F. The village does not have adequate maintenance records for its water and sewer system, and the Board of Trustees has not addressed recommendations from a 2007 inspection of the water storage tank.

The village purchased approximately 35 new meters during 2007 and 2008 to replace old meters throughout the village. Records were not maintained to document which meters were replaced and how these replacements were determined. Without adequate maintenance records, there is no documentation why some meters were replaced and other meters were not replaced.

Adequate maintenance records are also not maintained to document routine system maintenance or the date and condition of water and sewer equipment.

Further, several recommendations were made in a written report to the village following a 2007 inspection to determine the condition and safety of the water storage tank. According to meeting minutes, the Board of Trustees took the recommendations under advisement but no formal plan to remedy the issues identified in the inspection was documented.

A formal maintenance plan and adequate maintenance records for the water and sewer system would serve as a useful management tool. Maintenance records provide a means to continually and effectively monitor and evaluate the progress made in the repair and maintenance of the water and sewer system throughout the year and adequately plan for future water and sewer system needs.

WE RECOMMEND the Board of Trustees:

- A. Review water and sewer rates annually to ensure fees are sufficient to cover all costs of providing service, including repairs and maintenance, and document the costs of operations and how rate increases are calculated.
- B. Ensure a monthly reconciliation of water pumped to water billed is prepared and any differences are investigated.
- C. Attempt to refund meter deposits held for individuals no longer residing within the village and ensure the balance of the meter deposit list is reconciled to the balance in the bank account monthly. The Board of Trustees should dispose of any unidentified amounts in accordance with state law.
- D. Obtain annual audits of the water and sewer system as required by state law.
- E. Ensure total project costs are tracked, including village provided labor costs; develop timelines and cost estimates for the remaining lagoon project; and monitor progress of the project against those timelines and cost estimates. These monitoring activities should be documented and significant variations between estimates, actual events, and costs should be explained. Further, the Board of Trustees should work with the DNR to ensure the project is completed under a valid construction permit.
- F. Prepare and maintain adequate water and sewer system maintenance records and consider developing a plan to address future significant maintenance needs.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We will review rates annually and will maintain documentation of how rates are calculated.*

- B. *We have implemented this recommendation.*
- C. *We will make all efforts to return deposits. The Clerk has reviewed all deposit information again, and the account now reconciles within \$5.*
- D. *We will comply with state statutes.*
- E. *We attempted to get grant money to fund this project. We did not qualify for grant money because we had too much money in the Water and Sewer Fund. We initially needed this upgrade for a business that was potentially going to annex. The annexation fell through and the priority of this project has lessened. We will explore this recommendation and will be in contact with the DNR.*
- F. *We plan to map out where the new meters have been installed. We will also review the inspection report again and deal with any issues that need addressed.*

4.	Village Disbursements
-----------	------------------------------

The village did not have a contract for engineering services, and documentation of the approval of disbursements is not adequate. Further, the use of the village truck is not documented, and commuting mileage was not included on an employee's W-2 Form.

- A. Although the village solicited professional engineering services, the village did not enter into a written contract with the engineering firm for the construction of the community storm shelter. Engineering costs associated with the construction of the storm shelter were based on 6 percent of total construction costs and totaled approximately \$16,500.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- B. The Board of Trustees does not adequately document its approval of disbursements, and some disbursements appear to have been made without the board's approval. A supplementary list of all disbursements is prepared by the Village Clerk for review by the Board of Trustees. The list does not document the Board of Trustees' approval and board minutes do not reference invoices to be paid or a total amount to be disbursed.

In addition, not all disbursements are included on the list. For example, the village disbursed \$82 to reimburse gas purchased by a board member in October and November 2007. These checks were signed by the Village Clerk and the

board member receiving payment, but were not included on the list of disbursements provided to the Board of Trustees.

To adequately document the board's approval of disbursements, a complete and detailed list of disbursements should be prepared, signed or initialed by the trustees to denote approval, and retained with the official minutes.

- C. During the 2 years ended December 31, 2008, the village spent approximately \$5,000 for fuel; however, fuel usage and mileage logs are not maintained to document the use of the truck. In addition, the village allows the Maintenance Supervisor, who resides outside the village limits, to commute to and from work in the village truck. The amount of personal (commuting) mileage was not documented or reported on the employee's W-2 Form.

Fuel usage and mileage logs are necessary to document the appropriate use of the village truck and support fuel charges. The logs should include the date, purpose and destination of each trip, fuel purchases, and the daily beginning and ending odometer readings. To ensure the reasonableness of fuel disbursements, the village should compare mileage logs to fuel purchased. Additionally, Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage.

- D. The village has not adequately evaluated cellular phone service plans or developed a formal written policy regarding cellular phone use. The Board of Trustees allows village provided phones to be used for both business and personal use. Until August 2008, two employees and two board members were assigned phones. In July 2007, the Board of Trustees agreed to increase the village's cellular phone plan to include an Internet connection at an increased monthly cost of \$71. In February 2008, the Board of Trustees approved buying out the higher priced Internet phone service plan and returning to a basic phone plan. The number of phones was reduced from four to three in August 2008, and further reduced from three to two in December 2008. Employees pay \$20 monthly to the village for personal use of the phones. The village disbursed an average of \$206 per month between July 2007 and January 2009 for cellular phone use.

While cellular phones can help increase employee productivity, they are also costly. Effective procedures should be implemented by the village to properly monitor cellular phone use. Additionally, the village should periodically evaluate the cost and distribution of cellular phones to ensure the most economical plan is obtained and all phones are needed and are of benefit to the village.

WE RECOMMEND the Board of Trustees:

- A. Enter into formal written contracts in accordance with state law.
- B. Document the approval of village disbursements by including a complete list of all disbursements in the board minutes and signing or initialing the list to denote approval.
- C. Ensure fuel usage and mileage logs are maintained for the village truck and periodically compare miles driven to fuel purchases for reasonableness. Additionally, the Board of Trustees should ensure the village complies with IRS guidelines for reporting personal commuting mileage.
- D. Develop a formal written policy regarding the use of cellular phones. In addition, the Board of Trustees should evaluate the use and acquisition of cellular phones and the village's cellular phone plan.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We have a written proposal from the engineering firm but not a written contract. Contracts will be obtained in the future.*
- B. *We already receive a complete list, and we will sign and initial the list to show approval.*
- C. *The board has previously discussed this area in the past. We will address this issue and make a decision.*
- D. *We are now down to two phones and we will create a formal written cellular phone policy and check plans available and appropriate for the village's needs.*

5. Budgets and Financial Reporting

The village budget lacked some required information, and financial reports did not accurately reflect investment transactions. The Board of Trustees should document its approval of the budget, investment transactions, and transfers between funds. Additionally, actual receipts and disbursements should be periodically compared with budgeted amounts. Further, the Board of Trustees should prepare a formal plan for the use of the capital improvement sales tax funds.

- A. The village budget document was not complete and contained errors. Additionally, financial reporting needs improvement and the Board of Trustees should document its approval to redeem investments and transfer funds.

- A budget was not prepared for the Storm Shelter Fund. During 2006, 2007, and 2008, the village spent approximately \$280,000 constructing a storm shelter with grant funds (\$150,000) and local funds (\$130,000). The receipts and disbursements of the Storm Shelter Fund were not included in the village's budget document.
- Budgets did not include all information required by state law. Village budgets did not include a budget message, budget summary, beginning and ending available resources, and actual receipts and disbursements for the 2 preceding budget years.
- A transfer from the General Fund to the Storm Shelter Fund was not properly recorded in the village financial reports. In December 2007, the village redeemed a \$40,897 General Fund certificate of deposit and deposited these funds in the Storm Shelter Fund bank account.
- Budgets do not correctly report interest earned on investments. For example, the village redeemed a Water and Sewer Fund certificate of deposit in September 2007, totaling \$17,698, and reported the entire principle and interest amount as a receipt rather than reporting the interest of \$776 as a receipt and including the initial investment amount in the beginning cash balance.
- The budget document was not conspicuously marked as approved, and the Board of Trustees' meeting minutes did not document specific receipt and disbursement amounts approved in the budget. As a result, it was not readily apparent the operating budget used by the village was the one approved by the Board of Trustees. In addition, there was no documentation to indicate the Board of Trustees approved transfers between funds and redemptions of investments.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information, and Section 67.080, RSMo, provides no expenditure of public monies shall be made unless it is authorized in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and funding expectations for each area of village operations and provide a means to effectively monitor actual receipts and disbursements. Additionally, complete and accurate financial statements and reports are necessary to keep the citizens informed of the financial activity and condition of the village. Further, the Board of Trustees should document its approval of the annual budget, investment redemptions, and transfers between funds.

- B. The Board of Trustees did not periodically compare actual receipts and disbursements with budgeted amounts. As a result, actual disbursements exceeded budgeted amounts for some funds. For example, General Fund

disbursements for the year ended December 31, 2008, exceeded budgeted amounts by approximately \$47,000. General Fund and Water and Sewer Fund disbursements for the year ended December 31, 2007, exceeded budgeted amounts by approximately \$67,000 and \$11,000, respectively. In January 2009 and 2008, the Board of Trustees approved amending the 2008 and 2007 budgets, respectively, to reflect actual receipts and disbursements; however, disbursements were already incurred and the budget amounts were already exceeded.

Section 67.040, RSMo, requires political subdivisions to keep actual disbursements within amounts budgeted unless the governing body adopts a resolution setting forth the facts and reasons for the increase. Budgets are a planning tool and should serve as a guide throughout the year to monitor receipts and disbursements. A periodic comparison of budgeted versus actual receipts and disbursements is necessary to properly monitor the financial condition of village funds.

- C. According to village financial reports, the village has accumulated monies in the CIST Fund and has spent very little for street improvement and repair. At December 31, 2008, the CIST Fund had a balance of over \$59,000, and the village only spent approximately \$5,000 in 2007 and \$700 in 2008 from the fund. The village receives approximately \$12,000 annually from a voter approved capital improvement sales tax that will sunset in 2010. The village has also deposited motor vehicle related fees received from the state of approximately \$7,000 per year into the CIST Fund.

According to village officials, the village has paid for the cost of street lighting out of the General Fund instead of using the motor vehicle related fees. While the CIST Fund is restricted for specific capital improvement projects, the motor vehicle related fees can be used for general road maintenance including street lighting. Considering the decline in the General Fund balance (see MAR finding number 1), village officials have indicated they are considering transferring approximately \$17,500 from the CIST Fund to the General Fund to reimburse for the cost of street lights since 2005.

The village does not have a plan for how the CIST Fund balance will be utilized. A formal plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in street improvements throughout the year.

WE RECOMMEND the Board of Trustees:

- A. Prepare complete and accurate budget documents and financial reports that comply with state law and accurately report the village's financial position. Additionally, the Board of Trustees should document its approval of the annual budget, investment redemptions, and transfers between funds.

- B. Periodically compare actual receipts and disbursements throughout the year with budgeted amounts and discontinue amending the budget after the year end to agree budgeted and actual amounts. If budget amendments are necessary, they should be made prior to incurring the actual disbursements and in compliance with state law.
- C. Prepare a plan to utilize the CIST Fund balance.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *Our 2009 budget complies with state law. Additionally, interest and transfers are now properly referenced in the village's financial reports. The board will document its approval of budgets.*
- B. *We are now printing budget to actual comparisons with a new accounting software program the Village Clerk recently implemented.*
- C. *We have been discussing a plan to improve village streets and intend to transfer \$17,500 to the General Fund to reimburse for the costs of street lights.*

6. Accounting Controls

The Board of Trustees does not provide adequate oversight of the accounting functions performed by the Village Clerk. Additionally, receipting and reconciling procedures need improvement and additional bond coverage should be obtained.

- A. Accounting duties are not adequately segregated, and there is no evidence the Board of Trustees provided adequate supervision or review of the work performed by the Village Clerk. Duties of the Village Clerk include receiving and recording utility payments, preparing utility bills, performing bank reconciliations, maintaining payroll records, preparing and distributing checks, and preparing monthly financial reports. Additionally, the Village Clerk provides one of the two required signatures on checks.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Since the Village Clerk is the only office employee, proper segregation of duties may not be possible; therefore, a timely supervisory review of the Village Clerk's work should be performed and documented by the Board of Trustees.

- B. Procedures used to record monies received need improvement. Receipt slips are not always prepared, the method of payment received is not always documented, and checks and money orders received are not restrictively endorsed upon receipt.

The village collected approximately \$400,000 for the 2 years ended December 31, 2008, in water and sewer receipts and miscellaneous receipts such as grant awards, motor vehicle related fees, cellular phone reimbursements, sales of excess materials, and copy and fax fees.

Receipt slips are only issued when requested for miscellaneous receipts, and utility payments are recorded on a receipt log; however, the method of payment (cash, check, or money order) is not documented.

To ensure receipts are accounted for properly and to reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received. In addition, the method of payment received should be recorded on all receipt slips or receipt logs, and the composition of recorded receipts should be reconciled to the composition of bank deposits. Further, checks and money orders should be restrictively endorsed immediately upon receipt.

- C. Monthly bank reconciliations performed by the Village Clerk are not documented. Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be maintained to support conclusions and corrections, and to facilitate independent reviews.
- D. The village does not have bond coverage for the two board members authorized to sign checks. Additionally, two signatures are required on checks; however, we identified one instance where a check was only signed by the Village Clerk.

Failure to properly bond all persons with access to assets exposes the village to risk of loss. All checks should be signed by at least one board member in accordance with board requirements.

WE RECOMMEND the Board of Trustees:

- A. Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent reviews of the Village Clerk's work should be performed and documented.
- B. Require receipt slips be issued for all monies received with the method of payment indicated and reconciled to the composition of deposits. Further, the Board of Trustees should require all checks and money orders be restrictively endorsed immediately upon receipt.
- C. Ensure the Village Clerk prepares and maintains documentation of monthly bank reconciliations.

- D. Obtain adequate bond coverage for all persons with access to village funds and ensure two signatures are on all village checks.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *The board plans to take a more active roll and provide accounting supervision.*
- B. *Receipt slips will be issued for payments received, and the method of payment is now indicated and reconciled to the composition of deposits. The water bills already have a receipt that is detached at time of payment. Checks are now restrictively endorsed when received.*
- C. *This recommendation has been implemented.*
- D. *We will ensure bond coverage is obtained for check signers.*

7. Capital Assets

The village does not maintain current, complete, and detailed records of capital assets, including land, buildings, vehicles, and equipment. While a list of assets is maintained for insurance purposes, the list is not complete. For example, control panels purchased for the wastewater treatment system in 2007, costing \$15,520, are not included on the list. In addition, property is not tagged for specific identification, and an annual physical inventory is not performed by the Board of Trustees.

Adequate capital asset records are necessary to ensure accountability for all items owned, determine the proper amount of insurance coverage, and provide a basis for proper financial reporting. Additionally, capital assets should be identified with a tag or other similar device, and the village should conduct annual physical inventories and reconcile the results to the detailed records.

WE RECOMMEND the Board of Trustees maintain complete and detailed capital asset records that include all pertinent information for each asset, such as description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. Further, all assets should be tagged or otherwise identified as village property, and the Board of Trustees should ensure annual physical inventories are performed and documented and the results are reconciled to the detailed list of assets.

AUDITEE'S RESPONSE

The Board of Trustees provided the following response:

We will ensure capital assets are tracked and records are maintained.

OVERALL VILLAGE RESPONSE

In summary, the Village Board would like to include in the response that there is no evidence of intentional loss or theft of village funds.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF COLLINS
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Village of Collins is located in St. Clair County. The village was incorporated in 1887. The population of the village in 2000 was 179.

The village government consists of a five member board of trustees. The members are elected for 2-year terms. The chairman is appointed by the board from the members. The Board of Trustees during the 2 years ended December 31, 2008, are identified below.

<u>Board of Trustees</u>	<u>Dates of Service During the 2 Years Ended December 31, 2008</u>
Chris Warson, Chairman (1)	April 2007 to December 2008
Hank Edler, Member (2)	January 2007 to December 2008
Allen Kauffman, Member (3)	January 2007 to February 2008
Sandra Mumford, Member	January 2007 to December 2008
Haven Vassey, Member (3) (4)	January 2007 to December 2008
Catherine Crawford, Member	April 2008 to December 2008
Lana Ritter, Member (1)	January 2007 to April 2007

- (1) Chris Warson was elected to the board in April 2007 to replace Lana Ritter. Ms. Warson was elected Co-Chairman in April 2008 and Chairman in December 2008.
- (2) Hank Edler became Chairman in February 2008 and resigned in December 2008. Shawna Herd was appointed to the vacated position in January 2009.
- (3) Allen Kauffman was Chairman from January 2007 until February 2008 when he resigned from the board. This trustee position remained vacant until April 2008 when Haven Vassey was appointed.
- (4) Haven Vassey lost his bid for election in April 2008 to Catherine Crawford, but was appointed by the board to replace the position vacated by Allen Kauffman.

<u>Other Principal Officials</u>	<u>Dates of Service During the 2 Years Ended December 31, 2008</u>	<u>Compensation Paid for the Year Ended December 31, 2008</u>	<u>Compensation Paid for the Year Ended December 31, 2007</u>
Pam Myers, Village Clerk	January - December	\$ 18,211	19,362
Mark Warson, Maintenance Supervisor (1)	January - December	31,610	35,934

- (1) Includes \$9,350 and \$10,200 additional compensation in 2008 and 2007, respectively for meter reading, mowing, and water and waste water testing. Mark Warson was on leave from his duties at the village November 7, 2008 to December 31, 2008.

In addition to the officials identified above, the city employed two part-time employees during the year ended December 31, 2007, and one part-time employee during the year ended December 31, 2008.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 973,203	928,737
Personal property	222,377	231,344
Total	<u>\$ 1,195,580</u>	<u>1,160,081</u>

TAX RATE(S) PER \$1 OF RETAIL SALES	2008 Rate	2007 Rate
General	\$.875	.875
Local use	.875	.875
Capital improvement	.0025	.0025

The capital improvement sales tax was approved November 2, 2004, and will expire in April 2010.

A summary of the village's financial activity for the 2 years ended December 31, 2008 is presented on the following pages.

VILLAGE OF COLLINS
YEAR END DECEMBER 31, 2008

	General Fund	Water and Sewer Fund	Meter Deposit Fund	Capital Improvement Sales Tax Fund	Storm Shelter Fund	Total
RECEIPTS						
Intergovernmental	\$ 6,820	0	0	0	14,269	21,089
Sales and use tax	41,782	0	0	0	0	41,782
Capital improvement tax	0	0	0	11,334	0	11,334
Motor fuel and vehicle fee	1,686	0	0	5,112	0	6,798
Water and sewer fees	0	41,564	324	0	0	41,888
Interest	1,314	2,863	209	204	0	4,590
Other	6,765	1,757	0	0	0	8,522
Transfers in	0	0	0	0	29,985	29,985
Total Receipts	58,367	46,184	533	16,650	44,254	165,988
DISBURSEMENTS						
Wages and benefits	34,376	25,246	0	0	0	59,622
Insurance	7,912	0	0	0	0	7,912
Storm shelter	0	0	0	0	44,501	44,501
Lagoon upgrade	0	810	0	0	0	810
Street repairs	0	0	0	734	0	734
Equipment	9,100	5,991	0	0	0	15,091
Supplies	1,026	2,132	0	0	0	3,158
Fuel	2,276	0	0	0	0	2,276
Legal fees	2,940	0	0	0	0	2,940
Propane	1,760	0	0	0	0	1,760
Training	613	956	0	0	0	1,569
Utilities	6,326	4,847	0	0	0	11,173
Dues & subscriptions	362	202	0	0	0	564
Reimbursements	759	0	0	0	0	759
Election services	437	0	0	0	0	437
Telephone/fax/cellular	3,607	0	0	0	0	3,607
Repairs & maintenance	3,067	2,811	0	0	0	5,878
Other	333	1,144	235	0	0	1,712
Transfers out	29,985	0	0	0	0	29,985
Total Disbursements	104,879	44,139	235	734	44,501	194,488
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(46,512)	2,045	298	15,916	(247)	(28,500)
CASH, JANUARY 1, 2008	57,284	85,535	8,571	43,842	250	195,482
CASH, DECEMBER 31, 2008	\$ 10,772	87,580	8,869	59,758	3	166,982

VILLAGE OF COLLINS
YEAR END DECEMBER 31, 2007

	General Fund	Water and Sewer Fund	Meter Deposit Fund	Capital Improvement Sales Tax Fund	Storm Shelter Fund	Total
RECEIPTS						
Intergovernmental	\$ 0	0	0	0	135,731	135,731
Sales and use tax	49,430	0	0	0	0	49,430
Capital improvement tax	0	0	0	11,919	0	11,919
Motor fuel and vehicle fee	0	0	0	7,430	0	7,430
Water and sewer fees	0	43,695	775	0	0	44,470
Interest	6,249	3,765	211	159	0	10,384
Other	5,633	0	0	0	0	5,633
Transfers in	0	0	0	0	86,175	86,175
Total Receipts	61,312	47,460	986	19,508	221,906	351,172
DISBURSEMENTS						
Wages and benefits	38,645	27,688	0	0	0	66,333
Insurance	9,740	0	0	0	0	9,740
Storm shelter	0	0	0	0	222,004	222,004
Lagoon upgrade	0	7,116	0	0	0	7,116
Street repairs	0	0	0	4,986	0	4,986
Equipment	807	7,068	0	0	0	7,875
Supplies	1,930	762	0	0	0	2,692
Fuel	3,224	0	0	0	0	3,224
Legal fees	2,940	0	0	0	0	2,940
Propane	2,170	0	0	0	0	2,170
Training	1,378	169	0	0	0	1,547
Utilities	4,996	3,413	0	0	0	8,409
Dues & subscriptions	370	240	0	0	0	610
Reimbursements	1,130	0	0	0	0	1,130
Election services	182	0	0	0	0	182
Telephone/fax/cellular	3,925	0	0	0	0	3,925
Repairs & maintenance	3,043	23,146	0	0	0	26,189
Other	133	886	624	0	0	1,643
Transfers out	86,175	0	0	0	0	86,175
Total Disbursements	160,788	70,488	624	4,986	222,004	458,890
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(99,476)	(23,028)	362	14,522	(98)	(107,718)
CASH, JANUARY 1, 2007	156,760	108,563	8,209	29,320	348	303,200
CASH, DECEMBER 31, 2007	\$ 57,284	85,535	8,571	43,842	250	195,482



Susan Montee, JD, CPA
Missouri State Auditor

Macon County



May 2009

Report No. 2009-54

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following findings were included in our audit report of Macon County.

The county has not adopted formal policies and procedures for the use of some county credit cards. For 2007, the administrative service fee transfer from the Road and Bridge Capital Improvement Fund to the General Revenue Fund exceeded the allowable amount by approximately \$14,000.

County Park accounting controls and procedures need improvement. Unofficial rediform receipt slips are used for camping fees. The receipt slips are prenumbered, but are not issued for some monies received and do not indicate the method of payment. Park facility rental fee and deposit checks are not transmitted to the County Treasurer in a timely manner. In addition, receipts are not issued for these monies, and rental contracts are not prenumbered. The county does not have sufficient procedures to ensure all applicable receipts generated from park events are remitted for deposit into the County Park Fund.

As noted in our prior audit report, the Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring the defendants to make a \$100 "donation" to the Macon County General Revenue Fund as a condition of reducing the charges. In addition, receipts are not always deposited or transmitted timely, and the reconciled bank account balance is not agreed to supporting records or liabilities.

Employees of a not-for-profit (NFP) corporation with which the Senate Bill 40 Board contracts for services also serve as executive director and accounting staff for the board. However, the contract does not address the administrative and accounting responsibilities to be provided by the NFP corporation and does not identify the portion of funding that relates to these functions. In addition, the board's budget documents do not include savings account information and contained some mathematical errors. Actual disbursements exceeded budgeted amounts by \$8,027 for the year ending December 31, 2006.

The Enhanced 911 Board's procedures for reviewing vendor credit card and fuel card purchases are not sufficient. In addition, the board has not adopted formal policies related to use of its credit cards and travel and meal reimbursements.

Other findings in the audit report relate to collections and receipting procedures of the Drug Court and Sheriff's office, and segregation of accounting duties in the Circuit Clerk's office.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MACON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-16
<u>Number</u>	<u>Description</u>
1.	County Disbursements5
2.	County Park Accounting Controls and Procedures6
3.	Drug Court Accounting Controls and Procedures9
4.	Prosecuting Attorney's Accounting Controls and Procedures10
5.	Sheriff's Accounting Controls and Procedures12
6.	Circuit Clerk's Accounting Controls and Procedures12
7.	Senate Bill 40 Board's Accounting Controls and Procedures13
8.	Enhanced 911 Board's Disbursements and Policies15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	17-19

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Macon County

We have audited certain operations of Macon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan, CPA, PC, Certified Public Accountants, has been engaged to audit the financial statements of Macon County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given

the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Macon County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	David Gregg
Audit Staff:	Rex Murdock, M.S.Acct.
	Toni Wade
	Wayne Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MACON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Disbursements

Controls and procedures over county disbursements are in need of improvement. The county does not have a formal credit card policy and administrative transfers to the General Revenue Fund exceeded allowable amounts.

- A. The county has not adopted formal policies and procedures for the use of some county credit cards. The county has 21 credit cards for 3 different vendors that are used by county officials and employees for the purchase of supplies, equipment, and repairs. Total purchases on these credit cards exceeded \$11,000 annually during the audit period. Policies and procedures are necessary to help ensure these cards are used only for county business. A formal policy could also address allowable purchases, maximum dollar limit of purchases, required supporting documentation and approvals, and reconciling procedures. In addition, the county should carefully evaluate the need for each credit card.
- B. For 2007, the administrative service fee transfer from the Road and Bridge Capital Improvement Fund (RBCIF) to the General Revenue Fund (GRF) exceeded the allowable amount by approximately \$14,000. Several years ago the county determined \$45,000 was an appropriate transfer amount, and during the 3 years ended December 31, 2007, the county budgeted and made administrative fee transfers of \$45,000 each year from the RBCIF to the GRF. The county also budgeted \$45,000 for the transfer in 2008. Because actual disbursements (\$664,717) were significantly less than budgeted disbursements (\$1,092,554) in 2007, the county should have adjusted the amount of the transfer down to 5 percent of actual disbursements.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the RBCIF. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the RBCIF, and shall not exceed 5 percent of the RBCIF budget.

WE RECOMMEND the County Commission:

- A. Evaluate the need for each county credit card and adopt formal policies and procedures for credit card use.
- B. Base administrative transfers on actual or reasonable budgeted disbursements; and ensure future administrative transfers do not exceed the statutory allowance.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The county will adopt a formal credit card policy.*
- B. *The county will review actual disbursements when determining the actual administrative fee transfer.*

2. County Park Accounting Controls and Procedures
--

Improvements are needed to account for various receipts and ensure all monies are properly remitted to the county. Receipts generated by County Park activities include camping fees, facility rental fees and deposits, and vending commissions and ticket sales from various events. According to the County Park Fund budget document, camping fees totaled approximately \$21,000 and \$7,000, park rental fees totaled approximately \$33,000 and \$23,000, and events receipts totaled approximately \$34,000 and \$29,000 for the years 2007 and 2006, respectively.

- A. Unofficial rediform receipt slips are used for camping fees. The receipt slips are prenumbered, but are not issued for some monies received and do not indicate the method of payment. As a result, the composition of receipt slips issued cannot be reconciled to the composition of monies transmitted to the County Treasurer and there is less assurance that all camping fees are properly remitted.

To ensure monies are accounted for properly, official prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded on the receipt slips, and the composition of the receipt slips issued should be reconciled to the composition of the transmittals.

- B. Individuals or groups reserving a park facility are required to remit a rental fee and a rental deposit. Rental fees and deposits are frequently paid far in advance of events to reserve the facility. The park rental coordinator's procedure is to retain the rental fee checks and not transmit the checks to the County Treasurer until the rental event has occurred. In addition, rental deposit checks are held and returned to the payor after satisfactory completion of the facility inspection. As a result, monies are held for long periods of time and rental fees and deposits are not transmitted to the County Treasurer in a timely manner. A cash count performed on August 7, 2008, totaling \$11,710, included checks from July 25, 2007. All monies on hand were checks; however, none were restrictively endorsed.

In addition, receipts slips are not issued for rental fee and deposit payments and rental contracts are not prenumbered. The checks are attached to the rental

contracts and retained in a file. There is no overall record maintained of rental monies received, transmitted and/or refunded, and still on hand.

To provide better accountability and security over monies received, records should be developed to account for rental fees and deposits and the disposition of these amounts, and all checks should be restrictively endorsed and transmitted timely to the County Treasurer for deposit into the County Park Fund. Checks should be negotiated prior to the event occurrence to ensure the county is properly compensated for the facility use and limit the possibility of insufficient funds related to checks held for long periods. A record of rental deposits held in the County Park Fund should be prepared to ensure sufficient monies are available for the refund of deposits after satisfactory completion of the facility inspection.

C Various events are held at the County Park each year. The County Park Board and park personnel manage the annual Demolition Derby. Other events are managed by the sponsors of those events and the county receives a commission in exchange for the use of the park facility. The county does not have sufficient procedures to ensure all applicable receipts are remitted for deposit into the County Park Fund.

- Demolition Derby ticket sales accounted for approximately \$12,400 and \$9,200 of the overall park events receipts for 2007 and 2006, respectively. Unnumbered tickets are printed by the board and taken to local businesses to sell in advance of the Demolition Derby. Tickets are also sold at the gate. However, no record is maintained to account for the total number of tickets printed, tickets sold by local businesses or at the gate, and tickets returned unsold. Because tickets are not numbered and accounted for properly, the county cannot perform a reconciliation between the ticket proceeds and the number of tickets sold. To improve accountability over tickets and the related receipts, the county should ensure tickets are prenumbered and records of tickets are maintained and should reconcile receipts to ticket sales and remaining tickets on hand. Without proper records and reconciliation procedures, there is less assurance ticket sales proceeds are accounted for properly and transmitted to the County Treasurer.
- The county receives a \$2 per ticket commission from the various event sponsors. The Park Board President indicated board members attend these events and attempt to estimate attendance in order to evaluate the reasonableness of monies subsequently remitted to the county. No ticket information or other reporting is provided to the board to support the amount remitted. The board should give consideration to adopting ticket and reporting guidelines for sponsors of such events. Without more information, the board cannot ensure amounts remitted are complete.

WE RECOMMEND the County Commission work with the County Park Board:

- A. To ensure prenumbered receipt slips are issued for all camping monies received and the numerical sequence of receipt slips is accounted for properly. Also, the method of payment should be recorded on the receipt slips and reconciled to monies transmitted to the County Treasurer.
- B. To improve records and controls over rental fee and deposit monies. Consideration should be given to utilizing prenumbered receipts slips or prenumbering rental contracts, and checks should be restrictively endorsed upon receipt and transmitted to the County Treasurer timely. In addition, a record should be developed to account for rental monies received, transmitted and/or refunded, and still on hand.
- C. To develop better procedures to ensure monies from event sponsors and park personnel are properly remitted. Consideration should be given to requiring event tickets be prenumbered and proper recordkeeping and reconciliation procedures be implemented.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission will work with the Park Board and County Treasurer to ensure prenumbered receipt slips are issued for all receipts, and the method of payment is recorded and reconciled to transmittals.*
- B. *The County Commission will work with the Park Board to modify procedures to ensure monies are deposited more timely, prenumbered receipts or contracts are utilized, and summary records are maintained.*
- C. *The County Commission will work with the Park Board to develop procedures to account for ticket sales.*

The County Park Board President provided the following responses:

- A. *The Park Board will ensure receipt slips are issued for all camping fees and the method of payment is indicated on the receipt slips.*
- B. *The Park Board will work with the County Commissioners to develop the best procedures for renting park property. The Park Board will prenumber contracts and will work to develop procedures to account for all unearned rental fees and deposits.*
- C. *The Park Board will work to develop improvements for ticket sales and amounts remitted to the county.*

3.**Drug Court Accounting Controls and Procedures**

Procedures for collecting and receipting monies need improvement. The Forty-First Judicial Circuit Drug Court, consisting of Macon and Shelby Counties, is a court-supervised treatment program for nonviolent drug offenders. The Prosecuting Attorney for each county refers drug offenders meeting various qualifications to the Drug Court in place of serving time in jail. Participation is voluntary and takes approximately 18 to 24 months to complete. As of July 31, 2008, the Drug Court had received approximately \$24,500 from various sources including grant monies, county donations, and participant fees.

- A. Receipt slips issued for participant fees are not prenumbered and the method of payment (cash, check, or money order) is not noted. To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment, the receipt slip numbers should be accounted for properly, and the composition should be reconciled to bank deposits.
- B. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The Drug Court's participant handbook describes the various phases participants must progress through in order to graduate. A common requirement for advancing to the next phase is full payment of all fees to date. Our review of the participant fees book indicated 10 of 18 participants had outstanding balances as of August 2008 (totaling \$1,234), while 2 other participants had outstanding balances as of April and June 2008 (totaling \$240), with no additional activity (fees due or paid) recorded. It appears these two individuals are no longer participating in the Drug Court. Amounts due ranged from \$30 to \$340 and in some cases the balance due represents fees for several months. Because payment of participation fees is a requirement of the program and a primary funding source, procedures should be developed to monitor amounts due and ensure regular payments are made. Reasons for waiving the requirement, such as a participant's financial inability to pay, or allowing late payments should be documented.

WE RECOMMEND the Associate Circuit Judge:

- A. Require prenumbered receipt slips be issued for all monies received. In addition, the Associate Circuit Judge should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.
- B. Restrictively endorse checks immediately upon receipt.

- C. Develop procedures to monitor participation fees.

AUDITEE'S RESPONSE

The Assistant Drug Court Coordinator provided the following responses:

- A. *The Drug Court will begin using prenumbered receipt slips and record the method of payment on receipt slips.*
- B. *The Drug Court will restrictively endorse checks immediately upon receipt.*
- C. *The Drug Court will maintain documentation of fees which have been reduced or waived.*

4. Prosecuting Attorney's Accounting Controls and Procedures

A "donation" is required when reducing charges filed on some traffic tickets. Receipts are not always deposited or transmitted timely, and month-end reconciliation procedures need improvement.

- A. As noted in our prior audit report, the Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring the defendants to make a \$100 "donation" to the Macon County General Revenue Fund as a condition of reducing the charges. According to the county budgets, receipts from donations totaled \$46,700 and \$52,000 for the years ended December 31, 2007 and 2006, respectively.

There appears to be no authority for the Prosecuting Attorney to require a "donation" to reduce charges filed on traffic tickets. In addition, Article IX, Section 7, of the Missouri Constitution states the proceeds of all penalties, forfeitures, and fines are to be distributed to the County School Fund.

- B. Receipts are not always deposited or transmitted timely. Depending on the circumstances, bad check fees are either deposited into the Prosecuting Attorney's bank account or transmitted to the County Treasurer. Donations involving amended traffic tickets are transmitted to the County Treasurer upon receipt; however, the corresponding fines and costs are held until all information is received and then transmitted to the court on the next court date. Our review noted the following concerns:

- 1) Because traffic fines and costs for amended tickets are held by the Prosecuting Attorney's office until all information is received and then not transmitted until the next court date, these monies are sometimes on hand for long periods of time. For example, a cash count performed on June 25, 2008, totaling \$347, included one check received on June 5, 2008. In

addition, checks received for amended tickets are not restrictively endorsed.

- 2) Bad check monies collected are not deposited timely. For example, a \$6,239 deposit made on June 12, 2006, included receipts with dates ranging from June 2, 2006 to June 12, 2006. Of the total deposit, \$1,398 was for cash receipts dated June 6, 2006, or prior. Similarly, a \$3,399 deposit made on September 4, 2007, included \$1,016 in receipts on hand since August 28, 2007, \$429 of which was cash.
- 3) Delinquent income taxes collected by the Prosecuting Attorney are not always transmitted timely to the Missouri Department of Revenue. A December 5, 2007, transmittal totaling \$3,074 included receipts with dates ranging from June 25, 2007 to December 5, 2007.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be deposited in a timely manner. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

A condition similar to B was noted in our prior audit report.

- C. Month-end reconciliation procedures for the escrow account are not sufficient. While a bank reconciliation is generated each month using the computer system, the reconciled balance is not agreed to supporting records and no open items (liabilities) list is prepared. Because this account does not zero out at each month-end, a liabilities list should be prepared and reconciled to the cash balance. Our review of various bank reconciliations showed the unidentified account balance varied from month to month. For example, the December 12, 2007, bank reconciliation showed a \$25 unidentified balance, while the August 13, 2008, bank reconciliation showed a \$270 unidentified balance.

Monthly reconciliations of liabilities to reconciled cash balances are necessary to ensure sufficient cash is available for payment of all liabilities and provide assurance that cash receipts and disbursements are handled and accounted for properly.

WE RECOMMEND the Prosecuting Attorney:

- A. Reevaluate the practice of requiring donations to the General Revenue Fund as part of reducing charges filed.
- B. Deposit or transmit receipts on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

- C. Perform monthly reconciliations of liabilities to reconciled cash balances and promptly investigate and resolve any discrepancies.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The Prosecuting Attorney's office does not require a donation.*
- B. *The Prosecuting Attorney's staff deposits on a daily basis. The reasons why monies were not deposited daily relate to employee absences and/or only small amounts of monies on hand.*
- C. *The Prosecuting Attorney's office has implemented a secondary program to identify open items.*

5. Sheriff's Accounting Controls and Procedures
--

Receipt slip sequences are not accounted for properly. The Sheriff's office processed approximately \$96,300 and \$64,300 for civil fees, bond monies, inmate monies, conceal and carry permits, and gun permits for the 2 years ending December 31, 2007 and 2006, respectively. Monies are collected by deputies and the bookkeeper. Multiple receipt books are used concurrently for the same receipt type resulting in the use of many different sequences. Also, several instances were noted where receipt slips within the same sequence were not issued in order. To adequately account for all monies received, prenumbered receipt slips should be issued in numerical sequence and accounted for properly.

WE RECOMMEND the Sheriff ensure receipt slips are issued in numerical sequence and accounted for properly.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

The Sheriff's office will issue receipt slips in sequential order.

6. Circuit Clerk's Accounting Controls and Procedures
--

Adequate oversight of accounting functions and records is not provided by the Circuit Clerk. Each of the three deputy clerks has certain areas of responsibility (criminal, civil, and child support and traffic) with one serving as chief deputy clerk and the primary bookkeeper. While all clerks receipt and record monies, and have check signing authority, the chief deputy clerk generally performs most of the accounting functions and

prepares the month-end reconciliations. Supervisory or independent reviews of the various functions are not performed. The Circuit Clerk indicates she periodically reviews the bank reconciliations, but this is not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

WE RECOMMEND the Circuit Clerk segregate accounting duties to the extent possible and ensure periodic supervisory or independent reviews are performed and documented.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

This recommendation has been implemented.

7. Senate Bill 40 Board's Accounting Controls and Procedures

The Senate Bill (SB) 40 Board's contract with a not-for-profit (NFP) corporation needs improvement. Also, some concerns were noted with the board's budget documents.

- A. The majority of SB 40 Board Fund disbursements are to two NFP corporations to provide various contractual services to the handicapped and/or developmentally disabled residents of Macon County. Payments related to these contracts totaled approximately \$95,000 and \$102,000 during 2007 and 2006, respectively.

Concerns were noted with one of these contract arrangements. Employees of the NFP corporation also serve as executive director and accounting staff for the SB 40 Board. Compensation for their services is paid to the NFP corporation as a part of the authorized monthly contract payments. However, the contract does not address the administrative and accounting responsibilities to be provided by the NFP corporation and does not identify the portion of the authorized funding that relates to these functions. As a result, there is not adequate criteria for determining if services are provided in accordance with the board's expectations. The need for additional clarity in the contract terms is more important because the SB 40 Board and NFP corporation share employees, which represents a potential for conflicts of interest.

Contracts which clearly stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the SB 40 Board is able to determine if services are provided in accordance with its expectations.

- B. Some problems were noted with the SB 40 Board budget documents.
- 1) Actual disbursements exceeded budgeted amounts by \$8,027 for the year ending December 31, 2006. Although the board reviews budget to actual comparison reports monthly, there were no notations on the report copies or evidence in the board meeting minutes of discussion regarding the budget status. Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements, (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.
 - 2) The budgets do not include the board's savings account balance in either the beginning or estimated ending cash balance, and therefore do not adequately project the fund's financial condition. The savings account balance was approximately \$37,000 during the audit period. In addition, some mathematical errors were noted in the budget documents. For example, the 2007 approved and 2006 actual disbursements columns in the 2008 budget document did not present correct totals. To be of maximum assistance as a planning tool and to adequately inform the public, budget documents need to be accurate and provide all available resources.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure contract terms clearly specify contractor responsibilities and compensation related to those responsibilities.
- B. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts, include all available resources in the budget documents, and ensure mathematical accuracy prior to budget approval.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President and Executive Director provided the following responses:

- A. *The board has implemented this recommendation.*
- B. *The board will submit a budget amendment if it anticipates disbursements will exceed budgeted amounts and will include all available cash resources in the budget.*

8.**Enhanced 911 Board's Disbursements and Policies**

Some concerns were noted with the Enhanced 911 Board's disbursement procedures and documentation. Also, formal policies related to travel and credit card use are needed.

- A. Procedures for reviewing vendor credit card and fuel card purchases are not sufficient. Detailed invoices or receipts obtained at the time of purchase are not retained by the board and there is no evidence of comparison to the monthly billing prior to payment. The 911 Director indicated detailed invoices for vendor credit card purchases are compared to billings but are not retained; however, fuel receipts are not turned in for review. In addition, expenses related to the 911 Director's travel to and from an out-of-state training conference were charged to another credit card. An invoice for a hotel charge of approximately \$140 incurred during this trip could not be located. Without sufficient supporting documentation and proper review procedures, there is less assurance that vendor billings represent valid charges.

The Enhanced 911 Board has a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported by adequate documentation. Without obtaining and properly reviewing adequate documentation, the board cannot determine the validity and propriety of the disbursements.

- B. The Enhanced 911 Board has not adopted formal policies related to use of its credit cards and travel and meal reimbursements. Complete and detailed policies are necessary to provide guidance to employees and ensure credit cards are used only for official business.

The credit card policy could address allowable purchases and maximum dollar limits of purchases, required supporting documentation and approvals, and reconciling procedures. The travel policy could address methods of travel, required supporting documentation and approvals, allowable expenses, and reimbursement limits for meals and lodging.

WE RECOMMEND the Enhanced 911 Board:

- A. Ensure disbursement review procedures are sufficient to ensure the validity of disbursements and retain sufficient supporting documentation.
- B. Adopt formal policies and procedures related to credit card use and travel.

AUDITEE'S RESPONSE

The Enhanced 911 Board President, a board member, and the Enhanced 911 Director provided the following responses:

- A. The Director and Assistant Director will ensure the detailed receipts and/or invoices agree to month-end invoices. The board intends to retain summary supporting documentation only after the review and approvals.*
- B. The board has implemented a formal credit card and travel policy.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MACON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Macon County is a county-organized, third-class county and is part of the Forty-First Judicial Circuit. The county seat is Macon.

Macon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 15,762 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 106,306,570
Personal property	45,590,406
Railroad and utilities	21,341,443
Total	<u>\$ 173,238,419</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Macon County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.00500	None	50	%
Road and bridge capital improvements	.00500	2011	None	
Enhanced 911	.00375	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Alan Wyatt, Presiding Commissioner		28,400
Drew Belt, Associate Commissioner		26,400
Ronnie Switzer, Associate Commissioner		26,400
Pat Clarke, County Clerk		40,000
R. Timothy Bickhaus, Prosecuting Attorney		47,000
Robert Dawson, Sheriff		44,000
Carol Walker, County Treasurer		40,000
Brian Hayes, County Coroner		12,000
Lois Noland, Public Administrator		40,000
Jeanette Ronchetto, County Collector, year ended February 28(29),	40,167	
Jim Palmer, County Assessor (1), year ended August 31,		40,688
Edward Cleaver, County Surveyor (2)		

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Kimberly March, Circuit Clerk and Ex Officio Recorder of Deeds	51,197
Paul Parkinson, Associate Circuit Judge	101,090



Susan Montee, JD, CPA
Missouri State Auditor

Fortieth Judicial Circuit

City of Noel Municipal Division



May 2009

Report No. 2009-53

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Fortieth Judicial Circuit, City of Noel Municipal Division

Missing Monies

Receipts totaling at least \$10,531 were received by the city of Noel Municipal Division or City Marshal's office, but were not deposited for selected periods reviewed. Recorded cash receipts totaling \$8,630 were not included in amounts deposited. In addition, two unrecorded checks were substituted into municipal division deposits in exchange for cash receipts totaling \$191. Further, four cash bonds totaling \$1,710, received and recorded by the City Marshal's office, were not deposited. The former Court Clerk was hired on May 1, 2005, resigned from the city on September 27, 2008, and passed away in February 2009.

We recommend the city of Noel Municipal Division consult with legal counsel to establish a plan of action to recover missing funds. Steps should be taken to determine if any additional funds are unaccounted for.

Receipting and Depositing Procedures

Poor procedures and controls over the collection of fines, court costs, and bonds contributed to the missing municipal division receipts. Receipt slips are not issued for some monies received, and the method of payment is not always correctly recorded and reconciled to deposits. Receipts are not deposited intact and on a timely basis, and personal checks of the Court Clerk and city employees are cashed from municipal division receipts. The City Marshal's office does not transmit monies collected in a timely manner, and the municipal division does not always issue receipt slips for bond monies transmitted to the municipal division from the City Marshal's office.

Segregation of Duties and Bond Coverage

The duties of receiving, recording, depositing, reconciling, and disbursing municipal division receipts are not adequately segregated, and an independent review of municipal division records is not performed. In addition, the municipal division and city are not adequately protected from the risk of theft through adequate bonding of municipal division officials.

Municipal Division Liabilities and Disbursements

Monthly lists of open items (liabilities) are not prepared and reconciled to the available municipal division account bank balances. Fines and costs collected by the municipal division totaling over \$15,000 have not been remitted to the city treasury as required by state law. The municipal division does not correctly apply forfeited bonds to fines and costs assessed. The municipal division did not pay the correct amount of forfeited bonds to the city, resulting in at least \$1,900 being paid to the city in error. Municipal division expenses totaling \$3,319 were paid from the municipal division bank account instead of by the city.

Municipal Division Records
and Procedures

The disposition of cases heard by the municipal division is not always documented and signed by the Municipal Judge and City Prosecuting Attorney. The municipal division has not prepared and retained a list of cases heard each month as required by state law. A comprehensive control ledger showing the total amount owed by defendants to the municipal division is not maintained. Procedures for maintaining municipal division records need improvement.

Traffic Tickets

Neither the City Marshal's office nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued. The City Marshal's office did not periodically prepare back-ups of traffic ticket information maintained on the computer system.

All reports are available on our Web site: auditor.mo.gov

Fortieth Judicial Circuit

City of Noel Municipal Division

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Missing Monies4 2. Receipting and Depositing Procedures.....5 3. Segregation of Duties and Bond Coverage7 4. Municipal Division Liabilities and Disbursements8 5. Municipal Division Records and Procedures10 6. Traffic Tickets12
---	--

Organization and Statistical Information	14
---	----

Supporting Documentation for Missing Monies	15
--	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

Presiding Judge
Fortieth Judicial Circuit
and
Municipal Judge
Noel, Missouri

We have audited certain operations of the city of Noel Municipal Division of the Fortieth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Noel Municipal Division of the Fortieth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish

Fortieth Judicial Circuit

City of Noel Municipal Division

Management Advisory Report - State Auditor's Findings

1. Missing Monies

Receipts totaling at least \$10,531 (\$8,821 in fines and costs, and \$1,710 in bonds) were received by the city of Noel Municipal Division or City Marshal's office, but were not deposited.

Fines and court costs are generally collected by the Court Clerk and deposited into the municipal division bank account. Cash bonds are collected and receipted by the City Marshal's office, then transmitted to the Court Clerk for deposit into the municipal division bank account.

A breakdown of the missing receipts from receipt slips issued between January 28 and February 23, 2007, October 25 and December 26, 2007, and June 25 and September 16, 2008, follows:

- In most instances, recorded cash receipts were simply not included in amounts deposited. During the periods reviewed, cash received totaled \$34,600; however, only \$25,970 in cash was deposited. The remaining \$8,630 is unaccounted for.
- Two unrecorded checks were substituted into municipal division deposits of fines and costs in exchange for cash receipts totaling \$191.
- Four cash bonds totaling \$1,710 received and recorded by the City Marshal's office during the period February 29, 2008 through December 22, 2008, were not deposited into the municipal division's bank account.

The former Court Clerk was hired on May 1, 2005, resigned from the city on September 27, 2008, and passed away in February 2009.

Ten days prior to the former Court Clerk's resignation, the Court Clerk deposited personal checks totaling \$1,450 into the municipal division's bank account. In addition, on December 22, 2007, the Court Clerk deposited a personal check in the amount of \$500 into the municipal division's bank account.

We did not perform extensive auditing procedures and provide no assurances with regard to the accountability of municipal division monies during any other times not mentioned above.

Poor controls over municipal division monies, as further discussed in the remainder of the Management Advisory Report (MAR), allowed these missing funds to go undetected.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

Recommendations

The city of Noel Municipal Division consult with legal counsel to establish a plan of action to recover missing funds. Steps should be taken to determine if any additional funds are unaccounted for.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

We will present this issue to the Board of Aldermen and proceed with additional actions based upon its recommendations.

2. Receipting and Depositing Procedures

Poor procedures and controls over the collection of fines, court costs, and bonds contributed to the missing municipal division receipts. According to municipal division records, approximately \$120,000 was collected during the year ended December 31, 2008, including approximately \$3,900 in bonds collected by the City Marshal's office.

- Receipt slips are not issued for some monies received, and the method of payment (cash, check, or money order) is not always correctly recorded on receipt slips and reconciled to deposits. As a result, unrecorded checks were substituted into municipal division deposits, and recorded cash receipts were not deposited.
- Receipts are not deposited on a timely basis. For example, only one deposit of municipal division monies was made in October 2008. The deposit, made on October 16, 2008, totaled more than \$9,800 and included monies received as far back as September 17, 2008. Additionally, the next deposit was not made until November 21, 2008.
- Receipts are not deposited intact. For example, cash totaling \$6,278 from 48 receipt slips dated between July 24, 2008 and August 11, 2008, were not deposited on August 11, 2008, with checks and money orders receipted during the same time period. Instead, approximately \$2,600 of the cash receipted was deposited on August 25, 2008, and the remaining monies are missing.

In addition, according to the current Court Clerk, the court only deposits checks and cash of large denominations (denomination of \$20 or higher) received. Smaller denominations are held for use as a change fund and are only deposited if the Court Clerk determines an excess is on hand. As a result, the change fund is not maintained at a constant amount.

- Personal checks of the Court Clerk and city employees are cashed from municipal division receipts.
- The City Marshal's office does not transmit monies collected in a timely manner. For example, the City Marshal's office received a \$200 cash bond on September 28, 2008, and did not transmit the bond to the



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

municipal division until November 25, 2008 (58 days after the bond was received).

- The municipal division does not always issue receipt slips for bond monies transmitted to the municipal division from the City Marshal's office. While the City Marshal's office writes a receipt slip for the bond monies collected, there was not always adequate documentation to support the transmittal of monies from the City Marshal's office to the municipal division. In June and July 2008, the City Marshal prepared a form that listed the bonds collected by his office and required the Court Clerk to sign the form when the bond monies were transmitted to the municipal division.
- Payment agreement forms used by the municipal division to establish payment plans for defendants are not prenumbered. As a result, the municipal division cannot ensure all instances where defendants are making partial payments are accounted for properly.
- Bond forms used by the City Marshal's office are not prenumbered to properly account for all bonds received.

To ensure all receipts are accounted for properly and deposited intact, receipt slips, with the correct method of payment documented, should be issued for all monies received, and the composition of receipt slips should be reconciled to the composition of deposits. Had such a comparison been performed, some of the missing monies noted earlier in this report may have been detected. Allowing checks to be cashed using municipal division receipts further inhibits the municipal division's ability to reconcile the composition of receipts to deposits.

Additionally, the failure to deposit timely increases the risk of theft or misuse of funds. Also, if a change fund is needed, it should be established from city funds and maintained at a constant amount. In addition, the transfer of bond monies from the City Marshal's office to the municipal division should be performed in a timely manner and documented, and an independent reconciliation of bonds collected by the City Marshal's office to the bonds deposited by the Court Clerk should be performed. Further, bond forms and payment agreements should be prenumbered and the numerical sequence accounted for fully.

Recommendation

The city of Noel Municipal Division issue receipt slips for all monies received, with the method of payment correctly documented, and reconcile the composition of receipt slips to the composition of deposits. Additionally, receipts should be deposited intact and in a timely manner, a change fund should be established from city funds and maintained at a constant amount, and personal checks should not be cashed. Further, bonds collected by the



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

City Marshal's office should be transmitted to the municipal division in a timely manner and reconciled to bonds deposited by the Court Clerk. Bond forms and payment agreement forms should be prenumbered and the numerical sequence accounted for fully.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

We have implemented the majority of these recommendations. We have established a change fund and reconcile receipts to deposits by amount and composition. Deposits are now made on a more timely basis and receipt slips are issued for all monies received. We have prohibited personal checks from being cashed and will look into purchasing prenumbered payment agreement forms. We have a newly elected City Marshal and will discuss issues related to this office with him.

3. Segregation of Duties and Bond Coverage

The duties of receiving, recording, depositing, reconciling, and disbursing municipal division receipts are not adequately segregated, and an independent review of municipal division records is not performed. Bond coverage for the Court Clerk was not adequate, which leaves the city with limited options to collect the missing funds.

3.1 Segregation of duties

The former Court Clerk performed all duties related to the collection and disbursement of fines, court costs, and bonds and reconciliation of the municipal division bank account. Neither the Municipal Judge nor other personnel independent of the cash custody and recordkeeping functions provided adequate supervision or a review of the work performed by the former Court Clerk.

In addition, the current Court Clerk performs all duties related to the collection of fines, court costs, and bonds and reconciliation of the municipal division bank account, and the City Treasurer prepares the checks for the municipal division. No one independent of the Court Clerk compares the composition of receipts to the composition of amounts deposited into the municipal division bank account.

Internal controls would be improved by segregating the duties of receiving, recording, and disbursing monies from reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of bank reconciliations, and a reconciliation of receipts and deposits.

3.2 Bond coverage

The municipal division and city are not adequately protected from the risk of theft through adequate bonding of municipal division officials. The city of Noel has a blanket bond for its employees, and the Court Clerk was only bonded for a maximum of \$5,000. Receipts for the municipal division totaled more than \$120,000 during the year ended December 31, 2008.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

The amount of missing municipal division monies exceeds the amount of bond coverage for the Court Clerk, leaving the city with limited options to collect the missing funds. Properly bonding persons with access to monies would better protect the city from risk of loss.

Recommendations

The city of Noel Municipal Division:

- 3.1 Adequately segregate the duties of receiving, recording, depositing, reconciling, and disbursing municipal division receipts. If such segregation is not possible, a documented periodic review of municipal division records by an independent person should be established.
- 3.2 Request the city to obtain adequate bond coverage for the Court Clerk.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

- 3.1. *The newly elected Mayor is appointing a Deputy Court Clerk to aid in the segregation of duties.*
- 3.2. *We will present this recommendation to the Board of Aldermen and take further action based on its guidance.*

4. Municipal Division Liabilities and Disbursements

Monthly lists of open items (liabilities) are not prepared and reconciled to court account bank balances. The municipal division failed to pay fines and court costs of over \$15,000 to the city. The municipal division does not apply forfeited bonds to fines and costs correctly, and some errors were made in the disbursement of bonds. Some municipal division expenses were paid from the municipal division bank account.

4.1 Liabilities

Monthly lists of open items are not prepared and reconciled to the available municipal division account bank balances. The municipal division account had a balance of \$9,922 at December 31, 2008. Monthly lists of open items should be prepared and reconciled to the reconciled bank balance to ensure proper accountability over open cases and monies held in trust by the municipal division are sufficient to meet liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken.

4.2 Fines and costs

The municipal division has not remitted to the city \$15,791 of fines and cost collected during the 2 years ended December 31, 2008. Section 479.080 RSMo, requires the municipal division disburse fines and court costs to the city, as applicable, at least monthly.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

4.3 Forfeited bonds

The municipal division does not correctly apply forfeited bonds to fines and costs assessed. When a bond is forfeited, the municipal division disburses the entire amount of the forfeited bond to the city, and the city deposits the monies into the General Fund. The municipal division does not apply the forfeited bond monies to the costs assessed by the municipal division including Crime Victims Compensation (CVC), Police Officer Standards and Training Commission (POSTC), Police Training (PT), and Domestic Violence Victims (DVV). The CVC and POSTC fees are to be paid to the Department of Revenue and Public Safety, respectively. The PT and DVV fees are to be paid to the city and placed into a training fund and paid out to a domestic violence shelter, respectively.

4.4 Disbursement errors

The municipal division did not pay the correct amount of forfeited bonds to the city. We noted three bonds received in June 2008 paid incorrectly to the city by check number 3230 in July 2008 as follows:

Receipt Number	Amount Received	Amount Paid to City	Excess Paid to City
508481*	\$ 1,000	2,000	1,000
11482	110	510	400
11483	110	610	500
	\$ 1,220	3,120	1,900

*City Marshal's office receipt number

The municipal division should review the errors made and make corrections to future city disbursements.

4.5 Municipal division expenses

Municipal division expenses totaling \$3,319 were paid from the municipal division bank account instead of by the city. During the year ended December 31, 2008, the municipal division paid \$1,995 in public defender fees, \$663 for the salary of an interpreter/temporary employee, and \$661 in training expenses for the Municipal Judge from the municipal division bank account.

As a result of not paying these expenses through the city's normal disbursement process, the payments were not reviewed or approved by the Board of Aldermen, and a 1099-MISC form was not issued to the public defender. In addition, payments made to the interpreter/temporary employee were not processed through the city's payroll system, and as a result, were not included on a W-2 form or subjected to payroll tax withholdings. Also, a time sheet or other supporting documentation was not obtained to support these payments, and adequate supporting documentation was not obtained for the training expenses. While the Municipal Judge indicated he approved public defender fees to be paid for some defendants, his approval was not documented.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

Further, as a result of the municipal division paying expenses from court receipts, court costs and fines were not disbursed to the city intact. Section 479.080 RSMo, requires the municipal division disburse fines and court costs to the city, as applicable, at least monthly.

Recommendations

The city of Noel Municipal Division:

- 4.1 Prepare monthly lists of open items and reconcile the list with the balance in the municipal division account. Any unidentified differences should be investigated.
- 4.2 Establish procedures to ensure amounts are disbursed to the city monthly.
- 4.3 Apply forfeited bond monies to the fines and costs assessed by the municipal division. In addition, the municipal division should review prior bond forfeitures, apply the monies appropriately to the fines and costs assessed, and make corrections, if necessary.
- 4.4 Review the errors made and make corrections to future city disbursements.
- 4.5 Discontinue the practice of paying expenses from municipal division receipts and disburse court costs and fines to the city intact and in a timely manner.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

We will implement these recommendations.

5. Municipal Division Records and Procedures

The disposition of cases heard by the municipal division is not always documented and signed by the Municipal Judge and City Prosecuting Attorney. The municipal division has not prepared and retained a list of cases heard each month as required by state law. A comprehensive control ledger showing the total amount owed by defendants to the municipal division is not maintained. Procedures for maintaining municipal division records need improvement.

5.1 Case disposition

The final disposition of each case is not consistently documented on the court dockets. In addition, the Municipal Judge does not always sign the court dockets after case dispositions are recorded.

Also, traffic tickets paid at the violation bureau (VB) are not signed by the City Prosecuting Attorney and several tickets reviewed which were heard by the municipal division were also not signed.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

To ensure the proper disposition of all cases has been entered in the municipal division records, the ultimate disposition of each case should be recorded on the docket, the Municipal Judge should sign the docket to indicate his approval of the recorded disposition, and the City Prosecuting Attorney should sign or initial all tickets paid at the VB or heard in the municipal division indicating his approval.

Section 479.070, RSMo, requires the proceeding for every case commenced before the municipal division court to be entered on the docket. Also, Rule 23.01(a), Missouri Rules of Criminal Procedure, states the indictment or information for misdemeanors or felonies shall be in writing, signed by the City Prosecuting Attorney, and filed in the municipal division court having jurisdiction of the offense. Rule 19.08, Missouri Rules of Criminal Procedure, requires infractions to be subject to the same procedures as the prosecution of misdemeanors.

5.2 Report of cases heard

The Court Clerk prepares and reads a report of only the number of new cases and speeding violations heard in the municipal division each month for the Board of Aldermen. The report is not retained after the monthly city board meeting.

Section 479.080(3), RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

5.3 Accounts receivable

A comprehensive control ledger showing the total amount owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time, and the Court Clerk keeps track of these payments on the cover of each case file. Defendants making payments on a payment plan appear on the court docket each month; however, if a defendant fails to pay and a warrant is issued, the case no longer appears on the monthly court docket and a separate list of these cases and the amounts due is not maintained.

A complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants and payments would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly.

5.4 Court records

Procedures for maintaining municipal division records need improvement. Municipal division personnel had difficulty locating some records and never did locate some case files. Since some case files could not be reviewed, we could not determine if the disposition of these tickets were properly reflected in the municipal division's records.



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

Supreme Court Rule No. 8 requires all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for the municipal division's financial activity.

Recommendations

The city of Noel Municipal Division:

- 5.1 Ensure the proper disposition of cases is documented on the court dockets, and all court dockets are signed by the Municipal Judge. In addition, the municipal division should require the City Prosecuting Attorney to sign all applicable tickets.
- 5.2 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.
- 5.3 Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.
- 5.4 Ensure division records are organized efficiently and appropriately retained.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

- 5.1. *We will establish procedures to ensure the Municipal Judge signs all dockets and the City Prosecuting Attorney signs all traffic tickets.*
- 5.2. *We will implement this recommendation.*
- 5.3. *We will establish a control ledger for accounts receivables and the Municipal Judge will document his review of this document.*
- 5.4. *The new Mayor is trying to implement a computerized system of tracking cases, and we have already began filing case files in a more organized manner.*

6. Traffic Tickets

Neither the City Marshal's office nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The City Marshal's office did not periodically prepare complete back-ups of traffic ticket information.

6.1 Ticket accountability

Neither the City Marshal's office nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The City Marshal's office prepares a monthly report of tickets issued by court date; however, the numerical sequence of all tickets is not accounted for. Without a proper accounting for the numerical sequence and



Fortieth Judicial Circuit
City of Noel Municipal Division
Management Advisory Report - State Auditor's Findings

ultimate disposition of tickets issued, the municipal division and the City Marshal's office cannot be assured all tickets issued were properly submitted for processing.

6.2 Computer backup records Although the City Marshal's office prepared a computerized monthly report of tickets issued by court date, a back-up of information maintained on the computer system was not periodically performed. As a result, all information maintained on the system was lost when the computer system crashed in August 2007. In addition, the City Marshal indicated he prints these reports out monthly and submits them to the municipal division; however, the reports were not retained.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup record should be periodically prepared to provide a means of recreating destroyed information. Backup records should be stored offsite to provide increased assurance that any lost data can be recreated. In addition, printed reports of tickets issued should be retained by the municipal division.

Recommendations

The city of Noel Municipal Division:

- 6.1 Work with the City Marshal's office to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.
- 6.2 Work with the City Marshal's office to periodically prepare backup records and store them at an off-site location. In addition, the Municipal Division should ensure printed reports of tickets issued are retained.

Auditee's Response

The Municipal Judge and Court Clerk provided the following response:

We will work with the newly elected City Marshal to establish procedures related to these recommendations.

Fortieth Judicial Circuit

City of Noel Municipal Division

Organization and Statistical Information

The city of Noel Municipal Division is in the Fortieth Judicial Circuit, which consists of McDonald and Newton Counties. The Honorable Timothy W. Perigo serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

The operating costs and court salaries of the municipal division are paid by the municipality.

At December 31, 2008, the municipal division employees were as follows:

Personnel

Title	Name
Municipal Judge	Raymond Gordon
Court Clerk	Karla Meador (1)

- (1) Pat Le Sueur served as City Clerk/Court Clerk until her resignation in September 2008. Karla Meador also serves the city as City Collector.

Financial and Caseload Information

	Year Ended December 31,	
	2008	2007
Receipts	\$120,416	125,679
Number of tickets issued	955	325*

- * Includes only the number of tickets issued from August to December 2007. Due to a computer system failure at the City Marshal's office, the number of tickets issued for the first seven months of 2007 were unavailable.

Fortieth Judicial Circuit

City of Noel Municipal Division

Supporting Documentation for Missing Monies

The following tables provide supporting documentation for the missing monies discussed in MAR finding number 1.

Cash Received and Deposited

Deposit Date	Receipt Numbers	Cash Receipts	Cash Deposited	Cash Receipts Over (Under) Cash Deposited
2/14/2007	10109-10155	\$ 3,727	3,300	427
2/26/2007	10156-10182	2,676	1,690	986
11/1/2007	10941-10951	335	600	(265)
11/19/2007	10952-11013	3,650	3,200	450
12/27/2007	11014-11082	3,690	2,980	710
7/8/2008	11502-11537	2,556	1,500	1,056
7/15/2008	11538-11566	3,085	3,800	(715)
7/25/2008	11567-11595	2,196	1,350	846
8/11/2008	11596-11670	6,278	0	6,278
8/25/2008	11671-11689	366	3,000	(2,634)
8/28/2008	11690-11698	836	900	(64)
9/17/2008	11699-11775	5,205	3,650	1,555
		\$ 34,600	25,970	8,630

Unrecorded Check/Money Order Substituted for Cash Receipts

Check/Money Order Number	Deposit Date	Amount Received
459173857	2/14/2008	\$ 63
1036	7/8/2008	128
		\$ 191

Missing Bonds

Receipt Number	Receipt Date	Bond Amount
508475	3/16/2008	\$ 250 (1)
508479	6/10/2008	110
508481	6/17/2008	1,000
508482	6/18/2008	350
		\$ 1,710

- (1) This bond was received by the City Marshal's office; however, no documentation exists to document that it was turned over to the Court Clerk.



Fortieth Judicial Circuit
City of Noel Municipal Division
Supporting Documentation for Missing Monies

Summary of Missing Amounts	Missing Monies		Amount
	Cash receipts not deposited		\$ 8,630
	Unrecorded checks substituted for cash receipts		191
	Missing bonds		1,710
	Personal monies deposited by former Court Clerk		(1,950)
			<u>\$ 8,581</u>



Susan Montee, JD, CPA
Missouri State Auditor

ADMINISTRATION

Expenditures



May 2009

Report No. 2009-52

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following report is our audit of the Office of Administration, expenditures.

Improvements are needed to prevent duplicate payments and to ensure payments are timely and accurate. We scanned expenditure records having the same payment amount, same invoice number, same vendor number, or same /similar vendor name and identified ten duplicate payments. Of these duplicate payments, four had been resolved prior to the start of the audit by receiving a credit or refund from the vendor, and one had been resolved by the Office of Administration (OA) canceling the second payment prior to the vendor depositing the check. The remaining five duplicate payments had not been detected prior to the audit. Additional controls were implemented in September 2007 to identify and prevent duplicate payments. However, duplicate payments can still occur for a variety of reasons, including data entry errors, inconsistencies in the vendor file, untimely payments, or payments from non-original invoices such as duplicate vendor billing statements or copies. A review of 98 expenditures paid during fiscal year 2008 identified 23 invoices not processed for payment until at least 30 days after the invoice date, including 9 not processed within 60 days of the invoice date. An overpayment of \$1,239 occurred because an invoice was not mathematically correct and the error was not detected.

Capital asset purchases and improvements were identified that had not been recorded, or were not recorded timely or accurately, in the capital asset records. ITSD personnel indicated they do not maintain records to track the location of sensitive assets that are under the capital asset threshold of \$1,000. Since the ITSD has not been tracking such assets, the location of 58 computers with accessories totaling \$38,673 (at an average price of \$667) purchased in November 2006 for use within the agency was unknown. Although the individual price of these capital assets is under the threshold for recording such items, computers should be tracked according to the statewide Enterprise Architecture, which includes ITSD's standards, policies and guidelines.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

OFFICE OF ADMINISTRATION
EXPENDITURES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-9
<u>Number</u>	<u>Description</u>
1.	Expenditures
2.	Capital Assets
HISTORY AND ORGANIZATION	10-12

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Kelvin L. Simmons, Commissioner
Office of Administration
Jefferson City, Missouri

We have audited the Office of Administration, expenditures. For the purposes of this audit, we excluded expenditures related to personal services, debt service, and transfers. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate internal controls related to expenditures and procurement activities.
2. Evaluate compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; testing selected transactions; and reviewing documents such as contracts, plans, or reports that are specific to the office's operations and significant within the context of the audit objectives.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Administration, expenditures.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Robyn Vogt, M.Acct.
Audit Staff:	Denise Huddleston, MBA
	Mariam Ahmedbani
	Jesse Jett

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF ADMINISTRATION
EXPENDITURES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Expenditures
-----------	---------------------

Improvements are needed to prevent duplicate payments and to ensure payments are timely and accurate. The following table identifies the expenditures considered during our review.

Description	Year Ended June 30,		
	2008	2007	2006
Travel, in-state	\$ 600,415	513,534	269,868
Travel, out-of-state	188,704	147,081	71,956
Fuel and utilities	47,243,555	6,366,900	4,700,576
Supplies	7,170,485	3,590,208	2,061,112
Professional development	1,213,379	917,310	306,806
Communication services and supplies	6,653,593	6,147,313	736,116
Services:			
Professional	102,559,503	78,836,875	31,031,848
Housekeeping and janitorial	3,569,371	2,770,240	1,929,526
Maintenance and repair	23,008,794	16,832,727	5,366,716
Equipment:			
Computer	19,902,663	21,179,684	2,635,597
Motorized	691,394	159,646	207,601
Office	911,612	441,139	181,471
Other	1,274,025	781,939	814,670
Property and improvements	7,809,009	8,164,512	13,635,796
Real property rentals and leases	4,360,734	2,894,134	2,795,881
Equipment rental and leases	9,131,013	9,561,946	9,792,552
Miscellaneous expenses	3,989,583	4,939,425	6,686,970
Rebillable expenses	38,635,199	35,821,126	36,676,358
Refunds	1,582,741	175,448	3,133,119
Program distributions	32,243,816	29,668,142	75,358,214
	\$ 312,739,588	229,909,329	198,392,753

Fluctuations in expenditures between 2008, 2007, and 2006 can be partially attributed to the following:

- Effective July 2006, Missouri's information technology consolidation initiative combined the staff and resources of various executive branch departments into the Office of Administration (OA) Information Technology Services Division (ITSD). This consolidation transferred the information technology budgets of most state

departments to the OA, resulting in increased expenditures for technology related services, supplies, and equipment.

- Effective July 2006, appropriations for program distributions related to costs in criminal cases and juvenile court personnel were transferred to other state agencies.
- Effective July 2007, the OA Division of Facilities Management, Design and Construction (FMDC) assumed responsibility for maintenance operations at several state agencies resulting in the statewide consolidation of facility related services. This consolidation included the transfer of expense and equipment appropriations to FMDC for maintenance items and therefore the responsibility for payment of all associated vendor obligations. Expenditures for utilities and various supplies increased with this consolidation.

A total of 257 expenditures were selected for review. Criteria used to select individual expenditures for review included selecting items from expenditure classifications with significant fluctuations between fiscal years. We also reviewed for potential duplicate payments by scanning expenditure records for transactions having the same payment amount, same invoice number, same vendor number, or same/similar vendor names.

A. Ten duplicate payments were identified during our audit. Of these duplicate payments, four had been resolved prior to the start of the audit by receiving a credit or refund from the vendor, and one had been resolved by the OA canceling the second payment prior to the vendor depositing the check. The remaining five duplicate payments had not been detected prior to the audit. These duplicate payments are as follows:

- \$155 paid on April 6, 2006, and June 6, 2006, for printing services.
- \$131 paid on August 15, 2006, and September 28, 2006, for supplies.
- \$1,441 paid on January 17, 2007, and January 24, 2007, for vehicle repairs.
- \$125 paid on February 14, 2007, and February 22, 2007, for computer maintenance.
- \$236 paid on November 5, 2007, and November 21, 2007, for supplies.

We discussed these five duplicate payments with OA personnel. After OA contacted the vendor, a credit or refund was received from the vendor for four of the duplicate payments. A credit or refund was not received for the \$131 duplicate payment. This vendor indicated since its accounting system and employees have changed since 2006, it can no longer retrieve old records and would not issue a refund or credit based solely on the state's records.

Expenditure transactions are processed using the Statewide Advantage for Missouri (SAM II) system. Within SAM II, a vendor may have several vendor numbers. For example, a vendor may have multiple locations referred to as alternate addresses and may require more than one SAM II vendor number. Records for vendors having alternate addresses have the same vendor number as

the original vendor, except for the last two digits, which are the alternate address indicators. Vendors could have multiple vendor numbers for other reasons as well, including errors in the system.

Additional controls were implemented in September 2007 to identify and prevent duplicate payments. However, duplicate payments can still occur for a variety of reasons, including data entry errors, inconsistencies in the vendor file, untimely payments, or payments from non-original invoices such as duplicate vendor billing statements or copies. While improved controls have been implemented in the SAM II system, which should help prevent duplicate payments, additional procedures should be established to monitor for duplicate payments. Such procedures should include guidance and training on entering invoice numbers to decrease the potential for inconsistencies or errors in data entry.

- B. A review of 98 expenditures paid during fiscal year 2008 identified 23 (23 percent) invoices not processed for payment until at least 30 days after the invoice date, including 9 not processed within 60 days of the invoice date. These delays may be due to untimely review, approval, or processing of the payments. Most of the errors identified were processed by the OA divisions of FMDC and ITSD.

Untimely payment could result in unnecessary late charges and duplicate payments.

- C. An overpayment of \$1,239 occurred because an invoice was not mathematically correct and the error was not detected. This invoice included daily charges for February 2006. The totaled billed was for 31 days; however, the invoice detail reports only 28 days for February. Because this overpayment occurred in 2006, refunding of the overpayment by the vendor is unlikely. Procedures should be established to ensure invoices are properly reviewed for mathematical accuracy.

Strong internal controls are necessary to ensure duplicate payments are not made and that all invoices are paid timely and accurately.

WE RECOMMEND the Office of Administration provide additional guidance and training to personnel to ensure invoices are properly entered in the SAM II system, processed timely, and reviewed for mathematical accuracy.

AUDITEE'S RESPONSE

We concur in part with this recommendation. We will clarify invoice format issues, however, we do not believe it is necessary to remind personnel to make payments timely and review invoices for accuracy; our staff does this on a daily basis.

2.**Capital Assets**

Capital asset purchases and improvements were identified that had not been recorded, or were not recorded timely or accurately, in the capital asset records. In addition, records should be developed to identify the location of all capital assets.

A. Some purchases and improvements were not recorded in the capital asset records and other purchases were not recorded timely or accurately.

- 1) A capital lease payment of \$322,841 for 12 copiers was made in June 2006. One of these copiers had not been recorded in the capital asset records. In addition, the capital asset records indicated disposition dates for two of the copiers; however, OA personnel indicated these copiers had been refurbished and were still in use.
- 2) A temporary and movable handicap accessible ramp with railing costing \$11,875, paid for in June 2006, had not been recorded in the capital asset records.
- 3) An improvement project to install new service gates at the Governor's Mansion costing \$53,291, paid for in September 2007, had not been recorded in the capital asset records.
- 4) A test of 10 capital asset purchases identified 8 (80 percent) purchases had not been recorded in the capital asset records in a timely manner. Three of the purchases were not recorded in the capital asset records until more than 100 days after the acquisition date, including one purchase not recorded until 638 days after the acquisition date.

The Code of State Regulations (CSR), 15 CSR 40-2.031, requires state agencies to account for capital assets costing over \$1,000. The failure to record capital assets, or to record capital assets accurately and timely, reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse of assets.

B. ITSD personnel indicated they do not maintain records to track the location of sensitive assets that are under the capital asset threshold of \$1,000. Rule 15 CSR 40-2.031(6) requires departments identify sensitive assets that may be susceptible to theft or misuse, implement appropriate procedures for adequate control and perform annual inventories. ITSD personnel indicated they do not consider any capital assets under \$1,000 to be sensitive assets.

Since the ITSD has not been tracking such assets, the location of 58 computers with accessories totaling \$38,673 (at an average price of \$667) purchased in November 2006 for use within the agency was unknown. ITSD personnel

indicated they do not have any documentation of who the computers were assigned to or where they are located.

Although the individual price of these capital assets is under the threshold for recording such items, computers should be tracked according to the statewide Enterprise Architecture. The Enterprise Architecture includes standards, policies and guidelines established by the ITSD. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and systems management. The domains define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets. The architecture includes desktop and laptop computers as information technology equipment for which accurate inventory records should be maintained. These inventory records should include, at a minimum, the description, location, model and serial numbers of the assets.

WE RECOMMEND the Office of Administration:

- A. Establish procedures to ensure all capital asset purchases are recorded accurately and timely in the capital asset records.
- B. Develop records to identify the location of sensitive assets, including those items under the capitalization threshold, to ensure, at a minimum, all state assets can be located.

AUDITEE'S RESPONSE

- A. *We concur. OA has implemented controls to improve the timeliness and accuracy of recording capital assets.*
- B. *Although sensitive assets under the capitalization threshold are not recorded in the statewide accounting system, the assets are tracked through the use of help desk software. Utilizing the help desk software, ITSD conducted an audit of the 58 computers (PCs) purchased for OA and identified the serial number of the equipment and verified the physical location. Similar audits will be conducted as needed for other under threshold equipment purchased by the ITSD.*

AUDITOR'S COMMENT

- B. We were not informed as to the existence of the help desk software until April 2009, after audit work had been completed and after we had been told there were no records to track under threshold computer assets. In addition, the asset documentation provided by OA did not include all of the mandatory information required by the Enterprise Architecture, including property or asset number and maintenance and warranty information. As a result, it is questionable whether the help desk software has served as an effective inventory record.

HISTORY AND ORGANIZATION

OFFICE OF ADMINISTRATION EXPENDITURES HISTORY AND ORGANIZATION

The Office of Administration is the state's service and administrative control agency. Created by the General Assembly on January 15, 1973, it combines and coordinates the central management functions of state government. Its responsibilities were clarified and amended by the Omnibus State Reorganization Act of 1974.

The chief administrative officer is the Commissioner of Administration, who is appointed by the governor with the advice and consent of the Senate. The commissioner appoints the deputy commissioner, assistant commissioner, chief counsel, and the directors of the divisions who report directly to him. The divisions are: Accounting; Budget and Planning; Facilities Management, Design and Construction; General Services; Information Technology Services; Personnel; Purchasing and Materials Management; and the Office of Supplier and Workforce Diversity. The following are the various responsibilities of the divisions.

1. The Division of Accounting provides central accounting and central payroll system services for state government, producing checks and electronic payments for state vendors and state employees. The division publishes annual financial reports, administers bond sales for the Board of Fund Commissioners, Board of Public Buildings, and Board of Unemployment Fund Financing, and administers the social security coverage for all employees of the state and its political subdivisions.
2. The Division of Budget and Planning analyzes budget policy issues and provides information to the commissioner, the governor's office, the general assembly, Missouri's congressional delegation, and state, local, and federal agencies. The division prepares the budget instructions, reviews agency budget requests, prepares the annual executive budget, analyzes economic and demographic conditions, forecasts state revenues, and conducts technical policy and program analyses. To assist in state government management, the division controls appropriation allotments, manages the automated state budget system, prepares legislative fiscal notes, reviews legislation, tracks agency performance measures, analyzes and develops policy options, and reviews federal issues and their impact on Missouri. The division compiles population estimates and projections, provides technical assistance during decennial reapportionment, and is Missouri's liaison to the United States Bureau of the Census.
3. The Division of Facilities Management, Design and Construction operates, maintains and manages state-owned office buildings and other structures at the seat of government and other locations within the state. The division oversees leased property for agencies statewide and is also responsible for design, construction, renovation and repair of state facilities. Review of all requests for appropriations for capital improvements also falls under the responsibilities of the division.
4. The Division of General Services provides essential support services to state departments and to the Office of Administration.

5. The mission of the Information Technology Services Division is to provide technology services and solutions to the state's departments and agencies so that they can efficiently and effectively serve the citizens of Missouri.
6. The Division of Personnel is responsible for the state's human resource management system and the Uniform Classification and Pay System, as established in the State Personnel Law (Chapter 36, RSMo).
7. The Division of Purchasing and Materials Management is responsible for the procurement of all state-required supplies, materials, equipment and professional or general services. Certain agencies (e.g. Missouri Department of Transportation) are considered exempt in some areas. The division executes procurement functions in accordance with applicable statutes by maximizing competition in the procurement process, conducting evaluations and negotiations as appropriate, and awarding contracts to the "lowest and best" bidders.
8. The Office of Supplier and Workforce Diversity (OSWD) assists and monitors state agencies in promoting and ensuring equal opportunity within state government through employment, provision of services, and operation of facilities. Under Executive Order 05-30, OSWD is responsible for assisting state agencies in promoting contracting and procurement opportunities for minority and women-owned businesses. In addition, OSWD continues to monitor the implementation of state employment practices to ensure that Missouri has a diversified and well balanced state workforce.

In addition, the Office of Administration provides administrative and/or budgetary oversight for various boards, councils, and commissions.

Michael Keathley served as the Commissioner of Administration until March 2008. Larry Schepker was appointed Commissioner of Administration during March 2008 and served in that capacity until January 2009 when Kelvin L. Simmons became Commissioner of Administration. The Office of Administration employed approximately 2,060 full and part-time employees as of June 30, 2008.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Caldwell County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

May 2009
Report No. 2009-51

**CALDWELL COUNTY, MISSOURI
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007**

Caldwell County, Missouri
Table of Contents

Financial Statements:	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
 Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis - December 31, 2007	7
Statement of Net Assets - Cash Basis - December 31, 2006	8
Statement of Activities - Cash Basis - December 31, 2007	9
Statement of Activities - Cash Basis - December 31, 2006	10
 Fund Financial Statements:	
Balance Sheet - Cash Basis - Governmental Funds - December 31, 2007	11
Balance Sheet - Cash Basis - Governmental Fund - December 31, 2006	12
Statement of Revenues, Expenditures and Changes in Fund Balances- Cash Basis - Governmental Funds - December 31, 2007	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis - Governmental Funds - December 31, 2006	14
Statement of Fiduciary Net Assets - Cash Basis - December 31, 2007	15
Statement of Fiduciary Net Assets - Cash Basis - December 31, 2006	16
 Notes to Financial Statements	17-25
 Required Supplementary Information	
 Schedule of Funding Progress of Employees Retirement System	26
 Budgetary Comparison Schedule - Cash Basis - County Revenue Fund	27
Budgetary Comparison Schedule - Cash Basis - Road and Bridge Fund	28
Budgetary Comparison Schedule - Cash Basis - Law Enforcement Sales Tax Fund	29
Budgetary Comparison Schedule - Cash Basis - Little Otter Creek Fund	30
Budgetary Comparison Schedule - Cash Basis - Road and Bridge Sales Tax Fund	31
Budgetary Comparison Schedule - Cash Basis - Assessment Fund	32
Budgetary Comparison Schedule - Cash Basis - Tax Maintenance Fund	33
Budgetary Comparison Schedule - Cash Basis - Election Services Fund	34
Budgetary Comparison Schedule - Cash Basis - Election Fund	35
Budgetary Comparison Schedule - Cash Basis - Planning and Zoning Fund	36
Budgetary Comparison Schedule - Cash Basis - Prosecuting Attorney Training Fund	37
Budgetary Comparison Schedule - Cash Basis - Peace Officers Training Fund	38
Budgetary Comparison Schedule - Cash Basis - Domestic Violence Fund	39

Caldwell County, Missouri
Table of Contents

	<u>Page</u>
Required Supplementary Information (Concluded)	
Budgetary Comparison Schedule - Cash Basis - Prosecutor Collection Fund	40
Budgetary Comparison Schedule - Cash Basis - Sheriff Civil Fees Fund	41
Budgetary Comparison Schedule - Cash Basis - Record Storage Fund	42
Budgetary Comparison Schedule - Cash Basis - Prosecuting Attorney Bad Check Fund	43
Budgetary Comparison Schedule - Cash Basis - Law Library Fund	44
Budgetary Comparison Schedule - Cash Basis - HAVA Fund	45
Budgetary Comparison Schedule - Cash Basis - Sheriffs Revolving Fund	46
Budgetary Comparison Schedule - Cash Basis - LEPC Fund	47
Budgetary Comparison Schedule - Cash Basis - ADA Chairlift Fund	48
Budgetary Comparison Schedule - Cash Basis - Circuit Clerk Interest Fund	49
Notes to the Required Supplementary Information	50
Federal Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	53-54
Schedule of Expenditures of Federal Awards	55
Notes to the Supplementary Schedule	56
Schedule of Findings and Questioned Costs	57-62
Follow Up on Prior Audit Findings for an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	63
Summary Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	64

Independent Auditors' Report

To the County Commission of
Caldwell County, Missouri
Kingston, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the 4th paragraph below, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The records of receipts and disbursements maintained by the County Treasurer and County Clerk contained numerous inaccuracies. Financial records maintained by the County Treasurer and the County Clerk, as well as the county's budget documents, did not agree. As a result, I was unable to satisfy myself with respect to the proper fund balance of the various County funds.

In my opinion, except for the effects of numerous inaccuracies between the county treasurer, county clerk and the county's budget documents as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007 and 2006, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Independent Auditors' Report (Concluded)

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2009, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Missouri Local Government Employees Retirement System and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on them.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Caldwell County, Missouri. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Trenton, Missouri
April 20, 2009

Caldwell County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The discussion and analysis of Caldwell County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2007 and 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2007 and 2006 are as follows:

- The county's total governmental expenditures exceeded total receipts by \$1,091,059 for the year ended December 31, 2007, but the total receipts exceeded governmental expenditures by \$76,286 for the year ended December 31, 2006.
- The county's governmental funds ended the year ended December 31, 2007 with a combined cash balance of \$1,036,336 and the year ended December 31, 2006 of \$2,127,395.
- County revenues for the year ended December 31, 2007 of \$6,026,654 increased by \$238,535 over the county revenues for the year ended December 31, 2006 of \$5,788,119.
- County expenditures for the year ended December 31, 2007 of \$7,135,128 increased by \$1,399,074 over the county expenditures for the year ended December 31, 2006 of \$5,736,054. Of this increase, \$646,764 is related to the Road and Bridge Fund.

Overview of the Financial Statements

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Caldwell County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-25 of this report.

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis, the Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and the Budgetary Comparison Schedules for all governmental and special revenue funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

Caldwell County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-wide Financial Analysis

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2007 and 2006.

	Year Ended December 31,	
	2007	2006
Net Assets	\$1,036,336	\$ 2,127,395
Program Receipts	4,634,222	3,859,363
General Receipts	1,409,847	1,952,977
Disbursements	7,135,128	5,736,054
Change in Net Assets	(1,091,059)	76,286

For the two years disclosed in the audit, the change in Net Assets is primarily due to the road and bridge fund and the county road fund. During 2006 the county began work on a new bridge project and incurred expenses that weren't reimbursed for until the fiscal year 2007. General Receipts decreased in 2007 due to a decrease in sales tax collections. Disbursements increased in 2007 due to the road and bridge projects and the overall increase in costs associated with the county revenue fund.

Financial Analysis of the County's Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2007, the county's governmental funds reported combined ending fund balances of \$1,036,336, a decrease of \$1,091,059 over the prior years fund balance of \$2,127,395. The unreserved portion of fund balance was \$38,504 for 2007 and \$350,082 for the year ended 2006. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The County Revenue Fund is the chief operating fund of the County. At the end of the fiscal year 2007, unreserved fund balance of the County Revenue Fund was \$38,504 and of the unreserved fund balance of the County Revenue Fund for fiscal year 2006 was \$350,082. As a measure of the County Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Caldwell County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The unreserved fund balance of the County Revenue Fund decreased by \$311,578 for fiscal year 2007 as compared to an increase of \$653,177 for fiscal year 2006.

County Revenue Fund Budgeting Highlights

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the County Revenue Fund.

The original and final budgeted revenues for the county revenue fund were \$1,026,769 for 2007 and \$834,865 for 2006. The original and final budgeted expenditures were \$2,463,872 for 2007 and \$1,988,703 for 2006.

The County did make budget amendments to the 2007 budget.

Economic Factors and Next Year's Budgets

The Counties County Revenue Fund unrestricted monies has decreased \$311,578 over the two year period that was audited. This is concerning since this fund has an unrestricted balance of \$34,504 at December 31, 2007. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Beverly Bryant, County Clerk, 49 E. Main Street, Kingston, Missouri 64650, (816) 586-3600.

GOVERNMENT WIDE FINANCIAL STATEMENTS

Caldwell County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,036,336
Total Assets	<u>\$ 1,036,336</u>
NET ASSETS:	
Restricted	\$ 997,832
Unrestricted	<u>38,504</u>
Total Net Assets	<u>\$ 1,036,336</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Caldwell County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,127,395
Total Assets	<u>\$ 2,127,395</u>
NET ASSETS:	
Restricted	\$ 1,777,313
Unrestricted	<u>350,082</u>
Total Net Assets	<u>\$ 2,127,395</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Caldwell County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2007

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
Governmental Activities:				
General County Government	\$ 3,024,332	\$ 179,317	\$ 234,377	\$ (2,610,638)
Roads and Bridges	1,806,575	209,454	723,900	(873,221)
Law Enforcement Sales Tax	1,143,511	-	2,355,351	1,211,840
Little Otter Creek	<u>1,160,710</u>	<u>-</u>	<u>931,823</u>	<u>(228,887)</u>
Total Governmental Activities	<u>\$ 7,135,128</u>	<u>\$ 388,771</u>	<u>\$ 4,245,451</u>	<u>\$ (2,500,906)</u>
 Total Caldwell County	 <u>\$ 7,135,128</u>	 <u>\$ 388,771</u>	 <u>\$ 4,245,451</u>	 <u>\$ (2,500,906)</u>
 General Revenues:				
Property Taxes				158,791
Sales Taxes				741,442
Interest				44,748
Other				447,451
Transfers				<u>17,415</u>
Total General Revenues				<u>1,409,847</u>
 Change in Net Assets				 (1,091,059)
 Net Assets - Beginning				 <u>2,127,395</u>
 Net Assets - Ending				 <u>\$ 1,036,336</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Caldwell County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2006

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	Governmental <u>Activities</u>
Governmental Activities:				
General County Government	\$ 2,449,473	\$ 324,234	\$ 217,538	\$ (1,907,701)
Roads and Bridges	1,159,811	-	754,228	(405,583)
Law Enforcement Sales Tax	1,029,856	-	2,270,795	1,240,939
Little Otter Creek	<u>1,096,914</u>	<u>-</u>	<u>292,568</u>	<u>(804,346)</u>
Total Governmental Activities	<u>\$ 5,736,054</u>	<u>\$ 324,234</u>	<u>\$ 3,535,129</u>	<u>\$ (1,876,691)</u>
 Total Caldwell County	 <u>\$ 5,736,054</u>	 <u>\$ 324,234</u>	 <u>\$ 3,535,129</u>	 <u>\$ (1,876,691)</u>
 General Revenues:				
Property Taxes				178,530
Sales Taxes				1,007,073
Interest				63,121
Other				680,032
Transfers				<u>24,221</u>
Total General Revenues				<u>1,952,977</u>
 Change in Net Assets				 76,286
 Net Assets - Beginning				 <u>2,051,109</u>
 Net Assets - Ending				 <u>\$ 2,127,395</u>

The accompanying notes to the financial statements are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

**Caldwell County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2007**

	County Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Law Enforcement Sales Tax <u>Fund</u>	Little Otter Creek <u>Fund</u>	Road and Bridge Sales Tax <u>Fund</u>	Other Governmental <u>Funds</u>	2007 Total Government <u>Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 38,504	\$ 355,642	\$ 25,982	\$ 379,923	\$ 90,419	\$ 145,866	\$ 1,036,336
TOTAL ASSETS	<u>\$ 38,504</u>	<u>\$ 355,642</u>	<u>\$ 25,982</u>	<u>\$ 379,923</u>	<u>\$ 90,419</u>	<u>\$ 145,866</u>	<u>\$ 1,036,336</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unreserved, Reported in:							
General Fund	\$ 38,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,504
Special Revenue Funds	-	355,642	25,982	379,923	90,419	-	851,966
Nonmajor Funds	-	-	-	-	-	145,866	145,866
TOTAL FUND BALANCES	<u>\$ 38,504</u>	<u>\$ 355,642</u>	<u>\$ 25,982</u>	<u>\$ 379,923</u>	<u>\$ 90,419</u>	<u>\$ 145,866</u>	<u>\$ 1,036,336</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Caldwell County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2006

	County Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Law Enforcement Sales Tax <u>Fund</u>	Little Otter Creek <u>Fund</u>	Road and Bridge Sales Tax <u>Fund</u>	Other Governmental <u>Funds</u>	2006 Total Government <u>Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 350,082	\$ 777,162	\$ 90,749	\$ 606,204	\$ 181,770	\$ 121,428	\$ 2,127,395
TOTAL ASSETS	<u>\$ 350,082</u>	<u>\$ 777,162</u>	<u>\$ 90,749</u>	<u>\$ 606,204</u>	<u>\$ 181,770</u>	<u>\$ 121,428</u>	<u>\$ 2,127,395</u>
LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Unreserved, Reported in:							
General Fund	\$ 350,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,082
Special Revenue Funds	-	777,162	90,749	606,204	181,770	-	1,655,885
Nonmajor Funds	-	-	-	-	-	121,428	121,428
TOTAL FUND BALANCES	<u>\$ 350,082</u>	<u>\$ 777,162</u>	<u>\$ 90,749</u>	<u>\$ 606,204</u>	<u>\$ 181,770</u>	<u>\$ 121,428</u>	<u>\$ 2,127,395</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Caldwell County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2007

	County Revenue Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Little Otter Creek Fund	Road and Bridge Sales Tax Fund	Other Governmental Funds	2007 Total Government Funds
REVENUES:							
Taxes - Sales	\$ 153,167	\$ 103,625	\$ 228,099	\$ -	\$ 256,551	\$ -	\$ 741,442
Taxes - Property	158,791	-	-	-	-	-	158,791
Intergovernmental Revenues	92,278	723,900	2,355,351	931,823	-	142,099	4,245,451
Charges for Services	158,863	209,454	-	-	-	20,454	388,771
Interest Income	1,914	8,977	27,598	3,356	-	2,903	44,748
Other	146,349	20,447	166,273	-	-	114,382	447,451
TOTAL REVENUES	<u>711,362</u>	<u>1,066,403</u>	<u>2,777,321</u>	<u>935,179</u>	<u>256,551</u>	<u>279,838</u>	<u>6,026,654</u>
EXPENDITURES:							
General County Government	2,738,894	-	-	-	-	285,438	3,024,332
Roads and Bridges	-	1,461,673	-	-	344,902	-	1,806,575
Law Enforcement Sales Tax	-	-	1,143,511	-	-	-	1,143,511
Little Otter Creek	-	-	-	1,160,710	-	-	1,160,710
TOTAL EXPENDITURES	<u>2,738,894</u>	<u>1,461,673</u>	<u>1,143,511</u>	<u>1,160,710</u>	<u>344,902</u>	<u>285,438</u>	<u>7,135,128</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,027,532)</u>	<u>(395,270)</u>	<u>1,633,810</u>	<u>(225,531)</u>	<u>(88,351)</u>	<u>(5,600)</u>	<u>(1,108,474)</u>
OTHER FINANCING SOURCES (USES)							
Transfer To/From Other Funds	1,715,954	(26,250)	(1,698,577)	(750)	(3,000)	30,038	17,415
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,715,954</u>	<u>(26,250)</u>	<u>(1,698,577)</u>	<u>(750)</u>	<u>(3,000)</u>	<u>30,038</u>	<u>17,415</u>
Net Change in Fund Balances	<u>(311,578)</u>	<u>(421,520)</u>	<u>(64,767)</u>	<u>(226,281)</u>	<u>(91,351)</u>	<u>24,438</u>	<u>(1,091,059)</u>
Fund Balance - Beginning of Year	<u>350,082</u>	<u>777,162</u>	<u>90,749</u>	<u>606,204</u>	<u>181,770</u>	<u>121,428</u>	<u>2,127,395</u>
Fund Balance - End of Year	<u>\$ 38,504</u>	<u>\$ 355,642</u>	<u>\$ 25,982</u>	<u>\$ 379,923</u>	<u>\$ 90,419</u>	<u>\$ 145,866</u>	<u>\$ 1,036,336</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Caldwell County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2006

	County Revenue Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Little Otter Creek Fund	Road and Bridge Sales Tax Fund	Other Governmental Funds	2006 Total Government Funds
REVENUES:							
Taxes - Sales	\$ 236,134	\$ 79,716	\$ 236,135	\$ 235,650	\$ 219,438	\$ -	\$ 1,007,073
Taxes - Property	136,530	42,000	-	-	-	-	178,530
Intergovernmental Revenues	101,623	737,455	2,270,795	292,568	16,773	115,915	3,535,129
Charges for Services	307,765	-	-	-	-	16,469	324,234
Interest Income	244	28,216	6,827	14,583	6,936	6,315	63,121
Other	184,667	122,288	174,021	-	-	199,056	680,032
TOTAL REVENUES	<u>966,963</u>	<u>1,009,675</u>	<u>2,687,778</u>	<u>542,801</u>	<u>243,147</u>	<u>337,755</u>	<u>5,788,119</u>
EXPENDITURES:							
General County Government	2,092,727	-	-	-	-	356,746	2,449,473
Roads and Bridges	-	935,496	-	-	224,315	-	1,159,811
Law Enforcement Sales Tax	-	-	1,029,856	-	-	-	1,029,856
Little Otter Creek	-	-	-	1,096,914	-	-	1,096,914
TOTAL EXPENDITURES	<u>2,092,727</u>	<u>935,496</u>	<u>1,029,856</u>	<u>1,096,914</u>	<u>224,315</u>	<u>356,746</u>	<u>5,736,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,125,764)</u>	<u>74,179</u>	<u>1,657,922</u>	<u>(554,113)</u>	<u>18,832</u>	<u>(18,991)</u>	<u>52,065</u>
OTHER FINANCING SOURCES (USES)							
Transfer To/From Other Funds	1,725,688	-	(1,695,788)	-	-	(5,679)	24,221
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,725,688</u>	<u>-</u>	<u>(1,695,788)</u>	<u>-</u>	<u>-</u>	<u>(5,679)</u>	<u>24,221</u>
Net Change in Fund Balances	<u>599,924</u>	<u>74,179</u>	<u>(37,866)</u>	<u>(554,113)</u>	<u>18,832</u>	<u>(24,670)</u>	<u>76,286</u>
Fund Balance - Beginning of Year	<u>(249,842)</u>	<u>702,983</u>	<u>128,615</u>	<u>1,160,317</u>	<u>162,938</u>	<u>146,098</u>	<u>2,051,109</u>
Fund Balance - End of Year	<u>\$ 350,082</u>	<u>\$ 777,162</u>	<u>\$ 90,749</u>	<u>\$ 606,204</u>	<u>\$ 181,770</u>	<u>\$ 121,428</u>	<u>\$ 2,127,395</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Caldwell County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,850,788
Total Assets	<u>\$ 2,850,788</u>
NET ASSETS:	
Restricted	\$ 2,850,788
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 2,850,788</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Caldwell County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 667,796
Total Assets	<u>\$ 667,796</u>
NET ASSETS:	
Restricted	\$ 667,796
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 667,796</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies

The financial statements of Caldwell County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

A. Reporting Entity

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such at exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

B. Basis of Presentation

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2007 and 2006, the county had only governmental activities.

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Special Road and Bridge Fund, Law Enforcement Sales Tax Fund, Little Otter Creek Fund and the Road and Bridge Sales Tax Fund are all considered Special Revenue Funds.

The county's nonmajor governmental funds are also special revenue funds.

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, Unclaimed Fees Fund, School Fines Fund and Tax Sales Surplus Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

D. Vacation, Personal and Sick Leave

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personnel days, but comp time can be earned by working overtime.

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County is required to adopt budgets for various County funds, however, some County funds that are required to have a budget, have not had one prepared.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15th of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. Amendments were made to the 2007 budget but no amendments were made to the 2006 budget. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

F. Inventories and Capital Assets

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

G. Long-Term Debt

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Risk of Loss

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

Note 2: Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the two years ended December 31, 2007, the County had the following material excess of expenditures over appropriations in the following funds.

	<u>Amount Over Budget</u>	
	<u>2007</u>	<u>2006</u>
County Revenue Fund	\$ 275,022	\$ 104,024
Road and Bridge Fund	\$ 502,529	\$ -
Law Enforcement Sales Tax Fund	\$ 315,940	\$ 303,808
Little Otter Creek Fund	\$ -	\$ 686,914
Road and Bridge Sales Tax Fund	\$ 149,902	\$ 26,110
Tax Maintenance Fund	\$ -	\$ 978
Election Service Fund	\$ -	\$ 38
Election Fund	\$ -	\$ 10,947
Planning and Zoning Fund	\$ -	\$ 3,005
Prosecuting Attorney Training Fund	\$ 51	\$ -
Peace Officers Training Fund	\$ 767	\$ 3,701
Sheriff Civil Fees Fund	\$ 14,921	\$ -
Record Storage Fund	\$ -	\$ 3,602
Prosecuting Attorney Bad Check Fund	\$ 41,165	\$ 38,902
Law Library Fund	\$ 3,965	\$ -
HAVA Fund	\$ 152	\$ 96,607
LEPC Fund	\$ 1,858	\$ -

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 2: Stewardship, Compliance and Accountability (Concluded)

Net Assets/Fund Balance Deficit

At December 31, 2006 the Election Fund had a deficit net asset balance of \$21,963.

Note 3: Cash and Investments

Deposits - At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$1,036,644 and \$2,084,157 respectively. The bank balance for the year ended December 31, 2007 and 2006 was \$1,026,847 and \$1,213,263 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$100,000 was covered by federal depository insurance and \$926,847 was covered by collateral held by the District's safekeeping agent in the District's name at December 31, 2007 and \$1,113,263 for the year ended December 31, 2006.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. At December 31, 2007 and 2006 the County had \$115,000 and \$115,000 invested in Certificates of Deposit.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

Investment Credit Risk - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 3: Cash and Investments (Concluded)

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Credit Risk - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2007, the County had no concentration of credit risk.

Note 4: Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1st and payable by December 31st of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was as follows:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 58,940,870	\$ 56,735,050
Personal Property	23,653,030	24,043,320
Railroad and Utilities	<u>14,565,187</u>	<u>14,259,342</u>
Total	<u>\$ 97,159,087</u>	<u>\$ 95,037,712</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$.2300	\$.2300
Total	<u>\$.2300</u>	<u>\$.2300</u>

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 5: Retirement Plan

A. Plan Description

Caldwell County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Funding Status

Caldwell County's full-time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 4.0% (general), 8.2% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2007 and 2006 the political subdivision's annual pension cost of \$134,616 and \$134,483 respectively, was equal to the required and actual contributions. The required contributions was determined respectively as part of the February 28, 2006 and/or February 28, 2005 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, © additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2007 was 17 years.

Caldwell County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 5: Retirement Plan (Concluded)

Four Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2004	\$ (9,219)	100%	\$ 0
6/30/2005	\$ 89,224	100%	\$ 0
6/30/2006	\$ 134,483	100%	\$ 0
6/30/2007	\$ 134,616	100%	\$ 0

Note 6: Commitments and Contingencies

During 2008 it was found that an employee of the County Clerks office allegedly had misappropriated funds of the county. An investigation is ongoing and the amount of the possible loss has not yet been determined.

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

Caldwell County, Missouri
Required Supplementary Information
Schedule of Funding Progress of
Employees Retirement System
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
2/28/04	\$ 229,732	\$ 562,567	\$ 332,835	41%	\$ 677,923	49%
2/28/05	279,880	583,077	303,197	48%	960,210	32%
2/28/06	306,389	564,246	257,857	54%	1,384,709	19%
2/28/07	319,998	525,279	205,281	61%	1,315,689	16%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
County Revenue Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 240,000	\$ 240,000	\$ 153,167	\$ (86,833)	\$ 238,525	\$ 238,525	\$ 236,134	\$ (2,391)
Taxes - Property	166,719	166,719	158,791	(7,928)	173,195	173,195	136,530	(36,665)
Intergovernmental Revenues	109,350	109,350	92,278	(17,072)	52,640	52,640	101,623	48,983
Charges for Services	319,600	319,600	158,863	(160,737)	133,625	133,625	307,765	174,140
Interest Income	300	300	1,914	1,614	350	350	244	(106)
Other	190,800	190,800	146,349	(44,451)	236,530	236,530	184,667	(51,863)
Total Revenue	<u>1,026,769</u>	<u>1,026,769</u>	<u>711,362</u>	<u>(315,407)</u>	<u>834,865</u>	<u>834,865</u>	<u>966,963</u>	<u>132,098</u>
Expenditures:								
County Commission	84,518	84,518	84,553	(35)	78,198	78,198	77,831	367
County Clerk	120,125	120,125	110,182	9,943	79,927	79,927	91,768	(11,841)
Elections	-	-	-	-	10,000	10,000	-	10,000
Buildings and Grounds	297,998	297,998	366,253	(68,255)	34,143	34,143	80,257	(46,114)
Employee Fringe Benefits	273,486	273,486	337,389	(63,903)	262,300	262,300	254,466	7,834
County Treasurer	44,500	44,500	35,280	9,220	55,128	55,128	51,541	3,587
Recorder of Deeds	64,321	64,321	65,250	(929)	49,765	49,765	58,390	(8,625)
Circuit Clerk	23,400	23,400	18,713	4,687	20,400	20,400	19,955	445
Public Administrator	22,400	22,400	21,697	703	21,713	21,713	22,417	(704)
Sheriff	1,232,445	1,232,445	1,222,982	9,463	1,204,595	1,204,595	1,203,488	1,107
Detention Center	-	-	-	-	-	-	-	-
Collector	35,914	35,914	44,581	(8,667)	-	-	-	-
Planning and Zoning	-	-	6,488	(6,488)	-	-	-	-
Prosecuting Attorney	70,250	70,250	84,220	(13,970)	70,629	70,629	76,826	(6,197)
Juvenile Officer	8,802	8,802	9,229	(427)	10,700	10,700	5,169	5,531
Coroner	14,385	14,385	16,104	(1,719)	13,400	13,400	10,553	2,847
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	171,328	171,328	315,973	(144,645)	77,805	77,805	140,066	(62,261)
Total Expenditures	<u>2,463,872</u>	<u>2,463,872</u>	<u>2,738,894</u>	<u>(275,022)</u>	<u>1,988,703</u>	<u>1,988,703</u>	<u>2,092,727</u>	<u>(104,024)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,437,103)</u>	<u>(1,437,103)</u>	<u>(2,027,532)</u>	<u>(590,429)</u>	<u>(1,153,838)</u>	<u>(1,153,838)</u>	<u>(1,125,764)</u>	<u>28,074</u>
Fund Balance - Beginning of Year	350,082	350,082	350,082	-	(249,842)	(249,842)	(249,842)	-
Transfers In	1,473,662	1,473,662	1,763,403	289,741	1,404,775	1,404,775	1,745,380	340,605
Transfers Out	-	-	(47,449)	(47,449)	-	-	(19,692)	(19,692)
Fund Balance - End of Year	<u>\$ 386,641</u>	<u>\$ 386,641</u>	<u>\$ 38,504</u>	<u>\$ (348,137)</u>	<u>\$ 1,095</u>	<u>\$ 1,095</u>	<u>\$ 350,082</u>	<u>\$ 348,987</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Road and Bridge Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 80,000	\$ 80,000	\$ 103,625	\$ 23,625	\$ 89,125	\$ 89,125	\$ 79,716	\$ (9,409)
Taxes - Property	45,000	45,000	-	(45,000)	41,550	41,550	42,000	450
Intergovernmental Revenues	775,000	775,000	723,900	(51,100)	1,363,945	1,363,945	737,455	(626,490)
Charges for Services	-	-	209,454	209,454	-	-	-	-
Interest Income	30,000	30,000	8,977	(21,023)	9,985	9,985	28,216	18,231
Other	181,147	181,147	20,447	(160,700)	22,450	22,450	122,288	99,838
Total Revenue	<u>1,111,147</u>	<u>1,111,147</u>	<u>1,066,403</u>	<u>(44,744)</u>	<u>1,527,055</u>	<u>1,527,055</u>	<u>1,009,675</u>	<u>(517,380)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Court Administrator	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	986,144	986,144	1,488,673	(502,529)	948,442	948,442	935,496	12,946
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>986,144</u>	<u>986,144</u>	<u>1,488,673</u>	<u>(502,529)</u>	<u>948,442</u>	<u>948,442</u>	<u>935,496</u>	<u>12,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>125,003</u>	<u>125,003</u>	<u>(422,270)</u>	<u>(547,273)</u>	<u>578,613</u>	<u>578,613</u>	<u>74,179</u>	<u>(504,434)</u>
Fund Balance - Beginning of Year	777,162	777,162	777,162	-	702,983	702,983	702,983	-
Transfers In	-	-	750	750	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 902,165</u>	<u>\$ 902,165</u>	<u>\$ 355,642</u>	<u>\$ (546,523)</u>	<u>\$ 1,281,596</u>	<u>\$ 1,281,596</u>	<u>\$ 777,162</u>	<u>\$ (504,434)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Sales Tax Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 236,000	\$ 236,000	\$ 228,099	\$ (7,901)	\$ 238,175	\$ 238,175	\$ 236,135	\$ (2,040)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	2,300,000	2,300,000	2,355,351	55,351	-	-	2,270,795	2,270,795
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	7,000	7,000	27,598	20,598	127	127	6,827	6,700
Other	177,000	177,000	166,273	(10,727)	8,885	8,885	174,021	165,136
Total Revenue	<u>2,720,000</u>	<u>2,720,000</u>	<u>2,777,321</u>	<u>57,321</u>	<u>247,187</u>	<u>247,187</u>	<u>2,687,778</u>	<u>2,440,591</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	41,336	41,336	89,647	(48,311)	186,636	186,636	152,115	34,521
Detention Center	2,484,812	2,484,812	2,752,441	(267,629)	2,235,200	2,235,200	2,573,529	(338,329)
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>2,526,148</u>	<u>2,526,148</u>	<u>2,842,088</u>	<u>(315,940)</u>	<u>2,421,836</u>	<u>2,421,836</u>	<u>2,725,644</u>	<u>(303,808)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>193,852</u>	<u>193,852</u>	<u>(64,767)</u>	<u>(258,619)</u>	<u>(2,174,649)</u>	<u>(2,174,649)</u>	<u>(37,866)</u>	<u>2,136,783</u>
Fund Balance - Beginning of Year	90,749	90,749	90,749	-	128,615	128,615	128,615	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 284,601</u>	<u>\$ 284,601</u>	<u>\$ 25,982</u>	<u>\$ (258,619)</u>	<u>\$ (2,046,034)</u>	<u>\$ (2,046,034)</u>	<u>\$ 90,749</u>	<u>\$ 2,136,783</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Little Otter Creek Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 230,000	\$ 230,000	\$ 263,309	\$ 33,309	\$ -	\$ -	\$ 235,650	\$ 235,650
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	1,242,000	1,242,000	263,539	(978,461)	126,000	126,000	292,568	166,568
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	3,356	3,356	5,500	5,500	14,583	9,083
Other	-	-	404,975	404,975	-	-	-	-
Total Revenue	<u>1,472,000</u>	<u>1,472,000</u>	<u>935,179</u>	<u>(536,821)</u>	<u>131,500</u>	<u>131,500</u>	<u>542,801</u>	<u>411,301</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>1,497,000</u>	<u>1,497,000</u>	<u>1,160,710</u>	<u>336,290</u>	<u>410,000</u>	<u>410,000</u>	<u>1,096,914</u>	<u>(686,914)</u>
Total Expenditures	<u>1,497,000</u>	<u>1,497,000</u>	<u>1,160,710</u>	<u>336,290</u>	<u>410,000</u>	<u>410,000</u>	<u>1,096,914</u>	<u>(686,914)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>(225,531)</u>	<u>(200,531)</u>	<u>(278,500)</u>	<u>(278,500)</u>	<u>(554,113)</u>	<u>(275,613)</u>
Fund Balance - Beginning of Year	606,204	606,204	606,204	-	1,160,317	1,160,317	1,160,317	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(750)	(750)	-	-	-	-
Fund Balance - End of Year	<u>\$ 581,204</u>	<u>\$ 581,204</u>	<u>\$ 379,923</u>	<u>\$ (201,281)</u>	<u>\$ 881,817</u>	<u>\$ 881,817</u>	<u>\$ 606,204</u>	<u>\$ (275,613)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Road and Bridge Sales Tax Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable (Unfavorable)	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable (Unfavorable)
Revenues:								
Taxes - Sales	\$ 260,000	\$ 260,000	\$ 256,551	\$ (3,449)	\$ -	\$ -	\$ 219,438	\$ 219,438
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	17,000	17,000	-	(17,000)	-	-	16,773	16,773
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	7,200	7,200	-	(7,200)	-	-	6,936	6,936
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>284,200</u>	<u>284,200</u>	<u>256,551</u>	<u>(27,649)</u>	<u>-</u>	<u>-</u>	<u>243,147</u>	<u>243,147</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	195,000	195,000	344,902	(149,902)	198,205	198,205	224,315	(26,110)
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>195,000</u>	<u>195,000</u>	<u>344,902</u>	<u>(149,902)</u>	<u>198,205</u>	<u>198,205</u>	<u>224,315</u>	<u>(26,110)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>89,200</u>	<u>89,200</u>	<u>(88,351)</u>	<u>(177,551)</u>	<u>(198,205)</u>	<u>(198,205)</u>	<u>18,832</u>	<u>217,037</u>
Fund Balance - Beginning of Year	181,770	181,770	181,770	-	162,938	162,938	162,938	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 267,970</u>	<u>\$ 267,970</u>	<u>\$ 90,419</u>	<u>\$ (177,551)</u>	<u>\$ (35,267)</u>	<u>\$ (35,267)</u>	<u>\$ 181,770</u>	<u>\$ 217,037</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Assessment Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	128,381	128,381	124,354	(4,027)	113,236	113,236	112,415	(821)
Charges for Services	3,000	3,000	2,708	(292)	2,125	2,125	2,721	596
Interest Income	-	-	-	-	625	625	1,620	995
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>131,381</u>	<u>131,381</u>	<u>127,062</u>	<u>(4,319)</u>	<u>115,986</u>	<u>115,986</u>	<u>116,756</u>	<u>770</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	151,379	151,379	141,745	9,634	140,456	140,456	124,229	16,227
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>151,379</u>	<u>151,379</u>	<u>141,745</u>	<u>9,634</u>	<u>140,456</u>	<u>140,456</u>	<u>124,229</u>	<u>16,227</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,998)</u>	<u>(19,998)</u>	<u>(14,683)</u>	<u>5,315</u>	<u>(24,470)</u>	<u>(24,470)</u>	<u>(7,473)</u>	<u>16,997</u>
Fund Balance - Beginning of Year	26,934	26,934	26,934	-	27,820	27,820	27,820	-
Transfers In	8,000	8,000	8,000	-	14,500	14,500	6,587	7,913
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 14,936</u>	<u>\$ 14,936</u>	<u>\$ 20,251</u>	<u>\$ 5,315</u>	<u>\$ 17,850</u>	<u>\$ 17,850</u>	<u>\$ 26,934</u>	<u>\$ 9,084</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Tax Maintenance Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,500	1,500	-	(1,500)	-	-	1,352	1,352
Interest Income	1,300	1,300	1,761	461	-	-	1,153	1,153
Other	<u>9,500</u>	<u>9,500</u>	<u>11,055</u>	<u>1,555</u>	<u>10,500</u>	<u>10,500</u>	<u>9,030</u>	<u>(1,470)</u>
Total Revenue	<u>12,300</u>	<u>12,300</u>	<u>12,816</u>	<u>516</u>	<u>10,500</u>	<u>10,500</u>	<u>11,535</u>	<u>1,035</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>30,300</u>	<u>30,300</u>	<u>5,376</u>	<u>24,924</u>	<u>1,150</u>	<u>1,150</u>	<u>2,128</u>	<u>(978)</u>
Total Expenditures	<u>30,300</u>	<u>30,300</u>	<u>5,376</u>	<u>24,924</u>	<u>1,150</u>	<u>1,150</u>	<u>2,128</u>	<u>(978)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,000)</u>	<u>(18,000)</u>	<u>7,440</u>	<u>25,440</u>	<u>9,350</u>	<u>9,350</u>	<u>9,407</u>	<u>57</u>
Fund Balance - Beginning of Year	31,960	31,960	31,960	-	22,553	22,553	22,553	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 13,960</u>	<u>\$ 13,960</u>	<u>\$ 39,400</u>	<u>\$ 25,440</u>	<u>\$ 31,903</u>	<u>\$ 31,903</u>	<u>\$ 31,960</u>	<u>\$ 57</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Election Service Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	800	800	783	(17)	875	875	786	(89)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>800</u>	<u>800</u>	<u>783</u>	<u>(17)</u>	<u>875</u>	<u>875</u>	<u>786</u>	<u>(89)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	500	500	70	430	1,075	1,075	1,113	(38)
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>500</u>	<u>500</u>	<u>70</u>	<u>430</u>	<u>1,075</u>	<u>1,075</u>	<u>1,113</u>	<u>(38)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>300</u>	<u>300</u>	<u>713</u>	<u>413</u>	<u>(200)</u>	<u>(200)</u>	<u>(327)</u>	<u>(127)</u>
Fund Balance - Beginning of Year	132	132	132	-	459	459	459	-
Transfers In	-	-	99	99	-	-	-	-
Transfers Out	-	-	(36)	(36)	-	-	-	-
Fund Balance - End of Year	<u>\$ 432</u>	<u>\$ 432</u>	<u>\$ 908</u>	<u>\$ 476</u>	<u>\$ 259</u>	<u>\$ 259</u>	<u>\$ 132</u>	<u>\$ (127)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Election Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	12,000	12,000	16,963	4,963	33,515	33,515	11,610	(21,905)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>12,000</u>	<u>12,000</u>	<u>16,963</u>	<u>4,963</u>	<u>33,515</u>	<u>33,515</u>	<u>11,610</u>	<u>(21,905)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	33,000	33,000	27,375	5,625	32,555	32,555	43,502	(10,947)
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>33,000</u>	<u>33,000</u>	<u>27,375</u>	<u>5,625</u>	<u>32,555</u>	<u>32,555</u>	<u>43,502</u>	<u>(10,947)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(21,000)</u>	<u>(21,000)</u>	<u>(10,412)</u>	<u>10,588</u>	<u>960</u>	<u>960</u>	<u>(31,892)</u>	<u>(32,852)</u>
Fund Balance - Beginning of Year	(21,963)	(21,963)	(21,963)	-	(907)	(907)	9,929	10,836
Transfers In	-	-	39,449	39,449	-	-	-	-
Transfers Out	-	-	(99)	(99)	-	-	-	-
Fund Balance - End of Year	<u>\$ (42,963)</u>	<u>\$ (42,963)</u>	<u>\$ 6,975</u>	<u>\$ 49,938</u>	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ (21,963)</u>	<u>\$ (22,016)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Planning and Zoning Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>17,000</u>	<u>17,000</u>	<u>17,630</u>	<u>630</u>	<u>18,750</u>	<u>18,750</u>	<u>16,139</u>	<u>(2,611)</u>
Total Revenue	<u>17,000</u>	<u>17,000</u>	<u>17,630</u>	<u>630</u>	<u>18,750</u>	<u>18,750</u>	<u>16,139</u>	<u>(2,611)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	6,443	6,443	6,096	347	-	-	3,005	(3,005)
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,443</u>	<u>6,443</u>	<u>6,096</u>	<u>347</u>	<u>-</u>	<u>-</u>	<u>3,005</u>	<u>(3,005)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,557</u>	<u>10,557</u>	<u>11,534</u>	<u>977</u>	<u>18,750</u>	<u>18,750</u>	<u>13,134</u>	<u>(5,616)</u>
Fund Balance - Beginning of Year	-	-	-	-	(868)	(868)	(868)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>(14,000)</u>	<u>(14,000)</u>	<u>(11,375)</u>	<u>2,625</u>	<u>(18,911)</u>	<u>(18,911)</u>	<u>(12,266)</u>	<u>6,645</u>
Fund Balance - End of Year	<u>\$ (3,443)</u>	<u>\$ (3,443)</u>	<u>\$ 159</u>	<u>\$ 3,602</u>	<u>\$ (1,029)</u>	<u>\$ (1,029)</u>	<u>\$ -</u>	<u>\$ 1,029</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	600	600	900	300	595	595	602	7
Total Revenue	<u>600</u>	<u>600</u>	<u>900</u>	<u>300</u>	<u>595</u>	<u>595</u>	<u>602</u>	<u>7</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	600	600	651	(51)	695	695	-	695
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>600</u>	<u>600</u>	<u>651</u>	<u>(51)</u>	<u>695</u>	<u>695</u>	<u>-</u>	<u>695</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>249</u>	<u>249</u>	<u>(100)</u>	<u>(100)</u>	<u>602</u>	<u>702</u>
Fund Balance - Beginning of Year	704	704	704	-	102	102	102	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 704</u>	<u>\$ 704</u>	<u>\$ 953</u>	<u>\$ 249</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 704</u>	<u>\$ 702</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Peace Officers Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>4,000</u>	<u>4,000</u>	<u>4,651</u>	<u>651</u>	<u>1,500</u>	<u>1,500</u>	<u>3,560</u>	<u>2,060</u>
Total Revenue	<u>4,000</u>	<u>4,000</u>	<u>4,651</u>	<u>651</u>	<u>1,500</u>	<u>1,500</u>	<u>3,560</u>	<u>2,060</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	2,000	2,000	2,767	(767)	2,000	2,000	5,701	(3,701)
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,767</u>	<u>(767)</u>	<u>2,000</u>	<u>2,000</u>	<u>5,701</u>	<u>(3,701)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,884</u>	<u>(116)</u>	<u>(500)</u>	<u>(500)</u>	<u>(2,141)</u>	<u>(1,641)</u>
Fund Balance - Beginning of Year	801	801	801	-	2,942	2,942	2,942	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,801</u>	<u>\$ 2,801</u>	<u>\$ 2,685</u>	<u>\$ (116)</u>	<u>\$ 2,442</u>	<u>\$ 2,442</u>	<u>\$ 801</u>	<u>\$ (1,641)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Domestic Violence Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	900	900	-	(900)	930	930	789	(141)
Total Revenue	<u>900</u>	<u>900</u>	<u>-</u>	<u>(900)</u>	<u>930</u>	<u>930</u>	<u>789</u>	<u>(141)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	30,000	30,000	57	29,943	920	920	-	920
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>57</u>	<u>29,943</u>	<u>920</u>	<u>920</u>	<u>-</u>	<u>920</u>
Excess (Deficiency) of Revenues								
Over Expenditures	<u>(29,100)</u>	<u>(29,100)</u>	<u>(57)</u>	<u>29,043</u>	<u>10</u>	<u>10</u>	<u>789</u>	<u>779</u>
Fund Balance - Beginning of Year	935	935	935	-	146	146	146	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ (28,165)</u>	<u>\$ (28,165)</u>	<u>\$ 878</u>	<u>\$ 29,043</u>	<u>\$ 156</u>	<u>\$ 156</u>	<u>\$ 935</u>	<u>\$ 779</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecutor Collection Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	300	300	847	547	975	975	298	(677)
Total Revenue	<u>300</u>	<u>300</u>	<u>847</u>	<u>547</u>	<u>975</u>	<u>975</u>	<u>298</u>	<u>(677)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	375	375	375	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>	<u>375</u>	<u>375</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>300</u>	<u>300</u>	<u>847</u>	<u>547</u>	<u>600</u>	<u>600</u>	<u>(77)</u>	<u>(677)</u>
Fund Balance - Beginning of Year	4,732	4,732	4,732	-	4,809	4,809	4,809	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(3,000)	(3,000)	-	-	-	-
Fund Balance - End of Year	<u>\$ 5,032</u>	<u>\$ 5,032</u>	<u>\$ 2,579</u>	<u>\$ (2,453)</u>	<u>\$ 5,409</u>	<u>\$ 5,409</u>	<u>\$ 4,732</u>	<u>\$ (677)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriff Civil Fees Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable (Unfavorable)	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable (Unfavorable)
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>13,000</u>	<u>13,000</u>	<u>15,422</u>	<u>2,422</u>	<u>10,525</u>	<u>10,525</u>	<u>12,662</u>	<u>2,137</u>
Total Revenue	<u>13,000</u>	<u>13,000</u>	<u>15,422</u>	<u>2,422</u>	<u>10,525</u>	<u>10,525</u>	<u>12,662</u>	<u>2,137</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	14,921	(14,921)	8,000	8,000	6,243	1,757
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>14,921</u>	<u>(14,921)</u>	<u>8,000</u>	<u>8,000</u>	<u>6,243</u>	<u>1,757</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,000</u>	<u>13,000</u>	<u>501</u>	<u>(12,499)</u>	<u>2,525</u>	<u>2,525</u>	<u>6,419</u>	<u>3,894</u>
Fund Balance - Beginning of Year	27,453	27,453	27,453	-	20,034	20,034	21,034	1,000
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 40,453</u>	<u>\$ 40,453</u>	<u>\$ 27,954</u>	<u>\$ (12,499)</u>	<u>\$ 22,559</u>	<u>\$ 22,559</u>	<u>\$ 27,453</u>	<u>\$ 4,894</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Record Storage Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	441	441	-	-	247	247
Other	<u>8,800</u>	<u>8,800</u>	<u>7,441</u>	<u>(1,359)</u>	<u>7,400</u>	<u>7,400</u>	<u>8,448</u>	<u>1,048</u>
Total Revenue	<u>8,800</u>	<u>8,800</u>	<u>7,882</u>	<u>(918)</u>	<u>7,400</u>	<u>7,400</u>	<u>8,695</u>	<u>1,295</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>15,000</u>	<u>15,000</u>	<u>12,995</u>	<u>2,005</u>	<u>10,000</u>	<u>10,000</u>	<u>13,602</u>	<u>(3,602)</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>12,995</u>	<u>2,005</u>	<u>10,000</u>	<u>10,000</u>	<u>13,602</u>	<u>(3,602)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,200)</u>	<u>(6,200)</u>	<u>(5,113)</u>	<u>1,087</u>	<u>(2,600)</u>	<u>(2,600)</u>	<u>(4,907)</u>	<u>(2,307)</u>
Fund Balance - Beginning of Year	26,814	26,814	26,814	-	31,721	31,721	31,721	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 20,614</u>	<u>\$ 20,614</u>	<u>\$ 21,701</u>	<u>\$ 1,087</u>	<u>\$ 29,121</u>	<u>\$ 29,121</u>	<u>\$ 26,814</u>	<u>\$ (2,307)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Bad Check Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	90	90	181	91	27	27	84	57
Other	<u>49,000</u>	<u>49,000</u>	<u>44,282</u>	<u>(4,718)</u>	<u>16,525</u>	<u>16,525</u>	<u>48,016</u>	<u>31,491</u>
Total Revenue	<u>49,090</u>	<u>49,090</u>	<u>44,463</u>	<u>(4,627)</u>	<u>16,552</u>	<u>16,552</u>	<u>48,100</u>	<u>31,548</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	6,000	6,000	47,165	(41,165)	5,400	5,400	44,302	(38,902)
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>47,165</u>	<u>(41,165)</u>	<u>5,400</u>	<u>5,400</u>	<u>44,302</u>	<u>(38,902)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>43,090</u>	<u>43,090</u>	<u>(2,702)</u>	<u>(45,792)</u>	<u>11,152</u>	<u>11,152</u>	<u>3,798</u>	<u>(7,354)</u>
Fund Balance - Beginning of Year	7,928	7,928	7,928	-	4,130	4,130	4,130	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 51,018</u>	<u>\$ 51,018</u>	<u>\$ 5,226</u>	<u>\$ (45,792)</u>	<u>\$ 15,282</u>	<u>\$ 15,282</u>	<u>\$ 7,928</u>	<u>\$ (7,354)</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Library Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	3,713	3,713	4,000	4,000	-	(4,000)
Total Revenue	-	-	3,713	3,713	4,000	4,000	-	(4,000)
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	3,965	(3,965)	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	-	-	3,965	(3,965)	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	(252)	(252)	4,000	4,000	-	(4,000)
Fund Balance - Beginning of Year	391	391	391	-	391	391	391	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ 391	\$ 391	\$ 139	\$ (252)	\$ 4,391	\$ 4,391	\$ 391	\$ (4,000)

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
HAVA Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable (Unfavorable)	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable (Unfavorable)
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	520	520	11	11	3,211	3,200
Other	-	-	7,232	7,232	100	100	93,912	93,812
Total Revenue	<u>-</u>	<u>-</u>	<u>7,752</u>	<u>7,752</u>	<u>111</u>	<u>111</u>	<u>97,123</u>	<u>97,012</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	152	(152)	14,069	14,069	110,676	(96,607)
Total Expenditures	<u>-</u>	<u>-</u>	<u>152</u>	<u>(152)</u>	<u>14,069</u>	<u>14,069</u>	<u>110,676</u>	<u>(96,607)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>7,600</u>	<u>7,600</u>	<u>(13,958)</u>	<u>(13,958)</u>	<u>(13,553)</u>	<u>405</u>
Fund Balance - Beginning of Year	617	617	617	-	14,170	14,170	14,170	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 617</u>	<u>\$ 617</u>	<u>\$ 8,217</u>	<u>\$ 7,600</u>	<u>\$ 212</u>	<u>\$ 212</u>	<u>\$ 617</u>	<u>\$ 405</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriffs Revolving Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-	-	-	-
Fund Balance - Beginning of Year	150	150	150	-	150	150	150	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
LEPC Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>6,000</u>	<u>6,000</u>	<u>1,209</u>	<u>(4,791)</u>	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>5,600</u>
Total Revenue	<u>6,000</u>	<u>6,000</u>	<u>1,209</u>	<u>(4,791)</u>	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>5,600</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>2,000</u>	<u>2,000</u>	<u>3,858</u>	<u>(1,858)</u>	<u>3,000</u>	<u>3,000</u>	<u>1,870</u>	<u>1,130</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>3,858</u>	<u>(1,858)</u>	<u>3,000</u>	<u>3,000</u>	<u>1,870</u>	<u>1,130</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,000</u>	<u>4,000</u>	<u>(2,649)</u>	<u>(6,649)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>3,730</u>	<u>6,730</u>
Fund Balance - Beginning of Year	8,002	8,002	8,002	-	4,272	4,272	4,272	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 12,002</u>	<u>\$ 12,002</u>	<u>\$ 5,353</u>	<u>\$ (6,649)</u>	<u>\$ 1,272</u>	<u>\$ 1,272</u>	<u>\$ 8,002</u>	<u>\$ 6,730</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
ADA Chairlift Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	85,000	85,000	17,745	(67,255)	-	-	3,500	3,500
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>85,000</u>	<u>85,000</u>	<u>17,745</u>	<u>(67,255)</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>30,000</u>	<u>30,000</u>	<u>18,245</u>	<u>11,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>18,245</u>	<u>11,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>55,000</u>	<u>55,000</u>	<u>(500)</u>	<u>(55,500)</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Fund Balance - Beginning of Year	3,500	3,500	3,500	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 58,500</u>	<u>\$ 58,500</u>	<u>\$ -</u>	<u>\$ (58,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 3,500</u>

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Budgetary Comparison Schedule
Cash Basis
Circuit Clerk Interest Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	1,965	1,965	-	(1,965)
Other	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	1,965	1,965	-	(1,965)
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	425	425	-	425
Collector	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Detention Center	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	425	425	-	425
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	1,540	1,540	-	(1,540)
Fund Balance - Beginning of Year	2,338	2,338	2,338	-	2,338	2,338	2,338	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ 2,338	\$ 2,338	\$ 2,338	\$ -	\$ 3,878	\$ 3,878	\$ 2,338	\$ (1,540)

The accompanying notes to financial statements are an integral part of this statement

Caldwell County, Missouri
Notes to the Required Supplementary Information
For the Two Years Ended December 31, 2007

Note 1: Budgeting and Budgetary Practices

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. As noted below, some funds that are required to have budgets, did not have one prepared.

Note 2: Budgetary Basis of Accounting

The County budget is adopted on the cash basis of accounting.

Note 3: Expenditures in Excess of Appropriations

For the two years ended December 31, 2007, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2007</u>	<u>2006</u>
County Revenue Fund	\$ 275,022	\$ 104,024
Road and Bridge Fund	\$ 502,529	\$ -
Law Enforcement Sales Tax Fund	\$ 315,940	\$ 303,808
Little Otter Creek Fund	\$ -	\$ 686,914
Road and Bridge Sales Tax Fund	\$ 149,902	\$ 26,110
Tax Maintenance Fund	\$ -	\$ 978
Election Service Fund	\$ -	\$ 38
Election Fund	\$ -	\$ 10,947
Planning and Zoning Fund	\$ -	\$ 3,005
Prosecuting Attorney Training Fund	\$ 51	\$ -
Peace Officers Training Fund	\$ 767	\$ 3,701
Sheriff Civil Fees Fund	\$ 14,921	\$ -
Record Storage Fund	\$ -	\$ 3,602
Prosecuting Attorney Bad Check Fund	\$ 41,165	\$ 38,902
Law Library Fund	\$ 3,965	\$ -
HAVA Fund	\$ 152	\$ 96,607
LEPC Fund	\$ 1,858	\$ -

No budget was prepared for the following funds by year

<u>2007</u>	<u>2006</u>
HAVA Fund	ADA Chairlift Fund
Law Library Fund	
Circuit Clerk Interest Fund	

FEDERAL COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the County Commission of
Caldwell County, Missouri
Kingston, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell County, Missouri as of and for the years then ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued my report thereon dated April 20, 2009. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as finding numbers 2007-1, 2007-2 and 2007-4.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government*
Auditing Standards
(Concluded)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2, 2007-3 and 2007-4.

I noted certain matters that I reported to management of Caldwell County, in a separate letter dated April 20, 2009.

Caldwell County's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the County's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
April 20, 2009

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners
Caldwell County, Missouri
Kingston, Missouri

Compliance

I have audited the compliance of the Caldwell County, Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007. Caldwell County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular No. 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-4.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Continued)**

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Caldwell County's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the County's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
April 20, 2009

Caldwell County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2007 and 2006

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Expenditures Year Ended December 31,</u>	
		<u>2007</u>	<u>2006</u>
	U.S. DEPARTMENT OF AGRICULTURE		
	Passed through state:		
	Environmental Protection Agency -		
10.912	Small Watershed Program	<u>\$ 130,153</u>	<u>\$ 193,122</u>
	Total U.S. Department of Agriculture	<u>130,153</u>	<u>193,122</u>
	U.S. DEPARTMENT OF JUSTICE		
	Passed through state:		
	State Department of Public Safety		
	Missouri Sheriff's Association -		
16/Unknown	Domestic Cannabis Eradication/Suppression Program	<u>1,085</u>	<u>1,024</u>
	Total U.S. Department of Justice	<u>1,085</u>	<u>1,024</u>
	U.S. DEPARTMENT OF TRANSPORTATION		
	Passed through state:		
	Highway and Transportation Commission -		
20.205	Highway Planning and Construction	<u>569,573</u>	<u>228,555</u>
	Total U.S. Department of Transportation	<u>569,573</u>	<u>228,555</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Passed through state:		
	Department of Social Services -		
93.569	Community Services Block Grant	-	1,500
93.563	Child Support Enforcement	<u>708</u>	<u>440</u>
	Total U.S. Department of Health and Human Services	<u>708</u>	<u>1,940</u>
	Total Expenditures of Federal Awards	<u>\$ 701,519</u>	<u>\$ 424,641</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Caldwell County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2007 and 2006

Note 1: Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Caldwell County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule include expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Note 2: Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2007 and 2006.

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Qualified
Internal control over financial reporting:	
Material weakness(es) identified	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified	
not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified	
not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
--	------------

Auditee qualified as low-risk auditee	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---------------------------------------	---

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings

2007-1 County Financial Records

The accounting records prepared by the County Clerk and County Treasurer for the two years ended December 31, 2007 do not reconcile to the accounting records. Cash balances did not reconcile as a result of differences between receipts and disbursements recorded by each official. The County Clerks office was not preparing a reconciliation to reconcile with the County Treasurer. It did not appear that there was an accurate listing of outstanding checks prepared with the bank reconciliation at the end of each month by either the County Treasurer or the County Clerk. As a result, errors on reports prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected. Both officials records were inaccurate at times and varied from actual revenues, expenditures and cash balances per audit. Due to the materiality of the differences, no audit adjustments were made to correct these errors. The differences between the cash balances per audit and the cash balances per the books are listed below.

	<u>2007</u>	<u>2006</u>
Cash Balance Per Audit All Funds	\$ 900,826	\$ 1,213,263
Cash Balance Per Books All Funds	<u>1,034,709</u>	<u>2,090,287</u>
Difference	<u>\$ (133,883)</u>	<u>\$ 877,024</u>

The County Treasurer made numerous transfers between county funds during the years ending December 31, 2007 without documented authorization from the County Commission or other adequate supporting documentation. The County Commission minutes did not note any approval of these transfers. Written approval should be obtained from the County Commission before transfers are made between county funds and adequate supporting documentation for the transfer should be maintained.

The County did not properly classify revenues in the financial statements. It was noted in several instances that the amount of revenues confirmed via outside agencies did not agree with the amount of revenues that the County reported in their financial statements. Some of the more material differences are for the year ended December 31, 2007, the Missouri Department of Revenue confirmed \$430,711.21 in Gasoline tax, however the County recorded \$291,457.26 in Gasoline Tax for a difference of \$139,253.95. The Department of Revenue confirmed \$65,444.58 in Motor Vehicle Fee Increase, however, the County recorded \$37,508.43 in Motor Vehicle Fee Increase for a difference of \$27,936.15.

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings (Continued)

2007-1 County Financial Records (Concluded)

Recommendations:

- A. The accounting records of the County Clerk and County Treasurer should be reconciled on a monthly basis and all reconciling items documented and fully investigated.
- B. The County Treasurer reconciles all financial reports to the bank balances and document detailed monthly bank reconciliations including listings of outstanding checks and adjusting items. In addition the County Commission should review and approve all reconciliations and financial reports.
- C. The County Commission approve all interfund transfers that are made.
- D. The County properly classify all revenues received both within the proper account and proper fund. Procedures need to be implemented to ensure that all revenues and disbursements are properly classified within the proper account and fund.

Auditees Response

The County Commission, the County Treasurer and the County Clerk provided the following responses:

- A. The Treasurer and the Clerk will start reconciling accounts beginning immediately.*
- B. The Treasurer will start reconciling bank records and determining that the reconciliation agrees with the financial reports and the County Clerk's records immediately.*
- C. All transfers will be approved by the County Commissioners.*
- D. Procedures will be put into place to determine that all revenues and disbursements are properly classified.*

2007-2 County Budgetary Practices

The County does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activity of the county. In several instances it was not clear where actual amounts presented in the county's budgets were obtained, as they did not agree with any records maintained by the County Clerk or County Treasurer. Several requests were made to the County Clerk to provide documentation for these amounts, however, none was provided. A second budget was prepared for 2007 after year end, however, it was still unclear where these numbers were obtained.

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings (Continued)

2007-2 County Budgetary Practices (Concluded)

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2007. Further there was no evidence that the County Commission nor the County Clerk monitored disbursements adequately to ensure actual disbursements did not exceed budgeted amounts. Actual expenditures exceeded budgeted amounts in the following funds:

	<u>Amount Over Budget</u>	
	<u>2007</u>	<u>2006</u>
County Revenue Fund	\$ 275,022	\$ 104,024
Road and Bridge Fund	\$ 502,529	\$ -
Law Enforcement Sales Tax Fund	\$ 315,940	\$ 303,808
Little Otter Creek Fund	\$ -	\$ 686,914
Road and Bridge Sales Tax Fund	\$ 149,902	\$ 26,110
Tax Maintenance Fund	\$ -	\$ 978
Election Service Fund	\$ -	\$ 38
Election Fund	\$ -	\$ 10,947
Planning and Zoning Fund	\$ -	\$ 3,005
Prosecuting Attorney Training Fund	\$ 51	\$ -
Peace Officers Training Fund	\$ 767	\$ 3,701
Sheriff Civil Fees Fund	\$ 14,921	\$ -
Record Storage Fund	\$ -	\$ 3,602
Prosecuting Attorney Bad Check Fund	\$ 41,165	\$ 38,902
Law Library Fund	\$ 3,965	\$ -
HAVA Fund	\$ 152	\$ 96,607
LEPC Fund	\$ 1,858	\$ -

If there are valid reasons which necessitate excess disbursement, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings (Continued)

2007-2 County Budgetary Practices (Concluded)

To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

Recommendations:

- A. Ensure that the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. The County Commission and the County Clerk should carefully review the budget document before it is finalized and filed with the State Auditor's Office.
- B. Ensure that the expenditures are kept within the amounts budgeted. If additional funds are received or expended which could not be estimated when the budget was adopted, the County Commission should amend the budget by following the procedures established by state law.

Auditees Response

The County Commission provided the following responses:

- A. A budget with accurate information will be implemented in January 2010.*
- B. The County Commission will begin monitoring the budget on a monthly basis.*

2007-3 Financial Condition

The financial condition of the County's General Revenue Fund is weak. At the years ended December 31, 2007 the fund balance of the fund was \$38,504.

The County Commission should closely monitor the financial condition of the General Revenue Fund by reviewing disbursements and reducing spending as much as possible.

Recommendations:

- A. Take the necessary steps to improve the financial condition of the County's funds.

Auditees Response:

The County Commission provided the following response:

- A. The County Commission will be monitoring the financial condition of the General Revenue Fund on a monthly basis*

Caldwell County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section III - Federal Award Findings and Questioned Costs

2007-4 Federal Financial Reporting

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures related to some of the grants were reported incorrectly or not included on the schedule. The audited SEFA was adjusted to correct these errors. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

Recommendations:

A. The County Commission and County Clerk work to ensure the SEFA is complete and accurate.

Auditee Response:

A. *The County Commission and County Clerk will work hard to ensure that the SEFA is accurate and complete.*

Caldwell County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Caldwell County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Caldwell County, Missouri for the two years ended December 31, 2005.

Caldwell County, Missouri
Summary Schedule of Prior Audit Findings In Accordance
with OMB Circular A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005 included the following audit findings.

Federal Grantor:	U.S. Department of Justice
Federal CFDA Number:	16
Program Title:	U.S. Marshals Service Cooperative Agreement Program
Pass-Through Entity	
Identifying Numbers:	Not Applicable
Award Years:	2004
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway and Transportation Commission
Pass-Through Entity	
Identifying Numbers:	BRO-013(14), BRO-013(21), BRO-013(24), BRO-013(25)
Award Years:	2005
Questioned Costs:	Not Applicable

The County did not adequately report the federal share of expenditures on the Schedule of Expenditures of Federal Awards submitted with the annual budget.

Recommendation:

The County Clerk needs to prepare a complete and accurate Schedule of Expenditures of Federal Awards.

Status:

Not Implemented. See finding number 2007-4.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Carter County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Carter County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-50

CARTER COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2007

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd. Suite 1
St. Louis, MO 63147
(314) 869-2720(Bus)/(314) 869-5955(Fax)
charlesbuchanan8@aol.com

Carter County, Missouri
Financial Statements
For the years ended December 31, 2006 and 2007

Table of Contents

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
Financial Statements	
Statement of Net Assets-Variou Funds	3
Statement of Activities-Variou Funds - 2007	4
Statement of Activities-Variou Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combined Balance Sheet-Governmental Funds - 2007	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combined Balance Sheet-Governmental Funds - 2006	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
Notes to the Financial Statements	15-18
Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	21-22
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	23-24
Combining Balance Sheet-Non-Major Governmental Funds – 2006	25-26
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	27-28
Combining Statement of Fiduciary Net Assets – 2007 & 2006	29

Charles Buchanan CPA, P.C.
Certified Public Accountants
8733 Riverview, Suite 1
St. Louis, MO 63147
(314)-869-2720(Bus)/(314)-869-5955(Fax)
charlesbuchanan8@aol.com

INDEPENDENT AUDITOR'S REPORT

To the County Commission and Officeholders of
Carter County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carter County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, management has not adopted Government Accounting Standards Board Statement No. 34. These financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007 and 2006, or the respective changes in financial position thereof for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the Statement of Net Assets-Cash Basis and Statement of Activities-Cash Basis of the County, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

FINANCIAL STATEMENTS

Carter County
Statement of Net Assets-Variou Funds
Cash Basis
For the years ended December 31,

Assets	2007	2006
Cash	\$ 218,067	\$ 222,778
Investments	-	-
Restricted assets-cash	420,434	499,854
Restricted assets-investments	-	-
Total assets	638,501	722,632
Net Assets		
Net assets, net of related debt	-	-
Unrestricted	218,067	222,778
Restricted	420,434	499,854
Total net assets	\$ 638,501	\$ 722,632

Carter County, Missouri
Statement of Activities- Cash Basis
For the year ended December 31, 2007

		Program Revenues			Net (expense) revenue changes in net assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (477,620)	\$ 165,852	\$ 3,030	\$ -	\$ (308,738)
Road & bridge	(472,789)	-	-	-	(472,789)
Health and welfare	(13,772)	-	-	-	(13,772)
Property valuation & recording	(105,228)	2,223	-	-	(103,005)
Administration of justice & law	(474,985)	-	-	-	(474,985)
Capital outlay	(354,763)	-	-	308,668	(46,095)
Debt services	(29,328)	-	-	-	(29,328)
Total governmental activities	(1,928,485)	168,075	3,030	308,668	(1,448,712)
<i>Business-type activities</i>					
Water/sewer	-	-	-	-	-
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	-	-	-	-	-
Total primary government	\$ (1,928,485)	\$ 168,075	\$ 3,030	\$ 308,668	\$ (1,448,712)

General revenues:

Taxes:

Personal property taxes, levied	150,907
Sales taxes	435,466
Fines, fees, licenses, & permits	38,508
Intergovernmental revenues	681,428
Investment income	42,197
Miscellaneous	16,214
Total general revenues and transfers	1,364,720
Changes in net assets	(83,992)
Beginning fund balance	722,632
Prior year adjustments	(139)
Ending fund balance	\$ 638,501

Carter County, Missouri
Statement of Activities-Cash Basis
For the year ended December 31, 2006

		Program Revenues			Net (expense) revenue changes in net assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (423,857)	\$ 155,152	\$ 78,680	\$ -	\$ (190,025)
Road & bridge	(398,814)	-	-	-	(398,814)
Health and welfare	(15,262)	-	-	-	(15,262)
Property valuation & recording	(107,301)	2,046	-	-	(105,255)
Administration of justice & law	(521,340)	5,748	6,855	-	(508,737)
Capital outlay	(183,478)	-	-	193,055	9,577
Debt services	(14,928)	-	-	-	(14,928)
Total governmental activities	<u>(1,664,980)</u>	<u>162,946</u>	<u>85,535</u>	<u>193,055</u>	<u>(1,223,444)</u>
<i>Business-type activities</i>					
Water/sewer	-	-	-	-	-
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ (1,664,980)</u>	<u>\$ 162,946</u>	<u>\$ 85,535</u>	<u>\$ 193,055</u>	<u>\$ (1,223,444)</u>

General revenues:

Taxes:

Personal property taxes, levied	122,127
Sales taxes	393,312
Fines, fees, licenses, & permits	44,372
Intergovernmental revenues	660,074
Investment income	36,393
Miscellaneous	165,533

Total general revenues and transfers 1,421,811

Changes in net assets 198,367

Beginning fund balances 477,343

Prior Year Adjustments 46,922

Ending fund balances \$ 722,632

Carter County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
For the year ended December 31,

Balance Sheet - Governmental Funds - Total fund balances	<u>2,007</u> \$ 638,501	<u>2,006</u> 722,632
<p>Amounts reported for governmental activities of the statement of net assets are different because:</p> <p>Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.</p> <p>Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.</p>		
Capital assets, net of accumulated depreciation	\$ -	
<p>Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.</p>		
Long-term debt	-	
Accrued interest	<u>-</u>	
Subtotal	-	
Government-wide Statement of Net Assets--Total net assets	<u><u>\$ 638,501</u></u>	<u><u>\$ 722,632</u></u>

Carter County, Missouri
Reconciliation of Changes in Net Assets
For the year ended December 31,

	<u>2,007</u>	<u>2,006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	\$ (83,992)	198,367
 Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets		
Debt issued	-	
Principle payments	-	
Compensated absences	-	
Interest expense	-	
 Government-wide Statement of Activities--Changes in net assets - Governmental Activities	 <u><u>\$ (83,992)</u></u>	 <u><u>\$ 198,367</u></u>

Carter County, Missouri
Statement of Fiduciary Net Assets
For the years ended December 31,

	<u>2007</u>	<u>2006</u>
Assets		
Cash-restricted	\$ 1,561,764	\$ 1,372,747
Investments	-	-
Total assets	<u>\$ 1,561,764</u>	<u>\$ 1,372,747</u>
 Net assets		
Due to agencies and political subdivisions	1,561,764	1,372,747
Due to other funds	-	
Due to others	-	
Total net assets	<u>\$ 1,561,764</u>	<u>\$ 1,372,747</u>

Carter County, Missouri
Combining Balance Sheet-Governmental Funds
Cash Basis
As of December 31, 2007

	Major Funds		Non-Major	Total
	County Revenue		Governmental	Governmental
Assets	Fund	Road & Bridge	Funds	Funds
Cash	\$ 218,067	\$ -	\$ -	\$ 218,067
Investments	-	-	-	-
Restricted assets-cash	-	199,241	221,193	420,434
Restricted assets-investments	-	-	-	-
Total assets	218,067	199,241	221,193	638,501
Fund balances				
Reserved for encumbrances	-	-	-	-
Reserved	-	199,241	221,193	420,434
Unreserved	218,067	-	-	218,067
Total fund balances	218,067	199,241	221,193	638,501

Carter County, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the year ended December 31, 2007

	Major Funds			
	County Revenue Fund	Road & Bridge	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 37,494	\$ 100,699	\$ 12,714	\$ 150,907
Sales taxes	435,466	-	-	435,466
Fines, fees, licenses, and permits	5,953	-	32,555	38,508
Charges for services	141,852	-	26,223	168,075
Interest income	16,557	16,048	9,592	42,197
Intergovernmental	188,036	411,877	393,213	993,126
Miscellaneous	8,325	7,404	485	16,214
Total revenues	833,683	536,028	474,782	1,844,493
Expenditures				
General county government	367,078		110,542	477,620
Road & bridge		472,789	-	472,789
Health and welfare	2,942		10,830	13,772
Property valuation & recording	34,186		71,042	105,228
Administration of justice & law	434,188		40,797	474,985
Capital outlay:			-	-
Property, equipment, & buildings		96,052	258,711	354,763
Debt service:			-	-
Principal			29,328	29,328
Interest and paying agent fee			-	-
Total expenditures	838,394	568,841	521,250	1,928,485
Excess deficiency of revenues over (under) expenditures	(4,711)	(32,813)	(46,468)	(83,992)
Other financing sources (uses):				
Proceeds from loan			-	-
Transfer in	12,045		-	12,045
Transfer out	(12,045)		-	(12,045)
Insurance proceeds			-	-
Sale of capital assets			-	-
Other income/adjustments			-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses:	(4,711)	(32,813)	(46,468)	(83,992)
Fund balances, beginning of year	222,778	232,054	267,800	722,632
Prior year adjustments & equity transfers	-		(139)	(139)
Fund balances, end of year	<u>\$ 218,067</u>	<u>\$ 199,241</u>	<u>\$ 221,193</u>	<u>\$ 638,501</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Carter County, Missouri
Combining Balance Sheet-Governmental Funds
Cash Basis
As of December 31, 2006

	Major Funds			Total
	County Revenue Fund	Road & Bridge	Non-Major Governmental Funds	Governmental Funds
Assets				
Cash	\$ 222,778			\$ 222,778
Investments	-		-	-
Restricted assets-cash	-	\$ 232,054	\$ 267,800	499,854
Restricted assets-investments	-		-	-
Total assets	222,778	232,054	267,800	722,632
Fund balances				
Reserved for encumbrances			-	-
Reserved		232,054	267,800	499,854
Unreserved	222,778	-		222,778
Total fund balances	\$ 222,778	\$ 232,054	\$ 267,800	\$ 722,632

Carter County, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the year ended December 31, 2006

	Major Funds			
	County Revenue Fund	Road & Bridge	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 33,728	\$ 78,504	\$ 9,895	\$ 122,127
Sales taxes	393,312	-	-	393,312
Fines, fees, licenses, and permits	7,855		36,517	44,372
Charges for services	131,152		31,794	162,946
Investment income	15,593	13,340	7,460	36,393
Intergovernmental	186,807	375,296	376,561	938,664
Miscellaneous	5,750	158,808	975	165,533
Total revenues	774,197	625,948	463,202	1,863,347
Expenditures				
General county government	330,233		93,624	423,857
Road & bridge		398,814	-	398,814
Health and welfare	4,463		10,799	15,262
Property valuation & recording	28,444		78,857	107,301
Administration of justice & law	401,052		120,288	521,340
Capital outlay:			-	-
Property, equipment, & buildings	15,000	76,076	92,402	183,478
Debt service:			-	-
Principal			14,928	14,928
Interest and paying agent fee			-	-
Total expenditures	779,192	474,890	410,898	1,664,980
Excess deficiency of revenues over (under) expenditures	(4,995)	151,058	52,304	198,367
Other financing sources (uses):				
Proceeds from loan			-	-
Transfer in	27,180			27,180
Transfer out	(27,180)		-	(27,180)
Insurance proceeds			-	-
Sale of capital assets			-	-
Other income/adjustments			-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses:	(4,995)	151,058	52,304	198,367
Fund balances, beginning of year	227,773	80,996	168,574	477,343
Prior year adjustments & equity transfers	-		46,922	46,922
Fund balances, end of year	\$ 222,778	\$ 232,054	\$ 267,800	\$ 722,632

REQUIRED SUPPLEMENTAL INFORMATION

Carter County, Missouri
Budgetary Comparison Schedule
Major Funds
For the year ended December 31, 2007

	General Fund				Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Property & other taxes	\$ 44,250	\$ 44,250	\$ 37,494	\$ (6,756)	\$ 91,000	\$ 91,000	\$ 100,699	\$ 9,699
Sales taxes	386,000	386,000	435,466	49,466	-	-	-	-
Fines, fees, licenses, and permits	-	-	5,953	5,953	-	-	-	-
Charges for services	122,389	122,389	141,852	19,463	-	-	-	-
Intergovernmental	194,300	194,300	188,036	(6,264)	407,783	407,783	411,877	4,094
Investment income	10,000	10,000	16,557	6,557	8,000	8,000	16,048	8,048
Miscellaneous	6,020	6,020	8,325	2,305	-	-	7,404	7,404
Total revenue	<u>762,959</u>	<u>762,959</u>	<u>833,683</u>	<u>70,724</u>	<u>506,783</u>	<u>506,783</u>	<u>536,028</u>	<u>29,245</u>
Expenditures:								
General county government	451,948	451,948	367,078	84,870	-	-	-	-
Road & bridge	-	-	-	-	635,500	635,500	472,789	162,711
Health and welfare	-	-	2,942	(2,942)	-	-	-	-
Property valuation assessment & recording	34,500	34,500	34,186	314	-	-	-	-
Administration of justice & law	329,309	329,309	434,188	(104,879)	-	-	-	-
Capital outlay	-	-	-	-	-	-	96,052	(96,052)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	<u>815,757</u>	<u>815,757</u>	<u>838,394</u>	<u>(22,637)</u>	<u>635,500</u>	<u>635,500</u>	<u>568,841</u>	<u>66,659</u>
Excess of revenues over (under) expenditures	<u>(52,798)</u>	<u>(52,798)</u>	<u>(4,711)</u>	<u>48,087</u>	<u>(128,717)</u>	<u>(128,717)</u>	<u>(32,813)</u>	<u>95,904</u>
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	11,200	11,200	12,045	845	-	-	-	-
Transfer out	(40,244)	(40,244)	(12,045)	28,199	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(29,044)</u>	<u>(29,044)</u>	<u>-</u>	<u>29,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(81,842)</u>	<u>(81,842)</u>	<u>(4,711)</u>	<u>77,131</u>	<u>(128,717)</u>	<u>(128,717)</u>	<u>(32,813)</u>	<u>95,904</u>
Fund balances, beginning of year	<u>222,778</u>	<u>222,778</u>	<u>222,778</u>	<u>-</u>	<u>232,054</u>	<u>232,054</u>	<u>232,054</u>	<u>-</u>
Fund balances, end of year	<u>\$ 140,936</u>	<u>\$ 140,936</u>	<u>\$ 218,067</u>	<u>\$ 77,131</u>	<u>\$ 103,337</u>	<u>\$ 103,337</u>	<u>\$ 199,241</u>	<u>\$ 95,904</u>

Carter County, Missouri
Budgetary Comparison Schedule
Major Funds
For the year ended December 31, 2006

	General Fund				Road & Bridge Fund			
	Budgeted Amounts		Variance With Final Budget		Budgeted Amounts		Variance With Final Budget	
	Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
Revenues:								
Property and other taxes	\$ 27,850	\$ 27,850	\$ 33,728	\$ 5,878	\$ 82,750	\$ 82,750	\$ 78,504	\$ (4,246)
Sales taxes	370,000	370,000	393,312	23,312	-	-	-	-
Fines, fees, licenses, and permits	-	-	7,855	7,855	-	-	-	-
Charges for services	123,439	123,439	131,152	7,713	-	-	-	-
Intergovernmental	205,246	205,246	186,807	(18,439)	366,500	366,500	375,296	8,796
Investment income	10,500	10,500	15,593	5,093	6,000	6,000	13,340	7,340
Miscellaneous	6,050	6,050	5,750	(300)	-	-	158,808	158,808
Total revenue	743,085	743,085	774,197	31,112	455,250	455,250	625,948	170,698
Expenditures:								
General county government	480,368	480,368	330,233	150,135	-	-	-	-
Road & bridge	-	-	-	-	451,700	451,700	398,814	52,886
Health and welfare	-	-	4,463	(4,463)	-	-	-	-
Property valuation assessment & recording	29,950	29,950	28,444	1,506	-	-	-	-
Administration of justice & law	294,975	294,975	401,052	(106,077)	-	-	-	-
Capital outlay	-	-	15,000	(15,000)	-	-	76,076	(76,076)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	805,293	805,293	779,192	26,101	451,700	451,700	474,890	(23,190)
Excess of revenues over (under) expenditures	(62,208)	(62,208)	(4,995)	57,213	3,550	3,550	151,058	147,508
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	25,121	25,121	27,180	2,059	-	-	-	-
Transfer out	(41,991)	(41,991)	(27,180)	14,811	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(16,870)	(16,870)	-	16,870	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(79,078)	(79,078)	(4,995)	74,083	3,550	3,550	151,058	147,508
Fund balances, beginning of year	227,773	227,773	227,773	-	80,996	80,996	80,996	-
Fund balances, end of year	\$ 148,695	\$ 148,695	\$222,778	\$ 74,083	\$ 84,546	\$ 84,546	\$232,054	\$ 147,508

See Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

CARTER COUNTY, MISSOURI
Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioner, an elected county official. The County Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

The County has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

C. Major Fund Designation

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to the County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards. The County holds cash balances as an agent and fund custodian.

D. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

CARTER COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

<u>Funds</u>	<u>Year(s) Ended December 31,</u>
Overplus	2007 and 2006
Sheltered Workshop	2007 and 2006
Associate Circuit Interest	2007 and 2006
South Van Buren Sewer District	2007 and 2006
Carter County Board for the Handicapped	2007 and 2006
Justice Center Grant	2006
Warning Siren Grant	2006

E. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However the County's published financial statements did not include the following funds:

<u>Funds</u>	<u>Year(s) Ended December 31,</u>
Justice Center Grant	2007 and 2006
Carter County Board for the Handicapped	2007 and 2006
Associate Circuit Interest	2007 and 2006
Circuit Clerk's Family Justice	2006
Warning Siren Grant	2006

NOTE 2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, the County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The Senior Citizen's Services Board's and Carter County Board for the Handicapped's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

CARTER COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

NOTE 2. Cash(continued)

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employees' Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employees' Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution.

CARTER COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 4. PRIOR YEAR ADJUSTMENTS

Each fund listed below, as previously stated, has been adjusted to agree to that particular fund's cash balance as follows:

<i><u>Year ended December 31, 2007</u></i>	<i><u>Adjustment</u></i>
<u>Funds</u>	
Sheltered Workshop	\$ (139)
2007 Total	<u>(139)</u>

<i><u>Year ended December 31, 2006</u></i>	<i><u>Adjustment</u></i>
<u>Funds</u>	
Sheltered Workshop	12,769
Law Enforcement Training	80
Overplus	23,422
Law Library	(30)
Circuit Clerk Interest	3,078
South Van Buren Sewer District	7,603
2006 Total	<u>\$ 46,922</u>

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720(Bus)/(314)-869-5955(Fax)
charlesbuchanan8@aol.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Commissioners of
Carter County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carter County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce information regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

**CARTER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The prior audit report issued for the year ended December 31, 2005 and 2004, did not include audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SUPPLEMENTAL INFORMATION

Carter County
Combining Balance Sheet-Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2007

	Assessment Fund	Assessment Technology	Law Enforcement Training Fund	Prosecuting Atty Training Fund	Prosecuting Atty Delinquent Tax Fund	Recorder User Fee Fund	Overplus	Forest Reserve	Prosecuting Atty Bad Check Fund	Sheltered Workshop	Collector Tax Maint. Fund	Associate Circuit Interest	Circuit Clerk's Family Justice Fund	Circuit Clerk Interest Fund	Sheriff's Fees Fund	Subtotal
Assets																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments						-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	26	5,382	2,947	644	1,163	6,020	27,002	14,640	18,450	4,320	262	985	2,217	11,021	1,898	96,977
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>26</u>	<u>5,382</u>	<u>2,947</u>	<u>644</u>	<u>1,163</u>	<u>6,020</u>	<u>27,002</u>	<u>14,640</u>	<u>18,450</u>	<u>4,320</u>	<u>262</u>	<u>985</u>	<u>2,217</u>	<u>11,021</u>	<u>1,898</u>	<u>96,977</u>
Fund balances																
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved for prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	26	5,382	2,947	644	1,163	6,020	27,002	14,640	18,450	4,320	262	985	2,217	11,021	1,898	96,977
Unreserved																
Total fund balances	<u>\$ 26</u>	<u>\$ 5,382</u>	<u>\$ 2,947</u>	<u>\$ 644</u>	<u>\$ 1,163</u>	<u>\$ 6,020</u>	<u>\$ 27,002</u>	<u>\$ 14,640</u>	<u>\$ 18,450</u>	<u>\$ 4,320</u>	<u>\$ 262</u>	<u>\$ 985</u>	<u>\$ 2,217</u>	<u>\$ 11,021</u>	<u>\$ 1,898</u>	<u>\$ 96,977</u>
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See Independent Auditor's Report and Notes to the Financial Statements.

Carter County
Combining Balance Sheet-Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2007

	Carry Forward	Recorder/NSD Tech Fund	CVRDB Fund	Chemical Emergency Fund	Senior Citizen Tax Fund	Law Enforcement Restitution Fund	Little Black Rural Fire Grant	Justice Cntr Grant Fund	Warning Siren Grant Fund	Sheriff's Impound/Revolving /K9	Domestic Violence	SVB Sewer District	SBV Sewer O&M/Reserve Replacement	Board for the Handicapped Election	Total Non-Major Governmental Funds
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments															
Restricted assets-cash	96,977	16,628	721	5,239	4,693	22,552	251	405	15,000	2,089	246	1	42,848	12,712	831
Restricted assets-investments															
Total assets	<u>96,977</u>	<u>16,628</u>	<u>721</u>	<u>5,239</u>	<u>4,693</u>	<u>22,552</u>	<u>251</u>	<u>405</u>	<u>15,000</u>	<u>2,089</u>	<u>246</u>	<u>1</u>	<u>42,848</u>	<u>12,712</u>	<u>831</u>
Fund balances															
Reserved for encumbrances															
Reserved for prepaid expenses															
Reserved	96,977	16,628	721	5,239	4,693	22,552	251	405	15,000	2,089	246	1	42,848	12,712	831
Unreserved															
Total fund balances	<u>\$ 96,977</u>	<u>\$ 16,628</u>	<u>\$ 721</u>	<u>\$ 5,239</u>	<u>\$ 4,693</u>	<u>\$ 22,552</u>	<u>\$ 251</u>	<u>\$ 405</u>	<u>\$ 15,000</u>	<u>\$ 2,089</u>	<u>\$ 246</u>	<u>\$ 1</u>	<u>\$ 42,848</u>	<u>\$ 12,712</u>	<u>\$ 831</u>
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Carter County
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2007

	Assessment Fund	Assessment Technology Fund	Law Enforcement Training	Prosecuting Atty Training	Prosecuting Atty Delinquent Tax	Recorder User Fee	Overplus	Forest Reserve Fund	Prosecuting Atty Bad Check	Sheltered Workshop	Collector Tax Maint.	Associate Circuit Interest	Circuit Clerk's Family Justice Fund	Circuit Clerk Interest Fund	Sheriff's Fees Fund	Subtotal
Revenues																
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Sales taxes																-
Fines, fees, licenses, and permits													998		9,359	10,357
Charges for services	2,223															2,223
Interest income	749	225	83	47	60	367		1,035	751		224			1,045	60	4,646
Intergovernmental	55,203	4,608	5,870	959	211	3,276	2,859	25,536	3,820	36,775	5,943				973	146,033
Miscellaneous			102	206												308
Total revenues	<u>58,175</u>	<u>4,833</u>	<u>6,055</u>	<u>1,212</u>	<u>271</u>	<u>3,643</u>	<u>2,859</u>	<u>26,571</u>	<u>4,571</u>	<u>36,775</u>	<u>6,167</u>	<u>-</u>	<u>998</u>	<u>1,045</u>	<u>10,392</u>	<u>163,567</u>
Expenditures																
General county government							6,688	17,500		35,100	12,762					72,050
Road & bridge																-
Health and welfare																-
Property valuation, assesment & recording	66,011					5,031										71,042
Administration of justice & law			5,756	1,348	295				250					1,898	9,667	19,214
Capital outlay:																-
Property, equipment, & buildings																-
Debt service:																-
Principal																-
Interest and paying agent fee																-
Total expenditures	<u>66,011</u>	<u>-</u>	<u>5,756</u>	<u>1,348</u>	<u>295</u>	<u>5,031</u>	<u>6,688</u>	<u>17,500</u>	<u>250</u>	<u>35,100</u>	<u>12,762</u>	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>9,667</u>	<u>162,306</u>
Excess of revenues over (under) expenditures	<u>(7,836)</u>	<u>4,833</u>	<u>299</u>	<u>(136)</u>	<u>(24)</u>	<u>(1,388)</u>	<u>(3,829)</u>	<u>9,071</u>	<u>4,321</u>	<u>1,675</u>	<u>(6,595)</u>	<u>-</u>	<u>998</u>	<u>(853)</u>	<u>725</u>	<u>1,261</u>
Other financing sources (uses):																-
Proceeds from loan																-
Transfer in	-															-
Transfer out																-
Insurance proceeds																-
Sale of capital assets																-
Other income/adjustments			-													-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(7,836)</u>	<u>4,833</u>	<u>299</u>	<u>(136)</u>	<u>(24)</u>	<u>(1,388)</u>	<u>(3,829)</u>	<u>9,071</u>	<u>4,321</u>	<u>1,675</u>	<u>(6,595)</u>	<u>-</u>	<u>998</u>	<u>(853)</u>	<u>725</u>	<u>1,261</u>
Fund balances, beginning of year	7,862	549	2,648	780	1,187	7,408	30,831	5,569	14,129	2,784	6,857	985	1,219	11,874	1,173	95,855
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	(139)	-					(139)
Fund balances, end of year	<u>\$ 26</u>	<u>\$ 5,382</u>	<u>\$ 2,947</u>	<u>\$ 644</u>	<u>\$ 1,163</u>	<u>\$ 6,020</u>	<u>\$ 27,002</u>	<u>\$ 14,640</u>	<u>\$ 18,450</u>	<u>\$ 4,320</u>	<u>\$ 262</u>	<u>\$ 985</u>	<u>\$ 2,217</u>	<u>\$ 11,021</u>	<u>\$ 1,898</u>	<u>\$ 96,977</u>

Carter County
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2007

	Carryfor ard	Recorder/ NSD Tech Fund	CVRDB Fund	Chemical Emergency Fund	Senior Citizen Tax Fund	Law Enforcement Restitution Fund	Little Black Rural Fire Grant	Justice Cntr Grant Fund	Warning Siren Grant Fund	Sheriff's Impound/ Revolving/ K9	Domestic Violence	SVB Sewer District	SBV Sewer O&M/Reserve Replacement	Board for the Handicappe d	Election	Total Non- Major Governmental Funds
Revenues																
Property & other taxes	\$ -				\$ 12,714											\$ 12,714
Sales taxes	-															-
Fines, fees, licenses, and permits	10,357	2,410				19,788										32,555
Charges for services	2,223												24,000			26,223
Interest income	4,646	762	18	281	392	762				63	6		2,072		590	9,592
Intergovernmental	146,033		970	1,104	436		179,405	62,725		2,300	240					393,213
Miscellaneous	308		177													485
Total revenues	<u>163,567</u>	<u>3,172</u>	<u>1,165</u>	<u>1,385</u>	<u>13,542</u>	<u>20,550</u>	<u>179,405</u>	<u>62,725</u>	<u>-</u>	<u>2,363</u>	<u>246</u>	<u>-</u>	<u>26,072</u>	<u>-</u>	<u>590</u>	<u>474,782</u>
Expenditures																
General county government	72,050		444	1,440			12,763						9,190		14,655	110,542
Road & bridge	-															-
Health and welfare	-				10,600						230					10,830
Property valuation, assesment & recording	71,042															71,042
Administration of justice & law	19,214					20,701				882						40,797
Capital outlay:	-															-
Property, equipment, & buildings	-						166,391	92,320								258,711
Debt service:	-															-
Principal	-											14,400	14,928			29,328
Interest and paying agent fee	-															-
Total expenditures	<u>162,306</u>	<u>-</u>	<u>444</u>	<u>1,440</u>	<u>10,600</u>	<u>20,701</u>	<u>179,154</u>	<u>92,320</u>	<u>-</u>	<u>882</u>	<u>230</u>	<u>14,400</u>	<u>24,118</u>	<u>-</u>	<u>14,655</u>	<u>521,250</u>
Excess of revenues over (under) expenditures	<u>1,261</u>	<u>3,172</u>	<u>721</u>	<u>(55)</u>	<u>2,942</u>	<u>(151)</u>	<u>251</u>	<u>(29,595)</u>	<u>-</u>	<u>1,481</u>	<u>16</u>	<u>(14,400)</u>	<u>1,954</u>	<u>-</u>	<u>(14,065)</u>	<u>(46,468)</u>
Other financing sources (uses):																
Proceeds from loan	-															-
Transfer in	-															-
Transfer out	-															-
Insurance proceeds	-															-
Sale of capital assets	-															-
Other income/adjustments	-															-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>1,261</u>	<u>3,172</u>	<u>721</u>	<u>(55)</u>	<u>2,942</u>	<u>(151)</u>	<u>251</u>	<u>(29,595)</u>	<u>-</u>	<u>1,481</u>	<u>16</u>	<u>(14,400)</u>	<u>1,954</u>	<u>-</u>	<u>(14,065)</u>	<u>(46,468)</u>
Cash balances, beginning of year	95,855	13,456	-	5,294	1,751	22,703	-	30,000	15,000	608	230	14,401	40,894	12,712	14,896	267,800
Prior year adjustments & equity transfers	(139)															(139)
Cash balances, end of year	<u>\$ 96,977</u>	<u>\$ 16,628</u>	<u>\$ 721</u>	<u>\$ 5,239</u>	<u>\$ 4,693</u>	<u>\$ 22,552</u>	<u>\$ 251</u>	<u>\$ 405</u>	<u>\$ 15,000</u>	<u>\$ 2,089</u>	<u>\$ 246</u>	<u>\$ 1</u>	<u>\$ 42,848</u>	<u>\$ 12,712</u>	<u>\$ 831</u>	<u>\$ 221,193</u>

Carter County, Missouri
Combining Balance Sheet- Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2006

	Assessment Fund	Assessment Technology	Law Enforcement Training Fund	Prosecuting Atty Tax/Training Fund	Recorder User Fee Fund	Overplus	Forest Reserve	Prosecuting Atty Bad Check Fund	Sheltered Workshop	Collector Tax Maint. Fund	Associate Circuit Interest	Circuit Clerk's Family Justice	Circuit Clerk Interest	Sheriff's Fees	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments					-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	7,862	549	2,648	1,967	7,408	30,831	5,569	14,129	2,784	6,857	985	1,219	11,874	1,173	95,855
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	7,862	549	2,648	1,967	7,408	30,831	5,569	14,129	2,784	6,857	985	1,219	11,874	1,173	95,855
Fund balances															
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	7,862	549	2,648	1,967	7,408	30,831	5,569	14,129	2,784	6,857	985	1,219	11,874	1,173	95,855
Unreserved															
Total fund balances	\$ 7,862	\$ 549	\$ 2,648	\$ 1,967	\$ 7,408	\$ 30,831	\$ 5,569	\$ 14,129	\$ 2,784	\$ 6,857	\$ 985	\$ 1,219	\$ 11,874	\$ 1,173	\$ 95,855

Carter County, Missouri
Combining Balance Sheet- Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2006

	Carry Forward	Recorder NSD/Tech	CVRDB Fund	Chemical Emergency	Senior Citizen Tax	Law Enforcement Restitution	Justice Center Grant	Warning Siren Grant	Sheriff Impound Revolving/ K-9	Domestic Violence	SVB Sewer District	SVB Sewer O&M	Board for the Handicapped	Election Costs Fund	Non-Major Governmental Funds
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments											-				-
Restricted assets-cash	95,855	13,456	-	5,294	1,751	22,703	30,000	15,000	608	230	14,401	40,894	12,712	14,896	267,800
Restricted assets-investments											-				-
Total assets	95,855	13,456	-	5,294	1,751	22,703	30,000	15,000	608	230	14,401	40,894	12,712	14,896	267,800
Fund balances															
Reserved for encumbrances											-				-
Reserved	95,855	13,456	-	5,294	1,751	22,703	30,000	15,000	608	230	14,401	40,894	12,712	14,896	267,800
Unreserved															-
Total fund balances	95,855	13,456	-	5,294	1,751	22,703	30,000	15,000	608	230	14,401	40,894	12,712	14,896	267,800

Carter County
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2006

	Assessment Fund	Assessment Technology Fund	Law Enforcement Training	Prosecuting Atty Tax/Training	MOSMART	Recorder User Fee	Overplus	Forest Reserve Fund	Prosecuting Atty Bad Check	Sheltered Workshop	Collector Tax Maint.	Associate Circuit Interest	Law Library	Multifloral Rose Fund	Circuit Clerk's Family Justice Fund	Circuit Clerk Interest Fund	Sheriff's Fees Fund	Subtotal
Revenues																		\$
Property & other taxes																		-
Sales taxes																		-
Fines, fees, licenses, and permits				1,019													11,551	12,570
Charges for services	2,046								5,748									7,794
Interest income	480	146	27	80		397		697	487					2		572	39	3,374
Intergovernmental	64,435	3,537	6,095	110	7,109	3,276	7,960	25,283		29,015	6,890		70,144					223,854
Miscellaneous															669			669
Total revenues	<u>66,961</u>	<u>3,683</u>	<u>6,122</u>	<u>1,209</u>	<u>7,109</u>	<u>3,673</u>	<u>7,960</u>	<u>25,980</u>	<u>6,235</u>	<u>29,015</u>	<u>7,337</u>	<u>-</u>	<u>70,144</u>	<u>2</u>	<u>669</u>	<u>572</u>	<u>11,590</u>	<u>248,261</u>
Expenditures																		
General county government							551	24,984		39,000	6,354			181				71,070
Road & bridge																		-
Health and welfare																		-
Property valuation, assesment & recording	65,822	8,206				4,829												78,857
Administration of justice & law			3,554	891	16,053				666				70,144			2,176	10,448	103,932
Capital outlay:																		-
Property, equipment, & buildings																		-
Debt service:																		-
Principal																		-
Interest and paying agent fee																		-
Total expenditures	<u>65,822</u>	<u>8,206</u>	<u>3,554</u>	<u>891</u>	<u>16,053</u>	<u>4,829</u>	<u>551</u>	<u>24,984</u>	<u>666</u>	<u>39,000</u>	<u>6,354</u>	<u>-</u>	<u>70,144</u>	<u>181</u>	<u>-</u>	<u>2,176</u>	<u>10,448</u>	<u>253,859</u>
Excess of revenues over (under) expenditures	<u>1,139</u>	<u>(4,523)</u>	<u>2,568</u>	<u>318</u>	<u>(8,944)</u>	<u>(1,156)</u>	<u>7,409</u>	<u>996</u>	<u>5,569</u>	<u>(9,985)</u>	<u>983</u>	<u>-</u>	<u>-</u>	<u>(179)</u>	<u>669</u>	<u>(1,604)</u>	<u>1,142</u>	<u>(5,598)</u>
Other financing sources (uses):																		-
Proceeds from loan																		-
Transfer in	-																	-
Transfer out																		-
Insurance proceeds																		-
Sale of capital assets																		-
Other income/adjustments			-															-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>1,139</u>	<u>(4,523)</u>	<u>2,568</u>	<u>318</u>	<u>(8,944)</u>	<u>(1,156)</u>	<u>7,409</u>	<u>996</u>	<u>5,569</u>	<u>(9,985)</u>	<u>983</u>	<u>-</u>	<u>-</u>	<u>(179)</u>	<u>669</u>	<u>(1,604)</u>	<u>1,142</u>	<u>(5,598)</u>
Fund balances, beginning of year	6,723	5,072	-	1,649	8,944	8,564	-	4,573	8,560	-	5,874	985	30	179	550	10,400	31	62,134
Prior year adjustments & equity transfers	-	-	80	-	-	-	23,422	-	-	12,769	-		(30)			3,078		39,319
Fund balances, end of year	<u>\$ 7,862</u>	<u>\$ 549</u>	<u>\$ 2,648</u>	<u>\$ 1,967</u>	<u>\$ -</u>	<u>\$ 7,408</u>	<u>\$ 30,831</u>	<u>\$ 5,569</u>	<u>\$ 14,129</u>	<u>\$ 2,784</u>	<u>\$ 6,857</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 11,874</u>	<u>\$ 1,173</u>	<u>\$ 95,855</u>

Carter County
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2006

	Carryforward	Recorder/N SD Tech	CVRDB Fund	Chemical Emergency Fund	Senior Citizen Tax Fund	Law Enforcement Restitution Fund	Little Black Rural Fire Grant	Justice Cntr Grant Fund	Warning Siren Grant Fund	Sheriff's Funds	Domestic Violence Fund	SVB Sewer District	Sewer Fund	Board for the Handicapped	Special Election	Election Fund	Non-Major Governmental Funds
Revenues																	
Property & other taxes	\$ -				\$ 9,895												\$ 9,895
Sales taxes	-																-
Fines, fees, licenses, and permits	12,570					23,947											36,517
Charges for services	7,794												24,000				31,794
Interest income	3,374	537	33	206	176	503					5		1,788			838	7,460
Intergovernmental	223,854	2,214		2,727	520		12,902	30,000	15,000	1,500	225				9,619	78,000	376,561
Miscellaneous	669		277							29							975
Total revenues	<u>248,261</u>	<u>2,751</u>	<u>310</u>	<u>2,933</u>	<u>10,591</u>	<u>24,450</u>	<u>12,902</u>	<u>30,000</u>	<u>15,000</u>	<u>1,529</u>	<u>230</u>	<u>-</u>	<u>25,788</u>	<u>-</u>	<u>9,619</u>	<u>78,838</u>	<u>463,202</u>
Expenditures																	
General county government	71,070		1,153	1,581									10,200		9,620		93,624
Road & bridge	-																-
Health and welfare	-				10,600						199						10,799
Property valuation, assesment & recording	78,857																78,857
Administration of justice & law	103,932					14,390				1,966							120,288
Capital outlay:	-																-
Property, equipment, & buildings	-						12,902									79,500	92,402
Debt service:	-																-
Principal	-												14,928				14,928
Interest and paying agent fee	-																-
Total expenditures	<u>253,859</u>	<u>-</u>	<u>1,153</u>	<u>1,581</u>	<u>10,600</u>	<u>14,390</u>	<u>12,902</u>	<u>-</u>	<u>-</u>	<u>1,966</u>	<u>199</u>	<u>-</u>	<u>25,128</u>	<u>-</u>	<u>9,620</u>	<u>79,500</u>	<u>410,898</u>
Excess of revenues over (under) expenditures	<u>(5,598)</u>	<u>2,751</u>	<u>(843)</u>	<u>1,352</u>	<u>(9)</u>	<u>10,060</u>	<u>-</u>	<u>30,000</u>	<u>15,000</u>	<u>(437)</u>	<u>31</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>(1)</u>	<u>(662)</u>	<u>52,304</u>
Other financing sources (uses):																	
Proceeds from loan	-																-
Transfer in	-																-
Transfer out	-																-
Insurance proceeds	-																-
Sale of capital assets	-																-
Other income/adjustments	-																-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(5,598)</u>	<u>2,751</u>	<u>(843)</u>	<u>1,352</u>	<u>(9)</u>	<u>10,060</u>	<u>-</u>	<u>30,000</u>	<u>15,000</u>	<u>(437)</u>	<u>31</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>(1)</u>	<u>(662)</u>	<u>52,304</u>
Cash balances, beginning of year	62,134	10,705	843	3,942	1,760	12,643	-			1,045	199	6,798	40,234	12,712	1	15,558	168,574
Prior year adjustments & equity transfers	39,319											7,603					46,922
Cash balances, end of year	<u>\$ 95,855</u>	<u>\$ 13,456</u>	<u>\$ -</u>	<u>\$ 5,294</u>	<u>\$ 1,751</u>	<u>\$ 22,703</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 15,000</u>	<u>\$ 608</u>	<u>\$ 230</u>	<u>\$ 14,401</u>	<u>\$ 40,894</u>	<u>\$ 12,712</u>	<u>\$ -</u>	<u>\$ 14,896</u>	<u>\$ 267,800</u>

Carter County, Missouri
Combining Statement of Fiduciary Net Assets-
Agency Funds - Cash Basis
For the years ended December 31,

2007								
	Collector of	West	East	Eastwood	Ellsinore	Fremont	School	Statement of Fiduciary
	Revenue	Ambulance	Ambulance	Fire Dist.	Fire Dist.	Fire Dist.	Fines	Net Assets
Assets								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-
Restricted assets-cash	1,424,266	12,596	28,406	80	27,597	8,189	60,630	1,561,764
Restricted assets-investments	-	-	-	-	-	-	-	-
Total assets	1,424,266	12,596	28,406	80	27,597	8,189	60,630	1,561,764
Liabilities								
Due to agencies and political subdivisions	1,424,266	12,596	28,406	80	27,597	8,189	60,630	1,561,764
Due to other funds	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-	-
Total liabilities	\$ 1,424,266	\$ 12,596	\$ 28,406	\$ 80	\$ 27,597	\$ 8,189	\$ 60,630	\$ 1,561,764

2006								
	Collector of	West	East	Eastwood	Ellsinore	Fremont	School	Statement of Fiduciary
	Revenue	Ambulance	Ambulance	Fire Dist.	Fire Dist.	Fire Dist.	Fines	Net Assets
Assets								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-
Restricted assets-cash	1,276,795	16,986	5,894	467	39,341	534	32,730	1,372,747
Restricted assets-investments	-	-	-	-	-	-	-	-
Total assets	1,276,795	16,986	5,894	467	39,341	534	32,730	1,372,747
Liabilities								
Due to agencies and political subdivisions	1,276,795	16,986	5,894	467	39,341	534	32,730	1,372,747
Due to other funds	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-	-
Total liabilities	\$ 1,276,795	\$ 16,986	\$ 5,894	\$ 467	\$ 39,341	\$ 534	\$ 32,730	\$ 1,372,747

See Independent Auditor's Report and Notes to the Financial Statements.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Mississippi County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Mississippi County, and issues a separate report of that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

May 2009
Report No. 2009-49

MISSISSIPPI COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd., Suite 1
St. Louis, MO 63147
(314)-869-2720(ofc)/(314)-869-5955(fax)
charlesbuchanan8@aol.com

**MISSISSIPPI COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
 Financial Statements	
Statement of Net Assets-Variou s Funds	3
Statement of Activities-Variou s Funds	4
Reconciliation of Total Fund Balances to Total Net Assets	5
Reconciliation of Changes in Net Assets	6
Statement of Fiduciary Net Assets	7
Combined Balance Sheet-Governmental Funds	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	9
 Required Supplemental Information	
Budgetary Comparison Schedule	10
 Notes to the Financial Statements	11-15
 Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	17
Schedule of Expenditures of Federal Awards	18
Schedule of Findings and Questioned Costs	19
Follow-up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	21
 Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds	22-24
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds	25-27
Combining Statement of Fiduciary Net Assets	28

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission and Officeholders of
Mississippi County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi County, Missouri ("the County") as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mississippi County, Missouri, as of December 31, 2007, or the respective changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of net assets-cash basis and statement of activities-cash basis of the County, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the year ended December 31, 2007, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the Town's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on page 10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The schedule of expenditures of federal awards and the combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, P.C.

St. Louis, Missouri

August 15, 2008

BASIC FINANCIAL STATEMENTS

Mississippi County, Missouri
Governmentwide Statement of Net Assets-Variou Funds
Cash Basis
As of December 31, 2007

<u>Assets</u>	Governmental Activities
Cash	\$ 788,147
Investments	-
Restricted assets-cash	1,485,064
Restricted assets-investments	-
Total assets	<u>2,273,211</u>

<u>Net assets</u>	
Invested in capital assets, net of related debt	-
Unreserved	788,147
Reserved	1,485,064
Total net assets	<u>\$ 2,273,211</u>

See independent auditor's report and notes to the financial statements.

Mississippi County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the year ended December 31, 2007

		Program Revenues			Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	(1,327,408)	\$ 216,257	\$ -	\$ -	\$ (1,111,151)
Road & bridge	(864,475)	28,001	-	-	(836,474)
Health and welfare	(240,833)	65,448	51,792	-	(123,593)
Property valuation, assessments & recording	(239,013)	8,676	-	-	(230,337)
Administration of justice & law	(2,029,444)	78,934	159,332	-	(1,791,178)
Capital outlay	(370,470)	-	-	370,470	-
Debt services	(416,714)	-	-	-	(416,714)
Total Governmental Activities	(5,488,357)	397,316	211,124	370,470	(4,509,447)
<i>Business-type activities</i>					
Water/sewer	-	-	-	-	-
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	-	-	-	-	-
Total primary government	(5,488,357)	397,316	211,124	370,470	(4,509,447)

General revenues:

Taxes:

Property & other taxes	1,167,404
Sales tax	1,590,628
Intergovernmental revenues	1,637,108
Investment income	105,031
Miscellaneous	195,771

Total general revenues and transfers

	4,695,942
Changes in net assets	186,495
Beginning net assets	2,086,716
Ending net assets	\$ 2,273,211

Mississippi County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Various Funds-Cash Basis
for the year ended December 31, 2007

Balance Sheet - Governmental Funds -Total Fund Balances-Cash Basis \$ 2,273,211

Amounts reported for governmental activities of the statement of net assets are different because:

Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.

Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.

Capital assets, net of accumulated depreciation -

Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.

Long-term debt -

Accrued interest -

Subtotal -

Government-wide Statement of Net Assets--Total Net Assets-Cash Basis \$ 2,273,211

Mississippi County, Missouri
Reconciliation of Changes in Net Assets
Various Funds-Cash Basis
For the year ended December 31, 2007

Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds-Cash Basis

\$ 186,495

Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets

Debt issued

-

Principle payments

-

Compensated absences

-

Interest expense

-

Government-wide Statement of Activities--Changes in net assets - Governmental Activities-Cash Basis

\$ 186,495

Mississippi County, Missouri
Statement of Fiduciary Net Assets
Various Funds-Cash basis
As of December 31, 2007

<u>Assets</u>	<u>Agency Funds</u>
Cash	\$ -
Cash-restricted	5,055,775
Investments	-
Total assets	<u>5,055,775</u>
<u>Liabilities</u>	
Due to agencies and political subdivisions	4,945,013
Due to other funds	-
Due to others	110,762
Total liabilities	<u>\$ 5,055,775</u>

See independent auditor's report and notes to the financial statements.

Mississippi County, Missouri
Combined Balance Sheet-Governmental Funds
Various Funds-Cash Basis
As of December 31, 2007

	Major Funds				
	General Fund	Road & Bridge Fund	Law Enforcement Tax	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 788,147	\$ -	\$ -	\$ -	\$ 788,147
Investments	-	-	-	-	-
Restricted assets-cash	-	500,842	13,543	970,679	1,485,064
Restricted assets-investments	-	-	-	-	-
Total assets	788,147	500,842	13,543	970,679	2,273,211
<u>Fund balance</u>					
Reserved for debt services	-	-	-	-	-
Unreserved	-	500,842	13,543	970,679	1,485,064
Reserved	788,147	-	-	-	788,147
Total fund balances	\$ 788,147	\$ 500,842	\$ 13,543	\$ 970,679	\$ 2,273,211

See independent auditor's report and notes to the financial statements.

Mississippi County, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund-Various Funds-Cash Basis
For the year ended December 31, 2007

	Major Funds				
	General Fund	Road & Bridge Fund	Law Enforcement Tax	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property & other taxes	\$ 433,078	\$ 460,777	\$ -	\$ 273,549	\$ 1,167,404
Sales taxes	909,217	41	454,229	227,141	1,590,628
Charges for services	197,012	28,001	61,416	110,887	397,316
Investment income	38,905	21,683	75	44,368	105,031
Intergovernmental	97,298	412,476	1,161,065	547,863	2,218,702
Miscellaneous	35,895	8,835	131,973	19,068	195,771
Total revenues	1,711,405	931,813	1,808,758	1,222,876	5,674,852
Expenditures					
General county government	757,724	-	-	408,313	1,166,037
Road & bridge	-	803,868	-	60,607	864,475
Health and welfare	15,798	-	-	225,035	240,833
Property valuation, assessment & recording	53,100	-	-	185,913	239,013
Administration of justice & law	260,472	-	1,934,768	204,674	2,399,914
Capital outlay:					
Property, equipment, & buildings	-	-	-	-	-
Debt service:					
Principal	-	22,530	300,850	5,000	328,380
Interest and paying agent fee	-	2,916	78,850	6,568	88,334
Total expenditures	1,087,094	829,314	2,314,468	1,096,110	5,326,986
Excess deficiency of revenues over (under) expenditures	624,311	102,499	(505,710)	126,766	347,866
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Transfer in	-	-	502,500	59,230	561,730
Transfer out	(546,705)	-	-	(176,396)	(723,101)
Insurance proceeds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(546,705)	-	502,500	(117,166)	(161,371)
Excess of revenues and other sources over (under) expenditures and other uses	77,606	102,499	(3,210)	9,600	186,495
Fund balances, beginning of year	710,541	398,343	16,753	961,079	2,086,716
Fund balances, end of year	\$ 788,147	\$ 500,842	\$ 13,543	\$ 970,679	\$ 2,273,211

See independent auditor's report and notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Mississippi County, Missouri
Budgetary Comparison Schedule- Major Funds
Various Funds-Cash Basis
For the year ended December 31, 2007

	General Fund				Road & Bridge Fund				Law Enforcement Tax Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual		Original	Final	Actual	
Revenues:												
Property & other taxes	\$ 400,000	\$ 400,000	\$ 433,078	\$ 33,078	\$ 420,000	\$ 420,000	\$ 460,777	\$ 40,777	\$ -	\$ -	\$ -	\$ -
Sales taxes	800,000	800,000	909,217	109,217	-	-	41	41	400,000	400,000	454,229	54,229
Charges for services	178,000	178,000	197,012	19,012	52,500	52,500	28,001	(24,499)	54,300	54,300	61,416	7,116
Intergovernmental	106,550	106,550	38,905	(67,645)	402,050	402,050	412,476	10,426	1,267,000	1,267,000	1,161,065	(105,935)
Investment income	15,000	15,000	97,298	82,298	5,000	5,000	21,683	16,683	800	800	75	(725)
Miscellaneous	36,334	36,334	35,895	(439)	-	-	8,835	8,835	127,500	127,500	131,973	4,473
Total revenue	<u>1,535,884</u>	<u>1,535,884</u>	<u>1,711,405</u>	<u>175,521</u>	<u>879,550</u>	<u>879,550</u>	<u>931,813</u>	<u>52,263</u>	<u>1,849,600</u>	<u>1,849,600</u>	<u>1,808,758</u>	<u>(40,842)</u>
Expenditures:												
General county government	835,834	835,140	757,724	77,416	-	-	-	-	-	-	-	-
Road & bridge	-	-	-	-	849,875	855,450	803,868	51,582	-	-	-	-
Health and welfare	26,111	26,111	15,798	10,313	-	-	-	-	-	-	-	-
Property valuation assessment & recording	53,670	53,670	53,100	570	-	-	-	-	-	-	-	-
Administration of justice & law	295,836	291,636	260,472	31,164	-	-	-	-	1,949,016	1,949,016	1,934,768	14,248
Capital outlay:												
Property, equipment, & buildings	-	-	-	-	36,000	36,000	-	36,000	-	-	-	-
Debt service:												
Principal	-	-	-	-	-	-	22,530	(22,530)	-	-	300,850	(300,850)
Interest and paying agent fee	-	-	-	-	-	-	2,916	(2,916)	379,700	379,700	78,850	300,850
Total expenditures	<u>1,211,451</u>	<u>1,206,557</u>	<u>1,087,094</u>	<u>119,463</u>	<u>885,875</u>	<u>891,450</u>	<u>829,314</u>	<u>62,136</u>	<u>2,328,716</u>	<u>2,328,716</u>	<u>2,314,468</u>	<u>14,248</u>
Excess of revenues over (under) expenditures	<u>324,433</u>	<u>329,327</u>	<u>624,311</u>	<u>294,984</u>	<u>(6,325)</u>	<u>(11,900)</u>	<u>102,499</u>	<u>114,399</u>	<u>(479,116)</u>	<u>(479,116)</u>	<u>(505,710)</u>	<u>(26,594)</u>
Other financing sources (uses):												
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-	462,500	462,500	502,500	40,000
Transfer out	(490,667)	(533,167)	(546,705)	(13,538)	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(490,667)</u>	<u>(533,167)</u>	<u>(546,705)</u>	<u>(13,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,500</u>	<u>462,500</u>	<u>502,500</u>	<u>40,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(166,234)</u>	<u>(203,840)</u>	<u>77,606</u>	<u>281,446</u>	<u>(6,325)</u>	<u>(11,900)</u>	<u>102,499</u>	<u>114,399</u>	<u>(16,616)</u>	<u>(16,616)</u>	<u>(3,210)</u>	<u>13,406</u>
Fund balances, beginning of year	<u>710,541</u>	<u>710,541</u>	<u>710,541</u>	<u>-</u>	<u>398,343</u>	<u>398,343</u>	<u>398,343</u>	<u>-</u>	<u>16,753</u>	<u>16,753</u>	<u>16,753</u>	<u>-</u>
Fund balances, end of year	<u>\$ 544,307</u>	<u>\$ 506,701</u>	<u>\$ 788,147</u>	<u>\$ 281,446</u>	<u>\$ 392,018</u>	<u>\$ 386,443</u>	<u>\$ 500,842</u>	<u>\$ 114,399</u>	<u>\$ 137</u>	<u>\$ 137</u>	<u>\$ 13,543</u>	<u>\$ 13,406</u>

See independent auditor's report and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MISSISSIPPI COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioners, an elected county officials.. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Management has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent(10%) or more of the total for the Governmental fund type and five percent (5%) of the total for the Governmental type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to Mississippi County for the year ended December 31, 2007. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose fund into a special revenue fund type. GASB-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASB-34 standards.

The County maintains trust accounts, where amounts for individuals subject to County guardianship are routinely deposited. The County holds cash balances as an agent and fund custodian. The Mississippi Public Administrator's accounts are classified as Fiduciary Funds (Agency) under GASB-34.

MISSISSIPPI COUNTY, MISSOURI
Notes to the Financial Statements

December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. Expenditures did not exceed budgeted amounts.

D. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

NOTE 2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposits and, Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds held by either the County or a financial institution other than the depository bank. Section 67.085 RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Mississippi County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The 911 Emergency Service Board's deposits at December 31, 2007 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

Investments

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

MISSISSIPPI COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007

NOTE 3. Long-Term Debt Obligations

Mississippi County signed a lease purchase agreement with the Missouri Public Facilities Authority dated October 1, 2001 in the original amount of \$2,845,000. The Authority loaned \$2,845,000 to Mississippi County for twelve years at a range of annual interest rates between 2.25% to 4.20% per annum. The note will mature on August 1, 2012. The purpose and activities of the Issuer are those permitted under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of Missouri. Mississippi County issued insured leasehold revenue bonds, series 2001, for the purpose of refunding certain insured leasehold revenue bonds that had been issued to provide funds to finance the cost of constructing and equipping a new juvenile detention center.

Mississippi County signed a lease purchase agreement with the Missouri Public Facilities Authority dated July 1, 1997 in the original amount of \$585,000. The Authority loaned \$585,000 to Mississippi County for fourteen years at a range 3.85% to 5.00% per annum. The note will mature on August 1, 2012. The purpose and activities of the Issuer are those permitted under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of Missouri. Mississippi County issued insured leasehold revenue bonds, series 1997, to provide funds to finance the cost of constructing and equipping a new juvenile detention center.

Mississippi County issued Drainage District Improvement Bonds, Series 1999 for Drainage District No. 23 of Mississippi County, dated June 4, 1999 in the original amount of \$165,000. Drainage District No. 23 of Mississippi County loaned \$165,000 to Mississippi County for twenty years at a range of annual interest rates in the range 3.40% to 5.25% per annum. The note will mature on March 1, 2019. The purpose and activities of the Issuer are those permitted under the Chapter 243 of the Revised Statutes of Missouri, 1990, as amended (the "Drainage District Bond Law"). Mississippi County issued Drainage District Bond, series 1999, for the purpose of providing funds to finance the cost of construction of Drainage District No. 23 improvements.

Mississippi County entered a noncancellable capital lease for rental, maintenance and repair services for a Daewoo Solar 300 LC-5 Excavator from Citizens Bank dated March 18, 2004, in the original amount of \$112,650. Citizens Bank loaned \$112,650 to Mississippi County for six years at an implicit interest rate of 10.58% per annum. The note will mature on March 18, 2009. The lease requires 72 monthly payments at \$2,120. The schedule for the future minimum lease payments under the lease at December 31, 2007 are listed below.

	Principle Payments				
	Insured Leasehold Revenue Bonds, Series 2001	Insured Leasehold Revenue Bonds, Series 1997	Drainage District Improvement Bonds, Series 1999	Capital Lease Dawoo Excavator	Total
2008	\$ 260,000	\$ 40,000	\$ 10,000	\$ 22,530	\$ 332,530
2009	270,000	45,000	10,000	22,530	347,530
2010	285,000	45,000	10,000		340,000
2011	295,000	50,000	10,000		355,000
2012	305,000	50,000	10,000		365,000
Thereafter		75,000			75,000
Total	<u>\$ 1,415,000</u>	<u>\$ 305,000</u>	<u>\$ 50,000</u>	<u>\$ 45,060</u>	<u>\$ 1,815,060</u>

MISSISSIPPI COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007

NOTE 4. RETIREMENT PLANS

Missouri Local Government Employees Retirement Systems (LAGERS)

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. Plan Description

Mississippi County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Funding Status

Mississippi County's full-time employees contribute 4% of gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 0.3% (general), 2.9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2007, the political subdivision's annual pension cost of \$81,442 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2007 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back zero years for men and zero Years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007 was 15 years.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/05	\$ 216,714	100%	\$ -
06/30/06	82,097	100%	-
06/30/07	81,442	100%	-

MISSISSIPPI COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007

NOTE 4. RETIREMENT PLANS (continued)

Schedule of Funding Progress					
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Fund Ratio	© Annual Covered Payroll
02/28/05	\$ 1,799,042	\$ 1,194,668	\$ (604,374)	151%	\$ 1,571
02/28/06	1,969,445	1,304,671	(664,774)	151%	1,578
02/08/27	2,217,272	1,454,469	(762,803)	152%	1,599

Note: The above assets and actuarial accrued liabilities do not include the assets and present value of benefits associated with the Benefit and Casualty Reserve Funds. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the year ended December 31, 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution.

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Commissioners of
Mississippi County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of various funds – cash basis of Mississippi County, Missouri, (“the County”) as of and for the year ended December 31, 2007, which collectively comprise the County’s basic financial statements and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720(ofc)/(314)-869-5955(fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Commissioners of
Mississippi County, Missouri

We have audited the compliance of Mississippi County, Missouri, ("the County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Mississippi County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal-awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC

St. Louis, Missouri
August 15, 2008

Mississippi County, Missouri
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant ID Number	Federal Share of Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State:			
Department of Economic Development-Community Development Block Grants/ State's Program	14.228	2003-PF-639	\$ 370,470
<u>U.S Department of Justice</u>			
Passed through:			
State Department of Public Safety			
Juvenile Justice and Delinquency Prevention-allocation to State	16.540	AOCO1380212	126,435
Missouri Sheriffs' Association-Domestic Cannabis Eradication/Suppression Program	16.000		
Title V Delinquency Prevention Program	16.548	2005-JJTF-01	20,277
Title V Delinquency Prevention Program	16.548	2007-JJTF-02	5,863
<u>General Services Administration</u>			
Passed through the Office of Secretary of State			
Election Reform Payments	39.011		6,757
<u>U.S. Department of Health and Human Services</u>			
Passed through:			
Department of Social Services-			
Child Support Enforcement	93.563		26,472
Administration for Children & Families	93.667		25,320
Total Expenditures of Federal Awards			\$ 581,594

Note-Basis of Presentation:

The accompanying schedule of expenditures of federal awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of basic financial statements.

**Mississippi County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2007**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Adverse

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified that is (are) not considered to be a material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

Major Programs
CFDA Number

Program Title

14.228 Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

There were no reportable financial statement findings.

Section III – Federal Award Findings and Questioned Costs

Federal Award Findings required to be reported in Accordance with Generally Accepted Government Auditing Standards
None.

MISSISSIPPI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the year ended December 31, 2006, included audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Finding: 06-01 Billing Procedures.
Status: Implemented.

MISSISSIPPI COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two year ended December 31, 2006, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SUPPLEMENTAL INFORMATION

Mississippi County, Missouri
Combining Balance Sheet-Variou Funds-Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2007

	Assessment Fund	Drug Court Grant Fund	Law Enforcement Training Fund	Prosecuting Atty Training Fund	Prosecuting Atty Delinquent Sales Tax Fund	Recorder User Fee	Prosecuting Atty Bad Check Fund	911 Emergency Fund	Contingency Fund	Johnson Grass Fund	Law Enforcement Restitution Fund	Law Enforcement Block Grant Fund	Capital Improvement Sales Tax Fund	Recorders Technology Fund	Victims of Domestic Violence	CDBG Water District Grant Fund	Subtotal
Assets																	
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	34,069	184,472	3,219	139	3,682	23,445	8,600	273,565	58,987	136,329	10,754	-	499	6,489	982	-	745,231
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	34,069	184,472	3,219	139	3,682	23,445	8,600	273,565	58,987	136,329	10,754	-	499	6,489	982	-	745,231
Fund Balances																	
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	34,069	184,472	3,219	139	3,682	23,445	8,600	273,565	58,987	136,329	10,754	-	499	6,489	982	-	745,231
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 34,069	\$ 184,472	\$ 3,219	\$ 139	\$ 3,682	\$ 23,445	\$ 8,600	\$ 273,565	\$ 58,987	\$ 136,329	\$ 10,754	\$ -	\$ 499	\$ 6,489	\$ 982	\$ -	\$ 745,231

Mississippi County, Missouri
Combining Balance Sheet-Variou Funds-Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2007

	Carry Forward Subtotal	Senior Citizens' Sales Tax Fund	HAVA Grant Fund	Drainage Fund #3	Drainage Fund #10	Drainage Fund #14	Drainage Fund #23	Drainage Fund #25n	Drainage Fund #25g	Drainage Fund #29	Drainage Fund #30	Drainage Fund #32	Safe Return Project Grant Fund	CDBG Pwsd Fund	Inmate Security Fund	Juvenile Assessment	Collectors Tax Maintenance Fund	Subtotal
Assets																		
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	745,231	-	414	714	492	26,864	12,271	10,806	3,457	8,044	42,142	45,065	273	17,190	274	11,401	21,454	946,092
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	745,231	-	414	714	492	26,864	12,271	10,806	3,457	8,044	42,142	45,065	273	17,190	274	11,401	21,454	946,092
Fund Balances																		
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	745,231	-	414	714	492	26,864	12,271	10,806	3,457	8,044	42,142	45,065	273	17,190	274	11,401	21,454	946,092
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 745,231	\$ -	\$ 414	\$ 714	\$ 492	\$ 26,864	\$ 12,271	\$ 10,806	\$ 3,457	\$ 8,044	\$ 42,142	\$ 45,065	\$ 273	\$ 17,190	\$ 274	\$ 11,401	\$ 21,454	\$ 946,092
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Mississippi County, Missouri
Combining Balance Sheet-Various Funds-Cash Basis
Non-Major Governmental Funds
For the year ended December 31, 2007

	Carry Forward		Financial	Collection Surf		Election	Total Non-Major
<u>Assets</u>	<u>Subtotal</u>	<u>Law Library</u>	<u>Institution Tax</u>	<u>Tax</u>	<u>S.B. 40</u>	<u>Services Fund</u>	<u>Governmental Funds</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Restricted assets-cash	946,092	17,137	-	2,770	-	4,680	970,679
Restricted assets-investments	-	-	-	-	-	-	-
Total assets	946,092	17,137	-	2,770	-	4,680	970,679
<u>Fund Balances</u>							
Reserved for debt services	-	-	-	-	-	-	-
Reserved	946,092	17,137	-	2,770	-	4,680	970,679
Unreserved	-	-	-	-	-	-	-
Total fund balances	\$ 946,092	\$ 17,137	\$ -	\$ 2,770	\$ -	\$ 4,680	\$ 970,679
	-	-	-	-	-	-	-

Mississippi County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Various Funds-Cash Basis
For the year ended December 31, 2007

	Assessment Fund	Drug Court Grant Fund	Law Enforcement Training Fund	Prosecuting Atty Training Fund	Prosecuting Atty Delinquent Sales Tax Fund	Recorder User Fee	Prosecuting Atty Bad Check Fund	911 Emergency Fund	Contingency Fund	Johnson Grass Fund	Law Enforcement Restitution Fund	Law Enforcement t Block Grant Fund	Capital Improvement Sales Tax Fund	Recorders Technology Fund	Victims of Domestic Violence	CDBG Water District Grant Fund	Subtotal
Revenues																	
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,761
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	29	-	-	-	29
Charges for services	-	-	714	193	600	5,633	-	65,448	-	-	3,779	-	-	3,043	3,716	-	83,126
Interest income	3,179	7,491	97	10	139	853	221	13,496	3,019	5,637	270	128	15	216	-	-	34,771
Intergovernmental	152,922	-	2,497	342	-	-	11,518	-	-	14	-	8,100	-	-	-	370,470	545,863
Miscellaneous	3,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,858
Total revenues	159,959	7,491	3,308	545	739	6,486	11,739	78,944	3,019	71,412	4,049	8,228	44	3,259	3,716	370,470	733,408
Expenditures																	
General county government								-	-	-			-			370,470	370,470
Road & bridge								-	-	24,824			-				24,824
Health and welfare								-	-	-			-		3,534		3,534
Property valuation, assesment & recording	179,055					5,437		-	-	-			-	1,245			185,737
Administration of justice & law		126,435	3,464	826	763	-	9,376	47,655		-		8,913	-	-			197,432
Capital outlay:																	
Property, equipment, & buildings		-	-							-							-
Debt service:																	
Principal		-								-							-
Interest and paying agent fee		-								-							-
Total expenditures	179,055	126,435	3,464	826	763	5,437	9,376	47,655	-	24,824	-	8,913	-	1,245	3,534	370,470	781,997
Excess of revenues over (under) expenditures	(19,096)	(118,944)	(156)	(281)	(24)	1,049	2,363	31,289	3,019	46,588	4,049	(685)	44	2,014	182	-	(48,589)
Other financing sources (uses):																	
Proceeds from loan	-	-	-	-	-		-	-	-	-		-		-			-
Transfer in	40,667	-										685					41,352
Transfer out	-	-						-									-
Insurance proceeds	-	-															-
Sale of capital assets	-	-	-	-	-		-	-	-	-		-		-		-	-
Total other financing sources (uses)	40,667	-	-	-	-	-	-	-	-	-	-	685	-	-	-	-	41,352
Excess of revenues and other sources over (under) expenditures and other uses	21,571	(118,944)	(156)	(281)	(24)	1,049	2,363	31,289	3,019	46,588	4,049	-	44	2,014	182	-	(7,237)
Fund balances, beginning of year	12,498	303,416	3,375	420	3,706	22,396	6,237	242,276	55,968	89,741	6,705	-	455	4,475	800	-	752,468
Fund balances, end of year	\$ 34,069	\$ 184,472	\$ 3,219	\$ 139	\$ 3,682	\$ 23,445	\$ 8,600	\$ 273,565	\$ 58,987	\$ 136,329	\$ 10,754	\$ -	\$ 499	\$ 6,489	\$ 982	\$ -	\$ 745,231

Mississippi County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Various Funds-Cash Basis
For the year ended December 31, 2007

	Carry Forward Subtotal	Senior Citizens' Sales Tax Fund	HAVA Grant Fund	Drainage Fund #3	Drainage Fund #10	Drainage Fund #14	Drainage Fund #23	Drainage Fund #25n	Drainage Fund #25g	Drainage Fund #29	Drainage Fund #30	Drainage Fund #32	Ditch Supervision Fund	Vehicle Grant	Circuit Clerk Interest Account	Juvenile Assessment	Collectors Tax Maintenance Fund	Subtotal
Revenues																		
Property & other taxes	\$ 65,761	\$ -	\$ -	\$ 1,656	\$ 3,516	\$ 21,966	\$ 15,645	\$ 2,817	\$ 851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,212
Sales taxes	29	227,112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227,141
Charges for services	83,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,245	102,371
Interest income	34,771	-	110	54	144	875	1,186	651	234	390	2,182	2,254	11	-	245	38	600	43,745
Intergovernmental	545,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	545,863
Miscellaneous	3,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,351	-	5,209
Total revenues	733,408	227,112	110	1,710	3,660	22,841	16,831	3,468	1,085	390	2,182	2,254	11	-	245	1,389	19,845	1,036,541
Expenditures																		
General county government	370,470	6,701	6,757	-	-	-	-	-	-	-	-	-	746	-	-	-	23,127	407,801
Road & bridge	24,824	-	-	1,383	3,169	1,668	16,898	5,909	6,737	-	17	2	-	-	-	-	-	60,607
Health and welfare	3,534	221,501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225,035
Property valuation, assesment & recording	185,737	-	-	-	-	-	-	-	-	-	-	-	-	-	176	-	-	185,913
Administration of justice & law	197,432	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197,432
Capital outlay:																		
Property, equipment, & buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:																		
Principal	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-	-	5,000
Interest and paying agent fee	-	-	-	-	-	-	6,568	-	-	-	-	-	-	-	-	-	-	6,568
Total expenditures	781,997	228,202	6,757	1,383	3,169	1,668	28,466	5,909	6,737	-	17	2	746	-	176	-	23,127	1,088,356
Excess of revenues over (under) expenditures	(48,589)	(1,090)	(6,647)	327	491	21,173	(11,635)	(2,441)	(5,652)	390	2,165	2,252	(735)	-	69	1,389	(3,282)	(51,815)
Other financing sources (uses):																		
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	688	17,190	-	-	-
Transfer in	41,352	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,230
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	41,352	-	-	-	-	-	-	-	-	-	-	-	688	17,190	-	-	-	59,230
Excess of revenues and other sources over (under) expenditures and other uses	(7,237)	(1,090)	(6,647)	327	491	21,173	(11,635)	(2,441)	(5,652)	390	2,165	2,252	(47)	17,190	69	1,389	(3,282)	7,415
Fund balances, beginning of year	752,468	1,090	7,061	387	1	5,691	23,906	13,247	9,109	7,654	39,977	42,813	320	-	205	10,012	24,736	938,677
Fund balances, end of year	\$ 745,231	\$ -	\$ 414	\$ 714	\$ 492	\$ 26,864	\$ 12,271	\$ 10,806	\$ 3,457	\$ 8,044	\$ 42,142	\$ 45,065	\$ 273	\$ 17,190	\$ 274	\$ 11,401	\$ 21,454	\$ 946,092

See independent auditor's report and notes to the financial statements.

Mississippi County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Various Funds-Cash Basis
For the year ended December 31, 2007

	Carry Forward		Financial	Collection Surf		Election Services	Total Non-Major Governmental
	Subtotal	Law Library	Institution Tax	Tax	S.B. 40	Fund	Funds
Revenues							
Property & other taxes	\$ 112,212	\$ -	\$ -	\$ -	\$ 161,337	\$ -	\$ 273,549
Sales taxes	227,141	-	-	-	-	-	227,141
Charges for services	102,371	8,516	-	-	-	-	110,887
Interest income	43,745	79	391	-	-	153	44,368
Intergovernmental	545,863	-	-	-	34	1,966	547,863
Miscellaneous	5,209	-	1,008	12,851	-	-	19,068
Total revenues	<u>1,036,541</u>	<u>8,595</u>	<u>1,399</u>	<u>12,851</u>	<u>161,371</u>	<u>2,119</u>	<u>1,222,876</u>
Expenditures							
General county government	407,801	-	-	-	-	512	408,313
Road & bridge	60,607	-	-	-	-	-	60,607
Health and welfare	225,035	-	-	-	-	-	225,035
Property valuation, assesment & recording	185,913	-	-	-	-	-	185,913
Administration of justice & law	197,432	7,242	-	-	-	-	204,674
Capital outlay:							
Property, equipment, & buildings	-	-	-	-	-	-	-
Debt service:							
Principal	5,000	-	-	-	-	-	5,000
Interest and paying agent fee	6,568	-	-	-	-	-	6,568
Total expenditures	<u>1,088,356</u>	<u>7,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>1,096,110</u>
Excess of revenues over (under) expenditures	<u>(51,815)</u>	<u>1,353</u>	<u>1,399</u>	<u>12,851</u>	<u>161,371</u>	<u>1,607</u>	<u>126,766</u>
Other financing sources (uses):							
Proceeds from loan	-	-	-	-	-	-	-
Transfer in	59,230	-	-	-	-	-	59,230
Transfer out	-	-	(1,399)	(13,626)	(161,371)	-	(176,396)
Insurance proceeds	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>59,230</u>	<u>-</u>	<u>(1,399)</u>	<u>(13,626)</u>	<u>(161,371)</u>	<u>-</u>	<u>(117,166)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>7,415</u>	<u>1,353</u>	<u>-</u>	<u>(775)</u>	<u>-</u>	<u>1,607</u>	<u>9,599</u>
Fund balances, beginning of year	938,677	15,784	-	3,545	-	3,073	961,079
Fund balances, end of year	<u>\$ 946,092</u>	<u>\$ 17,137</u>	<u>\$ -</u>	<u>\$ 2,770</u>	<u>\$ -</u>	<u>\$ 4,680</u>	<u>\$ 970,679</u>

Mississippi County, Missouri
Combining Statement of Fiduciary Net Assets-Various Funds
Agency Funds-Cash Basis
For the year ended December 31, 2007

	County	Public			Total Statement
	Collector Fund	Administrator		Fines &	of Fiduciary Net
Assets		Trust	CERF	Forfeitures	Assets
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	4,870,941	110,762	2,394	71,678	5,055,775
Restricted assets-investments	-	-	-	-	-
Total Assets	4,870,941	110,762	2,394	71,678	5,055,775
Liabilities					
Due to agencies and political subdivisions	4,870,941	-	2,394	71,678	4,945,013
Due to other funds	-	-	-	-	-
Due to others	-	110,762	-	-	110,762
Total Liabilities	\$ 4,870,941	\$ 110,762	\$ 2,394	\$ 71,678	\$ 5,055,775

See independent auditor's report and notes to the financial statements.



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wright County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wright County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-48

WRIGHT COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720(ofc)/(314)-869-5955(fax)
charlesbuchanan8@aol.com

**WRIGHT COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
Financial Statements	
Statement of Net Assets-Variou s Funds	3
Statement of Activities-Variou s Funds - 2007	4
Statement of Activities-Variou s Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combined Balance Sheet-Governmental Funds - 2007	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combined Balance Sheet-Governmental Funds - 2006	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
Notes to the Financial Statements	15-17
Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	20-21
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	22-23
Combining Balance Sheet-Non-Major Governmental Funds – 2006	24-25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	26-27
Combining Statement of Fiduciary Net Assets – 2007	28
Combining Statement of Fiduciary Net Assets – 2006	29

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

INDEPENDENT AUDITOR'S REPORT

To the County Commission and Officeholders of
Wright County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, management has not adopted Government Accounting Standards Board Statement No. 34. These financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wright County, Missouri, as of December 31, 2007 and 2006, or the respective changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC

St. Louis, Missouri

August 15, 2008

FINANCIAL STATEMENTS

Wright County, Missouri
Statement of Net Assets-Variou s Funds
Cash Basis
For the Year Ended December 31,

	2007	2006
	Governmental	Governmental
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>
Cash	\$ 233,638	\$ 246,476
Investments	-	-
Restricted assets-cash	630,522	773,954
Restricted assets-investments	-	-
Total assets	<u>864,160</u>	<u>1,020,430</u>

<u>Net Assets</u>		
Net assets, net of related debt	-	-
Unrestricted	233,638	246,476
Restricted	630,522	773,954
Total Net Assets	<u>\$ 864,160</u>	<u>\$ 1,020,430</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2007

		Program Revenues			Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Governmental Activities					
General county government	\$ (896,414)	\$ 557,532	\$ 33,409	\$ -	\$ (305,473)
Road & bridge	(2,200,947)	183,642	-	-	(2,017,305)
Health and welfare	(125,927)	-	43,507	-	(82,420)
Property valuation, assessments & recording	(228,086)	14,611	-	-	(213,475)
Administration of justice & law	(1,139,268)	72,206	60,621	-	(1,006,441)
Capital outlay	(436,618)	-	-	89,054	(347,564)
Debt services	-	-	-	-	-
Total Governmental Activities	\$ (5,027,260)	\$ 827,991	\$ 137,537	\$ 89,054	(3,972,678)

General revenues:

Taxes:

Personal property taxes, levied	41,521
Sales tax	1,727,014
Intergovernmental revenues	1,383,858
Investment income	45,218
Miscellaneous	618,797
Total general revenues	3,816,408
Changes in net assets	(156,270)
Beginning cash assets	1,020,430
Ending cash assets	\$ 864,160

Wright County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2006

	Program Revenues				Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (838,805)	\$ 305,024	\$ 14,397	\$ -	\$ (519,384)
Road & bridge	(1,372,251)	141,192	-	-	(1,231,059)
Health and welfare	(235,418)	-	22,014	-	(213,404)
Property valuation & recording	(187,218)	110,484	-	-	(76,734)
Administration of justice & law	(1,070,002)	126,365	70,460	-	(873,177)
Capital outlay	(688,458)	-	-	65,818	(622,640)
Debt services	-	-	-	-	-
Total governmental activities	\$ (4,392,152)	\$ 683,065	\$ 106,871	\$ 65,818	(3,536,398)

General revenues:

Taxes:

Personal property taxes, levied	51,314
Sales taxes	1,668,305
Intergovernmental revenues	1,706,625
Investment income	38,641
Miscellaneous	66,302

Total general revenues and transfers

3,531,187

Changes in net assets

(5,211)

Beginning net assets

1,025,641

Ending net assets

\$ 1,020,430

Wright County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Balance Sheet - Governmental Funds -Total Fund Balances-Cash Basis	\$ 864,160	\$ 1,020,430
Amounts reported for governmental activities of the statement of net assets are different because:		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.		
Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	-	-
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt	-	-
Accrued interest	<u>-</u>	<u>-</u>
Subtotal	-	-
Government-wide Statement of Net Assets--Total Net Assets-Cash Basis	<u><u>\$ 864,160</u></u>	<u><u>\$ 1,020,430</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Reconciliation of Changes in Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds-Cash Basis	\$ (156,270)	\$ (5,211)
 Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets		
Debt issued	-	-
Principle payments	-	-
Compensated absences	-	-
Interest expense	-	-
 Government-wide Statement of Activities--Changes in net assets - Governmental Activities-Cash Basis	 <u><u>\$ (156,270)</u></u>	 <u><u>\$ (5,211)</u></u>

Wright County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31,

	2007			2006		
	Private Purpose			Private Purpose		
<u>Assets</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash-restricted	5,903,126	-	5,903,126	4,974,293	-	4,974,293
Investments	-	-	-	-	-	-
Total assets	<u>5,903,126</u>	<u>-</u>	<u>5,903,126</u>	<u>4,974,293</u>	<u>-</u>	<u>4,974,293</u>
<u>Liabilities</u>						
Due to agencies and political subdivisions	5,903,126	-	5,903,126	4,974,293	-	4,974,293
Due to other funds	-	-	-	-	-	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>\$ 5,903,126</u>	<u>\$ -</u>	<u>\$ 5,903,126</u>	<u>\$ 4,974,293</u>	<u>\$ -</u>	<u>\$ 4,974,293</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Major Funds		Non-Major	Total
	General	Special	Governmental	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Road & Bridge Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash	\$ 233,638	\$ -	\$ -	\$ 233,638
Investments	-	-	-	-
Restricted assets-cash	-	130,713	499,809	630,522
Restricted assets-investments	-	-	-	-
Total assets	<u>233,638</u>	<u>130,713</u>	<u>499,809</u>	<u>864,160</u>
Fund balances				
Reserved for debt services	-	-	-	-
Reserved	-	130,713	499,809	630,522
Unreserved	233,638	-	-	233,638
Total fund balances	<u>\$ 233,638</u>	<u>\$ 130,713</u>	<u>\$ 499,809</u>	<u>\$ 864,160</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2007

	Major Funds		Non-Major	Total
	General	Special	Governmental	Governmental
	Fund	Road & Bridge Fund	Funds	Funds
Revenues				
Property & other taxes	\$ 41,521	\$ -	\$ -	\$ 41,521
Sales taxes	804,526	803,353	119,135	1,727,014
Charges for services	256,272	-	571,719	827,991
Investment income	15,273	10,041	19,904	45,218
Intergovernmental	280,794	732,456	597,199	1,610,449
Miscellaneous	19,700	7,190	591,907	618,797
Total revenues	1,418,086	1,553,040	1,899,864	4,870,990
Expenditures				
General county government	838,037	-	58,377	896,414
Road & bridge	-	1,176,445	1,024,502	2,200,947
Health and welfare	43,507	-	82,420	125,927
Property valuation, assessment & recording	23,733	-	204,353	228,086
Administration of justice & law	542,128	-	597,140	1,139,268
Capital outlay:				
Property, equipment, & buildings	8,581	303,187	124,850	436,618
Debt service:				
Principal & interest expense	-	-	-	-
Total expenditures	1,455,986	1,479,632	2,091,642	5,027,260
Excess deficiency of revenues over (under) expenditures	(37,900)	73,408	(191,778)	(156,270)
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	69,884	-	49,163	119,047
Transfer out	(44,822)	(69,884)	(4,341)	(119,047)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	25,062	(69,884)	44,822	-
Excess of revenues and other sources over (under) expenditures and other uses	(12,838)	3,524	(146,956)	(156,270)
Fund balances, beginning of year	246,476	127,189	646,765	1,020,430
Fund balances, end of year	\$ 233,638	\$ 130,713	\$ 499,809	\$ 864,160

Wright County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Road & Bridge Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 246,476	\$ -	\$ -	\$ 246,476
Investments	-	-	-	-
Restricted assets-cash	-	127,189	646,765	773,954
Restricted assets-investments	-	-	-	-
Total assets	<u>246,476</u>	<u>127,189</u>	<u>646,765</u>	<u>1,020,430</u>
 <u>Fund balances</u>				
Reserved for debt service	-	-	-	-
Reserved	-	127,189	646,765	773,954
Unreserved	246,476	-	-	246,476
Total fund balances	<u>\$ 246,476</u>	<u>\$ 127,189</u>	<u>\$ 646,765</u>	<u>\$ 1,020,430</u>

Wright County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2006

	Major Funds		Non-Major	Total
	General Fund	Special Road & Bridge Fund	Governmental Funds	Governmental Funds
Revenues				
Property & other taxes	\$ 51,314	\$ -	\$ -	\$ 51,314
Sales taxes	774,641	772,711	120,953	1,668,305
Fines, fees, licenses, and permits	-	-	-	-
Charges for services	270,896	-	412,169	683,065
Interest income	17,996	3,469	17,176	38,641
Intergovernmental	341,289	788,498	749,527	1,879,314
Miscellaneous	20,896	11,225	34,181	66,302
Total revenues	1,477,032	1,575,903	1,334,006	4,386,941
Expenditures				
General county government	791,862	-	46,943	838,805
Road & bridge	-	1,087,773	284,478	1,372,251
Health and welfare	22,014	-	213,404	235,418
Property valuation, assessment & recording	23,428	-	163,790	187,218
Administration of justice & law	554,226	-	515,776	1,070,002
Capital outlay:				
Property, equipment, & buildings	22,241	589,890	76,327	688,458
Debt service:				
Principal & interest expense	-	-	-	-
Total expenditures	1,413,771	1,677,663	1,300,718	4,392,152
Excess deficiency of revenues over (under) expenditures	63,261	(101,760)	33,288	(5,211)
Other financing sources (uses)				
Proceeds from loan	-	-	-	-
Transfer in	301	-	56,704	57,005
Transfer out	(56,704)	-	(301)	(57,005)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(56,403)	-	56,403	-
Excess of revenues and other sources over (under) expenditures and other uses	6,858	(101,760)	89,691	(5,211)
Fund balances, beginning of year	239,618	228,949	557,074	1,025,641
Fund balances, end of year	\$ 246,476	\$ 127,189	\$ 646,765	\$ 1,020,430

REQUIRED SUPPLEMENTAL INFORMATION

Wright County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2007

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance from Final Budget	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final			Original	Final		
Revenues:								
Realty, property taxes	\$ 40,000	\$ 40,000	\$ 41,521	\$ 1,521	\$ -	\$ -	\$ -	\$ -
Sales taxes	839,000	839,000	804,526	(34,474)	780,000	780,000	803,353	23,353
Charges for services	280,300	280,300	256,272	(24,028)	-	-	-	-
Intergovernmental	281,059	281,059	280,794	(265)	728,800	728,800	732,456	3,656
Investment income	22,000	22,000	15,273	(6,727)	3,500	3,500	10,041	6,541
Miscellaneous	17,654	17,654	19,700	2,046	6,220	6,220	7,190	970
Total revenue	1,480,014	1,480,014	1,418,086	(61,928)	1,518,520	1,518,520	1,553,040	34,520
Expenditures:								
General county government	901,317	883,863	838,037	(45,826)	-	-	-	-
Road & bridge	-	-	-	-	1,151,125	1,359,548	1,176,445	(183,103)
Health and welfare	48,439	48,439	43,507	(4,932)	-	-	-	-
Property valuation assessment & recording	29,330	26,011	23,733	(2,278)	-	-	-	-
Administration of justice & law	570,546	547,027	542,128	(4,899)	-	-	-	-
Capital outlay	22,418	9,418	8,581	(837)	331,500	531,500	303,187	(228,313)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	1,572,049	1,514,758	1,455,986	(58,772)	1,482,625	1,891,048	1,479,632	(411,416)
Excess of revenues over (under) expenditures	(92,035)	(34,744)	(37,900)	(3,156)	35,895	(372,528)	73,408	445,936
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	75,090	75,090	69,884	(5,206)	430,000	430,000	-	(430,000)
Transfer out	(43,000)	(40,336)	(44,822)	(4,486)	(25,000)	(53,000)	(69,884)	(16,884)
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	32,090	34,754	25,062	(9,692)	405,000	377,000	(69,884)	(446,884)
Excess of revenues and other sources over (under) expenditures and other uses	(59,945)	10	(12,838)	(12,848)	440,895	4,472	3,524	(948)
Fund balances, beginning of year	246,476	246,476	246,476	-	127,189	127,189	127,189	-
Fund balances, end of year	\$ 186,531	\$ 246,486	\$ 233,638	\$ (12,848)	\$ 568,084	\$ 131,661	\$ 130,713	\$ (948)

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2006

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Variance from		Budgeted Amounts		Variance from	
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Revenues:								
Property/realty taxes	\$ 50,000	\$ 50,000	\$ 51,314	\$ 1,314	\$ -	\$ -	\$ -	\$ -
Sales taxes	765,000	765,000	774,641	9,641	765,000	765,000	772,711	7,711
Charges for services	261,150	261,150	270,896	9,746	-	-	-	-
Intergovernmental	315,994	315,994	341,289	25,295	1,182,000	1,182,000	788,498	(393,502)
Investment income	13,000	13,000	17,996	4,996	8,500	8,500	3,469	(5,031)
Miscellaneous	18,026	18,026	20,896	2,870	5,900	5,900	11,225	5,325
Total revenue	<u>1,423,170</u>	<u>1,423,170</u>	<u>1,477,032</u>	<u>53,862</u>	<u>1,961,400</u>	<u>1,961,400</u>	<u>1,575,903</u>	<u>(385,497)</u>
Expenditures:								
General county government	886,375	890,942	791,862	(99,080)	-	-	-	-
Road & bridge	-	-	-	-	1,749,440	1,764,440	1,087,773	(676,667)
Health and welfare	31,800	26,507	22,014	(4,493)	-	-	-	-
Property valuation assessment & recording	26,964	23,697	23,428	(269)	-	-	-	-
Administration of justice & law	592,089	555,452	554,226	(1,226)	-	-	-	-
Capital outlay	12,854	12,854	22,241	9,387	317,615	317,615	589,890	272,275
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	<u>1,550,082</u>	<u>1,509,451</u>	<u>1,413,771</u>	<u>(95,680)</u>	<u>2,067,055</u>	<u>2,082,055</u>	<u>1,677,663</u>	<u>(404,392)</u>
Excess of revenues over (under) expenditures	<u>(126,912)</u>	<u>(86,281)</u>	<u>63,261</u>	<u>149,542</u>	<u>(105,655)</u>	<u>(120,655)</u>	<u>(101,760)</u>	<u>18,895</u>
Other financing sources (uses):								
Transfer in	126,715	126,715	301	(126,414)	-	-	-	-
Transfer out	(24,000)	(39,736)	(56,704)	(16,968)	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	<u>102,715</u>	<u>86,980</u>	<u>(56,403)</u>	<u>(143,383)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(24,197)</u>	<u>699</u>	<u>6,858</u>	<u>6,159</u>	<u>(205,655)</u>	<u>(220,655)</u>	<u>(101,760)</u>	<u>118,895</u>
Fund balances, beginning of year	<u>239,618</u>	<u>239,618</u>	<u>239,618</u>	<u>-</u>	<u>228,949</u>	<u>228,949</u>	<u>228,949</u>	<u>-</u>
Fund balances, end of year	<u>\$ 215,421</u>	<u>\$ 240,317</u>	<u>\$ 246,476</u>	<u>\$ 6,159</u>	<u>\$ 23,294</u>	<u>\$ 8,294</u>	<u>\$ 127,189</u>	<u>\$ 118,895</u>

NOTES TO THE FINANCIAL STATEMENTS

WRIGHT COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioner, an elected county official. The County Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

The County has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to Wright County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards.

The County maintains an unclaimed fees account, when unclaimed amounts are routinely deposited. The County holds cash balances as an agent and fund custodian.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the year ended December 31, 2006 in the Prosecuting Attorney Delinquent Fund and for the year ended December 31, 2007 in the Computer Upgrade & Remodeling Fund, and Recorder Technology Fund. The County IDA Fund had unbudgeted court ordered transfers for years ended December 31, 2006 and 2007.

D. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

WRIGHT COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 2. CASH

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Wright County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

A. County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's

WRIGHT COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 3. RETIREMENT PLANS (continued)

Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955(Fax)
charlesbuchanan8@aol.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Commissioners of
Wright County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce information regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

WRIGHT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Wright County, Missouri, on the applicable findings in the prior audit report issued by the independent auditor for the two years ended December 31, 2003 and 2002.

The audit report did not disclose any noncompliance and internal control findings that are material to the financial statements of the county.

SUPPLEMENTAL INFORMATION

Wright County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Law Enforcement Fund	Sheriff Fees Funds	Inmate Security Fund	Prosecuting Atty Training Fund	Law Enforcement PC Fund	Domestic Shelter Fund	Computer Upgrade & Remodeling Fund	Election Services Fund	Recorder User Fee Fund	Recorder Technology Fund	Plat Book Fund	HAVA Fund	Assessor Technology Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	152	4,366	12,631	18,455	1,850	4,646	41	549	8,022	110,082	1,998	10,191	-	17,420	190,403
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	152	4,366	12,631	18,455	1,850	4,646	41	549	8,022	110,082	1,998	10,191	-	17,420	190,403
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	152	4,366	12,631	18,455	1,850	4,646	41	549	8,022	110,082	1,998	10,191	-	17,420	190,403
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 152	\$ 4,366	\$ 12,631	\$ 18,455	\$ 1,850	\$ 4,646	\$ 41	\$ 549	\$ 8,022	\$ 110,082	\$ 1,998	\$ 10,191	\$ -	\$ 17,420	\$ 190,403

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Subtotal	Concealed Weapons Fund	County Restitution Fund	Prosecuting Atty Delinq Fund	County R&B IDA Fund	County IDA Fund	PA Bad Check Fund	Tax Mainten ance Fund	Juvenile Center Fund	SB40 Board Fund	Ass Circuit Div Interest Fund	Circuit Clerk Interest Fund	Law Library Fund	Election Depreciation HAVA Income Fund	Election Depreciation HAVA Income Fund	Total Non- Major Governmental Funds
Assets																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	190,403	9,777	4,874	5,001	-	-	13,156	7,224	65,787	184,860	391	5,489	5,243	7,213	391	499,809
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	190,403	9,777	4,874	5,001	-	-	13,156	7,224	65,787	184,860	391	5,489	5,243	7,213	391	499,809
Fund balances																
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	190,403	9,777	4,874	5,001	-	-	13,156	7,224	65,787	184,860	391	5,489	5,243	7,213	391	499,809
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 190,403	\$ 9,777	\$ 4,874	\$ 5,001	\$ -	\$ -	\$ 13,156	\$ 7,224	\$ 65,787	\$ 184,860	\$ 391	\$ 5,489	\$ 5,243	\$ 7,213	\$ 391	\$ 499,809

Wright County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Sheriff Fees Fund	Inmate Security Fund	Prosecuting Atty Training Fund	Law Enforcement PC Fund	Domestic Shelter Fund	Computer Upgrade & Remodeling Fund	Election Services Fund	Recorder User Fee Fund	Recorder Technology Fund	Plat Book Fund	HAVA Fund	Assessor Technology Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	798	4,636	36,449	4,583	1,158	-	-	-	-	7,928	5,885	-	-	-	61,437
Interest income	788	174	1,081	784	118	370	16	659	480	5,205	772	351	1,070	1,326	13,194
Intergovernmental	125,964	-	-	-	-	2,184	680	-	3,507	-	-	-	2,742	13,199	148,276
Miscellaneous	4,603	-	21,914	-	494	-	-	-	451	-	-	6,621	-	-	34,083
Total revenues	<u>132,153</u>	<u>4,810</u>	<u>59,444</u>	<u>5,367</u>	<u>1,770</u>	<u>2,554</u>	<u>696</u>	<u>659</u>	<u>4,438</u>	<u>13,133</u>	<u>6,657</u>	<u>6,972</u>	<u>3,812</u>	<u>14,525</u>	<u>256,990</u>
Expenditures															
General county government	-	4,941	-	-	-	5,182	-	-	3,420	-	-	3,867	18,814	-	36,224
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	696	-	-	-	-	-	-	-	696
Property valuation, assessment & recording	170,607	-	-	-	-	-	-	-	-	2,206	26,920	-	-	4,620	204,353
Administration of justice & law	-	-	71,328	-	3,350	-	-	6,013	-	-	-	-	-	-	80,691
<i>Capital outlay:</i>															
Property, equipment, & buildings	-	-	10,490	-	-	91	-	17,312	-	-	-	-	89,084	5,184	122,161
<i>Debt service:</i>															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>170,607</u>	<u>4,941</u>	<u>81,818</u>	<u>-</u>	<u>3,350</u>	<u>5,273</u>	<u>696</u>	<u>23,325</u>	<u>3,420</u>	<u>2,206</u>	<u>26,920</u>	<u>3,867</u>	<u>107,898</u>	<u>9,804</u>	<u>444,125</u>
Excess of revenues over (under) expenditures	<u>(38,454)</u>	<u>(131)</u>	<u>(22,374)</u>	<u>5,367</u>	<u>(1,580)</u>	<u>(2,719)</u>	<u>-</u>	<u>(22,666)</u>	<u>1,018</u>	<u>10,927</u>	<u>(20,263)</u>	<u>3,105</u>	<u>(104,086)</u>	<u>4,721</u>	<u>(187,135)</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	29,774	1,150	11,335	-	-	-	-	-	-	-	-	-	-	-	42,259
Transfer out	-	-	-	-	-	-	-	-	(1,150)	-	-	-	-	(3,191)	(4,341)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>29,774</u>	<u>1,150</u>	<u>11,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,191)</u>	<u>37,918</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(8,680)</u>	<u>1,019</u>	<u>(11,039)</u>	<u>5,367</u>	<u>(1,580)</u>	<u>(2,719)</u>	<u>-</u>	<u>(22,666)</u>	<u>(132)</u>	<u>10,927</u>	<u>(20,263)</u>	<u>3,105</u>	<u>(104,086)</u>	<u>1,530</u>	<u>(149,217)</u>
Fund balances, beginning of year	8,832	3,347	23,670	13,088	3,430	7,365	41	23,215	8,154	99,155	22,261	7,086	104,086	15,890	339,620
Fund balances, end of year	<u>\$ 152</u>	<u>\$ 4,366</u>	<u>\$ 12,631</u>	<u>\$ 18,455</u>	<u>\$ 1,850</u>	<u>\$ 4,646</u>	<u>\$ 41</u>	<u>\$ 549</u>	<u>\$ 8,022</u>	<u>\$ 110,082</u>	<u>\$ 1,998</u>	<u>\$ 10,191</u>	<u>\$ -</u>	<u>\$ 17,420</u>	<u>\$ 190,403</u>

Wright County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

				County							Ass					Total Non-
	Subtotal	Concealed Weapons Fund	County Restitution Fund	Prosecuting Atty Delinq Fund	R&B IDA Fund	County IDA Fund	PA Bad Check Fund	Tax Maintenance Fund	Juvenile Center Fund	SB40 Board Fund	Circuit Clerk Div Interest Fund	Circuit Clerk Interest Fund	Law Library Fund	Election Depreciation HAVA Income Fund	Circuit Court Over/Under Fund	Major Governmental Funds
Revenues																
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	119,135	-	-	-	-	-	119,135
Charges for services	61,437	4,503	-	2,324	183,642	278,509	16,612	17,115	-	-	-	-	6,375	1,000	202	571,719
Interest income	13,194	390	234	194	406	4,121	-	-	-	-	215	805	-	332	13	19,904
Intergovernmental	148,276	-	334	-	-	-	-	-	448,589	-	-	-	-	-	-	597,199
Miscellaneous	34,083	-	-	-	-	557,824	-	-	-	-	-	-	-	-	-	591,907
Total revenues	<u>256,990</u>	<u>4,893</u>	<u>568</u>	<u>2,518</u>	<u>184,048</u>	<u>840,454</u>	<u>16,612</u>	<u>17,115</u>	<u>448,589</u>	<u>119,135</u>	<u>215</u>	<u>805</u>	<u>6,375</u>	<u>1,332</u>	<u>215</u>	<u>1,899,864</u>
Expenditures																
General county government	36,224	-	-	-	-	-	-	22,153	-	-	-	-	-	-	-	58,377
Road & bridge	-	-	-	-	184,048	840,454	-	-	-	-	-	-	-	-	-	1,024,502
Health and welfare	696	-	-	-	-	-	-	-	-	81,724	-	-	-	-	-	82,420
Property valuation, assesment & recording	204,353	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204,353
Administration of justice & law	80,691	1,030	-	-	-	-	18,813	-	489,571	-	-	1,885	5,150	-	-	597,140
<i>Capital outlay:</i>																
Property, equipment, & buildings	122,161	-	-	-	-	-	-	-	-	-	-	-	-	2,689	-	124,850
<i>Debt service:</i>																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>444,125</u>	<u>1,030</u>	<u>-</u>	<u>-</u>	<u>184,048</u>	<u>840,454</u>	<u>18,813</u>	<u>22,153</u>	<u>489,571</u>	<u>81,724</u>	<u>-</u>	<u>1,885</u>	<u>5,150</u>	<u>2,689</u>	<u>-</u>	<u>2,091,642</u>
Excess of revenues over (under) expenditures	<u>(187,135)</u>	<u>3,863</u>	<u>568</u>	<u>2,518</u>	<u>-</u>	<u>-</u>	<u>(2,201)</u>	<u>(5,038)</u>	<u>(40,982)</u>	<u>37,411</u>	<u>215</u>	<u>(1,080)</u>	<u>1,225</u>	<u>(1,357)</u>	<u>215</u>	<u>(191,778)</u>
Other financing sources (uses):																
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	42,259	-	-	-	-	-	-	-	-	-	-	-	-	6,904	-	49,163
Transfer out	(4,341)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,341)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>37,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,904</u>	<u>-</u>	<u>44,822</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(149,217)</u>	<u>3,863</u>	<u>568</u>	<u>2,518</u>	<u>-</u>	<u>-</u>	<u>(2,201)</u>	<u>(5,038)</u>	<u>(40,982)</u>	<u>37,411</u>	<u>215</u>	<u>(1,080)</u>	<u>1,225</u>	<u>5,547</u>	<u>215</u>	<u>(146,956)</u>
Fund balances, beginning of year	339,620	5,914	4,306	2,483	-	-	15,357	12,262	106,769	147,449	176	6,569	4,018	1,666	176	646,765
Fund balances, end of year	<u>\$ 190,403</u>	<u>\$ 9,777</u>	<u>\$ 4,874</u>	<u>\$ 5,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,156</u>	<u>\$ 7,224</u>	<u>\$ 65,787</u>	<u>\$ 184,860</u>	<u>\$ 391</u>	<u>\$5,489</u>	<u>\$ 5,243</u>	<u>\$ 7,213</u>	<u>\$ 391</u>	<u>\$ 499,809</u>

Wright County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Law Enforcement Training Fund	Sheriff Fees Funds	Inmate Security Fund	Prosecuting Atty Training	Law Enforcement PC Fund	Domestic Shelter Fund	Computer Upgrade & Remodeling Fund	Election Services Fund	Recorder User Fee Fund	Recorder Technology Fund	Plat Book Fund	HAVA Fund	Assessor Technology fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	8,832	3,347	23,670	13,088	3,430	7,365	41	23,215	8,154	99,155	22,261	7,086	104,086	15,890	339,620
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	8,832	3,347	23,670	13,088	3,430	7,365	41	23,215	8,154	99,155	22,261	7,086	104,086	15,890	339,620
Fund balances															
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	8,832	3,347	23,670	13,088	3,430	7,365	41	23,215	8,154	99,155	22,261	7,086	104,086	15,890	339,620
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 8,832	\$ 3,347	\$ 23,670	\$ 13,088	\$ 3,430	\$ 7,365	\$ 41	\$ 23,215	\$ 8,154	\$ 99,155	\$ 22,261	\$ 7,086	\$ 104,086	\$ 15,890	\$ 339,620

See Independent Auditor's Report and Notes to the Financial Statements

Oregon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

		Concealed	County	Prosecuting	County	County	PA Bad	Tax	Juvenile	SB40 Board	Ass	Circuit	Law	Election	Circuit Court	Total Non-
	Subtotal	Weapons	Restitution	Atty Delinq	R&B	IDA	Check	Maintenance	Center	Fund	Circuit	Clerk	Library	Depreciation	Over/Under	Major
		Fund	Fund	Fund	IDA	Fund	Fund	Fund	Fund	Fund	Div	Interest	Fund	HAVA	Fund	Governmental
					Fund						Interest	Fund		Income Fund		Funds
Assets																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	339,620	5,914	4,306	2,483	-	-	15,357	12,262	106,769	147,449	176	6,569	4,018	1,666	176	646,765
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	339,620	5,914	4,306	2,483	-	-	15,357	12,262	106,769	147,449	176	6,569	4,018	1,666	176	646,765
Fund balances																
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	339,620	5,914	4,306	2,483	-	-	15,357	12,262	106,769	147,449	176	6,569	4,018	1,666	176	646,765
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 339,620	\$ 5,914	\$ 4,306	\$ 2,483	\$ -	\$ -	\$ 15,357	\$ 12,262	\$ 106,769	\$ 147,449	\$ 176	\$ 6,569	\$ 4,018	\$ 1,666	\$ 176	\$ 646,765

See Independent Auditor's Report and Notes to the Financial Statements

Wright County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Law Enforcement Training Fund	Sheriff Fees Funds	Inmate Security Fund	Prosecuting Atty Training Fund	Law Enforcement PC Fund	Domestic Shelter Fund	Computer Upgrade & Remodeling Fund	Election Services Fund	Recorder User Fee Fund	Recorder Technology Fund	Plat Book Fund	HAVA Fund	Assessor Technology fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	1,838	7,112	38,991	4,688	1,194	-	-	-	-	8,844	5,989	-	-	-	68,656
Interest income	699	-	715	552	161	352	16	764	295	4,723	985	287	3,215	864	13,628
Intergovernmental	126,568	113	-	-	-	4,486	659	3,000	4,550	-	-	-	152,201	13,099	304,676
Miscellaneous	5,465	-	22,559	-	-	-	-	-	-	-	-	5,987	-	170	34,181
Total revenues	<u>134,570</u>	<u>7,225</u>	<u>62,265</u>	<u>5,240</u>	<u>1,355</u>	<u>4,838</u>	<u>675</u>	<u>3,764</u>	<u>4,845</u>	<u>13,567</u>	<u>6,974</u>	<u>6,274</u>	<u>155,416</u>	<u>14,133</u>	<u>421,141</u>
Expenditures															
General county government	-	5,553	-	-	-	3,124	-	11,663	1,435	-	-	11,942	2,423	-	36,140
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	706	-	-	-	-	-	-	-	706
Property valuation, assessment & recording	162,851	-	-	-	-	-	-	-	-	289	-	-	-	650	163,790
Administration of justice & law	-	-	61,075	-	354	-	-	-	-	-	-	-	-	-	61,429
<i>Capital outlay:</i>															
Property, equipment, & buildings	-	-	2,056	-	-	-	-	677	-	-	1,803	-	65,818	5,973	76,327
<i>Debt service:</i>															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>162,851</u>	<u>5,553</u>	<u>63,131</u>	<u>-</u>	<u>354</u>	<u>3,124</u>	<u>706</u>	<u>12,340</u>	<u>1,435</u>	<u>289</u>	<u>1,803</u>	<u>11,942</u>	<u>68,241</u>	<u>6,623</u>	<u>338,392</u>
Excess of revenues over (under) expenditures	<u>(28,281)</u>	<u>1,672</u>	<u>(866)</u>	<u>5,240</u>	<u>1,001</u>	<u>1,714</u>	<u>(31)</u>	<u>(8,576)</u>	<u>3,410</u>	<u>13,278</u>	<u>5,171</u>	<u>(5,668)</u>	<u>87,175</u>	<u>7,510</u>	<u>82,749</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	35,000	-	11,336	-	-	-	-	10,000	-	-	-	-	-	-	56,336
Transfer out	-	(301)	-	-	-	-	-	-	-	-	-	-	-	-	(301)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>35,000</u>	<u>(301)</u>	<u>11,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,035</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>6,719</u>	<u>1,371</u>	<u>10,470</u>	<u>5,240</u>	<u>1,001</u>	<u>1,714</u>	<u>(31)</u>	<u>1,424</u>	<u>3,410</u>	<u>13,278</u>	<u>5,171</u>	<u>(5,668)</u>	<u>87,175</u>	<u>7,510</u>	<u>138,784</u>
Net assets, beginning of year	2,113	1,976	13,200	7,848	2,429	5,651	72	21,791	4,744	85,877	17,090	12,754	16,911	8,380	200,836
Net assets, end of year	<u>\$ 8,832</u>	<u>\$ 3,347</u>	<u>\$ 23,670</u>	<u>\$ 13,088</u>	<u>\$ 3,430</u>	<u>\$ 7,365</u>	<u>\$ 41</u>	<u>\$ 23,215</u>	<u>\$ 8,154</u>	<u>\$ 99,155</u>	<u>\$ 22,261</u>	<u>\$ 7,086</u>	<u>\$ 104,086</u>	<u>\$ 15,890</u>	<u>\$ 339,620</u>

Wright County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Subtotal	Concealed Weapons Fund	County Restitution Fund	Prosecuting Atty Delinq Fund	County R&B IDA Fund	County IDA Fund	PA Bad Check Fund	Tax Maintenance Fund	Juvenile Center Fund	SB40 Board Fund	Circuit Div Interest Fund	Circuit Clerk Interest Fund	Law Library Fund	Deprec HAVA Income Fund	Circuit Court Over/Under Fund	Total Non- Major Governmental Funds
Revenues																
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	120,953	-	-	-	-	-	120,953
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	68,656	2,062	-	1,231	141,192	141,192	34,960	15,116	-	-	-	-	6,010	1,623	127	412,169
Interest income	13,628	244	122	84	805	1,289	-	-	-	-	132	824	-	43	5	17,176
Intergovernmental	304,676	-	3,816	-	-	-	-	-	441,035	-	-	-	-	-	-	749,527
Miscellaneous	34,181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,181
Total revenues	<u>421,141</u>	<u>2,306</u>	<u>3,938</u>	<u>1,315</u>	<u>141,997</u>	<u>142,481</u>	<u>34,960</u>	<u>15,116</u>	<u>441,035</u>	<u>120,953</u>	<u>132</u>	<u>824</u>	<u>6,010</u>	<u>1,666</u>	<u>132</u>	<u>1,334,006</u>
Expenditures																
General county government	36,140	-	-	-	-	-	-	10,803	-	-	-	-	-	-	-	46,943
Road & bridge	-	-	-	-	141,997	142,481	-	-	-	-	-	-	-	-	-	284,478
Health and welfare	706	-	-	-	-	-	-	-	-	212,698	-	-	-	-	-	213,404
Property valuation, assessment & recording	163,790	-	-	-	-	-	-	-	-	-	-	-	-	-	-	163,790
Administration of justice & law	61,429	299	-	218	-	-	24,520	-	422,397	-	-	991	5,922	-	-	515,776
<i>Capital outlay:</i>																
Property, equipment, & buildings	76,327	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,327
<i>Debt service:</i>																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>338,392</u>	<u>299</u>	<u>-</u>	<u>218</u>	<u>141,997</u>	<u>142,481</u>	<u>24,520</u>	<u>10,803</u>	<u>422,397</u>	<u>212,698</u>	<u>-</u>	<u>991</u>	<u>5,922</u>	<u>-</u>	<u>-</u>	<u>1,300,718</u>
Excess of revenues over (under) expenditures	<u>82,749</u>	<u>2,007</u>	<u>3,938</u>	<u>1,097</u>	<u>-</u>	<u>-</u>	<u>10,440</u>	<u>4,313</u>	<u>18,638</u>	<u>(91,745)</u>	<u>132</u>	<u>(167)</u>	<u>88</u>	<u>1,666</u>	<u>132</u>	<u>33,288</u>
Other financing sources (uses):																
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	56,336	-	368	-	-	-	-	-	-	-	-	-	-	-	-	56,704
Transfer out	(301)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(301)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>56,035</u>	<u>-</u>	<u>368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,403</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>138,784</u>	<u>2,007</u>	<u>4,306</u>	<u>1,097</u>	<u>-</u>	<u>-</u>	<u>10,440</u>	<u>4,313</u>	<u>18,638</u>	<u>(91,745)</u>	<u>132</u>	<u>(167)</u>	<u>88</u>	<u>1,666</u>	<u>132</u>	<u>89,691</u>
Net assets, beginning of year	200,836	3,907	-	1,386	-	-	4,917	7,949	88,131	239,194	44	6,736	3,930	-	44	557,074
Net assets, end of year	<u>\$ 339,620</u>	<u>\$ 5,914</u>	<u>\$ 4,306</u>	<u>\$ 2,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,357</u>	<u>\$ 12,262</u>	<u>\$106,769</u>	<u>\$147,449</u>	<u>\$ 176</u>	<u>\$ 6,569</u>	<u>\$ 4,018</u>	<u>\$ 1,666</u>	<u>\$ 176</u>	<u>\$ 646,765</u>

Wright County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2007

	All School Districts' Cash Balances	Other Accounts	Collector of Revenue	Public Administrator Accounts	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	33,746	570,503	4,345,184	953,693	5,903,126
Restricted assets-investments	-	-	-	-	-
Total Assets	<u>33,746</u>	<u>570,503</u>	<u>4,345,184</u>	<u>953,693</u>	<u>5,903,126</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	33,746	570,503	4,345,184	953,693	5,903,126
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total Liabilities	<u>\$ 33,746</u>	<u>\$ 570,503</u>	<u>\$ 4,345,184</u>	<u>\$ 953,693</u>	<u>\$ 5,903,126</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Wright County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2006

	All School Districts' Cash Balances	Other Accounts	Collector of Revenue	Public Administrator Accounts	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	61,071	27,622	3,887,041	998,560	4,974,293
Restricted assets-investments	-	-	-	-	-
Total assets	<u>61,071</u>	<u>27,622</u>	<u>3,887,041</u>	<u>998,560</u>	<u>4,974,293</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	61,071	27,622	3,887,041	998,560	4,974,293
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total liabilities	<u>\$ 61,071</u>	<u>\$ 27,622</u>	<u>\$ 3,887,041</u>	<u>\$ 998,560</u>	<u>\$ 4,974,293</u>



Susan Montee, JD, CPA
Missouri State Auditor

City of Ozark



May 2009

Report No. 2009-47

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following findings were included in our audit report on the city of Ozark:

Since 2004, the city of Ozark and the Ozark Land Clearance for Redevelopment Authority (LCRA) have spent approximately \$4 million on the Finley River Neighborhood Development District redevelopment project. Our review of the project identified questionable bidding practices and agreements that did not adequately protect the financial interests of the city. Litigation between the city and the original developer resulted in the city paying a settlement and obtaining ownership to property within the development. In addition, the city's financial condition has been impacted by the delays experienced in completing the project. Our review of this project also identified approval dates on some resolutions, ordinances, and contracts conflicted with board meeting minutes, the city and LCRA incurred excess interest costs on the purchase of property, and the city did not adequately document why some properties were purchased for more than appraised value. Potential conflicts of interest and an ineligible LCRA board member have been identified related to the redevelopment project, and the LCRA has not filed an annual report of its activities as required by law.

Bids were not solicited for some purchases in accordance with the city's procurement policy. The city's procurement policy does not establish time frames for which threshold amounts will apply, and fails to distinguish the handling of professional services such as legal, accounting, and engineering from other city purchases.

The city's Parks and Recreation Board paid \$1.5 million for approximately 58 acres to build a sports complex without obtaining an appraisal on the property. Some disbursements of the city did not appear to be prudent and necessary uses of public funds. The city has not established a comprehensive food policy or regulations regarding city provided food. Prevailing wage rates are not adequately monitored by the city and the city had to pay an additional \$2,918 for wages in a settlement agreement with the Missouri Department of Labor and Industrial Relations. The city has not evaluated the cost and distribution of cellular telephones and has no formal written policy regarding use.

Better controls and procedures are needed in the handling of city receipts by the various city departments. Several city collection points do not always record and reconcile the method of payment received to the composition of the monies deposited or transmitted to the city treasurer. Utility payments are not posted to the computerized accounting system in a timely manner. Accounting duties are not adequately segregated in some city departments nor are there periodic supervisory reviews in these departments to compensate for the lack of segregation. Additionally, the city has not developed adequate procedures to ensure adjustments made to utility accounts are proper, and some petty cash disbursements are not adequately documented.

YELLOW SHEET

Monies collected by the city's parks and recreation department for the annual Rubber Duck and Kinetic Kontraption Race are not deposited in the city treasury and neither the Board of Aldermen nor the Parks and Recreation Board monitor these funds. At September 30, 2008, approximately \$20,000 in race proceeds were being held by a non-profit organization in Springfield. Additionally, adequate supporting documentation was not maintained for cash prizes distributed including a \$5,000 first place award given in cash, and prize amounts were not properly reported to the Internal Revenue Service for income tax purposes.

The city needs to implement better controls over credit cards by establishing a written credit card policy. Many credit card purchases we reviewed did not have adequate supporting documentation and were not adequately reviewed and approved.

Board meeting procedures and minutes of the Board of Aldermen, LCRA Board, and Parks and Recreation Board need improvement. Procedures for handling and documenting closed meetings are not always in compliance with state law. Additionally, the city clerk could not locate some closed session minutes of the Board of Aldermen and the LCRA Board. Some meeting minutes did not always include sufficient detail of matters discussed or votes taken and were not legible. Further, the LCRA Board has not followed its own by-laws regarding the election of officers.

Controls over the city's 72 vehicles are not adequate. The city does not have a comprehensive vehicle use policy. Vehicle mileage and fuel logs are not maintained for most city vehicles. The city allows 13 employees to take city vehicles home at night, but does not track or report the value of personal automobile (commuting) use as compensation. Of these 13 employees, 8 live between 6 and 40 miles (one way) from the city limits. The city has not documented the benefit of allowing these individuals to commute in city owned vehicles.

The city failed to retain adequate documentation for the calculation of a substantial increase in water rates. The city had not increased water rates for approximately 7 years prior to the increase. Additionally, the city's procedures for contracting with other political subdivisions could be improved, and the city's 2008 budget did not include all information required by law.

All reports are available on our Web site: auditor.mo.gov

CITY OF OZARK
TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-35
<u>Number</u>	<u>Description</u>
1.	Redevelopment Project5
2.	Purchasing Policy11
3.	Disbursements.....13
4.	Accounting Controls in City Departments.....18
5.	Rubber Duck and Kinetic Kontraption Race23
6.	City Credit Cards25
7.	Board Minutes and By-laws27
8.	Vehicle Usage30
9.	Water Rates.....33
10.	Contract Procedures.....34
11.	Budgets35
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	36-38

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Ozark, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Ozark. The city engaged Mitchell, Roy & Wilson, Certified Public Accountants, to audit the city's financial statements for the year ended December 31, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Ozark.

An additional report, No. 2008-74, Thirty-Eighth Judicial Circuit, City of Ozark Municipal Division, was issued in November 2008.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Natalie McNish
	Michelle Crawford, M.Acct.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Redevelopment Project

On February 3, 2004, the citizens of the city voted to accept the provisions of Sections 99.300 through 99.660, RSMo, which created the LCRA. The LCRA is funded by the city with the purpose of redeveloping blighted areas through private enterprise. In June 2004, the Board of Aldermen passed an ordinance declaring approximately 45 acres, referred to as the FRNDD, blighted. The LCRA has purchased several properties within the FRNDD with loan proceeds, and the city is funding the loan payments until these properties are sold for development. In addition, the city has approved the Central Business District (which includes the FRNDD) as a Tax Increment Financing (TIF) District.

- 5-

developer by allowing Hagerman New Urbanism, LLC to purchase land within the FRNDD, to have final review of all interested developers and recommend a developer to the LCRA, and to further negotiate a development agreement.

Although the development proposal submitted by Finley River Development, LLC was the only proposal received, it failed to meet some of the minimum proposal requirements. However, the city still executed a development agreement with Finley River Development, LLC in March 2007. For example, the city's request for proposals outlined 12 minimum proposal requirements which included, "a letter from a financial institution stating at the very least that the developer is of sufficient financial strength and reputation that the institution would consider extending financing to the project." The proposal failed to include such a letter from a financial institution. Ultimately, the development agreement was terminated for lack of financing in March 2008, resulting in litigation. (See part B below.)

Additionally, the city also signed several contracts with a consulting firm for various administrative and financial consulting services related to the redevelopment project without soliciting proposals. The city has expended \$34,000 on these contracts.

Properly soliciting proposals allows the city to make a better-informed decision to ensure necessary services are obtained from the best qualified provider at the lowest and best cost. Using minimum proposal requirements is a good way to ensure each proposal meets the expectations of the city in quality and content. Accepting proposals that do not meet these minimum requirements increases the risk the firm will be unable to follow through with the contract and meet the level of quality expected by taxpayers. The city should ensure requests are worded in a manner which does not unnecessarily limit proposals received and which ensures obtaining the required product or service.

- B. Terms in the city's two agreements (redevelopment plan agreement and the development agreement) with Hagerman New Urbanism, LLC and Finley River Development, LLC do not appear to have adequately protected the city's financial investment in the project.
- The redevelopment plan agreement negotiated with Hagerman New Urbanism, LLC provided as an inducement an exclusive option to purchase all land within the FRNDD owned by the LCRA. This incentive had not been included in the request for proposals for this plan. Properties were purchased with this exclusive option, and additional properties were also purchased by Hagerman New Urbanism, LLC and related parties directly from land owners within

the FRNDD. The redevelopment plan agreement did not provide an avenue for the city to reacquire the property if the property was not developed.

- The development agreement set deadlines for Finley River Development, LLC to purchase all land within the FRNDD acquired by the LCRA and obtain financing totaling at least \$5 million. These terms were not met and the development agreement was subsequently terminated. In the event of termination, the agreement provided for the city to reimburse the developer for all expenses incurred, but the agreement did not limit the amount of expenses that could be claimed. As a result, the city's financial interest was not adequately protected. Further, the development agreement provided an option for the city to reacquire the properties purchased by the developer if they were not developed by 2012; however, the agreement did not provide a means for the city to reacquire the properties sooner if other terms of the agreement were not met.

Following the termination of the development agreement, Finley River Development, LLC filed legal action against the city for costs incurred and the city began condemnation proceedings to acquire the properties purchased through these agreements. The city settled the litigation in January 2009 by paying \$855,000 and obtaining ownership to the property within the FRNDD.

These agreements did not clearly define the responsibility of each party if contract terms were not met, and as a result, the city's financial interests were not adequately protected. City management should review future development project contracts to ensure the city's financial exposure is limited.

- C. The city's financial condition has been impacted by the delays experienced in completing the FRNDD redevelopment project. As of December 31, 2008, the city of Ozark has expended \$986,151 for this project, and through the LCRA, has outstanding loans totaling approximately \$2.1 million for land purchases. Additionally, the LCRA borrowed an additional \$855,000 to pay the former developer as a part of the settlement agreement. The following table shows a breakdown of disbursements for the FRNDD redevelopment project.

Loan payments through December 31, 2008	\$ 420,027
Earnest payments	73,500
Closing costs	53,134
Appraisals	28,300
Real estate taxes	14,086
Relocation expenses	3,000
Third Street project	156,698 ¹
Development & planning	99,100
Consultant fees	49,900
Demolition	33,385
Environmental study	30,180 ²
Outside legal fees	12,495 ³
Clean up mobile home park	11,561
Publication expenses	785
Total	<u>\$ 986,151</u>

Source: City financial records

¹The city received \$125,358 in federal grant funds to reimburse the city 80 percent of this project.

²The city received \$30,180 in DNR grant funds to reimburse the cost of this study.

³The costs associated with the attorney employed by the city are not tracked.

The city does not have adequate unrestricted funds to incur significant costs related to this project. For the last several years, expenditures of the city's General Fund have approximated revenues of the fund. According to the city's audit report, as of December 31, 2007, the city's unrestricted General Fund balance was only \$103,818. In the 2008 budget, the city only anticipated making loan payments to the LCRA for half of the year, because the development contract required the former developer to purchase the LCRA properties. After termination of the development agreement in March 2008 and subsequent litigation, the city was faced with funding all of the land payments as well as the cost of litigation.

The city subsequently deemed itself master developer and advertised for proposals for sub-developers for the project. On August 12, 2008, the city and LCRA entered into a Redevelopment Advance for Project Costs Agreement with Ozark Acquisitions, LLC. This agreement provided the city with a \$100,000 "loan" from Ozark Acquisitions, LLC to help the city cover under-budgeted land payments in 2008. According to the original agreement, if the city and Ozark Acquisitions, LLC failed to execute a developer's agreement by December 31, 2008, the city had to repay this amount, plus interest at the annual rate of 6 percent. This agreement timeline was extended, and the city repaid the \$100,000 loan plus interest of \$2,581 and approved a development agreement on February 2, 2009, with Ozark Acquisitions, LLC to develop a portion of the FRNDD.

As the city proceeds with this redevelopment project with the various sub-developers, the board should ensure it adequately protects the financial

condition of the city while considering the impact on other goals of the city.

- D. Several resolutions, ordinances, and contracts related to the redevelopment project contained dates that conflicted with approval dates documented in the meeting minutes of the Board of Aldermen.

According to the June 8, 2006, board meeting minutes, the Board of Aldermen tabled a resolution allowing the mayor to enter into a contract with a consulting firm to provide a financial analysis of the redevelopment plan; however, the former mayor signed the contract on June 9, 2006, and the resolution indicates the board approved it on June 8, 2006. Subsequent board meeting minutes indicate the board considered and approved the resolution authorizing the contract in the June 22, 2006, board meeting. Several other instances were identified where resolutions and ordinances contained passage dates that did not agree with official approval dates documented in the meeting minutes of the Board of Aldermen.

No city official should sign a contract on behalf of the city without the documented authorization of the Board of Aldermen. Additionally, ordinances and resolutions passed by the Board of Aldermen and signed by the mayor act as the legal basis for the actions of the city. These documents should be carefully constructed and reviewed for inaccuracies by the preparer to ensure all information, including the date of passage, which most generally acts as an effective date, is accurate before the mayor signs such a document.

- E. The LCRA used owner-financing to purchase a parcel of land, resulting in higher interest costs, and did not adequately document reasons for paying more than the appraised value for some properties within the FRNDD.

On January 2, 2007, the LCRA purchased a parcel of land within the FRNDD for \$202,000 and chose to finance this purchase at 7.25 percent through the prior owner. While the LCRA had solicited proposals and secured financing through area financial institutions at an average interest rate of 4.5 percent for other land purchases, there is no documentation to indicate why this purchase was handled differently. The LCRA subsequently solicited proposals and refinanced this note one year later and secured an interest rate of 4.21 percent; however, the higher interest incurred by owner financing resulted in additional interest costs of approximately \$5,500.

In addition, the LCRA paid more than the appraised value for 7 of the 17 properties purchased within the FRNDD. The LCRA Board meeting minutes did not adequately document why more than appraised value was paid for five of these seven properties. Also, although all loans were

approved by the Board of Aldermen, board meeting minutes did not address paying more than appraised value for some properties.

Soliciting proposals for financing helps to provide a range of possible choices and allows for a better-informed decision to ensure financing costs are reasonable. Also, while it may be necessary to pay more than the appraised value for some property within the redevelopment area, the reasons should be adequately documented in the minutes along with the decision.

- F. Potential conflicts of interest and an ineligible LCRA board member have been identified related to the redevelopment project.

Former Alderman Archer voted on March 19, 2007, to accept the Central Business District TIF redevelopment plan designating the TIF district. Former Alderman Archer owns a business located within the TIF district which may present a conflict of interest.

Additionally, the city contacted the Missouri Ethics Commission (MEC) concerning a potential conflict of interest involving Alderman Sparrow who lives, but does not own property, within the FRNDD. The MEC response dated July 1, 2008, indicated that Alderman Sparrow should consider whether he controls an interest, direct or indirect, in any property included in the redevelopment area in determining whether or not he should refrain from any official involvement.

Further, the former Mayor appointed an ineligible LCRA commissioner to the LCRA Board in November 2005. Section 99.340, RSMo, requires all commissioners appointed to a LCRA to have resided within the municipality for a period of 5 years prior to appointment; however, this member had not met this requirement. The member served as an LCRA commissioner for 8 months before resigning.

The city should carefully consider all statutory requirements to ensure full compliance before appointing any commissioner to the LCRA. In addition, elected officials have an obligation to the public to avoid the appearance of impropriety. These officials should consider all variables and avoid potential conflicts of interest.

- G. The LCRA has not filed an annual report of its activities with the city clerk as required by Section 99.620, RSMo. An annual report was filed with the city clerk and presented to the Board of Aldermen on September 19, 2005, a year and a half after the authority was formed, and no subsequent reports have been filed.

WE RECOMMEND the Board of Aldermen closely monitor this and future redevelopment projects through properly soliciting proposals, limiting the city's financial exposure, monitoring the impact of the project on the city's financial condition, avoiding conflicts of interests, ensuring contracts are not signed before approval, avoiding excess interest costs, and adequately documenting reasons for paying more than appraised value for land. In addition, the Board of Aldermen should ensure the LCRA files an annual report as required by state law.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

The Board of Aldermen and the members of the Land Clearance For Redevelopment Authority (LCRA) are acutely aware of the frustrations and disappointments that have occurred within our first attempt at a redevelopment project in this city. In addition, both the Board and the Authority are fully aware of the impact of this project on the city's financial exposure and the current and future budgets. Accordingly, the Board of Aldermen will continue to closely monitor this renewal project and make every effort to reduce or eliminate the financial stress upon the city's operating budget while making every effort to assist the accomplishment of this project which has the potential to provide needed sales tax revenue for the city. In addition the Board of Aldermen has directed Staff and the LCRA to pay particular attention to the documentation of the proceedings of each of the Bodies, to include accurate minutes of proceedings, annual reports, documentation of negotiations for contracts (should there be any additional acquisition of properties) and any other details of the proceedings and transactions of the Board and LCRA. Finally, all members of the Board and the LCRA have been re-advised of the State and local laws relating to conflict of interests and every effort will be made to avoid even the appearance of a conflict in the future.

2.

Purchasing Policy

Bids were not solicited for some purchases in accordance with the city's procurement policy, and the city could benefit from a more comprehensive procurement policy which addresses timeframes for bid thresholds and the solicitation of proposals for professional services.

The city's procurement policy requires at least three competitive bids for purchases in excess of \$500 and requires public advertising and a formal contract for supplies and services exceeding \$5,000. While the city appeared to solicit bids for most purchases, bids were not solicited for the following purchases during the year ended December 31, 2007:

Trash service	\$ 565,872
Water engineering services	43,112
Uniform service for public works	20,438
Storm water master plan	13,642
Outside legal counsel	5,500

The trash service has not been bid since 1999 although prices have increased. In addition, according to city personnel, the uniform service is only bid every three years; however, a new contract was signed in April 2008 without the solicitation of bids.

The city's procurement policy does not establish time frames for which threshold amounts will apply, and fails to distinguish the handling of professional services such as legal, accounting, and engineering from other city purchases. For example, the city did not solicit proposals or enter into a written contract with the law firm paid \$5,500 because no individual payment to this firm exceeded the amount for which a formal written contract is required; however, this amount was paid within a 2 month period.

A more comprehensive procurement policy addressing the solicitation of proposals for professional services and providing timeframes for the various bidding thresholds would provide a more effective framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Documentation of bids should be maintained to provide evidence the city has complied with its purchasing policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. Further, Sections 8.285 to 8.291, RSMo, require at least three highly qualified firms should be considered when obtaining engineering services. The firms should be evaluated based on specified criteria and qualifications for the type of service required. The best proposal should be selected based on experience, type of service to be provided, and any other relevant information.

WE RECOMMEND the Board of Aldermen ensure bids/proposals are solicited in compliance with the city's procurement policy and state law, and retain adequate documentation as evidence of compliance. Further, the Board of Aldermen should consider revising the procurement policy to include timeframes for which various thresholds will apply and clarify requirements for professional services.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

The Board of Aldermen has previously directed the City Administrator to review and revise the current Procurement policy. That revision had been in the works prior to the audit and continues at the present time. A full and complete revision (in compliance with all State statutes) is in the final draft stage and will be presented to the Board for approval within the next thirty (30) days. The Board has further directed review of the proposed revision in light of the comments made in this audit and directed that the policy contain tightened documentation, timeframes for which various thresholds will apply and longer term contracts for routine professional services.

3. Disbursements

The city's Parks and Recreation Board purchased approximately 58 acres for \$1.5 million without obtaining an appraisal. The city made multiple disbursements which do not appear to be prudent and necessary uses of tax payer money, lacks a comprehensive policy regarding local food purchases, failed to ensure prevailing wage laws were followed, did not issue Forms 1099 to all applicable vendors in 2007, and did not always properly authorize or mark disbursements paid. Additionally, the city needs to review the cost and distribution of cellular phones, the salary paid to the mayor, and the allocation of some salary expenses.

- A. On October 11, 2006, the city's Parks and Recreation Board paid \$1.5 million for approximately 58 acres to build a sports complex without obtaining an appraisal on the property. According to the Director of Parks and Recreation, the decision to purchase the property was based upon the recommendation of a committee appointed by the Parks and Recreation Board; however, no minutes were maintained of the committee's meetings to document how it determined the cost to be reasonable. The Director further indicated the committee relied on a 2-year old appraisal performed on the community center property which is located approximately four miles away. The director also believes the owner of the property originally paid \$1.5 million for the property just one year before the city purchased it, but could provide no documentation to substantiate this.

Good business practice requires major real estate purchases be formally and independently appraised to ensure a reasonable price is paid. In addition, Section 610.020, RSMo, requires minutes to be taken and retained for all meetings of public governmental bodies. Care should be taken to ensure minutes are complete and document discussions and specific intentions or reasons behind decisions.

B. Some disbursements did not appear to be prudent and necessary uses of public funds.

- Holiday hams and turkeys for employees in 2007 and 2006 totaling \$4,194 and \$4,123, respectively.
- A thank you dinner for the Board of Aldermen and volunteers serving on other official city boards, and spouses, \$1,617.
- Sponsorship and attendance fees for several employees and spouses to attend the Springfield Chamber of Commerce tribute to legislators event, \$990, and banquet tickets for employees and spouses for an Ozark Chamber of Commerce event, \$490.
- Advertising with the Ozark Booster Club and Ozark Tigers Boosters, \$600 and \$500, respectively.
- Fees and sponsorship for three employees and a non-employee to play in the Ozark Rotary Club golf tournament for \$420.
- Food and other items totaling \$315 for a going away party for the former city administrator.

City residents have placed a fiduciary trust in their public officials to spend city funds in a prudent and necessary manner.

C. The city has not established a comprehensive food policy or regulations regarding city provided food. Several meal expenses within the city limits were charged to city credit cards. According to notes documented on some credit card receipts, some of these local meals were for meetings among city employees or members of various boards. Our review of city credit cards for the period December 2006 through May 2007, identified the city charged \$1,108 in food purchases within the city limits. This includes \$413 in charges made by the former mayor to one local dining establishment without maintaining adequate supporting documentation. In addition, supporting documentation for several local meals charged to city credit cards did not include the business purpose or list the persons in attendance. Numerous other food purchases from local businesses were made by check without adequate supporting documentation such as items purchased, number of people served, and business purpose.

The city should develop a comprehensive policy regarding food purchases and review the need for local meal expenses. Guidelines should establish the situations in which local food purchases are acceptable and the required documentation. At a minimum, documentation should include the business purpose and a list of persons in attendance.

- D. Prevailing wage rates are not adequately monitored by the city. The city hired a local construction company to complete a re-modeling project of the police department foyer in 2007. The city did not require the contractor to provide supporting documentation of wages paid to ensure compliance with prevailing wage laws. As a result, the city had to pay an additional \$2,918 for wages in a settlement agreement with the Missouri Department of Labor and Industrial Relations.

Section 290.230, RSMo, requires prevailing wages to be paid to all workers employed by or on behalf of any public body, who perform construction work projects other than routine maintenance. Without supporting documentation of wages paid, the city cannot ensure compliance with state law.

- E. The city does not have adequate procedures in place to ensure a Form 1099 is filed with the Internal Revenue Service (IRS) when required. For example, the city failed to send Forms 1099 for 2007 to two construction companies for payments totaling approximately \$16,700.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- F. Disbursements do not always indicate approval by the appropriate individuals. For example, the city paid \$2,000 to a law firm in February 2007 for services related to land acquisition; however, no approval was documented on the invoice in accordance with city policy. Additionally, some invoices reviewed were not marked paid or otherwise cancelled.

Approval of all disbursements should be adequately documented. In addition, canceling invoices and all other supporting documentation reduces the possibility of duplicate payments.

- G. The city has not evaluated the cost and distribution of cellular telephones and has no formal written policy regarding use. The city paid approximately \$30,000 for cellular telephone service for 64 city employees during the year ended December 31, 2007.

We requested a list of employees with city provided cellular phones, but were told by city personnel no such list was maintained and would have to be compiled. Additionally, some city personnel indicated personal use of city cellular phones is permitted, while other city personnel indicated it is not. Further, the city was unable to provide any documentation indicating an analysis has been performed to ensure the best and most economical provider has been selected for its cellular telephone service.

To ensure the efficient and effective use of cellular phones, the city should develop a written policy regarding appropriate cellular phone use, routinely monitor cellular phone use, and ensure the most cost-effective plan is used.

- H. Beginning in 2007, the city paid the current mayor an additional \$20 per meeting based upon a city ordinance which previous boards did not apply to the mayor position. City Ordinance Number 881 sets the compensation of each member of the Board of Aldermen at \$20 per meeting and City Ordinance Number 06-015 sets the compensation of the mayor at \$900 per month. Beginning in 2007 with the current mayor, the city paid the mayor \$900 per month plus \$20 per meeting without documenting the board's consideration of this matter or obtaining a written legal opinion to document the change in interpretation of the ordinance.

The Board of Aldermen should ensure compensation of the mayor is in accordance with city ordinances and any changes in interpretation of such ordinances should be supported by a legal opinion and adequately documented.

- I. The salaries of some administrative employees, such as the city attorney and city treasurer, are allocated to departments and funds of the city based upon predetermined percentages; however, there is no supporting documentation, such as a time study or detailed time sheets to support how the percentages were determined. For example, the city attorney's salary was allocated 50 percent to the General Fund and 50 percent to the Waterworks and Sewerage Fund (25 percent each to the water and sewer departments).

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Documentation should be maintained to support the percentages used for allocating the various expenses.

WE RECOMMEND the Board of Aldermen:

- A. Obtain independent appraisals for all major real estate purchases and ensure board appointed committees take and retain minutes of meetings.
- B. Ensure all disbursements are necessary and prudent uses of public funds.
- C. Develop a comprehensive policy regarding local food purchases.

- D. Ensure adequate supporting documentation is submitted to substantiate prevailing wages are paid on construction projects as required by law.
- E. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS.
- F. Ensure approval of disbursements is adequately documented and invoices are properly canceled.
- G. Develop a policy regarding the use of cellular phones, which includes procedures to monitor use, periodically assess which employees need a cellular phone, and ensure the most cost-effective cellular phone plans are selected based on actual business use by city personnel.
- H. Consult legal counsel to ensure compensation paid to the mayor is in accordance with city ordinances.
- I. Ensure salary expenses allocated to the various funds are reasonable and supported by adequate documentation.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written responses:

- A. *The Board of Aldermen has directed staff to obtain independent appraisals for all real estate purchases that may occur in the future. In addition, all Board appointed committees and boards have been directed to make and maintain full and complete minutes of their meetings and staff has been directed to provide adequate training for secretaries of these committees and boards in minute taking and the requirements of state statutes.*
- B. *Over a year ago, the Board of Aldermen, at the request of the Mayor, has directed that all of the activities that are noted in Sub-paragraph B of the comments in the audit report be stopped. At this point, any participation by a city employee in a civic event or project will be conducted on the employee's time and at the employee's personal expense.*
- C. *A comprehensive policy regarding the use of credit cards and local food purchases will be included in the procurement policy with reference to the newly revised employee manual to be distributed to all city employees. In addition, the Board of Aldermen has directed that these policies shall apply to any elected official who has been issued a city credit card.*

- D. Supporting documentation will be maintained on any third party city contracts to ensure that prevailing wages are being paid.*
- E. The Treasurer has been directed to provide the appropriate documentation of payments made to non-employees and unincorporated businesses so that proper reporting can be made to the Internal Revenue Service. In addition, all departments have been directed to maintain adequate records of the request for any payments and properly notify the Treasurer of any such payments made.*
- F. Staff has been directed to pay closer attention to the documentation of disbursements and the cancellation of invoices.*
- G. The study regarding cellular telephone use and the most economical plan had been completed in the later part of 2008. Cellular telephone use will be included in the new employee manual.*
- H. The City Attorney has been directed to prepare the appropriate ordinance to establish salaries for the Mayor and Members of the Board of Aldermen that will exclude payment based upon attendance at meetings so that any confusion regarding compensation and a more streamlined method of compensation can be accomplished.*
- I. The City Administrator and the Treasurer have been directed to analyze the allocated time for the salaried employees noted in the audit report to either support the current allocation of salaries between funds or to make changes in the allocations if necessary.*

4. Accounting Controls in City Departments

Improvements are needed in the handling of city receipts by the various city departments. In addition, the city has not developed adequate procedures to ensure adjustments made to utility accounts are proper, and petty cash disbursements are adequately documented.

- A. The city has several cash collection points throughout the various city departments which collect over \$5.5 million annually (excluding the municipal court). Some monies are deposited directly into the city's bank account by city personnel and others are transmitted to the city treasurer for deposit. The chart below summarizes the city departments and the various receipts collected.*

<u>Department</u>	<u>Amount (in thousands)</u>	<u>Receipt Type</u>
Public Works	\$ 4,110	Water usage, sewer usage, reconnect fees, trash collection fees.
Parks	420	Donations, pool fees, program income, activity income, concession income, other income.
Planning and Building	1,020	Building inspection and permit fees, planning, zoning, and development fees, and impact fees.
Administration (city clerk's office)	70	Business licenses, community building fees, school resource officer reimbursement, and other income.

We reviewed procedures at various collection points throughout city departments and examples of weaknesses include:

- Adequate procedures are not in place in some departments to properly record all payments received. For example, receipt slips are not issued for some monies received, the numerical sequence of some receipt slips are not accounted for, some receipt slips are not issued in order, and copies of some voided receipt slips are not retained. Additionally, the parks and recreation department cash register is used by multiple employees and the register tape does not indicate the employee responsible for receiving and recording the monies.
- Several city collection points do not always record and reconcile the method of payment received to the composition of the monies deposited or transmitted to the city treasurer. For example, the computerized accounting system utilized to track water and sewer collections does not provide for the method of payment to be entered and reconciled to the total deposit. While the method of payment is generally indicated on the utility stubs, manual receipt slips are issued for cash received without a stub, and photocopies are made of checks received without a stub, there is no single record which records the method of payment for all utility receipts. In addition, payments made to the parks and recreation department in both cash and check are

recorded in the cash register entirely as cash preventing the proper reconciliation of the method of payment to the composition of deposits.

- The city hall vault, which contains monies collected by most city departments until deposit, remains open during the day and is accessible to unauthorized employees. Additionally, checks and money orders received are not always restrictively endorsed immediately upon receipt.
- The city's planning and zoning department does not adequately account for monies received as deposits for street cuts. The planning and zoning department receives checks from contractors as deposits for street cuts and holds these checks, without depositing them, until the related project is complete. The checks are returned to the contractor if the project is successfully completed or deposited by the city if the project was not properly completed. The department attempts to account for these checks through the use of a log which documents the permit number, date received, payer's name, and date the check is returned. During a cash count on July 16, 2008, we counted six checks totaling \$3,250 held as deposits for street cuts. Three of these checks, totaling \$1,900, were not recorded on the log.
- During our cash counts in July 2008, at the various city collection points, we found an envelope containing \$123 in cash, and two checks dated March 1996 totaling \$722 without documentation indicating what these monies represented. After some inquiries, the city identified the cash as donations collected from employees over four years ago to be sent to military troops. One of the checks was a \$100 deposit for use of a community building, and the purpose of the other check for \$622 could not be identified by the city.
- Utility payments (water, sewer and trash) are not posted to the computerized accounting system timely. For example, during our cash count on July 22, 2008, we counted approximately \$5,000 collected the previous day that had not yet been entered into the accounting system.
- Accounting duties are not adequately segregated in some city departments nor are there periodic supervisory reviews in these departments to compensate for the lack of segregation of duties.

The city should review controls of the multiple collection points throughout the various departments and implement procedures to ensure all monies collected are properly accounted for and adequate segregation of duties or supervisory review exists. The city should ensure proper and

timely recording of all receipts and ensure the composition of receipts is reconciled to the composition of deposits and transmittals. Additionally, checks and money orders should be restrictively endorsed immediately upon receipt, street cut deposits should be recorded and deposited, and access to monies collected should be limited to only authorized employees.

B. The city has not established adequate procedures related to utility account adjustments. According to city personnel, approximately 1,200 adjustments were made during the year ended December 31, 2007.

- 1) Controls over adjustments made to customer utility accounts need improvement. The utility supervisor has the ability to record all adjustments without any independent review or approval. The utility supervisor also has access to monies collected and prepares deposit slips. While the city's computer system generates a monthly report of all adjustments made to utility accounts, neither this report nor the reasons for the adjustments are reviewed by any independent party to ensure all adjustments are proper.

Review and approval for adjustments is necessary to ensure accounts and amounts are adjusted properly and to reduce the risk of misstatement or misappropriation.

- 2) The city has not established adequate procedures to track restricted utility revenues related to utility account adjustments. When a customer moves from one address to another within the city's service area, an adjustment is made to transfer the customer's accounts receivable balance from their former address to their new address. However, the adjustment posted does not maintain each utility revenue type (water, sewer and trash) intact.

For example, a transfer adjustment made to a customer's account on December 31, 2007, reflected a balance due at the former address of \$207 (\$55 for water, \$111 for sewer, \$7 for trash cart rental, and \$34 for recycling), but after the adjustment was posted, the entire \$207 was shown as due for water. As a result, water revenues are inflated and other revenues are reduced. The city's independent auditor requested the city post a correction to its accounting records totaling \$63,909 for the year ended December 31, 2007.

The city should consult with its software program provider to address this issue and determine if corrections can be made to ensure revenues are properly recorded and prevent the need to make a large adjustment after an audit has been performed. The

city has established accounts for specific activities of the city. Properly accounting for revenues is necessary to ensure user charges are set at appropriate levels, and city produced financial information, such as budgets and published financial statements, accurately report financial activity.

- C. Improvement is needed in accounting for petty cash funds, which range from \$50 to \$1,000, and their disbursements by several departments. For example, during our cash count at the parks and recreation department, we noted 4 out of 11 petty cash disbursements reviewed did not have actual supporting receipts. The parks and recreation department also requires a log of disbursements to be completed by the employees using the petty cash fund; however, it is not always filled out adequately. Also, no log of disbursements and reimbursements has been established for the planning and zoning department's petty cash fund.

Logs of petty cash fund transactions should be adequately maintained to properly document the financial activity of the funds and original receipts for all expenses should be retained.

WE RECOMMEND the Board of Aldermen:

- A. Ensure adequate controls and procedures are in place in all city departments to properly account for all monies received.
- B.1. Develop procedures to adequately monitor adjustments made to customer accounts.
 - 2. Consult with the software program provider to determine if changes can be made to adequately track revenues associated with utility adjustments.
- C. Maintain logs of petty cash transactions and original receipts for all expenses.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written responses:

- A. *The Board of Aldermen has directed all departments, through the City Administrator, to put in place procedures and controls for accounting for all monies received on behalf of the city.*

- B. *Procedures have already been put into place and the appropriate software updates have been obtained to monitor adjustments made to customer accounts and to track revenues associated with utility adjustments.*
- C. *All departments have been directed to maintain appropriate logs of petty cash transactions and receipts for expenditures.*

5. Rubber Duck and Kinetic Kontraption Race
--

Monies collected for the annual Rubber Duck and Kinetic Kontraption Race (the race) are not deposited in the city treasury and neither the Board of Aldermen nor the Parks and Recreation Board monitor these funds. Adequate supporting documentation was not maintained for cash prizes distributed, and prize amounts were not properly reported to the IRS for income tax purposes.

Annually, the parks and recreation department hosts a Rubber Duck and Kinetic Kontraption Race at the Finley River Park. Participants build a contraption to race on land and water and adopt a duck for the Rubber Duck Race. Proceeds are used to benefit youth programs and the Ozark Greenways Trail. According to the Director of Parks and Recreation, the city collected approximately \$20,000 for the 2008 race and netted approximately \$9,000 after expenses.

- A. Monies collected and disbursed for the race are not adequately monitored. The department collects monies for the race and deposits the monies in a bank account outside the city treasury. The Director of Parks and Recreation and a local citizen are the signers on the checking account. After expenses are paid, remaining monies earned from the race are transferred by check to a non-profit organization in Springfield where they are held until the parks and recreation department formally requests the funds be sent to the city treasury for specified projects. At September 30, 2008, the non-profit organization was holding approximately \$20,000 (includes earnings from prior year). Several problems were identified with this arrangement:
- There is no oversight by the Board of Aldermen or the Parks and Recreation Board to ensure monies collected for the race are accounted for properly. Receipt records are not compared to amounts deposited into the bank account held outside the city treasury, and expenses paid from this account are not properly reviewed and approved. Additionally, the activity in this account is not audited by the city's independent auditor.
 - According to the Director of Parks and Recreation the monies from the race are transferred to the non-profit organization to achieve tax deductibility for the contributors; however, the department has never

discussed the issue with a tax professional to determine if the inclusion of a non-profit organization is necessary. Further, the non-profit organization deducts a quarterly administrative fee of 0.2 percent of the balance and no contract has been established between the city and the non-profit organization.

Section 90.550, RSMo, requires all monies received for parks to be deposited in the city treasury to the credit of the Park Fund, and Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, IRS publication number 526 indicates political subdivisions and public parks and recreation facilities qualify as organizations that may receive deductible contributions if the contributions will be used for public purposes. As a result, the need for the non-profit organization to achieve tax deductibility for the contributors may be unnecessary. The city should contact a tax professional regarding this issue. Further, to ensure proper accountability over public funds, all disbursements related to the race should be reviewed and approved by the Board of Aldermen or the Parks and Recreation Board.

- B. Our review of records of the 2008 race identified a \$5,000 check made payable to cash dated July 25, 2008. According to the Director of Parks and Recreation, the first place prize of \$5,000 was presented in cash; however, no receipt was obtained from the winner to document receipt of the cash.

To ensure all monies disbursed are properly accounted for, the parks and recreation department should discontinue the practice of issuing prizes in cash and should make all disbursements by check.

- C. Prizes awarded at the event have not been properly reported to the IRS. As previously noted, during 2008 the first place prize for the race was \$5,000, and the second place prize was a four-wheeler valued at approximately \$1,500. The winners of these prizes and other prizes valued at \$600 or more did not receive Forms 1099-MISC.

According to IRS regulations, miscellaneous income valued at \$600 or more, such as prizes or awards that are not for services, are required to be reported to the IRS on Form 1099-MISC.

WE RECOMMEND the Board of Aldermen:

- A. Work with the Parks and Recreation Board to ensure all funds are deposited in the city treasury as required, a tax professional is consulted to determine the deductibility of contributions made directly to the parks and recreation department, and if the continued involvement of the non-profit organization is deemed necessary, a formal written agreement for services

rendered is established. Further, all expenses of the race should be reviewed and approved by the Parks and Recreation Board or the Board of Aldermen.

- B. Work with the Parks and Recreation Board to discontinue the practice of giving cash for prizes and to ensure all disbursements are made by check.
- C. Work with the Parks and Recreation Board to ensure prizes valued at greater than \$600 are properly reported to the IRS.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written responses:

The Board of Aldermen has directed that the Director of Parks and Recreation Department take one of the following actions:

- A. *Solicit an appropriate charitable organization to conduct this event (as had originally occurred at its inception) and end the city's partnership other than providing the location at the appropriate fee; or*
- B. *Conduct the event as a city sponsored event, appropriately account for all funds and expenditures, cease cash prizes and ensure that all revenues and expenses are deposited and accounted for as other city revenues and expenses; or*
- C. *Cancel the event entirely.*

6. City Credit Cards

The city needs to implement better controls over credit cards by establishing a written credit card policy. We identified inadequate supporting documentation and inadequate approval of items charged.

The city's six VISA credit cards have been assigned to specific departments or employees for purchasing small items as needed. The credit limits assigned to these credit cards range from \$1,000 to \$5,000. During the year ended December 31, 2007, VISA purchases totaled approximately \$23,000.

The city does not have a formal policy regarding the use of credit cards. Purchases charged to credit cards were primarily for fuel, travel expenses, meals, and supplies. Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure city credit cards are used only for city business. A policy which establishes levels of purchase

authorization, the types and maximum amounts of allowable purchases which may be charged, approval requirements for various purchases, and documentation requirements decreases the possibility of unauthorized purchases.

- Adequate supporting documentation was not maintained for some credit card transactions. Our review of credit card purchases for the 6 months ended May 31, 2007, found 49 transactions totaling approximately \$4,300 did not have adequate supporting documentation. These transactions included the purchase of a camera for the police department totaling \$2,006 and a charge in excess of \$400 by the former Mayor to a restaurant in Jefferson City, Missouri.

To ensure all charges to the city credit cards are proper, detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all transactions and reconciled to billing statements.

- Credit card transactions are not adequately reviewed. Although a sub-committee of the Board of Aldermen reviews and approves credit card expenses, neither the credit card user, nor their immediate supervisor, if applicable, reviews the credit card billing for accuracy. To ensure all charges are legitimate and products or services have been received, credit card bills should be reviewed and approved by the card user and immediate supervisor. Additionally, because of the lack of supporting documentation maintained by the city noted above, the city has little assurance credit card billings are correct.

Proper approval should be obtained and documented for credit card transactions to effectively monitor and control expenses.

WE RECOMMEND the Board of Aldermen adopt a formal policy for credit card usage which includes requiring adequate documentation be maintained and reconciled to billing statements for all credit card transactions. Further, the Board of Aldermen should ensure the policy establishes procedures for the documented review of disbursements by both the credit card user and their immediate supervisor.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

The Board of Aldermen has directed that the City Administrator include in the employee manual a comprehensive policy for the use of city credit cards to include adequate documentation of the use of the card as well as a review of expenditures by the user and their immediate supervisor.

7. Board Minutes and By-laws

Board meeting procedures and minutes of the Board of Aldermen, LCRA Board, and Parks and Recreation Board need improvement. Procedures for handling and documenting closed meetings are not always in compliance with state law. Additionally, some meeting minutes did not always include sufficient detail of matters discussed or votes taken and were not signed by the preparer or another member of the board. Further, the LCRA Board has not followed its own by-laws regarding the election of officers, and the city should consider adopting a formal email retention policy.

- A. Numerous closed sessions were held by the boards, but the various requirements in Chapter 610, RSMo (the Sunshine Law), regarding closed meetings were not always followed.
- The Board of Aldermen and LCRA Board minutes for open meetings do not always document the specific reasons for closing the meeting or the section of law which allows the meeting to be closed. For example, minutes for one open session meeting stated the Board of Aldermen would enter closed session to discuss personnel; however, while in closed session, the board also discussed litigation. Similar situations were identified during our review of LCRA Board meeting minutes. In addition, open meeting minutes of the Board of Aldermen for two dates do not reference a closed session; however, closed session minutes were documented.
 - The city did not document how some issues discussed and votes taken in closed meetings of the Board of Aldermen complied with the Sunshine Law. For example, while in closed session, the Board of Aldermen voted to give the former city administrator a raise. Also, the board discussed the restructuring of one department within the city twice, and the restructuring of the merit/pay scale for city employees.

- The meeting minutes of the Board of Aldermen and Parks and Recreation Board did not always include documentation of roll call voting during closed sessions as required. For example, some closed session minutes of the Board of Aldermen document only how many "aye" and "nay" votes were received, and some Parks and Recreation Board minutes state a roll call vote was taken, but do not document each member's vote. In addition, decisions made by the Board of Aldermen in closed session to select a new city administrator and set the salary for the position, and to settle litigation, were all documented to have been approved by "consensus".
- The City Clerk could not locate some closed session minutes for the Board of Aldermen and LCRA Board.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons for the closed meeting shall be voted on at an open meeting and provides public governmental bodies shall not discuss any other business during the closed meeting which differs from the specific reason used to justify such meeting, record, or vote. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session and all actions taken during closed session are required to be made by roll call voting. In addition, minutes are required to be kept for all closed meetings.

B. Some meeting minutes do not include sufficient detail or adequate documentation of votes cast, and some minutes were not legible.

- Some Board of Aldermen open session minutes omit critical information. For example, the May 21, 2007, Board of Aldermen open session minutes state the board approved the mayor entering into a contract with "____", leaving a blank space where the contractor's name should appear. While this information can be determined through other sources, minutes should be complete.
- According to the city attorney, the LCRA Board voted to accept its by-laws within the first three months of its establishment; however, this vote was not documented in the meeting minutes.
- Parks and Recreation Board meeting minutes for March 12, 2007, indicate one member abstained from voting on an appointment, but failed to document who abstained. Also, on October 8, 2007, a motion to accept a \$77,303 change order for the Community Center project was made and seconded; however, the meeting minutes fail to document an actual vote.
- Meeting minutes of the Board of Aldermen and LCRA Board closed meetings are handwritten and sometimes illegible.

The minutes are the only official record of actions taken by the boards. Care should be taken to ensure minutes are complete and document discussions or reasons behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to board intentions, possible incorrect interpretation of board actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions.

- C. Board of Aldermen and LCRA Board meeting minutes are prepared by the City Clerk or her assistant, and Parks and Recreation Board meeting minutes are prepared by the board secretary. These boards' minutes are not signed by the preparer or any other board member. Board meeting minutes should be signed by both the preparer and at least one other member of the board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the boards' meetings.
- D. The LCRA by-laws require the chairperson and vice-chairperson board positions be elected annually; however, the LCRA Board has not elected these positions annually.

During the first LCRA Board meeting on April 22, 2004, the mayor selected the initial chairperson as required by state law and the LCRA Board elected a vice-chairperson. These two individuals held the positions until elections were held on September 21, 2006, when a new chairperson and vice-chairperson were elected. No elections have occurred since.

- E. The city does not have an email retention policy to ensure compliance with the Sunshine Law. Section 610.025, RSMo, requires certain emails relating to public business sent by a member of a public body to be retained as a public record.

WE RECOMMEND the Board of Aldermen:

- A. Ensure meeting minutes are maintained for closed sessions which adequately document the reasons for going into closed session. In addition, the Board of Aldermen should ensure only allowable topics are discussed in closed meetings and all decisions made are documented by roll call votes.
- B. Ensure meeting minutes are legible and include the information necessary to provide a complete and accurate record of all significant matters discussed and actions taken.

- C. Ensure meeting minutes are signed by the preparer and at least one other member of the board.
- D. Ensure the LCRA Board elects officers on an annual basis as required.
- E. Consider adopting an email retention policy to ensure compliance with state law.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written responses:

- A-C. The City Clerk, as well as all secretaries of boards and commissions, have been directed that all minutes of either open or closed sessions are adequately maintained to include the reasons for closed sessions, be legible, contain necessary information to provide a complete and accurate record of all significant matters, and are signed by the preparer and at least one other member of the board.*
- D. The LCRA has amended its by-laws and will follow their procedures as set forth in that document.*
- E. The City of Ozark will consider adopting an e-mail retention policy and will do so when the State of Missouri enunciates their policy as to retention in order that the appropriate ordinance does not conflict with state statute or regulation.*

8.	Vehicle Usage
-----------	----------------------

The city does not have a comprehensive vehicle use policy. Vehicle mileage and fuel logs are not maintained for most city vehicles. The city allows several employees to take city owned vehicles home daily, but does not report the value of personal automobile (commuting) use as compensation. In addition, some of these individuals live outside the city limits. Further, the city has no documentation to show the vehicle allowance paid to the city administrator is reasonable compared to actual expenses incurred.

- A. Controls over city owned vehicles are not adequate. The city does not have a comprehensive written vehicle use policy. The city owns 72 vehicles (22 police, 19 water and sewer, 12 parks and recreation, 12 public works, 5 planning and zoning, and 2 administration). A vehicle use policy should address allowable and unallowable use of city vehicles and the records required to account for such use, justification for assigning

vehicles to individuals or vehicle allowance amounts, and justification for commuting.

- Vehicle mileage and fuel logs are not maintained for most city owned vehicles. For example, the public works department generally records mileage on fuel receipts; however, trip information is not documented on a log. Additionally, the parks and recreation department does not record mileage for its three buses and nine vehicles, although the buses are sometimes rented out for private use. Other city departments also do not adequately track vehicle mileage for some assigned vehicles.

Fuel is charged at a local station or on a city credit card; however, adequate documentation is not maintained by each city department to compare fuel charged to fuel billed. Further, since vehicle mileage and fuel logs are not maintained to document miles driven, the city cannot review vehicle miles per gallon or determine if the amount of fuel purchased is reasonable. The city spent approximately \$156,000 for fuel for all departments during 2007.

Vehicle mileage and fuel logs should include the date, driver, purpose, destination of each trip, and the daily beginning and ending odometer readings for vehicles. Mileage logs are necessary to ensure vehicles are only used for city business. Fuel logs are necessary to properly support fuel charges.

- The city allows 13 employees to take city vehicles home at night. Of these 13 employees, 8 live outside the city limits. These 8 employees are the Director of Parks and Recreation, the Director of Public Works, 2 meter readers, a public works employee, and 3 police officers. These employees live between 6 and 40 miles (one way) from city limits. The city is not tracking or reporting the value of personal use (commuting) in city vehicles as compensation to the employees and has not documented the benefit to the city of allowing employees who live outside the city limits to commute in city owned vehicles.

The Director of Parks and Recreation indicated that several years ago the Parks and Recreation Board did not have the money to give raises to her and the Park Foreman, so the board decided to allow them to drive the park vehicles home each night and pay for one tank of gas per week in lieu of additional compensation. Due to the lack of vehicle mileage and fuel logs, as previously noted, this additional compensation has not been tracked or reported for taxing purposes.

Federal regulations require all employers to withhold payroll taxes and include the value of personal automobile (commuting) use in taxable income. While certain vehicles, such as police cars and other

emergency vehicles are exempted from this requirement, it appears there may be tax consequences for other individuals. Additionally, allowing city officials and employees living outside the city to take their vehicles home may result in additional and unnecessary costs to the city.

- B. The city has no documentation to show the vehicle allowance paid to the City Administrator is reasonable compared to actual expenses incurred. The city pays a vehicle allowance of \$5,400 annually to the City Administrator, who uses a personal vehicle to conduct city business. The city reports this allowance as compensation. Using the federal mileage reimbursement rate at October 2008 of \$0.585, the annual allowance paid to this employee represents approximately 9,230 miles per year. The city should review the reasonableness of the mileage allowance paid and set the allowance to reasonably reflect actual expenses incurred by the employee.

WE RECOMMEND the Board of Aldermen:

- A. Adopt a comprehensive written vehicle use policy. In conjunction with this policy, the Board of Aldermen should ensure all departments maintain vehicle mileage and fuel logs for all vehicles and ensure the logs are periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for city business. In addition, the Board of Aldermen should review the practice of allowing city officials and employees to take city owned vehicles home and ensure commuting use in city vehicles is properly reported as taxable income.
- B. Review the vehicle allowance paid to the city administrator and document the basis for the amount paid.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written responses:

- A. *The Board of Aldermen has directed that a comprehensive vehicle usage policy be included in the employee manual and include a policy regarding taking a vehicle home, vehicle logs and their review as suggested in the audit report. In addition, the Board has directed that no city employee, living outside the city limits, take a vehicle home unless that employee is on emergency call and the distance to be traveled will allow for emergency response within a reasonable time.*
- B. *The Board of Aldermen has reviewed the vehicle allowance for the City Administrator and documented the basis for the amount paid.*

9.**Water Rates**

The city did not retain adequate supporting documentation for the calculation of a substantial increase in water rates. On December 27, 2007, the Board of Aldermen approved and passed a resolution increasing water and sewer rates. While the city's engineering firm performed the calculations for the increase in sewer rates, the calculation of the water rate increase was determined by the city and adequate documentation of the rate calculation was not retained. The table below shows the prior and current water rates:

	<u>Prior Rate</u>	<u>Current Rate</u>
Base rate (first 1,000 gallons)	\$ 5.13	\$ 7.98
Rate per 1,000 gallons additional usage	1.58	2.36

According to city officials, the city had not increased water rates for approximately 7 years. The Director of Public Works provided us documentation he said he had provided to the former city administrator as justification for a water rate increase, which included a rate comparison showing the city's prior rate in comparison to six area public utility water rates, a utility rate analysis showing the average impact of the increased rate per user, and budget documents listing various projects to be completed and their estimated costs. However, the city has no documentation of how this information, or other pertinent information, was used to calculate the new water rate.

The city should periodically review utility rates and maintain documentation of rate calculations to provide assurance charges for providing services are reasonable.

WE RECOMMEND the Board of Aldermen periodically review utility rates and ensure adequate documentation of utility rate calculations is maintained to provide assurance charges for providing services are reasonable.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

The Board of Aldermen has previously determined that water rates will be reviewed on an annual basis. Any recommendations for a change in water rates will be adequately documented to substantiate the change.

The city does not always take steps to ensure contractual obligations are fulfilled and has not entered into a written agreement with a local political subdivision for which it collects sewer fees.

- The city entered into a contract with a local university to perform architectural work for the Ozark Third Street Visioning Process. The contract states the city will provide the university \$3,050 for expenses related to this project, and upon the project's completion, the university will submit documentation of expenses to the city and return any excess monies. The city did not receive or request any documentation of expenses from the university upon completion of the project. At our request, the city requested the documentation from the university and determined the city was due a refund of \$231.
- The city has not entered into a written agreement with the city of Fremont Hills, for which it collects sewer fees, defining services to be provided and remuneration to be received. During the year ended December 31, 2007, the city received a total of \$15,066 based on a \$2.95 per customer per month sewer processing fee for providing these services.

The city should ensure all contractual obligations are fulfilled and written agreements are maintained to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, also requires contracts for political subdivisions to be in writing. In addition, the city should take steps to obtain a refund of \$231 from the university.

WE RECOMMEND the Board of Aldermen ensure contractual obligations are fulfilled, enter into written agreements with political subdivisions, and take steps to obtain a refund from the university.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

The Board of Aldermen has previously taken steps to ensure that all contractual obligations are fulfilled and that inter-governmental agreements are reduced to writing. The refund from the University has been received.

The city's 2008 budget did not include all information required by law. A budget message, the beginning and ending fund balance information, and the city's indebtedness were not included in the city's budget document. Additionally, the city did not include actual or estimated receipts and disbursements for 2007.

Sections 67.010 to 67.080, RSMo, set specific guidelines as to the format, approval, and amendments of the annual operating budget. A complete budget should include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message, the city's indebtedness, and comparisons of actual receipts and disbursements for the two preceding years. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of the city operations and provide a means to effectively monitor financial activity.

WE RECOMMEND the Board of Aldermen prepare budgets which contain all information as required by state law.

AUDITEE'S RESPONSE

The Ozark Board of Aldermen, Ozark Park and Recreation Board, Land Clearance For Redevelopment Authority, Mayor, City Administrator and staff provided the following written response:

All recommendations concerning the budget have been corrected in the 2009 budget.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF OZARK, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Ozark is located in Christian County. The city was incorporated in 1888 and is currently a fourth class city. The population of the city in 2000 was 9,665.

The city government consists of a mayor and a six-member Board of Aldermen. The members are elected for 2-year terms. The Mayor is elected for a 2-year term, presides over the Board of Aldermen and only votes in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2007, are identified below. Ward One covers south Ozark, Ward Two covers center Ozark, and Ward Three covers north Ozark. The Mayor is paid \$900 per month and the members of the Board of Aldermen are paid \$20 per meeting attended. The compensation of these officials is established by ordinance.

<u>Elected Officials</u>	<u>Dates of Services During the Year Ended December 31, 2007</u>
Donna McQuay, Mayor	January 2007 – March 2007
Don Watts, Mayor	April 2007 – December 2007
Eric Greissel, Ward One Alderman	January 2007 – March 2007
Mike Benna, Ward One Alderman	April 2007 – December 2007
Mark Spinabella, Ward One Alderman (1)	January 2007 – December 2007
Kate Smith, Ward Two Alderman	January 2007 – March 2007
Rick Amos, Ward Two Alderman	April 2007 – December 2007
Jake Archer, Ward Two Alderman (2)	January 2007 – December 2007
Richard Germeroth, Ward Three Alderman (3)	January 2007 – December 2007
Don Watts, Ward Three Alderman	January 2007 – March 2007
Cindy Treece, Ward Three Alderman	April 2007 – December 2007

(1) Re-elected in April 2008.

(2) Dennis Sparrow was elected in April 2008 to replace Jake Archer.

(3) Mike Esterl was elected in April 2008 to replace Richard Germeroth.

<u>Other Officials</u>	<u>Dates of Service During the Year Ended December 31, 2007</u>	<u>Compensation Paid For the Year Ended December 31, 2007</u>
Colin Quigley, City Administrator (4)	January 2007 – July 2007	\$ 61,136
Steve Childers, City Administrator (4)	August 2007 – December 2007	54,228
Lana Wilson, City Clerk	January 2007 – December 2007	51,717
Alice Edwards, City Treasurer	January 2007 – December 2007	53,690
David Collignon, City Attorney	January 2007 – December 2007	74,841
Lyle Hodges, Police Chief	January 2007 – December 2007	66,591
Larry Martin, Public Works Director	January 2007 – December 2007	62,790
Dodee Matthews, Parks & Recreation Director	January 2007 – December 2007	50,038

(4) Colin Quigley resigned as City Administrator in July 2007. Steve Childers served as City Planner until August 1, 2007, when he was appointed Interim City Administrator, and on November 19, 2007, he was appointed City Administrator.

In addition to the officials identified above, the city employed 97 full-time and part-time employees on December 31, 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 164,602,698
-------------	----------------

The city does not tax personal property or railroad & utility property.

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General	\$ 0.2353
Parks and recreation	0.0588

TAX RATES PER \$1 OF RETAIL SALES

	Rate
General	.0100
Capital improvement	.0025
Parks/storm water	.0050
Waste water treatment	.0025



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Shelby County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Shelby County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-46

SHELBY COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd., Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**SHELBY COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
 Financial Statements	
Statement of Net Assets-Variou s Funds	3
Statement of Activities-Variou s Funds - 2007	4
Statement of Activities-Variou s Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combining Balance Sheet-Governmental Funds - 2007	9
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combining Balance Sheet-Governmental Funds - 2006	11
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
 Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
 Notes to the Financial Statements	15-17
 Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	19
Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	23
 Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	24-25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	26-27
Combining Balance Sheet-Non-Major Governmental Funds – 2006	28-29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	30-31
Combining Statement of Fiduciary Net Assets – 2007	32
Combining Statement of Fiduciary Net Assets – 2006	33

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission and Officeholders of
Shelby County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, management has not adopted Government Accounting Standards Board Statement No. 34. These financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Missouri, as of December 31, 2007 and 2006, or the respective changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Net Assets-various funds-cash basis and Statement of Activities-various funds-cash basis, of Shelby County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

FINANCIAL STATEMENTS

Shelby County, Missouri
Statement of Net Assets-Variou Funds
Cash Basis
For the Year Ended December 31,

	2007	2006
	Governmental	Governmental
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>
Cash	\$ 193,184	\$ 231,796
Investments	-	-
Restricted assets-cash	477,709	491,841
Restricted assets-investments	-	-
Total assets	<u>670,893</u>	<u>723,637</u>
<u>Net Assets</u>		
Reserved for debt services	-	-
Unreserved	193,184	231,796
Reserved	477,709	491,841
Total Net Assets	<u>\$ 670,893</u>	<u>\$ 723,637</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Shelby County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2007

	Program Revenues				Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Governmental Activities					
General county government	\$ (576,221)	\$ 64,919	\$ 24,692	\$ -	\$ (486,610)
Road & bridge	(918,610)	16,128	-	39,485	(862,997)
Health and welfare	-	-	-	-	-
Property valuation, assessments & recording	(186,923)	59,382	-	-	(127,541)
Administration of justice & law	(756,494)	61,782	-	-	(694,712)
Capital outlay	(501,133)	-	-	411,005	(90,128)
Debt services	(57,352)	-	-	-	(57,352)
Total Governmental Activities	\$ (2,996,733)	\$ 202,211	\$ 24,692	\$ 450,490	(2,319,340)

General revenues:

Taxes:

Personal property taxes, levied	571,439
Sales tax	742,921
Intergovernmental revenues	809,651
Investment income	55,158
Miscellaneous	87,427
Total general revenues and transfers	2,266,596
Changes in net assets	(52,744)
Beginning cash assets	723,637
Ending cash assets	\$ 670,893

Shelby County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2006

		Program Revenues			Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (495,154)	\$ 85,542	\$ 91,464	\$ -	\$ (318,148)
Road & bridge	(795,154)	11,201	5,893	-	(778,060)
Health and welfare	-	-	-	-	-
Property valuation & recording	(143,550)	58,220	100,597	-	15,267
Administration of justice & law	(855,760)	63,391	7,932	-	(784,437)
Capital outlay	(760,680)	-	-	390,663	(370,017)
Debt services	(53,867)	-	-	-	(53,867)
Total governmental activities	\$ (3,104,165)	\$ 218,354	\$ 205,886	\$ 390,663	(2,289,262)

General revenues:

Taxes:

Personal property taxes, levied	537,674
Sales taxes	712,637
Intergovernmental revenues	844,217
Investment income	47,108
Miscellaneous	131,429
Total general revenues and transfers	2,273,065
Changes in net assets	(16,197)
Beginning net assets	739,834
Ending net assets	\$ 723,637

Shelby County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Balance Sheet - Governmental Funds -Total Fund Balances-Cash Basis	\$ 670,893	\$ 723,637
Amounts reported for governmental activities of the statement of net assets are different because:		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.		
Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	-	-
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt	-	-
Accrued interest	<u>-</u>	<u>-</u>
Subtotal	-	-
Government-wide Statement of Net Assets--Total Net Assets-Cash Basis	<u><u>\$ 670,893</u></u>	<u><u>\$ 723,637</u></u>

Shelby County, Missouri
Reconciliation of Changes in Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds-Cash Basis	\$ (52,744)	\$ (16,197)
 Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets		
Debt issued	-	-
Principle payments	-	-
Compensated absences	-	-
Interest expense	-	-
 Government-wide Statement of Activities--Changes in net assets - Governmental Activities-Cash Basis	 <u><u>\$ (52,744)</u></u>	 <u><u>\$ (16,197)</u></u>

Shelby County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31,

	2007			2006		
	Private Purpose			Private Purpose		
<u>Assets</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash-restricted	3,090,196	-	3,090,196	2,312,343	-	2,312,343
Investments	-	-	-	-	-	-
Total assets	<u>3,090,196</u>	<u>-</u>	<u>3,090,196</u>	<u>2,312,343</u>	<u>-</u>	<u>2,312,343</u>
<u>Liabilities</u>						
Due to agencies and political subdivisions	3,090,196	-	3,090,196	2,312,343	-	2,312,343
Due to other funds	-	-	-	-	-	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>\$ 3,090,196</u>	<u>\$ -</u>	<u>\$ 3,090,196</u>	<u>\$ 2,312,343</u>	<u>\$ -</u>	<u>\$ 2,312,343</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Shelby County, Missouri
Combining Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	<u>Major Funds</u>		
	County Revenue Fund	Class 3 Special Road & Bridge	Non-Major Governmental Funds
<u>Assets</u>			Total Governmental Funds
Cash	\$ 193,184	\$ -	\$ -
Investments	-	-	-
Restricted assets-cash	-	54,639	423,070
Restricted assets-investments	-	-	-
Total assets	193,184	54,639	423,070
Fund balances			
Reserved for debt service	-	-	-
Reserved	-	54,639	423,070
Unreserved	193,184	-	-
Total fund balances	\$ 193,184	\$ 54,639	\$ 423,070

See Independent Auditor's Report and Notes to the Financial Statements.

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2007

	Major Funds			
	Class 3			
	County Revenue Fund	Special Road & Bridge Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 355,912	\$ 215,527	\$ -	\$ 571,439
Sales taxes	421,044	74,300	247,577	742,921
Charges for services	64,466	16,128	121,617	202,211
Investment income	18,258	8,527	28,373	55,158
Intergovernmental	153,010	610,911	520,912	1,284,833
Miscellaneous	50,272	35,056	2,099	87,427
Total revenues	1,062,962	960,449	920,578	2,943,989
Expenditures				
General county government	514,751	-	61,470	576,221
Road & bridge	-	918,610	-	918,610
Health and welfare	-	-	-	-
Property valuation, assessment & recording	53,459	-	133,464	186,923
Administration of justice & law	484,021	-	272,473	756,494
Capital outlay:				
Property, equipment, & buildings	29,972	28,900	442,261	501,133
Debt service:				
Principal & interest expense	-	57,352	-	57,352
Total expenditures	1,082,203	1,004,862	909,668	2,996,733
Excess (deficiency) of revenues over (under) expenditures	(19,241)	(44,413)	10,910	(52,744)
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	-	-	19,371	19,371
Transfer out	(19,371)	-	-	(19,371)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(19,371)	-	19,371	-
Excess of revenues and other sources over (under) expenditures and other uses	(38,612)	(44,413)	30,281	(52,744)
Cash balances, beginning of year	231,796	99,052	392,789	723,637
Cash balances, end of year	\$ 193,184	\$ 54,639	\$ 423,070	\$ 670,893

See Independent Auditor's Report and Notes to the Financial Statements.

Shelby County, Missouri
Combining Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	<u>Major Funds</u>		
	County	Road &	Non-Major
	Revenue Fund	Bridge	Governmental
			Funds
<u>Assets</u>			Total
			Governmental
			Funds
Cash	\$ 231,796	\$ -	\$ 231,796
Investments	-	-	-
Restricted assets-cash	-	99,052	491,841
Restricted assets-investments	-	-	-
Total assets	231,796	99,052	723,637
<u>Fund balances</u>			
Reserved for debt service	-	-	-
Reserved	-	99,052	491,841
Unreserved	231,796	-	231,796
Total fund balances	\$ 231,796	\$ 99,052	\$ 723,637

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2006

	Major Funds			
	County Revenue Fund	Class 3 Special Road & Bridge Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 333,243	\$ 204,431	\$ -	\$ 537,674
Sales taxes	404,825	71,789	236,023	712,637
Fines, fees, licenses, and permits	-	-	-	-
Charges for services	77,840	11,201	129,313	218,354
Interest income	18,337	8,300	20,471	47,108
Intergovernmental	125,286	1,115,487	199,993	1,440,766
Miscellaneous	93,555	35,206	2,668	131,429
Total revenues	1,053,086	1,446,414	588,468	3,087,968
Expenditures				
General county government	392,356	-	102,798	495,154
Road & bridge	-	795,154	-	795,154
Health and welfare	-	-	-	-
Property valuation, assessment & recording	25,564	-	117,986	143,550
Administration of justice & law	512,999	-	342,761	855,760
Capital outlay:				
Property, equipment, & buildings	152,100	217,917	390,663	760,680
Debt service:				
Principal & interest expense	-	53,867	-	53,867
Total expenditures	1,083,019	1,066,938	954,208	3,104,165
Excess (deficiency) of revenues over (under) expenditures	(29,933)	379,476	(365,740)	(16,197)
Other financing sources (uses)				
Proceeds from loan	-	-	-	-
Transfer in	-	-	415,229	415,229
Transfer out	(24,566)	(390,663)	-	(415,229)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(24,566)	(390,663)	415,229	-
Excess of revenues and other sources over (under) expenditures and other uses	(54,499)	(11,187)	49,489	(16,197)
Cash balances, beginning of year	286,295	110,239	343,300	739,834
Cash balances, end of year	\$ 231,796	\$ 99,052	\$ 392,789	\$ 723,637

REQUIRED SUPPLEMENTAL INFORMATION

Shelby County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2007

	County Revenue Fund				Class 3 Special Road & Bridge Fund			
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final			Original	Final		
Revenues:								
Realty, property taxes	\$ 343,300	\$ 343,300	\$ 355,912	\$ 12,612	\$ 217,000	\$ 217,000	\$ 215,527	\$ (1,473)
Sales taxes	417,000	417,000	421,044	4,044	77,500	77,500	74,300	(3,200)
Charges for services	129,063	129,063	64,466	(64,597)	15,000	15,000	16,128	1,128
Intergovernmental	116,441	116,441	18,258	(98,183)	615,500	615,500	8,527	(606,973)
Investment income	25,000	25,000	153,010	128,010	13,000	13,000	610,911	597,911
Miscellaneous	56,500	56,500	50,272	(6,228)	40,000	40,000	35,056	(4,944)
Total revenue	<u>1,087,304</u>	<u>1,087,304</u>	<u>1,062,962</u>	<u>(24,342)</u>	<u>978,000</u>	<u>978,000</u>	<u>960,449</u>	<u>(17,551)</u>
Expenditures:								
General county government	609,272	609,272	514,751	94,521	-	-	-	-
Road & bridge	-	-	-	-	967,222	967,222	918,610	48,612
Health and welfare	-	-	-	-	-	-	-	-
Property valuation assessment & recording	53,867	53,867	53,459	408	-	-	-	-
Administration of justice & law	530,413	530,413	484,021	46,392	-	-	-	-
Capital outlay	-	-	29,972	(29,972)	-	-	28,900	(28,900)
Debt service-principal and interest	-	-	-	-	-	-	57,352	(57,352)
Total expenditures	<u>1,193,552</u>	<u>1,193,552</u>	<u>1,082,203</u>	<u>111,349</u>	<u>967,222</u>	<u>967,222</u>	<u>1,004,862</u>	<u>(37,640)</u>
Excess of revenues over (under) expenditures	<u>(106,248)</u>	<u>(106,248)</u>	<u>(19,241)</u>	<u>87,007</u>	<u>10,778</u>	<u>10,778</u>	<u>(44,413)</u>	<u>(55,191)</u>
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	44,500	44,500	-	(44,500)	-	-	-	-
Transfer out	(19,371)	(19,371)	(19,371)	-	(54,500)	(54,500)	-	54,500
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>25,129</u>	<u>25,129</u>	<u>(19,371)</u>	<u>(44,500)</u>	<u>(54,500)</u>	<u>(54,500)</u>	<u>-</u>	<u>54,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(81,119)</u>	<u>(81,119)</u>	<u>(38,612)</u>	<u>42,507</u>	<u>(43,722)</u>	<u>(43,722)</u>	<u>(44,413)</u>	<u>(691)</u>
Cash balances, beginning of year	<u>231,796</u>	<u>231,796</u>	<u>231,796</u>	<u>-</u>	<u>99,052</u>	<u>99,052</u>	<u>99,052</u>	<u>-</u>
Cash balances, end of year	<u>\$ 150,677</u>	<u>\$ 150,677</u>	<u>\$ 193,184</u>	<u>\$ 42,507</u>	<u>\$ 55,330</u>	<u>\$ 55,330</u>	<u>\$ 54,639</u>	<u>\$ (691)</u>

Shelby County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2006

	County Revenue Fund				Class 3 Special Road & Bridge Fund			
	Budgeted Amounts		Actual Over (Under)		Budgeted Amounts		Actual Over (Under)	
Revenues:	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Property/realty taxes	\$ 350,000	\$ 350,000	\$ 333,243	\$ (16,757)	\$ 210,000	\$ 210,000	\$ 204,431	\$ (5,569)
Sales taxes	420,000	420,000	404,825	(15,175)	60,000	60,000	71,789	11,789
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-
Charges for services	77,100	77,100	77,840	740	20,400	20,400	11,201	(9,199)
Intergovernmental	142,991	160,344	18,337	(142,007)	1,125,600	1,125,600	8,300	(1,117,300)
Investment income	21,000	21,000	125,286	104,286	17,000	17,000	1,115,487	1,098,487
Miscellaneous	54,500	54,500	93,555	39,055	35,000	35,000	35,206	206
Total revenue	1,065,591	1,082,944	1,053,086	(29,858)	1,468,000	1,468,000	1,446,414	(21,586)
Expenditures:								
General county government	566,306	590,206	392,356	197,850	-	-	-	-
Road & bridge	-	-	-	-	1,568,262	1,577,362	795,154	782,208
Health and welfare	-	-	-	-	-	-	-	-
Property valuation assessment & recording	29,185	29,185	25,564	3,621	-	-	-	-
Administration of justice & law	538,615	568,130	512,999	55,131	-	-	-	-
Capital outlay	-	-	152,100	(152,100)	-	-	217,917	(217,917)
Debt service-principal and interest	-	-	-	-	-	-	53,867	(53,867)
Total expenditures	1,134,106	1,187,521	1,083,019	104,502	1,568,262	1,577,362	1,066,938	510,424
Excess of revenues over (under) expenditures	(68,515)	(104,577)	(29,933)	74,644	(100,262)	(109,362)	379,476	488,838
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	60,000	60,000	-	(60,000)	-	-	-	-
Transfer out	(24,566)	(24,566)	(24,566)	-	-	-	(390,663)	(390,663)
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	35,434	35,434	(24,566)	(60,000)	-	-	(390,663)	(390,663)
Excess of revenues and other sources over (under) expenditures and other uses	(33,081)	(69,143)	(54,499)	14,644	(100,262)	(109,362)	(11,187)	98,175
Fund balances, beginning of year	286,295	286,295	286,295	-	110,239	110,239	110,239	-
Fund balances, end of year	\$ 253,214	\$ 217,152	\$ 231,796	\$ 14,644	\$ 9,977	\$ 877	\$ 99,052	\$ 98,175

See Independent Auditor's Report and Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

SHELBY COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The County Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

The County has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

C. Major Fund Designation

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type and five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to Shelby County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards.

The County maintains an unclaimed fees account, when unclaimed amounts are routinely deposited. The County holds cash balances as an agent and fund custodian.

D. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the year ended December 31, 2007 in the Special Road and Bridge Fund.

SHELBY COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

NOTE 2. CASH

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Shelby County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The 911 Emergency Service Board's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

A. County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

SHELBY COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 3. RETIREMENT PLANS (continued)

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Commissioners of
Shelby County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce adequate disclosures regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Commissioners of
Shelby County, Missouri

We have audited the compliance of Shelby County, Missouri, ("the County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of Shelby County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal-awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Shelby County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31,

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>2007</u>	<u>2006</u>
<u>U.S. Department of Justice</u>				
Passed through Missouri Sheriff's Association: Domestic Cannabis Eradication/Suppression Program	16.unk		<u>\$ 1,020</u>	<u>\$ -</u>
<u>U.S Department of Transportation</u>				
Passed through Missouri Department of Public Safety: Hazardous Materials Emergency Preparedness (HMEP) Program	20.703	07-PT-02-78	1,040	13,484
Passed through Missouri Department of Highway & Transportation Commission: Off-System Bridge Program	20.205	BRO-B102 (18)	<u>28,372</u>	<u>151,774</u>
Total U.S. Department of Transportation			<u>29,412</u>	<u>165,258</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Missouri Division of Social Services: Juvenile Mentoring	93.658		<u>22,112</u>	<u>20,100</u>
<u>U. S. Department of Homeland Security</u>				
Passed through Missouri State Emergency Management Agency: State Domestic Preparedness Equipment Support Program	97.004		<u>1,438</u>	<u>2,016</u>
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Missouri Department of Economic Development: Community Development Block Grant	14.228	2006-PF-022	411,055	390,662
Passed through Missouri Secretary of State: Help America Vote Act	90.401		<u>12,173</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>423,228</u>	<u>390,662</u>
Total Expenditures of Federal Awards			<u><u>\$ 477,210</u></u>	<u><u>\$ 578,036</u></u>

Basis of Presentation:

The accompanying schedule of expenditures of federal awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of basic financial statements.

See Independent Auditor's Report and Notes to the Financial Statements

Shelby County, Missouri
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2007 and 2006

Section 1 - Summary of Auditor's Results

Financial Statements:

<u>Type Audit Report issued on Financial Statements of Auditee</u>	Adverse
<u>Internal Control Over Financial Reporting</u>	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

<u>Internal Control Over Major Programs:</u>	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
<u>Type Audit Report Issued on Compliance for Major Programs:</u>	Unqualified
<u>Audit Findings</u>	
Audit findings required to be reported under OMB Circular A-133.	None

Major Programs

<u>CFDA #</u>	<u>Program Title</u>
14.228	Community Development Block Grant

<u>Dollar Threshold Used to Distinguish Between Type A and Type B Program</u>	\$300,000
<u>Auditee Qualified as a Low-Risk Auditee</u>	No

Section 2 - Financial Statement Findings

None

Section 3 - Federal Award Findings and Questioned Costs

<u>Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards</u>	None
---	------

SHELBY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003 and 2002, did not included audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

SHELBY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003 and 2002, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SUPPLEMENTAL INFORMATION

Shelby County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	911 Fund	Prosecuting Atty Training Fund	Prosecuting Atty Bad Check Fund	Prosecuting Atty Income Tax Fund	Law Library	Children's Trust Fund	Emergency Chemical Fund	Hazardous Materials Fund	Election Service Fund	Circuit Clerk Time Payment	D.A.R.E. Fund	Circuit Clerk Interest	Circuit Clerk Sound Recording Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	62,011	220,491	2,393	28,412	2,752	6,447	3,971	9,368	6,921	4,232	3,448	374	20,079	2,422	373,321
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	62,011	220,491	2,393	28,412	2,752	6,447	3,971	9,368	6,921	4,232	3,448	374	20,079	2,422	373,321
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	62,011	220,491	2,393	28,412	2,752	6,447	3,971	9,368	6,921	4,232	3,448	374	20,079	2,422	373,321
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 62,011	\$ 220,491	\$ 2,393	\$ 28,412	\$ 2,752	\$ 6,447	\$ 3,971	\$ 9,368	\$ 6,921	\$ 4,232	\$ 3,448	\$ 374	\$ 20,079	\$ 2,422	\$ 373,321

Shelby County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

			Recorders									Community					
			Preservation	County	Recorders	Associate Judge		Law				Elections	Law	Safe Return	CDBG	Inmate	Collectors
			& Storage	Recorder's	Technology	Circuit Clerk	Sheriffs	Enforcement	Surplus Fund	Post Fund	HAVA Fund	Improvement	Enforcement	Project	Pwsd	Security	Tax
			Fund	Account	Fund	Civil/Criminal	Civil Fund	Training Fund					Restitution	Grant Fund	Fund	Fund	Maintenance
	Subtotal	Circuit Clerk											Fund				Fund
	Passport																
<u>Assets</u>																	Total Non-
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Major
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Governmental
Restricted assets-cash	373,321	4,740	4,780	3,615	3,402	-	5,730	2,564	374	-	4	11,554	651	-	76	12,259	Funds
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total assets	373,321	4,740	4,780	3,615	3,402	-	5,730	2,564	374	-	4	11,554	651	-	76	12,259	423,070
<u>Fund balances</u>																	
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	373,321	4,740	4,780	3,615	3,402	-	5,730	2,564	374	-	4	11,554	651	-	76	12,259	423,070
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 373,321	\$ 4,740	\$ 4,780	\$ 3,615	\$ 3,402	\$ -	\$ 5,730	\$ 2,564	\$ 374	\$ -	\$ 4	\$ 11,554	\$ 651	\$ -	\$ 76	\$ 12,259	\$ 423,070

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	911 Fund	Prosecuting Atty Training Fund	Prosecuting Atty Bad Check Fund	Prosecuting Atty Income Tax Fund	Law Library	Children's Trust Fund	Emergency Chemical Fund	Hazardous Materials Fund	Election Service Fund	Circuit Clerk Time Payment	D.A.R.E. Fund	Circuit Clerk Interest	Circuit Clerk Sound Recording Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	247,577	-	-	-	-	-	-	-	-	-	-	-	-	247,577
Charges for services	-	-	563	5,893	-	3,610	-	-	-	453	1,199	483	-	-	12,201
Interest income	4,571	9,447	112	1,656	78	34	229	499	409	260	-	-	7,974	152	25,421
Intergovernmental	104,767	-	-	-	1,327	-	267	448	1,438	-	-	-	-	12	108,259
Miscellaneous	1,392	707	-	-	-	-	-	-	-	-	-	-	-	-	2,099
Total revenues	<u>110,730</u>	<u>257,731</u>	<u>675</u>	<u>7,549</u>	<u>1,405</u>	<u>3,644</u>	<u>496</u>	<u>947</u>	<u>1,847</u>	<u>713</u>	<u>1,199</u>	<u>483</u>	<u>7,974</u>	<u>164</u>	<u>395,557</u>
Expenditures															
General county government	-	-	-	-	-	-	697	395	1,040	1,757	-	-	-	-	3,889
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assessment & recording	129,299	-	-	-	-	-	-	-	-	-	-	-	-	-	129,299
Administration of justice & law	-	225,701	12	4,821	-	2,275	-	-	-	-	-	352	1,730	686	235,577
<i>Capital outlay:</i>															
Property, equipment, & buildings	-	1,120	-	-	-	-	-	-	-	-	-	-	-	-	1,120
<i>Debt service:</i>															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>129,299</u>	<u>226,821</u>	<u>12</u>	<u>4,821</u>	<u>-</u>	<u>2,275</u>	<u>697</u>	<u>395</u>	<u>1,040</u>	<u>1,757</u>	<u>-</u>	<u>352</u>	<u>1,730</u>	<u>686</u>	<u>369,885</u>
Excess of revenues over (under) expenditures	<u>(18,569)</u>	<u>30,910</u>	<u>663</u>	<u>2,728</u>	<u>1,405</u>	<u>1,369</u>	<u>(201)</u>	<u>552</u>	<u>807</u>	<u>(1,044)</u>	<u>1,199</u>	<u>131</u>	<u>6,244</u>	<u>(522)</u>	<u>25,672</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	19,371	-	-	-	-	-	-	-	-	-	-	-	-	-	19,371
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>19,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,371</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>802</u>	<u>30,910</u>	<u>663</u>	<u>2,728</u>	<u>1,405</u>	<u>1,369</u>	<u>(201)</u>	<u>552</u>	<u>807</u>	<u>(1,044)</u>	<u>1,199</u>	<u>131</u>	<u>6,244</u>	<u>(522)</u>	<u>45,043</u>
Cash balances, beginning of year	61,209	189,581	1,730	25,684	1,347	5,078	4,172	8,816	6,114	5,276	2,249	243	13,835	2,944	328,278
Cash balances, end of year	<u>\$ 62,011</u>	<u>\$ 220,491</u>	<u>\$ 2,393</u>	<u>\$ 28,412</u>	<u>\$ 2,752</u>	<u>\$ 6,447</u>	<u>\$ 3,971</u>	<u>\$ 9,368</u>	<u>\$ 6,921</u>	<u>\$ 4,232</u>	<u>\$ 3,448</u>	<u>\$ 374</u>	<u>\$ 20,079</u>	<u>\$ 2,422</u>	<u>\$ 373,321</u>

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

			Recorders Preservation & Storage Fund	County Recorder's Account	Recorders Technology Fund	Assoc.Judge Circuit Clerk Civil/Criminal	Sheriffs Civil Fund	Law Enforcement Training Fund	Surplus Fund	Post Fund	Elections Improvement HAVA Fund	Community Law Enforcement Restitution Fund	Safe Return Project Grant Fund	CDBG Pwsd Fund	Inmate Security Fund	Collectors Tax Maintenance Fund	Total Non- Major Governmental Funds
Revenues	Subtotal	Circuit Clerk Passport															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	247,577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	247,577
Charges for services	12,201	330	3,273	54,298	1,811	25,228	9,485	2,228	-	-	-	6,997	-	-	76	5,690	121,617
Interest income	25,421	-	724	-	-	-	383	125	-	-	704	539	118	-	-	359	28,373
Intergovernmental	108,259	-	-	-	-	-	-	-	-	1,035	440	-	173	411,005	-	-	520,912
Miscellaneous	2,099	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,099
Total revenues	395,557	330	3,997	54,298	1,811	25,228	9,868	2,353	-	1,035	1,144	7,536	291	411,005	76	6,049	920,578
Expenditures																	
General county government	3,889	-	-	55,622	-	-	-	-	-	1,035	924	-	-	-	-	-	61,470
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assessment & recording	129,299	-	2,670	-	-	-	-	-	-	-	-	-	-	-	-	1,495	133,464
Administration of justice & law	235,577	-	-	-	-	25,228	4,763	1,755	-	-	-	4,304	846	-	-	-	272,473
Capital outlay:																	
Property, equipment, & buildings	1,120	-	6,729	-	2,051	-	4,178	-	-	-	11,248	-	5,930	411,005	-	-	442,261
Debt service:																	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	369,885	-	9,399	55,622	2,051	25,228	8,941	1,755	-	1,035	12,172	4,304	6,776	411,005	-	1,495	909,668
Excess of revenues over (under) expenditures	25,672	330	(5,402)	(1,324)	(240)	-	927	598	-	-	(11,028)	3,232	(6,485)	-	76	4,554	10,910
Other financing sources (uses):																	
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	19,371	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,371
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	19,371	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,371
Excess of revenues and other sources over (under) expenditures and other uses	45,043	330	(5,402)	(1,324)	(240)	-	927	598	-	-	(11,028)	3,232	(6,485)	-	76	4,554	30,281
Cash balances, beginning of year	328,278	4,410	10,182	4,939	3,642	-	4,803	1,966	374	-	11,032	8,322	7,136	-	-	7,705	392,789
Cash balances, end of year	\$ 373,321	\$ 4,740	\$ 4,780	\$ 3,615	\$ 3,402	\$ -	\$ 5,730	\$ 2,564	\$ 374	\$ -	\$ 4	\$ 11,554	\$ 651	\$ -	\$ 76	\$ 12,259	\$ 423,070

Shelby County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment		Prosecuting	Prosecuting	Prosecuting	Law	Children's	Emergency	Hazardous	Election	Circuit		Circuit	Circuit Clerk	
	Fund	911 Fund	Atty Training	Atty Bad	Atty Income	Library	Trust Fund	Chemical	Materials	Service	Clerk	D.A.R.E.	Clerk	Sound	Subtotal
			Fund	Check Fund	Tax Fund			Fund	Fund	Fund	Time	Fund	Interest	Recording	
											Payment			Fund	
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	61,209	189,581	1,729	25,684	1,347	5,078	4,173	8,816	6,114	5,276	2,249	243	13,835	2,944	328,278
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	61,209	189,581	1,729	25,684	1,347	5,078	4,173	8,816	6,114	5,276	2,249	243	13,835	2,944	328,278
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	61,209	189,581	1,729	25,684	1,347	5,078	4,173	8,816	6,114	5,276	2,249	243	13,835	2,944	328,278
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 61,209	\$ 189,581	\$ 1,729	\$ 25,684	\$ 1,347	\$ 5,078	\$ 4,173	\$ 8,816	\$ 6,114	\$ 5,276	\$ 2,249	\$ 243	\$ 13,835	\$ 2,944	\$ 328,278

See Independent Auditor's Report and Notes to the Financial Statements

[illegible]

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	911 Fund	Prosecuting Atty Training Fund	Prosecuting Atty Bad Check Fund	Prosecuting Atty Income Tax Fund	Law Library	Children's Trust Fund	Emergency Chemical Fund	Hazardous Materials Fund	Election Service Fund	Circuit Clerk Time Payment	D.A.R.E. Fund	Circuit Interest	Circuit Clerk Sound Recording Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	236,023	-	-	-	-	-	-	-	-	-	-	-	-	236,023
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	483	5,605	-	3,489	-	-	-	709	1,013	90	-	-	11,389
Interest income	4,335	9,650	67	953	61	-	183	333	273	242	-	-	1,849	121	18,067
Intergovernmental	100,597	-	-	-	-	-	261	2,016	1,437	-	-	-	-	12	104,323
Miscellaneous	1,742	926	-	-	-	-	-	-	-	-	-	-	-	-	2,668
Total revenues	<u>106,674</u>	<u>246,599</u>	<u>550</u>	<u>6,558</u>	<u>61</u>	<u>3,489</u>	<u>444</u>	<u>2,349</u>	<u>1,710</u>	<u>951</u>	<u>1,013</u>	<u>90</u>	<u>1,849</u>	<u>133</u>	<u>372,470</u>
Expenditures															
General county government	-	-	-	-	-	-	6	57	28	573	-	-	-	-	664
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assesment & recording	110,200	-	-	-	-	-	-	-	-	-	-	-	-	6	110,206
Administration of justice & law	-	230,881	6	3,450	-	3,108	-	-	-	-	-	255	5,571	-	243,271
Capital outlay:															
Property, equipment, & buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>110,200</u>	<u>230,881</u>	<u>6</u>	<u>3,450</u>	<u>-</u>	<u>3,108</u>	<u>6</u>	<u>57</u>	<u>28</u>	<u>573</u>	<u>-</u>	<u>255</u>	<u>5,571</u>	<u>6</u>	<u>354,141</u>
Excess of revenues over (under) expenditures	<u>(3,526)</u>	<u>15,718</u>	<u>544</u>	<u>3,108</u>	<u>61</u>	<u>381</u>	<u>438</u>	<u>2,292</u>	<u>1,682</u>	<u>378</u>	<u>1,013</u>	<u>(165)</u>	<u>(3,722)</u>	<u>127</u>	<u>18,329</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	24,566	-	-	-	-	-	-	-	-	-	-	-	-	-	24,566
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>24,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,566</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>21,040</u>	<u>15,718</u>	<u>544</u>	<u>3,108</u>	<u>61</u>	<u>381</u>	<u>438</u>	<u>2,292</u>	<u>1,682</u>	<u>378</u>	<u>1,013</u>	<u>(165)</u>	<u>(3,722)</u>	<u>127</u>	<u>42,895</u>
Net assets, beginning of year	40,169	173,863	1,185	22,576	1,286	4,697	3,735	6,524	4,432	4,898	1,236	408	17,557	2,817	285,383
Net assets, end of year	<u>\$ 61,209</u>	<u>\$ 189,581</u>	<u>\$ 1,729</u>	<u>\$ 25,684</u>	<u>\$ 1,347</u>	<u>\$ 5,078</u>	<u>\$ 4,173</u>	<u>\$ 8,816</u>	<u>\$ 6,114</u>	<u>\$ 5,276</u>	<u>\$ 2,249</u>	<u>\$ 243</u>	<u>\$ 13,835</u>	<u>\$ 2,944</u>	<u>\$ 328,278</u>

See Independent Auditor's Report and Notes to the Financial Statements

Shelby County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

			Recorders Preservation & Storage Fund	County Recorder's Account	Recorders Tech Fund	Associated Judge Circuit Clerk Civil/Criminal	Sheriffs Civil Fund	Law Enforcement Training Fund	Surplus Land	Post Fund	Elections Improvement HAVA Fund	CDBG Bridge Grant Fund	Community Law Enforcement Restitution Fund	Safe Return Fund	Collector Tax Maintenance	Total Non- Major Governmental Funds
Revenues	Subtotal	Circuit Clerk Passport														
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	236,023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236,023
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	11,389	3,360	3,061	53,358	1,801	33,253	8,309	2,012	-	-	-	-	5,867	-	6,903	129,313
Interest income	18,067	-	556	-	-	-	224	60	-	-	960	-	468	136	-	20,471
Intergovernmental	104,323	-	-	-	-	-	-	-	-	920	87,750	-	-	7,000	-	199,993
Miscellaneous	2,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,668
Total revenues	372,470	3,360	3,617	53,358	1,801	33,253	8,533	2,072	-	920	88,710	-	6,335	7,136	6,903	588,468
Expenditures																
General county government	664	-	-	-	-	-	-	-	-	920	93,634	-	-	-	7,580	102,798
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assesment & recording	110,206	-	5,574	-	2,206	-	-	-	-	-	-	-	-	-	-	117,986
Administration of justice & law	243,271	-	-	53,073	-	33,253	6,994	1,158	-	-	-	-	5,012	-	-	342,761
<i>Capital outlay:</i>																
Property, equipment, & buildings	-	-	-	-	-	-	-	-	-	-	-	390,663	-	-	-	390,663
<i>Debt service:</i>																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	354,141	-	5,574	53,073	2,206	33,253	6,994	1,158	-	920	93,634	390,663	5,012	-	7,580	954,208
Excess of revenues over (under) expenditures	18,329	3,360	(1,957)	285	(405)	-	1,539	914	-	-	(4,924)	(390,663)	1,323	7,136	(677)	(365,740)
Other financing sources (uses):																
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	24,566	-	-	-	-	-	-	-	-	-	-	390,663	-	-	-	415,229
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	24,566	-	-	-	-	-	-	-	-	-	-	390,663	-	-	-	415,229
Excess of revenues and other sources over (under) expenditures and other uses	42,895	3,360	(1,957)	285	(405)	-	1,539	914	-	-	(4,924)	-	1,323	7,136	(677)	49,489
Net assets, beginning of year	285,383	1,050	12,139	4,654	4,047	-	3,264	1,052	374	-	15,956	-	6,999	-	8,382	343,300
Net assets, end of year	\$ 328,278	\$ 4,410	\$ 10,182	\$ 4,939	\$ 3,642	\$ -	\$ 4,803	\$ 1,966	\$ 374	\$ -	\$ 11,032	\$ -	\$ 8,322	\$ 7,136	\$ 7,705	\$ 392,789

Shelby County, Missouri
Combining Statement of Fiduciary Net Assets
For the Year Ended December 31, 2007

	All School Districts' Cash Balances	School Fund Principal Account	Collector of Revenue	Unclaimed Fees	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	404	33,592	3,055,664	536	3,090,196
Restricted assets-investments	-	-	-	-	-
Total Assets	<u>404</u>	<u>33,592</u>	<u>3,055,664</u>	<u>536</u>	<u>3,090,196</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	404	33,592	3,055,664	536	3,090,196
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total Liabilities	<u>\$ 404</u>	<u>\$ 33,592</u>	<u>\$ 3,055,664</u>	<u>\$ 536</u>	<u>\$ 3,090,196</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Shelby County, Missouri
Combining Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2006

	All School Districts' Cash Balances	School Fund Principal Account	Collector of Revenue	Unclaimed Fees	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	404	33,592	2,277,811	536	2,312,343
Restricted assets-investments	-	-	-	-	-
Total assets	<u>404</u>	<u>33,592</u>	<u>2,277,811</u>	<u>536</u>	<u>2,312,343</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	404	33,592	2,277,811	536	2,312,343
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total liabilities	<u>\$ 404</u>	<u>\$ 33,592</u>	<u>\$ 2,277,811</u>	<u>\$ 536</u>	<u>\$ 2,312,343</u>



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Oregon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Oregon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-45

OREGON COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**OREGON COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
 Financial Statements	
Statement of Net Assets-Variou s Funds	3
Statement of Activities-Variou s Funds - 2007	4
Statement of Activities-Variou s Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combined Balance Sheet-Governmental Funds - 2007	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combined Balance Sheet-Governmental Funds - 2006	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
 Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
 Notes to the Financial Statements	15-17
 Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
 Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	20-21
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	22-23
Combining Balance Sheet-Non-Major Governmental Funds – 2006	24-25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	26-27
Combining Statement of Fiduciary Net Assets – 2007	28
Combining Statement of Fiduciary Net Assets – 2006	29

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

INDEPENDENT AUDITOR'S REPORT

To the County Commission and Officeholders of
Oregon County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oregon County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, management has not adopted Government Accounting Standards Board Statement No. 34. These financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Oregon County, Missouri, as of December 31, 2007 and 2006, or the respective changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund, and the aggregate remaining fund information of Oregon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC

St. Louis, Missouri

August 15, 2008

FINANCIAL STATEMENTS

Oregon County, Missouri
Statement of Net Assets-Variou Funds
Cash Basis
For the Year Ended December 31,

	2007	2006
	Governmental	Governmental
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>
Cash	\$ 491,417	\$ 603,315
Investments	-	-
Restricted assets-cash	790,944	902,862
Restricted assets-investments	-	-
Total assets	<u>1,282,361</u>	<u>1,506,177</u>
<u>Net Assets</u>		
Invested in fixed assets, net of related debt	-	-
Unrestricted	491,417	603,315
Restricted	790,944	902,862
Total Net Assets	<u>\$ 1,282,361</u>	<u>\$ 1,506,177</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2007

					Net (expenditures) revenue- changes in net assets
Program Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Expenditures					
Primary Government					
Governmental Activities					
General county government	\$ (814,796)	\$ 142,370	\$ 9,793	\$ -	\$ (662,633)
Road & bridge	(611,472)	-	-	-	(611,472)
Health and welfare	(103,484)	-	-	-	(103,484)
Property valuation, assessments & recording	(212,110)	9,549	-	-	(202,561)
Administration of justice & law	(585,971)	14,505	34,795	-	(536,671)
Capital outlay	(307,733)	-	-	17,178	(290,555)
Debt services	-	-	-	-	-
Total Governmental Activities	\$ (2,635,566)	\$ 166,424	\$ 44,588	\$ 17,178	(2,407,376)

General revenues:

Taxes:

Personal property taxes, levied	216,236
Sales tax	933,701
Intergovernmental revenues	864,128
Investment income	80,699
Miscellaneous	88,796
Total general revenues	2,183,560
Changes in net assets	(223,816)
Beginning net assets	1,506,177
Ending net assets	\$ 1,282,361

Oregon County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2006

		Program Revenues			Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Governmental Activities					
General county government	\$ (731,359)	\$ 69,233	\$ 7,500	\$ -	\$ (654,626)
Road & bridge	(581,806)	-	-	-	(581,806)
Health and welfare	(124,185)	-	-	-	(124,185)
Property valuation & recording	(186,955)	53,995	-	-	(132,960)
Administration of justice & law	(521,545)	51,460	34,863	-	(435,222)
Capital outlay	(320,261)	-	-	156,734	(163,527)
Debt services	-	-	-	-	-
Total governmental activities	\$ (2,466,111)	\$ 174,688	\$ 42,363	\$ 156,734	(2,092,326)

General revenues:

Taxes:

Personal property taxes, levied	208,279
Sales taxes	907,013
Intergovernmental revenues	821,937
Investment income	73,307
Miscellaneous	76,817
Total general revenues	2,087,353
Changes in net assets	(4,973)
Beginning net assets	1,511,150
Ending net assets	\$ 1,506,177

Oregon County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Balance Sheet - Governmental Funds -Total Fund Balances-Cash Basis	\$ 1,282,361	\$ 1,506,177
Amounts reported for governmental activities of the statement of net assets are different because:		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.		
Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	-	-
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt	-	-
Accrued interest	<u>-</u>	<u>-</u>
Subtotal	-	-
Government-wide Statement of Net Assets--Total Net Assets-Cash Basis	<u><u>\$ 1,282,361</u></u>	<u><u>\$ 1,506,177</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Reconciliation of Changes in Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds-Cash Basis	\$ (223,816)	\$ (4,973)
 Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets		
Debt issued	-	-
Principle payments	-	-
Compensated absences	-	-
Interest expense	-	-
Government-wide Statement of Activities--Changes in net assets - Governmental Activities-Cash Basis	<u><u>\$ (223,816)</u></u>	<u><u>\$ (4,973)</u></u>

Oregon County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31,

	2007			2006		
	Private Purpose			Private Purpose		
<u>Assets</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash-restricted	2,691,854	-	2,691,854	2,522,243	-	2,522,243
Investments	-	-	-	-	-	-
Total assets	<u>2,691,854</u>	<u>-</u>	<u>2,691,854</u>	<u>2,522,243</u>	<u>-</u>	<u>2,522,243</u>
<u>Liabilities</u>						
Due to agencies and political subdivisions	2,691,854	-	2,691,854	2,522,243	-	2,522,243
Due to other funds	-	-	-	-	-	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>\$ 2,691,854</u>	<u>\$ -</u>	<u>\$ 2,691,854</u>	<u>\$ 2,522,243</u>	<u>\$ -</u>	<u>\$ 2,522,243</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	<u>Major Funds</u>			
	<u>General</u>	<u>Special Road</u>	<u>Non-Major</u>	<u>Total</u>
<u>Assets</u>	<u>Fund</u>	<u>& Bridge</u>	<u>Governmental</u>	<u>Governmental</u>
Cash	\$ 491,417	\$ -	\$ -	\$ 491,417
Investments	-	-	-	-
Restricted assets-cash	-	421,981	368,963	790,944
Restricted assets-investments	-	-	-	-
Total assets	<u>491,417</u>	<u>421,981</u>	<u>368,963</u>	<u>1,282,361</u>
Fund balances				
Reserved for debt services	-	-	-	-
Reserved	-	421,981	368,963	790,944
Unreserved	491,417	-	-	491,417
Total fund balances	<u>\$ 491,417</u>	<u>\$ 421,981</u>	<u>\$ 368,963</u>	<u>\$ 1,282,361</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2007

	Major Funds		Non-Major	Total
	General	Special	Governmental	Governmental
	Fund	Road & Bridge Fund	Funds	Funds
Revenues				
Property & other taxes	\$ 56,823	\$ 120,146	\$ 39,267	\$ 216,236
Sales taxes	853,843	-	79,858	933,701
Charges for services	142,370	-	24,054	166,424
Investment income	31,287	30,312	19,100	80,699
Intergovernmental	166,306	618,262	141,326	925,894
Miscellaneous	79,882	-	8,914	88,796
Total revenues	1,330,511	768,720	312,519	2,411,750
Expenditures				
General county government	806,875	-	7,921	814,796
Road & bridge	-	611,472	-	611,472
Health and welfare	-	-	103,484	103,484
Property valuation, assessment & recording	38,771	-	173,339	212,110
Administration of justice & law	535,803	-	50,168	585,971
Capital outlay:				
Property, equipment, & buildings	3,450	286,190	18,093	307,733
Debt service:				
Principal & interest expense	-	-	-	-
Total expenditures	1,384,899	897,662	353,005	2,635,566
Excess (deficiency) of revenues over (under) expenditures	(54,388)	(128,942)	(40,486)	(223,816)
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	1,082	13,312	45,280	59,674
Transfer out	(58,592)	-	(1,082)	(59,674)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(57,510)	13,312	44,198	0
Excess of revenues and other sources over (under) expenditures and other uses	(111,898)	(115,630)	3,712	(223,816)
Fund balances, beginning of year	603,315	537,611	365,251	1,506,177
Fund balances, end of year	\$ 491,417	\$ 421,981	\$ 368,963	\$ 1,282,361

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Major Funds		
	General Fund	Special Road & Bridge Fund	Non-Major Governmental Funds
<u>Assets</u>			Total Governmental Funds
Cash	\$ 603,315	\$ -	\$ 603,315
Investments	-	-	-
Restricted assets-cash	-	537,611	902,862
Restricted assets-investments	-	-	-
Total assets	603,315	537,611	1,506,177
<u>Fund balances</u>			
Reserved for debt service	-	-	-
Reserved	-	537,611	902,862
Unreserved	603,315	-	603,315
Total fund balances	\$ 603,315	\$ 537,611	\$ 1,506,177

Oregon County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2006

	Major Funds		Non-Major	Total
	General Fund	Special Road & Bridge Fund	Governmental Funds	Governmental Funds
Revenues				
Property & other taxes	\$ 53,852	\$ 116,079	\$ 38,348	\$ 208,279
Sales taxes	831,411	-	75,602	907,013
Fines, fees, licenses, and permits	-	-	-	-
Charges for services	146,970	-	27,718	174,688
Interest income	28,507	27,729	17,071	73,307
Intergovernmental	141,882	583,991	295,161	1,021,034
Miscellaneous	23,753	5,820	47,244	76,817
Total revenues	1,226,375	733,619	501,144	2,461,138
Expenditures				
General county government	723,420	-	7,939	731,359
Road & bridge	-	581,806	-	581,806
Health and welfare	-	-	124,185	124,185
Property valuation, assessment & recording	39,154	-	147,801	186,955
Administration of justice & law	472,491	-	49,054	521,545
Capital outlay:				
Property, equipment, & buildings	6,689	143,780	169,792	320,261
Debt service:				
Principal & interest expense	-	-	-	-
Total expenditures	1,241,754	725,586	498,771	2,466,111
Excess (deficiency) of revenues over (under) expenditures	(15,379)	8,033	2,373	(4,973)
Other financing sources (uses)				
Proceeds from loan	-	-	-	-
Transfer in	806	12,929	51,852	65,587
Transfer out	(64,781)	-	(806)	(65,587)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(63,975)	12,929	51,046	-
Excess of revenues and other sources over (under) expenditures and other uses	(79,354)	20,962	53,419	(4,973)
Fund balances, beginning of year	682,669	516,649	311,832	1,511,150
Fund balances, end of year	\$ 603,315	\$ 537,611	\$ 365,251	\$ 1,506,177

REQUIRED SUPPLEMENTAL INFORMATION

Oregon County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2007

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance from Final Budget	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final			Original	Final		
Revenues:								
Realty, property taxes	\$ 54,450	\$ 54,450	\$ 56,823	\$ 2,373	\$ 114,600	\$ 114,600	\$ 120,146	\$ 5,546
Sales taxes	825,000	825,000	853,843	28,843	-	-	-	-
Charges for services	146,075	146,075	142,370	(3,705)	-	-	-	-
Intergovernmental	148,890	148,890	166,306	17,416	613,456	613,456	618,262	4,806
Investment income	27,190	27,190	31,287	4,097	15,000	15,000	30,312	15,312
Miscellaneous	43,505	43,505	79,882	36,377	700	700	-	(700)
Total revenue	1,245,110	1,245,110	1,330,511	85,401	743,756	743,756	768,720	24,964
Expenditures:								
General county government	992,783	992,783	806,875	(185,908)	-	-	-	-
Road & bridge	-	-	-	-	778,327	778,327	611,472	(166,855)
Health and welfare	500	500	-	(500)	-	-	-	-
Property valuation assessment & recording	41,250	41,250	38,771	(2,479)	-	-	-	-
Administration of justice & law	510,087	510,087	535,803	25,716	-	-	-	-
Capital outlay	29,179	29,179	3,450	(25,729)	260,000	260,000	286,190	26,190
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	1,573,799	1,573,799	1,384,899	(188,900)	1,038,327	1,038,327	897,662	(140,665)
Excess of revenues over (under) expenditures	(328,689)	(328,689)	(54,388)	274,301	(294,572)	(294,572)	(128,942)	165,630
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	1,535	1,535	1,082	(453)	13,000	13,000	13,312	312
Transfer out	(49,078)	(49,078)	(58,592)	(9,514)	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(47,543)	(47,543)	(57,510)	(9,967)	13,000	13,000	13,312	312
Excess of revenues and other sources over (under) expenditures and other uses	(376,232)	(376,232)	(111,898)	264,334	(281,572)	(281,572)	(115,630)	165,942
Fund balances, beginning of year	603,315	603,315	603,315	-	537,611	537,611	537,611	-
Fund balances, end of year	\$ 227,083	\$ 227,083	\$ 491,417	\$ 264,334	\$ 256,039	\$ 256,039	\$ 421,981	\$ 165,942

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2006

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Variance from		Budgeted Amounts		Variance from	
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Revenues:								
Property/realty taxes	\$ 54,000	\$ 54,000	\$ 53,852	\$ (148)	\$ 119,600	\$ 119,600	\$ 116,079	\$ (3,521)
Sales taxes	785,000	785,000	831,411	46,411	-	-	-	-
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-
Charges for services	143,310	143,310	146,970	3,660	-	-	-	-
Intergovernmental	143,930	143,930	141,882	(2,048)	567,869	567,869	583,991	16,122
Investment income	15,425	15,425	28,507	13,082	12,000	12,000	27,729	15,729
Miscellaneous	21,254	21,254	23,753	2,499	500	500	5,820	5,320
Total revenue	1,162,919	1,162,919	1,226,375	63,456	699,969	699,969	733,619	33,650
Expenditures:								
General county government	888,235	889,035	723,420	(165,615)	-	-	-	-
Road & bridge	-	-	-	-	675,994	675,994	581,806	(94,188)
Health and welfare	500	500	-	(500)	-	-	-	-
Property valuation assessment & recording	41,832	41,832	39,154	(2,678)	-	-	-	-
Administration of justice & law	473,996	480,496	472,491	(8,005)	-	-	-	-
Capital outlay	19,130	19,130	6,689	(12,441)	290,000	290,000	143,780	(146,220)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	1,423,692	1,430,992	1,241,754	(189,238)	965,994	965,994	725,586	(240,408)
Excess of revenues over (under) expenditures	(260,773)	(268,073)	(15,379)	252,694	(266,025)	(266,025)	8,033	274,058
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	1,833	1,833	806	(1,027)	12,000	12,000	12,929	929
Transfer out	(60,352)	(60,352)	(64,781)	(4,429)	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(58,519)	(58,519)	(63,975)	(5,456)	12,000	12,000	12,929	929
Excess of revenues and other sources over (under) expenditures and other uses	(319,292)	(326,592)	(79,354)	247,238	(254,025)	(254,025)	20,962	274,987
Fund balances, beginning of year	682,669	682,669	682,669	-	516,649	516,649	516,649	-
Fund balances, end of year	\$ 363,378	\$ 356,078	\$ 603,315	\$ 247,238	\$ 262,624	\$ 262,624	\$ 537,611	\$ 274,987

See Independent Auditor's Report and Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

OREGON COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioner, an elected county official. The County Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

The County has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to Oregon County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards.

The County maintains an unclaimed fees account, when unclaimed amounts are routinely deposited. The County holds cash balances as an agent and fund custodian.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the year ended December 31, 2006 in the River/Forest Patrol Fund, Prosecuting Attorney Bad Check Fund, and Election Fund, and for the year ended December 31, 2007 in the Unclaimed Fees Fund, Recorder User Fund and Election HAVA Fund.

D. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

OREGON COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 2. CASH

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Oregon County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

A. County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's

OREGON COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 3. RETIREMENT PLANS (continued)

Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720(Bus)/(314)-869-5955(Fax)
charlesbuchanan8@aol.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Commissioners of
Oregon County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oregon County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce adequate disclosures regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

OREGON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Oregon County, Missouri, on the applicable findings in the prior audit report issued by the independent auditor for the two years ended December 31, 2005 and 2004.

The audit report did not disclose any noncompliance and internal control findings that are material to the financial statements of the county.

SUPPLEMENTAL INFORMATION

Oregon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Unclaimed Fees Fund	Prosecuting Atty Training Fund	Sheriff Legal Ed Fund	Federal Law Enforcement Fund	River Forest Patrol Fund	Prosecuting Atty Special Fund	Tax Maintenance Fund	Recorder Use Fee Fund	Operation Cash Crop Fund	Law Enforcement Fund	Prosecuting Atty Bad Check Fund	Election Fund	Forest Service Title III Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	2,810	3,628	8,091	11,107	256	-	2,712	9,167	75,511	1,190	1,239	11,099	5,038	11,233	143,081
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	2,810	3,628	8,091	11,107	256	-	2,712	9,167	75,511	1,190	1,239	11,099	5,038	11,233	143,081
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	2,810	3,628	8,091	11,107	256	-	2,712	9,167	75,511	1,190	1,239	11,099	5,038	11,233	143,081
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 2,810	\$ 3,628	\$ 8,091	\$ 11,107	\$ 256	\$ -	\$ 2,712	\$ 9,167	\$ 75,511	\$ 1,190	\$ 1,239	\$ 11,099	\$ 5,038	\$ 11,233	\$ 143,081

See Independent Auditor's Report and Notes to the Financial Statements.

Oregon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

		Economic Development Fund	FEMA Fund	SB40 Board Fund	Senior Citizen's Board Fund	Total Non- Major Governmental Funds
<u>Assets</u>	<u>Subtotal</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted assets-cash	143,081	4,051	-	213,670	8,162	368,963
Restricted assets-investments	-	-	-	-	-	-
Total assets	<u>143,081</u>	<u>4,051</u>	<u>-</u>	<u>213,670</u>	<u>8,162</u>	<u>368,963</u>
<u>Fund balances</u>						
Reserved for debt services	-	-	-	-	-	-
Reserved	143,081	4,051	-	213,670	8,162	368,963
Unreserved	-	-	-	-	-	-
Total fund balances	<u>\$ 143,081</u>	<u>\$ 4,051</u>	<u>\$ -</u>	<u>\$ 213,670</u>	<u>\$ 8,162</u>	<u>\$ 368,963</u>

Oregon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Unclaimed Fees Fund	Prosecuting Atty Training Fund	Sheriff Legal Ed Fund	Federal Law Enforcement Fund	River Forest Patrol Fund	Prosecuting Atty Special Fund	Tax Maintenance Fund	Recorder Use Fee Fund	Operation Cash Crop Fund	Law Enforcement Fund	Prosecuting Atty Bad Check Fund	Election Fund	Forest Service Title III Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	10	-	-	-	848	-	9,549	-	-	13,647	-	-	24,054
Interest income	464	12	59	27	13	-	115	475	5,182	61	54	719	254	1,183	8,618
Intergovernmental	93,334	247	-	35	-	10,500	-	8,527	-	-	-	-	-	28,683	141,326
Miscellaneous	2,024	(14)	312	1,866	-	-	-	-	-	-	493	-	4,233	-	8,914
Total revenues	<u>95,822</u>	<u>245</u>	<u>381</u>	<u>1,928</u>	<u>13</u>	<u>10,500</u>	<u>963</u>	<u>9,002</u>	<u>14,731</u>	<u>61</u>	<u>547</u>	<u>14,366</u>	<u>4,487</u>	<u>29,866</u>	<u>182,912</u>
Expenditures															
General county government	-	174	-	-	-	-	-	5,745	-	-	-	-	2,002	-	7,921
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assessment & recording	138,285	-	-	-	-	-	-	-	35,054	-	-	-	-	-	173,339
Administration of justice & law	-	-	-	2,421	-	9,425	250	-	-	-	69	13,704	-	24,299	50,168
<i>Capital outlay:</i>															
Property, equipment, & buildings	-	-	-	-	-	-	-	909	-	-	-	-	6	-	915
<i>Debt service:</i>															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>138,285</u>	<u>174</u>	<u>-</u>	<u>2,421</u>	<u>-</u>	<u>9,425</u>	<u>250</u>	<u>6,654</u>	<u>35,054</u>	<u>-</u>	<u>69</u>	<u>13,704</u>	<u>2,008</u>	<u>24,299</u>	<u>232,343</u>
Excess of revenues over (under) expenditures	<u>(42,463)</u>	<u>71</u>	<u>381</u>	<u>(493)</u>	<u>13</u>	<u>1,075</u>	<u>713</u>	<u>2,348</u>	<u>(20,323)</u>	<u>61</u>	<u>478</u>	<u>662</u>	<u>2,479</u>	<u>5,567</u>	<u>(49,431)</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	45,273	7	-	-	-	-	-	-	-	-	-	-	-	-	45,280
Transfer out	-	(7)	-	-	-	(1,075)	-	-	-	-	-	-	-	-	(1,082)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>45,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,075)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,198</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>2,810</u>	<u>71</u>	<u>381</u>	<u>(493)</u>	<u>13</u>	<u>0</u>	<u>713</u>	<u>2,348</u>	<u>(20,323)</u>	<u>61</u>	<u>478</u>	<u>662</u>	<u>2,479</u>	<u>5,567</u>	<u>(5,233)</u>
Fund balances, beginning of year	-	3,557	7,710	11,600	243	-	1,999	6,819	95,834	1,129	761	10,437	2,559	5,666	148,314
Fund balances, end of year	<u>\$ 2,810</u>	<u>\$ 3,628</u>	<u>\$ 8,091</u>	<u>\$ 11,107</u>	<u>\$ 256</u>	<u>\$ 0</u>	<u>\$ 2,712</u>	<u>\$ 9,167</u>	<u>\$ 75,511</u>	<u>\$ 1,190</u>	<u>\$ 1,239</u>	<u>\$ 11,099</u>	<u>\$ 5,038</u>	<u>\$ 11,233</u>	<u>\$ 143,081</u>

Oregon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

		Economic	Election	SB40	Senior	Total Non-
	Subtotal	Development	HAVA Fund	Board	Citizen's	Major
		Fund		Fund	Board Fund	Governmental
						Funds
Revenues						
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ 39,267	\$ 39,267
Sales taxes	-	-	-	79,858	-	79,858
Charges for services	24,054	-	-	-	-	24,054
Interest income	8,618	212	821	9,449	-	19,100
Intergovernmental	141,326	-	-	-	-	141,326
Miscellaneous	8,914	-	-	-	-	8,914
Total revenues	<u>182,912</u>	<u>212</u>	<u>821</u>	<u>89,307</u>	<u>39,267</u>	<u>312,519</u>
Expenditures						
General county government	7,921	-	-	-	-	7,921
Road & bridge	-	-	-	-	-	-
Health and welfare	-	-	-	64,100	39,384	103,484
Property valuation, assesment & recording	173,339	-	-	-	-	173,339
Administration of justice & law	50,168	-	-	-	-	50,168
<i>Capital outlay:</i>						
Property, equipment, & buildings	915	-	17,178	-	-	18,093
<i>Debt service:</i>						
Principal	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-
Total expenditures	<u>232,343</u>	<u>-</u>	<u>17,178</u>	<u>64,100</u>	<u>39,384</u>	<u>353,005</u>
Excess of revenues over (under) expenditures	<u>(49,431)</u>	<u>212</u>	<u>(16,357)</u>	<u>25,207</u>	<u>(117)</u>	<u>(40,486)</u>
Other financing sources (uses):						
Proceeds from loan	-	-	-	-	-	-
Transfer in	45,280	-	-	-	-	45,280
Transfer out	(1,082)	-	-	-	-	(1,082)
Insurance proceeds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>44,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,198</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(5,233)</u>	<u>212</u>	<u>(16,357)</u>	<u>25,207</u>	<u>(117)</u>	<u>3,712</u>
Fund balances, beginning of year	148,314	3,839	16,356	188,463	8,279	365,251
Fund balances, end of year	<u>\$ 143,081</u>	<u>\$ 4,051</u>	<u>\$ (1)</u>	<u>\$213,670</u>	<u>\$ 8,162</u>	<u>\$ 368,963</u>

Oregon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Unclaimed Fees Fund	Prosecuting Atty Training Fund	Sheriff Legal Ed Fund	Federal Law Enforcement Fund	River Forest Patrol Fund	Prosecuting Atty Special Fund	Tax Maintenance Fund	Recorder Use Fee Fund	Operation Cash Crop Fund	Law Enforcement Fund	Prosecuting Atty Bad Check Fund	Election Fund	Forest Service Title III Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	-	3,557	7,710	11,600	243	-	1,999	6,819	95,834	1,129	761	10,437	2,559	5,666	148,314
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>-</u>	<u>3,557</u>	<u>7,710</u>	<u>11,600</u>	<u>243</u>	<u>-</u>	<u>1,999</u>	<u>6,819</u>	<u>95,834</u>	<u>1,129</u>	<u>761</u>	<u>10,437</u>	<u>2,559</u>	<u>5,666</u>	<u>148,314</u>
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	-	3,557	7,710	11,600	243	-	1,999	6,819	95,834	1,129	761	10,437	2,559	5,666	148,314
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>\$ -</u>	<u>\$ 3,557</u>	<u>\$ 7,710</u>	<u>\$ 11,600</u>	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 1,999</u>	<u>\$ 6,819</u>	<u>\$ 95,834</u>	<u>\$ 1,129</u>	<u>\$ 761</u>	<u>\$ 10,437</u>	<u>\$ 2,559</u>	<u>\$ 5,666</u>	<u>\$ 148,314</u>

Oregon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Subtotal	Economic Development Fund	Election HAVA Fund	SB40 Board Fund	Senior Citizen's Board Fund	Total Non- Major Governmental Funds
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted assets-cash	148,314	3,839	16,356	188,463	8,279	365,251
Restricted assets-investments	-	-	-	-	-	-
Total assets	<u><u>148,314</u></u>	<u><u>3,839</u></u>	<u><u>16,356</u></u>	<u><u>188,463</u></u>	<u><u>8,279</u></u>	<u><u>365,251</u></u>
Fund balances						
Reserved for debt services	-	-	-	-	-	-
Reserved	148,314	3,839	16,356	188,463	8,279	365,251
Unreserved	-	-	-	-	-	-
Total fund balances	<u><u>\$ 148,314</u></u>	<u><u>\$ 3,839</u></u>	<u><u>\$ 16,356</u></u>	<u><u>\$ 188,463</u></u>	<u><u>\$ 8,279</u></u>	<u><u>\$ 365,251</u></u>

Oregon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Unclaimed Fees Fund	Prosecuting Atty Training Fund	Sheriff Legal Ed Fund	Federal Law Enforcement Fund	River Forest Patrol Fund	Prosecuting Atty Special Fund	Tax Maintenance Fund	Recorder Use Fee Fund	Operation Cash Crop Fund	Law Enforcement Fund	Prosecuting Atty Bad Check Fund	Election Fund	Forest Service Title III Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	9	-	-	-	5	-	10,316	-	-	17,388	-	-	27,718
Interest income	467	-	41	57	11	-	91	276	4,128	52	23	467	160	724	6,497
Intergovernmental	93,684	14	-	20	-	10,496	-	7,991	-	-	-	-	-	28,399	140,604
Miscellaneous	1,842	-	292	2,649	-	-	-	-	-	-	493	-	2,131	43	7,450
Total revenues	<u>95,993</u>	<u>14</u>	<u>342</u>	<u>2,726</u>	<u>11</u>	<u>10,496</u>	<u>96</u>	<u>8,267</u>	<u>14,444</u>	<u>52</u>	<u>516</u>	<u>17,855</u>	<u>2,291</u>	<u>29,166</u>	<u>182,269</u>
Expenditures															
General county government	-	199	-	-	-	-	-	4,381	-	44	-	-	3,315	-	7,939
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property valuation, assesment & recording	147,801	-	-	-	-	-	-	-	-	-	-	-	-	-	147,801
Administration of justice & law	-	-	150	3,144	-	9,690	-	-	-	-	-	11,707	-	24,363	49,054
Capital outlay:															
Property, equipment, & buildings	-	-	-	-	-	-	-	214	-	-	-	-	50	-	264
Debt service:															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>147,801</u>	<u>199</u>	<u>150</u>	<u>3,144</u>	<u>-</u>	<u>9,690</u>	<u>-</u>	<u>4,595</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>11,707</u>	<u>3,365</u>	<u>24,363</u>	<u>205,058</u>
Excess of revenues over (under) expenditures	<u>(51,808)</u>	<u>(185)</u>	<u>192</u>	<u>(418)</u>	<u>11</u>	<u>806</u>	<u>96</u>	<u>3,672</u>	<u>14,444</u>	<u>8</u>	<u>516</u>	<u>6,148</u>	<u>(1,074)</u>	<u>4,803</u>	<u>(22,789)</u>
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	51,808	44	-	-	-	-	-	-	-	-	-	-	-	-	51,852
Transfer out	-	-	-	-	-	(806)	-	-	-	-	-	-	-	-	(806)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>51,808</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(806)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,046</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(141)</u>	<u>192</u>	<u>(418)</u>	<u>11</u>	<u>-</u>	<u>96</u>	<u>3,672</u>	<u>14,444</u>	<u>8</u>	<u>516</u>	<u>6,148</u>	<u>(1,074)</u>	<u>4,803</u>	<u>28,257</u>
Net assets, beginning of year	-	3,698	7,518	12,018	232	-	1,903	3,147	81,390	1,121	245	4,289	3,633	863	120,057
Net assets, end of year	<u>\$ -</u>	<u>\$ 3,557</u>	<u>\$ 7,710</u>	<u>\$ 11,600</u>	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 1,999</u>	<u>\$ 6,819</u>	<u>\$ 95,834</u>	<u>\$ 1,129</u>	<u>\$ 761</u>	<u>\$ 10,437</u>	<u>\$ 2,559</u>	<u>\$ 5,666</u>	<u>\$ 148,314</u>

Oregon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Subtotal	Economic Development Fund	Election HAVA Fund	SB40 Board Fund	Senior Citizen's Board Fund	Total Non- Major Governmental Funds
Revenues						
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ 38,348	\$ 38,348
Sales taxes	-	-	-	75,602	-	75,602
Fines, fees, licenses, and permits	-	-	-	-	-	-
Charges for services	27,718	-	-	-	-	27,718
Interest income	6,497	175	3,099	7,300	-	17,071
Intergovernmental	140,604	-	154,557	-	-	295,161
Miscellaneous	7,450	-	-	-	-	47,244
Total revenues	<u>182,269</u>	<u>175</u>	<u>157,656</u>	<u>82,902</u>	<u>38,348</u>	<u>501,144</u>
Expenditures						
General county government	7,939	-	-	-	-	7,939
Road & bridge	-	-	-	-	-	-
Health and welfare	-	-	-	60,100	37,085	124,185
Property valuation, assesment & recording	147,801	-	-	-	-	147,801
Administration of justice & law	49,054	-	-	-	-	49,054
Capital outlay:						
Property, equipment, & buildings	264	-	156,734	-	-	169,792
Debt service:						
Principal	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-
Total expenditures	<u>205,058</u>	<u>-</u>	<u>156,734</u>	<u>60,100</u>	<u>37,085</u>	<u>498,771</u>
Excess of revenues over (under) expenditures	<u>(22,789)</u>	<u>175</u>	<u>922</u>	<u>22,802</u>	<u>1,263</u>	<u>2,373</u>
Other financing sources (uses):						
Proceeds from loan	-	-	-	-	-	-
Transfer in	51,852	-	-	-	-	51,852
Transfer out	(806)	-	-	-	-	(806)
Insurance proceeds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>51,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,046</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>28,257</u>	<u>175</u>	<u>922</u>	<u>22,802</u>	<u>1,263</u>	<u>53,419</u>
Net assets, beginning of year	120,057	3,664	15,434	165,661	7,016	311,832
Net assets, end of year	<u>\$ 148,314</u>	<u>\$ 3,839</u>	<u>\$ 16,356</u>	<u>\$ 188,463</u>	<u>\$ 8,279</u>	<u>\$ 365,251</u>

Oregon County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2007

	School Fines	Other Accounts	Collector of Revenue	Public Administrator Accounts	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	29,342	8,267	2,555,793	98,452	2,691,854
Restricted assets-investments	-	-	-	-	-
Total Assets	29,342	8,267	2,555,793	98,452	2,691,854
<u>Liabilities</u>					
Due to agencies and political subdivisions	29,342	8,267	2,555,793	98,452	2,691,854
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total Liabilities	\$ 29,342	\$ 8,267	\$ 2,555,793	\$ 98,452	\$ 2,691,854

Oregon County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2006

					Total Statement of Fiduciary Net Assets
	School Fines	Other Accounts	Collector of Revenue	Public Administrator Accounts	
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	30,202	12,792	2,422,549	56,702	2,522,245
Restricted assets-investments	-	-	-	-	-
Total assets	<u>30,202</u>	<u>12,792</u>	<u>2,422,549</u>	<u>56,702</u>	<u>2,522,245</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	30,202	12,792	2,422,549	56,702	2,522,245
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total liabilities	<u>\$ 30,202</u>	<u>\$ 12,792</u>	<u>\$ 2,422,549</u>	<u>\$ 56,702</u>	<u>\$ 2,522,245</u>



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Macon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Macon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-44

MACON COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**MACON COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
Financial Statements	
Statement of Net Assets-Variou Funds	3
Statement of Activities-Variou Funds - 2007	4
Statement of Activities-Variou Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combining Balance Sheet-Governmental Funds - 2007	9
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combining Balance Sheet-Governmental Funds - 2006	11
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
Notes to the Financial Statements	15-17
Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	19
Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	23
Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	24-25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	26-27
Combining Balance Sheet-Non-Major Governmental Funds – 2006	28-29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	30-31
Combining Statement of Fiduciary Net Assets – 2007	32
Combining Statement of Fiduciary Net Assets – 2006	33

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission and Officeholders of
Macon County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Macon County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, management has not adopted Government Accounting Standards Board Statement No. 34. These financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Macon County, Missouri, as of December 31, 2007 and 2006, or the respective changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund, and the aggregate remaining fund information of Macon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The schedule of expenditures of federal awards and the combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

FINANCIAL STATEMENTS

Macon County, Missouri
Statement of Net Assets-Variou s Funds
Cash Basis
For the Year Ended December 31,

	2007	2006
	Governmental	Governmental
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>
Cash	\$ 431,845	\$ 410,631
Investments	-	-
Restricted assets-cash	1,571,973	1,336,924
Restricted assets-investments	-	-
Total assets	<u>2,003,817</u>	<u>1,747,554</u>
<u>Net Assets</u>		
Net assets, net of related debt	-	-
Unrestricted	431,845	410,631
Restricted	1,571,973	1,336,924
Total Net Assets	<u>\$ 2,003,817</u>	<u>\$ 1,747,554</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2007

		Program Revenues			Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Governmental Activities					
General county government	\$ (941,406)	\$ 366,814	\$ -	\$ -	\$ (574,591)
Road & bridge	(1,647,489)	-	-	-	(1,647,489)
Health and welfare	(154,899)	-	-	-	(154,899)
Property valuation, assessments & recording	(253,034)	23,027	-	-	(230,007)
Administration of justice & law	(1,301,344)	84,645	755	-	(1,215,943)
Capital outlay	(491,159)	-	-	16,978	(474,181)
Debt services	(73,681)	-	-	-	(73,681)
Total Governmental Activities	\$ (4,863,011)	\$ 474,487	\$ 755	\$ 16,978	(4,370,791)

General revenues:

Taxes:

Personal property taxes, levied	1,151,715
Sales tax	1,911,443
Intergovernmental revenues	1,173,711
Investment income	104,166
Miscellaneous	286,019
Total general revenues and transfers	4,627,054
Changes in net assets	256,263
Beginning cash assets	1,747,554
Ending cash assets	\$ 2,003,817

Macon County, Missouri
Statement of Activities-Variou Funds
Cash Basis
For the Year Ended December 31, 2006

	Program Revenues				Net (expenditures) revenue- changes in net assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (974,022)	\$ 355,759	\$ -	\$ -	\$ (618,264)
Road & bridge	(1,521,200)	39,597	-	-	(1,481,602)
Health and welfare	(159,994)	-	-	-	(159,994)
Property valuation & recording	(269,586)	17,862	16,614	-	(235,110)
Administration of justice & law	(1,229,343)	89,963	4,490	-	(1,134,890)
Capital outlay	(1,651,988)	-	-	986,810	(665,178)
Debt services	-	-	-	-	-
Total governmental activities	\$ (5,806,133)	\$ 503,181	\$ 21,104	\$ 986,810	(4,295,038)

General revenues:

Taxes:

Personal property taxes, levied	1,133,593
Sales taxes	1,938,833
Intergovernmental revenues	1,222,781
Investment income	77,806
Miscellaneous	251,529
Total general revenues and transfers	4,624,542
Changes in net assets	329,504
Beginning net assets	1,169,790
Prior year adjustments	248,261
Ending net assets	\$ 1,747,554

Macon County, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Balance Sheet - Governmental Funds -Total Fund Balances-Cash Basis	\$ 2,003,817	\$1,747,554
Amounts reported for governmental activities of the statement of net assets are different because:		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.		
Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	-	-
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt	-	-
Accrued interest	<u>-</u>	<u>-</u>
Subtotal	-	-
Government-wide Statement of Net Assets--Total Net Assets-Cash Basis	<u><u>\$ 2,003,817</u></u>	<u><u>\$1,747,554</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Reconciliation of Changes in Net Assets
Cash Basis
For the Year Ended December 31,

	<u>2007</u>	<u>2006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds-Cash Basis	\$ 256,263	\$ 329,504
 Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets		
Debt issued	-	-
Principle payments	-	-
Compensated absences	-	-
Interest expense	-	-
 Government-wide Statement of Activities--Changes in net assets - Governmental Activities-Cash Basis	 <u><u>\$ 256,263</u></u>	 <u><u>\$ 329,504</u></u>

Macon County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31,

	2007			2006		
	Private Purpose			Private Purpose		
<u>Assets</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Total</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash-restricted	5,665,782	-	5,665,782	5,373,158	-	5,373,158
Investments	-	-	-	-	-	-
Total assets	<u>5,665,782</u>	<u>-</u>	<u>5,665,782</u>	<u>5,373,158</u>	<u>-</u>	<u>5,373,158</u>
<u>Liabilities</u>						
Due to agencies and political subdivisions	5,665,782	-	5,665,782	5,373,158	-	5,373,158
Due to other funds	-	-	-	-	-	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>\$ 5,665,782</u>	<u>\$ -</u>	<u>\$ 5,665,782</u>	<u>\$ 5,373,158</u>	<u>\$ -</u>	<u>\$ 5,373,158</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Special Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 431,845	\$ -	\$ -	\$ 431,845
Investments	-	-	-	-
Restricted assets-cash	-	155,864	1,416,109	1,571,973
Restricted assets-investments	-	-	-	-
Total assets	<u>431,845</u>	<u>155,864</u>	<u>1,416,109</u>	<u>2,003,817</u>
 <u>Fund balances</u>				
Reserved for debt service	-	-	-	-
Reserved	-	155,864	1,416,109	1,571,973
Unreserved	431,845	-	-	431,845
Total fund balances	<u>\$ 431,845</u>	<u>\$ 155,864</u>	<u>\$ 1,416,109</u>	<u>\$ 2,003,817</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2007

	<u>Major Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Special Road</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>& Bridge</u>	<u>Funds</u>	<u>Funds</u>
Revenues				
Property & other taxes	\$ 363,113	\$ 620,349	\$ 168,253	\$ 1,151,715
Sales taxes	695,196	-	1,216,247	1,911,443
Charges for services	310,924	-	163,563	474,487
Investment income	29,611	16,099	58,456	104,166
Intergovernmental	97,332	862,586	231,526	1,191,444
Miscellaneous	139,220	37,891	108,908	286,019
Total revenues	<u>1,635,396</u>	<u>1,536,925</u>	<u>1,946,954</u>	<u>5,119,275</u>
Expenditures				
General county government	868,264	-	73,142	941,406
Road & bridge	-	1,238,279	409,210	1,647,489
Health and welfare	1,113	-	153,786	154,899
Property valuation, assessment & recording	29,743	-	223,291	253,034
Administration of justice & law	724,429	-	576,915	1,301,344
Capital outlay:				
Property, equipment, & buildings	11,296	267,224	212,639	491,159
Debt service:				
Principal & interest expense	-	-	73,681	73,681
Total expenditures	<u>1,634,845</u>	<u>1,505,503</u>	<u>1,722,663</u>	<u>4,863,011</u>
Excess deficiency of revenues over (under) expenditures	<u>551</u>	<u>31,422</u>	<u>224,291</u>	<u>256,264</u>
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	45,000	15,377	23,000	83,377
Transfer out	(24,337)	-	(59,040)	(83,377)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>20,663</u>	<u>15,377</u>	<u>(36,040)</u>	<u>(0)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>21,214</u>	<u>46,799</u>	<u>188,250</u>	<u>256,263</u>
Cash balances, beginning of year	410,631	109,065	1,227,858	1,747,554
Prior year adjustments	-	-	-	-
Cash balances, end of year	<u>\$ 431,845</u>	<u>\$ 155,864</u>	<u>\$ 1,416,109</u>	<u>\$ 2,003,817</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Combined Balance Sheet-Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Major Funds			
	General Fund	Special Road & Bridge	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 410,631	\$ -	\$ -	\$ 410,631
Investments	-	-	-	-
Restricted assets-cash	-	109,065	1,227,859	1,336,924
Restricted assets-investments	-	-	-	-
Total assets	<u>410,631</u>	<u>109,065</u>	<u>1,227,859</u>	<u>1,747,554</u>
<u>Fund balances</u>				
Reserved for debt service	-	-	-	-
Reserved	-	109,065	1,227,859	1,336,924
Unreserved	410,631	-	-	410,631
Total fund balances	<u>\$ 410,631</u>	<u>\$ 109,065</u>	<u>\$ 1,227,859</u>	<u>\$ 1,747,554</u>

Macon County, Missouri
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds-Cash Basis
For the Year Ended December 31, 2006

	Major Funds			
	General Fund	Special Road & Bridge Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 361,333	\$ 605,139	167,121	\$ 1,133,593
Sales taxes	704,473	-	1,234,359	1,938,833
Charges for services	317,552	-	185,628	503,181
Interest income	22,147	10,318	45,341	77,806
Intergovernmental	122,273	862,362	1,246,060	2,230,695
Miscellaneous	135,478	51,244	64,807	251,529
Total revenues	1,663,257	1,529,063	2,943,317	6,135,637
Expenditures				
General county government	884,581	-	89,441	974,022
Road & bridge	-	1,199,717	321,483	1,521,200
Health and welfare	3,316	-	156,678	159,994
Property valuation, assessment & recording	29,995	-	239,592	269,586
Administration of justice & law	643,410	-	585,932	1,229,343
Capital outlay:				
Property, equipment, & buildings	5,681	301,808	1,344,499	1,651,988
Debt service:				
Principal & interest expense	-	-	-	-
Total expenditures	1,566,984	1,501,525	2,737,625	5,806,133
Excess deficiency of revenues over (under) expenditures	96,274	27,538	205,692	329,504
Other financing sources (uses)				
Proceeds from loan	-	-	-	-
Transfer in	45,000	31,812	-	76,812
Transfer out	(1,187)	-	(75,625)	(76,812)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	43,813	31,812	(75,625)	-
Excess of revenues and other sources over (under) expenditures and other uses	140,087	59,350	130,067	329,504
Cash balances, beginning of year	270,544	49,715	849,531	1,169,790
Prior year adjustments			248,261	248,261
Cash balances, end of year	\$ 410,631	\$ 109,065	\$ 1,227,859	\$ 1,747,554

REQUIRED SUPPLEMENTAL INFORMATION

Macon County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2007

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance from Final Budget	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final			Original	Final		
Revenues:								
Realty, property taxes	\$ 365,700	\$ 365,700	\$ 363,113	\$ (2,587)	\$ 613,900	\$ 613,900	\$ 620,349	\$ 6,449
Sales taxes	700,000	700,000	695,196	(4,804)	-	-	-	-
Charges for services	319,075	319,075	310,924	(8,151)	-	-	-	-
Intergovernmental	119,190	119,190	97,332	(21,858)	833,687	833,687	862,586	28,899
Investment income	20,000	20,000	29,611	9,611	15,000	15,000	16,099	1,099
Miscellaneous	131,807	131,807	139,220	7,413	43,500	43,500	37,891	(5,609)
Total revenue	<u>1,655,772</u>	<u>1,655,772</u>	<u>1,635,396</u>	<u>(20,376)</u>	<u>1,506,087</u>	<u>1,506,087</u>	<u>1,536,925</u>	<u>30,838</u>
Expenditures:								
General county government	1,068,278	1,057,729	868,264	(189,465)	-	-	-	-
Road & bridge	-	-	-	-	535,550	1,301,969	1,238,279	(63,690)
Health and welfare	10,000	7,500	1,113	(6,387)	-	-	-	-
Property valuation assessment & recording	30,273	29,851	29,743	(108)	-	-	-	-
Administration of justice & law	766,034	727,816	724,429	(3,387)	-	-	-	-
Capital outlay	14,268	14,268	11,296	(2,972)	316,000	316,000	267,224	(48,776)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	<u>1,888,853</u>	<u>1,837,164</u>	<u>1,634,845</u>	<u>(202,319)</u>	<u>851,550</u>	<u>1,617,969</u>	<u>1,505,503</u>	<u>(112,466)</u>
Excess of revenues over (under) expenditures	<u>(233,081)</u>	<u>(181,392)</u>	<u>551</u>	<u>181,943</u>	<u>654,537</u>	<u>(111,882)</u>	<u>31,422</u>	<u>143,304</u>
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	45,000	45,000	45,000	-	44,942	44,942	15,377	(29,565)
Transfer out	(31,492)	(34,710)	(24,337)	10,373	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>13,508</u>	<u>10,290</u>	<u>20,663</u>	<u>10,373</u>	<u>44,942</u>	<u>44,942</u>	<u>15,377</u>	<u>(29,565)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(219,573)</u>	<u>(171,102)</u>	<u>21,214</u>	<u>192,316</u>	<u>699,479</u>	<u>(66,940)</u>	<u>46,799</u>	<u>113,739</u>
Fund balances, beginning of year	<u>410,631</u>	<u>410,631</u>	<u>410,631</u>	<u>-</u>	<u>109,065</u>	<u>109,065</u>	<u>109,065</u>	<u>-</u>
Fund balances, end of year	<u>\$ 191,058</u>	<u>\$ 239,529</u>	<u>\$ 431,845</u>	<u>\$ 192,316</u>	<u>\$ 808,544</u>	<u>\$ 42,125</u>	<u>\$ 155,864</u>	<u>\$ 113,739</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Budgetary Comparison Schedule-Major Funds
Cash Basis
For the Year Ended December 31, 2006

	General Fund				Special Road & Bridge Fund			
	Budgeted Amounts		Variance from		Budgeted Amounts		Variance from	
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Revenues:								
Property/realty taxes	\$ 336,400	\$ 336,400	\$ 361,333	\$ 24,933	\$ 556,620	\$ 556,620	\$ 605,139	\$ 48,519
Sales taxes	700,000	700,000	704,473	4,473	-	-	-	-
Charges for services	283,880	283,880	317,552	33,672	-	-	-	-
Intergovernmental	161,003	161,003	122,273	(38,730)	872,125	872,125	862,362	(9,763)
Investment income	10,000	10,000	22,147	12,147	6,000	6,000	10,318	4,318
Miscellaneous	118,052	118,052	135,478	17,426	33,500	33,500	51,244	17,744
Total revenue	<u>1,609,335</u>	<u>1,609,335</u>	<u>1,663,257</u>	<u>53,922</u>	<u>1,468,245</u>	<u>1,468,245</u>	<u>1,529,063</u>	<u>60,818</u>
Expenditures:								
General county government	1,069,812	1,063,861	884,581	(179,280)	-	-	-	-
Road & bridge	-	-	-	-	1,241,550	1,240,112	1,199,717	(40,395)
Health and welfare	15,000	15,000	3,316	(11,684)	-	-	-	-
Property valuation assessment & recording	29,786	29,784	29,995	211	-	-	-	-
Administration of justice & law	740,886	741,917	643,410	(98,507)	-	-	-	-
Capital outlay	11,985	11,985	5,681	(6,304)	326,000	326,000	301,808	(24,192)
Debt service-principal and interest	-	-	-	-	-	-	-	-
Total expenditures	<u>1,867,469</u>	<u>1,862,547</u>	<u>1,566,984</u>	<u>(295,563)</u>	<u>1,567,550</u>	<u>1,566,112</u>	<u>1,501,525</u>	<u>(64,587)</u>
Excess of revenues over (under) expenditures	<u>(258,134)</u>	<u>(253,212)</u>	<u>96,274</u>	<u>349,486</u>	<u>(99,305)</u>	<u>(97,867)</u>	<u>27,538</u>	<u>125,405</u>
Other financing sources (uses):								
Proceeds from loan	-	-	-	-	-	-	-	-
Transfer in	45,000	45,000	45,000	-	52,300	52,300	31,812	(20,488)
Transfer out	(52,824)	(53,589)	(1,187)	52,402	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(7,824)</u>	<u>(8,589)</u>	<u>43,813</u>	<u>52,402</u>	<u>52,300</u>	<u>52,300</u>	<u>31,812</u>	<u>(20,488)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(265,958)</u>	<u>(261,802)</u>	<u>140,087</u>	<u>401,888</u>	<u>(47,005)</u>	<u>(45,567)</u>	<u>59,350</u>	<u>104,917</u>
Fund balances, beginning of year	<u>270,544</u>	<u>270,544</u>	<u>270,544</u>	<u>-</u>	<u>49,715</u>	<u>49,715</u>	<u>49,715</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,586</u>	<u>\$ 8,742</u>	<u>\$ 410,631</u>	<u>\$ 401,888</u>	<u>\$ 2,710</u>	<u>\$ 4,148</u>	<u>\$ 109,065</u>	<u>\$ 104,917</u>

NOTES TO THE FINANCIAL STATEMENTS

MACON COUNTY, MISSOURI

Notes to the Financial Statements December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioner, an elected county official. The County Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

The County has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to Macon County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards.

The County maintains an unclaimed fees account, when unclaimed amounts are routinely deposited. The County holds cash balances as an agent and fund custodian.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the year ended December 31, 2006 in the Community Development Block Grant Fund.

D. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

MACON COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NOTE 2. CASH

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Macon County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The 911 Emergency Service Board's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

A. County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

MACON COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NOTE 3. RETIREMENT PLANS (continued)

2. **Pension Benefits**

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. **Funding Policy**

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution

NOTE 4. FINANCIAL LEASE AGREEMENTS

The 2007 budget included an equipment financing balances of \$419,514, however, amortization schedule with interest amounts were not available at time of audit. Our audit revealed that the county has two (2) financing lease agreements. One with John Deere Credit requiring five annual payments of \$36,913 each, first payment due in October 2008. The second is financed by Vision Bank requiring thirty-six (36) monthly payments of \$9,248, the first payment was due in May 2007. Payments totaling \$73,681 were made by the county and are presented as principle payments in the financial reports.

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Commissioners of
Macon County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Macon County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce adequate disclosures regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Boulevard, Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Commissioners of
Macon County, Missouri

We have audited the compliance of Macon County, Missouri, ("the County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of Macon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal-awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Macon County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31,

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant ID Number	2007	2006
<u>U.S. Department of Justice</u>				
Passed through Missouri Sheriff's Association:				
Domestic Cannabis Eradication/Suppression Program	16.580	16 unk	\$ 1,200	\$ 897
Direct program - Public Safety Partnership and Community Policing Grant	16.710	05-LBGJ-056		8,943
			1,200	9,840
<u>U.S Department of Transportation</u>				
State and Community Highway Safety	20.600	07-PT-02-92	7,435	5,887
Highway Planning and Construction	20.205	BRO-061 (25)		279,731
Highway Planning and Construction	20.205	BRO-061 (26)		311,044
Department of Public Safety - Interagency Hazardous Materials Public	20.703	HMEPO5045130		2,258
Department of Public Safety - Sector Training and Planning Grants		PGAEM701529		7,199
			7,435	606,120
<u>General Services Administration</u>				
Passed Trough state Office of Administration	20.205	BRO-B102 (18)	257	
Passed trough Secretary of State - Election Reform Payments	39.011			1,640
Total General Services Administrative Payments			257	1,640
<u>Election Assistance Commission</u>				
Passed through Missouri Secretary of State:				
Help America Vote Act	90.401	95-1650-0-1-808	9,807	131,369
			9,807	131,369
<u>U. S. Department of Homeland Security</u>				
Passed through Missouri State Emergency Management Agency:				
State Domestic Preparedness Equipment Support Program	97.067	06-GE-T6-0067	53,435	-
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Missouri Department of Economic Development:				
Community Development Block Grant	14.228	2006-PF-016	3,935	265,000
Total U.S. Department of Housing and Urban Development			3,935	265,000
Total Expenditures of Federal Awards			\$ 76,069	\$ 1,013,969

Basis of Presentation:

The accompanying schedule of expenditures of federal awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of basic financial statements.

Macon County, Missouri
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2007 and 2006

Section 1 - Summary of Auditor's Results

Financial Statements:

<u>Type Audit Report issued on Financial Statements of Auditee</u>	Adverse
<u>Internal Control Over Financial Reporting</u>	
Material weaknesses identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

<u>Internal Control Over Major Programs:</u>	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
<u>Type Audit Report Issued on Compliance for Major Programs:</u>	Unqualified

Audit Findings

Audit findings required to be reported under OMB Circular A-133.	None
--	------

Major Programs

<u>CFDA #</u>	<u>Program Title</u>
20.205	Highway Planning & Construction Grant

<u>Dollar Threshold Used to Distinguish Between Type A and Type B Program</u>	\$300,000
---	-----------

<u>Auditee Qualified as a Low-Risk Auditee</u>	No
--	----

Section 2 - Financial Statement Findings

None

Section 3 - Federal Award Findings and Questioned Costs

<u>Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards</u>	None
---	------

MACON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Macon County, Missouri, on the applicable findings in the prior audit report issued by the independent auditor for the two years ended December 31, 2005 and 2004.

The audit report did not disclose any noncompliance and internal control findings that are material to the financial statements of the county.

MACON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005 and 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SUPPLEMENTAL INFORMATION

Macon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Law Enforcement Fund	Prosecuting Atty Training Fund	Sheriff's Revolving Fund	Prosecuting Atty Bad Check Fund	Road & Bridge Capital Imp Fund	Law Enforcement Training Fund	Sheriff's Civil Fees Fund	County Parks Capital Imp Fund	County Parks Fund	Victims Domestic Violence Fund	Community Dev Block Grant Fund	Recorders Users Fees Fund	Prosecuting Atty Delinquent Tax Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	6,366	2,186	1,697	11,657	32,004	723,072	16,763	12,096	118,253	72,919	570	0	11,955	2,606	1,012,144
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	6,366	2,186	1,697	11,657	32,004	723,072	16,763	12,096	118,253	72,919	570	0	11,955	2,606	1,012,144
Fund balances															
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	6,366	2,186	1,697	11,657	32,004	723,072	16,763	12,096	118,253	72,919	570	0	11,955	2,606	1,012,144
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 6,366	\$ 2,186	\$ 1,697	\$ 11,657	\$ 32,004	\$ 723,072	\$ 16,763	\$ 12,096	\$ 118,253	\$ 72,919	\$ 570	\$ 0	\$ 11,955	\$ 2,606	\$ 1,012,144

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Subtotal	Circuit Clerk Sound Recording Fund	Local Emergency Planning Fund	Election Services Fund	DARE Fund	Recorders Technology Fund	Collectors Tax Maintenance Fund	Law Enforcement Restitution Fund	41st Judicial Circuit Drug Court Fund	Enhanced 911 Fund	SB40 Board Fund	Inmate Security Fund	Total Non-Major Governmental Funds
Assets													
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	1,012,144	1,332	16,957	3,253	6,022	3,145	17,965	28,095	10,151	230,208	84,920	1,918	1,416,109
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	1,012,144	1,332	16,957	3,253	6,022	3,145	17,965	28,095	10,151	230,208	84,920	1,918	1,416,109
Fund balances													
Reserved for debt services	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	1,012,144	1,332	16,957	3,253	6,022	3,145	17,965	28,095	10,151	230,208	84,920	1,918	1,416,109
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 1,012,144	\$ 1,332	\$ 16,957	\$ 3,253	\$ 6,022	\$ 3,145	\$ 17,965	\$ 28,095	\$ 10,151	\$ 230,208	\$ 84,920	\$ 1,918	\$ 1,416,109

Macon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

	Assessment Fund	Law Enforcement Fund	Prosecuting Atty Training Fund	Sheriff's Revolving Fund	Prosecuting Atty Bad Check Fund	Road & Bridge Capital Imp Fund	Law Enforcement Training Fund	Sheriff's Civil Fees Fund	County Parks Capital Imp Fund	County Parks Fund	Victims Domestic Violence Fund	Communi ty Dev Block Grant Fund	Recorders Users Fees Fund	Prosecuting Atty Delinquent Tax Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -													\$ -
Sales taxes						694,959			65						695,024
Charges for services	-		1,372	4,531	32,167	-	5,471	25,811		54,000	545		5,913	399	130,208
Interest income	1,497	120		455	1,683	34,463		1,297	5,881	2,709	20		479	143	48,749
Intergovernmental	197,501					9,599	2,804					6,836		-	216,740
Miscellaneous	2,298	25			963	30,417	23			35,366					69,092
Total revenues	201,296	145	1,372	4,986	34,813	769,439	8,298	27,108	5,946	92,075	565	6,836	6,392	542	1,159,813
Expenditures															
General county government									-	65,871					65,871
Road & bridge						409,210									409,210
Health and welfare															-
Property valuation, assessment & recording	223,291														223,291
Administration of justice & law			992	-	31,167		5,649			-	1,000		2,717		41,525
Capital outlay:															-
Property, equipment, & buildings	722	460			245	124,284	2,523	27,798	12,578	1,406		7,171	1,590	2,345	181,121
Debt service:															-
Principal						73,681									73,681
Interest and paying agent fee															-
Total expenditures	224,013	460	992	-	31,412	607,175	8,172	27,798	12,578	67,277	1,000	7,171	4,307	2,345	994,699
Excess of revenues over (under) expenditures	(22,717)	(315)	380	4,986	3,402	162,264	126	(690)	(6,632)	24,798	(435)	(335)	2,085	(1,803)	165,114
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,000
Transfer out	(1,498)	-	-	-	-	(57,542)	-	-	-	-	-	-	-	-	(59,040)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	21,502	-	-	-	-	(57,542)	-	-	-	-	-	-	-	-	(36,040)
Excess of revenues and other sources over (under) expenditures and other uses	(1,215)	(315)	380	4,986	3,402	104,722	126	(690)	(6,632)	24,798	(435)	(335)	2,085	(1,803)	129,073
Cash balances, beginning of year	7,581	2,501	1,317	6,670	28,602	618,350	16,637	12,786	124,885	48,122	1,004	335	9,870	4,409	883,070
Cash balances, end of year	\$ 6,366	\$ 2,186	\$ 1,697	\$ 11,657	\$ 32,004	\$ 723,072	\$ 16,763	\$ 12,096	\$ 118,253	\$ 72,919	\$ 570	\$ 0	\$ 11,955	\$ 2,606	\$ 1,012,144

Macon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2007

		Circuit Clerk Sound Recording Fund	Local Emergency Planning Fund	Election Services Fund	DARE Fund	Recorders Technology Fund	Collectors Tax Maintenance Fund	Law Enforcement Restitution Fund	41st Judicial Circuit Drug Court Fund	Enhanced 911 Fund	SB40 Board Fund	Inmate Security Fund	Total Non- Major Governmental Funds
Revenues	Subtotal												
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,253	\$ -	\$ 168,253
Sales taxes	695,024									521,223			1,216,247
Charges for services	130,208			1,890		3,556	13,558		5,295	9,055			163,563
Interest income	48,749	64		250	283	104	843	1,021	166	5,841	1,121	14	58,456
Intergovernmental	216,740		12,396						2,390				231,526
Miscellaneous	69,092			112				25,142	8,742	1,824	2,092	1,904	108,908
Total revenues	1,159,813	64	12,396	2,253	283	3,660	14,401	26,163	16,594	537,943	171,466	1,918	1,946,954
Expenditures													
General county government	65,871	160		538			6,573						73,142
Road & bridge	409,210												409,210
Health and welfare	-										153,786		153,786
Property valuation, assesment & recording	223,291												223,291
Administration of justice & law	41,525							1,500	6,443	527,447			576,915
<i>Capital outlay:</i>													-
Property, equipment, & buildings	181,121	63		9,807		3,349	547	17,752					212,639
<i>Debt service:</i>													-
Principal	73,681	-											73,681
Interest and paying agent fee	-	-											-
Total expenditures	994,699	223	-	10,344	-	3,349	7,120	19,252	6,443	527,447	153,786	-	1,722,663
Excess of revenues over (under) expenditures	165,114	(160)	12,396	(8,092)	283	311	7,282	6,911	10,151	10,496	17,680	1,918	224,291
Other financing sources (uses):													
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	23,000	-	-	-	-	-	-	-	-	-	-	-	23,000
Transfer out	(59,040)	-	-	-	-	-	-	-	-	-	-	-	(59,040)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(36,040)	-	-	-	-	-	-	-	-	-	-	-	(36,040)
Excess of revenues and other sources over (under) expenditures and other uses	129,073	(160)	12,396	(8,092)	283	311	7,282	6,911	10,151	10,496	17,680	1,918	188,250
Cash balances, beginning of year	883,070	1,491	4,561	11,345	5,739	2,833	10,684	21,183	-	219,712	67,240	-	1,227,858
Cash balances, end of year	\$ 1,012,144	\$ 1,332	\$ 16,957	\$ 3,253	\$ 6,022	\$ 3,145	\$ 17,965	\$ 28,095	\$ 10,151	\$ 230,208	\$ 84,920	\$ 1,918	\$ 1,416,109

Macon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Law Enforcement fund	Prosecuting Atty Training Fund	Sheriff's Revolving Fund	Prosecuting Atty Bad Check Fund	Road & Bridge Capital Imp Fund	Law Enforcement Training Fund	Sheriff's Civil Fees Fund	County Parks Capital Imp Fund	County Parks Fund	Victims Domestic Violence Fund	Community Dev Block Grant Fund	Prosecuting Atty Delinq Tax Fund	Recorders Technology Fund	Subtotal
Assets															
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	7,581	2,501	1,317	6,670	28,602	618,350	16,637	12,786	124,885	48,122	1,004	335	4,409	9,870	883,071
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	7,581	2,501	1,317	6,670	28,602	618,350	16,637	12,786	124,885	48,122	1,004	335	4,409	9,870	883,071
Fund balances															
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	7,581	2,501	1,317	6,670	28,602	618,350	16,637	12,786	124,885	48,122	1,004	335	4,409	9,870	883,071
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 7,581	\$ 2,501	\$ 1,317	\$ 6,670	\$ 28,602	\$ 618,350	\$ 16,637	\$ 12,786	\$ 124,885	\$ 48,122	\$ 1,004	\$ 335	\$ 4,409	\$ 9,870	\$ 883,071

See Independent Auditor's Report and Notes to the Financial Statements

Macon County, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

		Circuit Clerk Sound Recording Fund	Local Emergency Planning Fund	Election Services Fund	DARE Fund	Recorders Technology Fund	Collectors Tax Maintenance Fund	Enhanced 911 Fund	SB40 Board Fund	Law Enforcement Restitution Fund	Total Non-Major Governmental Funds
Assets	Subtotal										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	883,071	1,491	4,561	11,345	5,739	2,833	10,684	219,712	67,240	21,183	1,227,859
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-	-
Total assets	883,071	1,491	4,561	11,345	5,739	2,833	10,684	219,712	67,240	21,183	1,227,859
Fund balances											
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-
Reserved	883,071	1,491	4,561	11,345	5,739	2,833	10,684	219,712	67,240	21,183	1,227,859
Unreserved	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 883,071	\$ 1,491	\$ 4,561	\$ 11,345	\$ 5,739	\$ 2,833	\$ 10,684	\$ 219,712	\$ 67,240	\$ 21,183	\$ 1,227,859

See Independent Auditor's Report and Notes to the Financial Statements

Macon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

	Assessment Fund	Law Enforcement fund	Prosecuting Atty Training Fund	Sheriff's Revolving Fund	Prosecuting Atty Bad Check Fund	Road & Bridge Capital Imp Fund	Law Enforcement Training Fund	Sheriff's Civil Fees Fund	County Parks Capital Imp Fund	County Parks Fund	Victims Domestic Violence Fund	Community Dev Block Grant Fund	Prosecuting Atty Delinq Tax Fund	Recorders User Fees Fund	Subtotal
Revenues															
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ 33
Sales taxes						704,454			1,566						706,020
Charges for services			1,567	930	44,739	39,597	6,231	24,484		30,092	595		1,079	7,016	156,331
Interest income	2,315	69		248	1,192	22,933	-	966	6,273	1,827	33		162	420	36,439
Intergovernmental	217,457					628,169	2,053					265,000			1,112,679
Miscellaneous	2,431	1,000			-	828				30,878					35,137
Total revenues	\$ 222,204	\$ 1,069	\$ 1,567	1,178	45,931	1,395,982	8,284	25,451	7,839	62,830	628	265,000	1,241	7,436	2,046,639
Expenditures															
General county government										63,325					63,325
Road & bridge						321,483									321,483
Health and welfare															-
Property valuation, assesment & recording	236,196													500	236,696
Administration of justice & law			1,150		35,023		7,804	-			1,000			-	44,977
Capital outlay:															-
Property, equipment, & buildings	16				2,025	836,931	1,447	27,167	68,039			264,665	-	8,159	1,208,449
Debt service:															-
Principal															-
Interest and paying agent fee															-
Total expenditures	236,213	-	1,150	-	37,048	1,158,414	9,251	27,167	68,039	63,325	1,000	264,665	-	8,659	1,874,930
Excess of revenues over (under) expenditures	(14,009)	1,069	417	1,178	8,883	237,568	(967)	(1,716)	(60,200)	(495)	(372)	335	1,241	(1,223)	171,709
Other financing sources (uses):															
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	(1,477)	-	-	-	-	(74,148)	-	-	-	-	-	-	-	-	(75,625)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,477)	-	-	-	-	(74,148)	-	-	-	-	-	-	-	-	(75,625)
Excess of revenues and other sources over (under) expenditures and other uses	(15,486)	1,069	417	1,178	8,883	163,419	(967)	(1,716)	(60,200)	(495)	(372)	335	1,241	(1,223)	96,084
Net assets, beginning of year	23,067	1,432	900	5,492	19,720	454,931	17,604	14,502	185,085	48,616	1,377	-	3,168	11,093	786,987
Prior year adjustments															-
Net assets, end of year	\$ 7,581	\$ 2,501	\$ 1,317	\$ 6,670	\$ 28,602	\$ 618,350	\$ 16,637	\$ 12,786	\$ 124,885	\$ 48,122	\$ 1,004	\$ 335	\$ 4,409	\$ 9,870	\$ 883,071

Macon County, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Fund Balances
Non-Major Governmental Funds
Cash Basis
For the Year Ended December 31, 2006

		Circuit Clerk Sound Recording Fund	Local Emergency Planning Fund	Election Services Fund	DARE Fund	Recorders Technology Fund	Collectors Tax Maintenance Fund	Enhanced 911 Fund	SB40 Board Fund	Law Enforcement Restitution Fund	Total Non- Major Governmental Funds
Revenues	Subtotal										
Property & other taxes	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,088	\$ -	\$ 167,121
Sales taxes	706,020							528,339			1,234,359
Charges for services	156,331			1,098		4,236	13,626	10,337			185,628
Interest income	36,439	63		905	227	65	599	5,577	857	609	45,341
Intergovernmental	1,112,679		5,352	128,029							1,246,060
Miscellaneous	35,137			-			5,241	3,320	945	20,164	64,807
Total revenues	2,046,639	63	5,352	130,033	227	4,302	19,465	547,573	168,890	20,773	2,943,317
Expenditures											
General county government	63,325			3,080			23,036				89,441
Road & bridge	321,483										321,483
Health and welfare	-								156,678		156,678
Property valuation, assesment & recording	236,696					2,895					239,592
Administration of justice & law	44,977		8,488					521,094		11,373	585,932
Capital outlay:											
Property, equipment, & buildings	1,208,449	155	4,525	131,369							1,344,499
Debt service:											
Principal	-										-
Interest and paying agent fee	-										-
Total expenditures	1,874,930	155	13,013	134,449	-	2,895	23,036	521,094	156,678	11,373	2,737,625
Excess of revenues over (under) expenditures	171,709	(93)	(7,661)	(4,417)	227	1,406	(3,571)	26,479	12,212	9,399	205,692
Other financing sources (uses):											
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-	-	-	-
Transfer out	(75,625)	-	-	-	-	-	-	-	-	-	(75,625)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(75,625)	-	-	-	-	-	-	-	-	-	(75,625)
Excess of revenues and other sources over (under) expenditures and other uses	96,084	(93)	(7,661)	(4,417)	227	1,406	(3,571)	26,479	12,212	9,399	130,067
Net assets, beginning of year	786,987	1,584	12,221	15,762	5,512	1,427	14,254	-	-	11,784	849,531
	-							193,233	55,028		248,261
Net assets, end of year	\$ 883,071	\$ 1,491	\$ 4,561	\$ 11,345	\$ 5,739	\$ 2,833	\$ 10,684	\$ 219,712	\$ 67,240	\$ 21,183	\$ 1,227,859

Macon County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2007

	All School Districts' Cash Balances	Public Administrator ward balances	Collector of Revenue	Unclaimed Fees and Other Items	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	60,644	582,199	5,003,061	19,877	5,665,782
Restricted assets-investments	-	-	-	-	-
Total Assets	<u>60,644</u>	<u>582,199</u>	<u>5,003,061</u>	<u>19,877</u>	<u>5,665,782</u>
<u>Liabilities</u>					
Due to agencies and political subdivisions	60,644	582,199	5,003,061	19,877	5,665,782
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total Liabilities	<u>\$ 60,644</u>	<u>\$ 582,199</u>	<u>\$ 5,003,061</u>	<u>\$ 19,877</u>	<u>\$ 5,665,782</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Macon County, Missouri
Combining Statement of Fiduciary Net Assets-Agency Funds
Cash Basis
For the Year Ended December 31, 2006

	All School Districts' Cash Balances	Public Administrator Ward balances	Collector of Revenue	Unclaimed Fees & Other Items	Total Statement of Fiduciary Net Assets
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Restricted assets-cash	-	453,965	4,919,193	-	5,373,158
Restricted assets-investments	-	-	-	-	-
Total assets	-	453,965	4,919,193	-	5,373,158
<u>Liabilities</u>					
Due to agencies and political subdivisions	-	453,965	4,919,193	-	5,373,158
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total liabilities	\$ -	\$ 453,965	\$ 4,919,193	\$ -	\$ 5,373,158



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bollinger County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bollinger County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Charles Buchanan, CPA, PC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

May 2009
Report No. 2009-43

BOLLINGER COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Prepared By:

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd., Suite 1
St. Louis, MO 63147
(314)-869-2720(ofc)/(314)-869-5955(fax)
charlesbuchanan8@aol.com

**BOLLINGER COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

TABLE OF CONTENTS

	Page Number
Table of Contents	i
Independent Auditor's Report	1-2
 Financial Statements	
Statement of Net Assets-Variou s Funds	3
Statement of Activities-Variou s Funds - 2007	4
Statement of Activities-Variou s Funds - 2006	5
Reconciliation of Total Fund Balances to Total Net Assets	6
Reconciliation of Changes in Net Assets	7
Statement of Fiduciary Net Assets	8
Combined Balance Sheet-Governmental Funds – 2007	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2007	10
Combined Balance Sheet-Governmental Funds – 2006	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - 2006	12
 Required Supplemental Information	
Budgetary Comparison Schedule - 2007	13
Budgetary Comparison Schedule - 2006	14
 Notes to the Financial Statements	15-18
 Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	20
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	25
 Supplemental Information	
Combining Balance Sheet-Non-Major Governmental Funds – 2007	26-28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2007	29-30
Combining Balance Sheet-Non-Major Governmental Funds – 2006	31-32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-Major Governmental Funds – 2006	33-34
Combining Statement of Fiduciary Net Assets – 2007	35
Combining Statement of Fiduciary Net Assets – 2006	36

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission and Officeholders of
Bollinger County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bollinger County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bollinger County, Missouri, as of December 31, 2007 and 2006, or the respective changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Net Assets-various funds-cash basis and Statement of Activities-various funds-cash basis, of Bollinger County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the County's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented the management's discussion and analysis as required by GASB 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 13-14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The schedule of expenditures of federal awards and the combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA, PC

St. Louis, Missouri

August 15, 2008

FINANCIAL STATEMENTS

Bollinger County
Marble Hill, Missouri
Statement of Net Assets-Variou Funds Cash Basis
For the years ended December 31,

		<u>Governmental Activities</u>	
		<u>2007</u>	<u>2006</u>
	Assets		
Cash		\$ 56,784	\$ 21,708
Investments			
Restricted assets-cash		193,097	158,830
Restricted assets-investments			
	Total assets	<u>\$ 249,881</u>	<u>\$ 180,538</u>
	Net Assets		
Invested in capital assets, net of related debt		-	-
Restricted		193,097	158,830
Unrestricted		56,784	21,708
	Total Net Assets	<u>\$ 249,881</u>	<u>\$ 180,538</u>

Bollinger County
Marble Hill, Missouri
Statement of Activities- Various Funds Cash Basis
For the year ended December 31, 2007

		Program Revenues			Net (expense) revenue changes in net assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (794,610)	\$ 219,864	\$ 12,302	\$ -	\$ (562,444)
Road & bridge	(760,106)	-	3,530	-	(756,576)
Health and welfare	(104,949)	4,134	-	-	(100,815)
Property valuation & recording	(2,220)	11,102	-	-	8,882
Administration of justice & law	(742,204)	38,742	15,108	-	(688,354)
Capital outlay	(124,114)	-	-	67,359	(56,755)
Debt services	(54,607)	-	-	-	(54,607)
Total governmental activities	(2,582,810)	273,842	30,940	67,359	(2,210,669)
<i>Business-type activities</i>					
Water/sewer	-	-	-	-	-
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	-	-	-	-	-
Total primary government	<u>\$(2,582,810)</u>	<u>\$ 273,842</u>	<u>\$ 30,940</u>	<u>\$ 67,359</u>	<u>\$ (2,210,669)</u>

General revenues:

Taxes:

Personal property taxes, levied	426,248
Sales taxes	1,540,856
Intergovernmental revenues	231,625
Other taxes	56,953
Investment income	24,330
Miscellaneous	-

Total general revenues and transfers

	2,280,012
Changes in net assets	69,343
Beginning cash assets	180,538
Ending cash assets	<u>\$ 249,881</u>

Bollinger County
Marble Hill, Missouri
Statement of Activities- Various Funds Cash Basis
For the year ended December 31, 2006

		Program Revenues			Net (expense) revenue changes in net assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (531,665)	\$ 283,800	\$ 51,410		\$ (196,455)
Road & bridge	(828,045)	1,340	3,388		(823,317)
Health and welfare	(124,794)	7,053	-		(117,741)
Property valuation & recording	(132,471)	9,388	-		(123,083)
Administration of justice & law	(749,059)	26,247	178,960		(543,852)
Capital outlay	(869,218)	-	-	510,149	(359,069)
Debt services	(34,788)	-	-	-	(34,788)
Total governmental activities	(3,270,040)	327,828	233,758	510,149	(2,198,305)
<i>Business-type activities</i>					
Water/sewer	-	-	-	-	-
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	-	-	-	-	-
Total primary government	<u><u>\$(3,270,040)</u></u>	<u><u>\$ 327,828</u></u>	<u><u>\$ 233,758</u></u>	<u><u>\$ 510,149</u></u>	<u><u>\$ (2,198,305)</u></u>

General revenues:

Taxes:

Property & other taxes	411,333
Sales taxes	1,461,313
Intergovernmental revenues	92,546
Other taxes	
Investment income	27,448
Miscellaneous	82,522
Total general revenues and transfers	<u>2,075,162</u>
Changes in net assets	<u>(123,143)</u>
Beginning cash assets	303,681
Ending cash assets	<u><u>\$ 180,538</u></u>

Bollinger County
Marble Hill, Missouri
Reconciliation of Total Fund Balances to Total Net Assets - Cash Basis
For the years ended December 31

	<u>2007</u>	<u>2006</u>
Balance Sheet - Governmental Funds - Total Fund Balances-Cash Basis	\$ 249,881	\$ 180,538
Amounts reported for governmental activities of the statement of net assets are different because:		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.		
Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	\$ -	
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt		
Accrued interest	<u> </u>	
Subtotal	-	
Government-wide Statement of Net Assets--Total Net Assets-Cash Basis	<u><u>\$ 249,881</u></u>	<u><u>\$ 180,538</u></u>

**Bollinger County
Marble Hill, Missouri
Reconciliation of Changes in Net Assets - Cash Basis
For the years ended December 31**

	<u>2007</u>	<u>2006</u>
Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	\$ 69,343	\$ (123,143)

Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets

**Debt issued
Principle payments
Compensated absences
Interest expense**

Government-wide Statement of Activities--Changes in net assets - Governmental Activities	<u><u>\$ 69,343</u></u>	<u><u>\$ (123,143)</u></u>
---	-------------------------	----------------------------

**Bollinger County
Marble Hill, Missouri
Statement of Fiduciary Net Assets
For the years ended December 31,**

	<u>2007</u>	<u>2006</u>
	Agency Funds	Agency Funds
Assets		
Cash-restricted	\$ 2,627,478	\$ 2,522,235
Investments	-	-
Total Assets	<u><u>2,627,478</u></u>	<u><u>2,522,235</u></u>
 Net Assets		
Due to agencies and political subdivisions	2,596,580	2,502,232
Due to other funds	29,408	19,076
Due to others	1,490	927
	-	-
Total Net Assets	<u><u>\$ 2,627,478</u></u>	<u><u>\$ 2,522,235</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combined Balance Sheet- Cash Basis-Governmental Funds
As of December 31, 2007

	<u>Major Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Road &</u>	<u>Governmental</u>	<u>Governmental</u>
Assets	Fund	Bridge	Funds	Funds
Cash-unrestricted	\$ 56,784	\$ -	\$ -	\$ 56,784
Investments	-		-	-
Restricted assets-cash	-	89,791	103,306	193,097
Restricted assets-investments	-		-	-
Total assets	<u>56,784</u>	<u>89,791</u>	<u>103,306</u>	<u>249,881</u>
Fund balances				
Reserved for debt service			-	-
Restricted		89,791	103,306	193,097
Unrestricted	56,784			56,784
Total fund balances	<u>\$ 56,784</u>	<u>\$ 89,791</u>	<u>\$ 103,306</u>	<u>\$ 249,881</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund - Cash Basis
For the year ended December 31, 2007

	Major Funds			
	County Revenue Fund	Road & Bridge	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property & other taxes	\$ 73,187	\$ 252,203	\$ 100,858	\$ 426,248
Sales taxes	901,993	575,250	63,613	1,540,856
Fines, fees, licenses, and permits	34,429	-	-	34,429
Charges for services	169,667	-	69,746	239,413
Interest income	7,162	5,790	11,378	24,330
Intergovernmental	139,730	71,515	118,679	329,924
Miscellaneous	20,559	36,394	-	56,953
Total revenues	1,346,727	941,152	364,274	2,652,153
Expenditures				
General county government	594,343	-	200,267	794,610
Road & bridge	-	760,106	-	760,106
Health and welfare	-	-	104,949	104,949
Property valuation & recording	-	-	2,220	2,220
Administration of justice & law	705,517	-	36,687	742,204
Capital outlay:				
Property, equipment, & buildings	-	87,455	36,659	124,114
Debt service:				
Principal	54,607	-	-	54,607
Interest and paying agent fee	-	-	-	-
Total expenditures	1,354,467	847,561	380,782	2,582,810
Excess revenues over (under) expenditures	(7,740)	93,591	(16,508)	69,343
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	42,816	-	-	42,816
Transfer out	-	(42,816)	-	(42,816)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Other income/adjustments	-	-	-	-
Total other financing sources (uses)	42,816	(42,816)	-	-
Excess of revenues and other sources over (under) expenditures and other uses:	35,076	50,775	(16,508)	69,343
Cash balances, beginning of year	21,708	39,016	119,814	180,538
Prior year adjustments & equity transfers	-	-	-	-
Cash balances, end of year	<u>\$ 56,784</u>	<u>\$ 89,791</u>	<u>\$ 103,306</u>	<u>\$ 249,881</u>

Bollinger County
Marble Hill, Missouri
Combined Balance Sheet- Governmental Funds - Cash Basis
As of December 31, 2006

	Major Funds			Non-Major	Total
Assets	General Revenue Fund	Road & Bridge	Bridge Construction	Governmental Funds	Governmental Funds
Cash	\$ 21,708	\$ -	\$ -	\$ -	\$ 21,708
Investments	-			-	-
Restricted assets-cash	-	\$ 39,016	\$ -	\$ 119,814	158,830
Restricted assets-investments	-			-	-
Total assets	21,708	39,016	-	119,814	180,538
Fund balances					
Reserved for debt service	-			-	-
Restricted	-	39,016	-	119,814	158,830
Unrestricted	21,708		-	-	21,708
Total fund balances	\$ 21,708	\$ 39,016	\$ -	\$ 119,814	\$ 180,538

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund - Cash Basis
For the year ended December 31, 2006

	Major Funds				
	County Revenue Fund	Road & Bridge	Bridge Construction	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property & other taxes	\$ 59,841	\$ 252,825	\$ -	\$ 98,667	\$ 411,333
Sales taxes	884,797	576,516		-	1,461,313
Fines, fees, licenses, and permits	48,266	-		13,163	61,429
Charges for services	167,382	1,340		97,677	266,399
Interest income	8,957	8,076		10,415	27,448
Intergovernmental	105,697	147,290	378,974	204,492	836,453
Miscellaneous	67,054	7,196		8,272	82,522
Total revenues	1,341,994	993,243	378,974	432,686	3,146,897
Expenditures					
General county government	387,623			144,042	531,665
Road & bridge		828,045	-	-	828,045
Health and welfare				124,794	124,794
Property valuation & recording	126,746			5,725	132,471
Administration of justice & law	706,632			42,427	749,059
Capital outlay:				-	-
Property, equipment, & buildings	131,175	174,556	424,467	139,020	869,218
Debt service:				-	-
Principal	32,312			-	32,312
Interest and paying agent fee	2,476			-	2,476
Total expenditures	1,386,964	1,002,601	424,467	456,008	3,270,040
Excess revenues over (under) expenditures	(44,970)	(9,358)	(45,493)	(23,322)	(123,143)
Other financing sources (uses):					
Proceeds from loan				-	-
Transfer in	78,919		45,493	30,727	155,139
Transfer out	(30,500)	(114,412)	-	(10,227)	(155,139)
Insurance proceeds				-	-
Sale of capital assets				-	-
Other income/adjustments				-	-
Total other financing sources (uses)	48,419	(114,412)	45,493	20,500	-
Excess of revenues and other sources over (under) expenditures and other uses:	3,449	(123,770)	-	(2,822)	(123,143)
Cash balances, beginning of year	18,259	162,786		122,636	303,681
Prior year adjustments & equity transfers	-			-	-
Cash balances, end of year	\$ 21,708	\$ 39,016	\$ -	\$ 119,814	\$ 180,538

REQUIRED SUPPLEMENTAL INFORMATION

Bollinger County
Marble Hill, Missouri
Budgetary Comparison Schedule - Major Funds Cash Basis
For the year ended December 31, 2007

	General Fund				Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Realty taxes	\$ 60,200	\$ 60,200	\$ 73,187	\$ 12,987	\$ 261,000	\$ 261,000	\$ 252,203	\$ (8,797)
Sales taxes	900,000	900,000	901,993	1,993	578,900	578,900	575,250	(3,650)
Fines, fees, licenses, and permits			34,429	34,429			-	-
Charges for services	169,700	169,700	169,667	(33)	-	-	-	-
Intergovernmental	134,239	134,239	139,730	5,491	-	-	71,515	71,515
Investment income	2,000	2,000	7,162	5,162	3,000	3,000	5,790	2,790
Miscellaneous	46,300	46,300	20,559	(25,741)	18,415	18,415	36,394	17,979
Total revenue	<u>1,312,439</u>	<u>1,312,439</u>	<u>1,346,727</u>	<u>34,288</u>	<u>861,315</u>	<u>861,315</u>	<u>941,152</u>	<u>79,837</u>
Expenditures:								
General county government	556,192	556,192	594,343	(38,151)			-	-
Road & bridge			-	-	816,564	846,760	750,516	96,244
Health and welfare			-	-			-	-
Property valuation assessment & recording	55,190	55,190	-	55,190			-	-
Administration of justice & law	703,777	703,777	705,517	(1,740)			-	-
Capital outlay			-	-	120,000	30,000	87,455	(57,455)
Debt service-principal and interest	50,000	50,000	54,607	(4,607)	17,700	17,700	9,590	8,110
Total expenditures	<u>1,365,159</u>	<u>1,365,159</u>	<u>1,354,467</u>	<u>10,692</u>	<u>954,264</u>	<u>894,460</u>	<u>847,561</u>	<u>46,899</u>
Excess of revenues over (under) expenditures	<u>(52,720)</u>	<u>(52,720)</u>	<u>(7,740)</u>	<u>44,980</u>	<u>(92,949)</u>	<u>(33,145)</u>	<u>93,591</u>	<u>126,736</u>
Other financing sources (uses):								
			-	-	-	-	-	-
Transfer in	42,816	42,816	42,816	-	-	-	-	-
Transfer out	(11,500)	(11,500)	-	11,500	(42,816)	(42,816)	(42,816)	-
Insurance proceeds			-	-	-	-	-	-
Sale of capital assets			-	-	-	-	-	-
Total other financing sources (uses)	<u>31,316</u>	<u>31,316</u>	<u>42,816</u>	<u>11,500</u>	<u>(42,816)</u>	<u>(42,816)</u>	<u>(42,816)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(21,404)</u>	<u>(21,404)</u>	<u>35,076</u>	<u>56,480</u>	<u>(135,765)</u>	<u>(75,961)</u>	<u>50,775</u>	<u>126,736</u>
Cash balances, beginning of year	<u>21,708</u>	<u>21,708</u>	<u>21,708</u>	<u>-</u>	<u>39,016</u>	<u>39,016</u>	<u>39,016</u>	<u>-</u>
Cash balances, end of year	<u>\$ 304</u>	<u>\$ 304</u>	<u>\$ 56,784</u>	<u>\$ 56,480</u>	<u>\$ (96,749)</u>	<u>\$ (36,945)</u>	<u>\$ 89,791</u>	<u>\$ 126,736</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Budgetary Comparison Schedule - Major Funds Cash Basis
For the year ended December 31, 2006

	General Fund				Road & Bridge Fund			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Property and other taxes	\$ 64,882	\$ 64,882	\$ 59,841	\$ (5,041)	\$ 950,000	\$ 276,900	\$ 252,825	\$ (24,075)
Sales taxes	888,000	888,000	884,797	(3,203)	200,000	-	576,516	576,516
Fines, fees, licenses, and permits			48,266	48,266			-	-
Charges for services	162,800	162,800	167,382	4,582	10,000		1,340	1,340
Intergovernmental	151,811	151,811	105,697	(46,114)	1,116,000	588,000	526,264	(61,736)
Investment income	1,800	1,800	8,957	7,157	15,000	2,400	8,076	5,676
Miscellaneous	94,700	94,700	67,054	(27,646)	60,600	607,096	7,196	(599,900)
Total revenue	<u>1,363,993</u>	<u>1,363,993</u>	<u>1,341,994</u>	<u>(21,999)</u>	<u>2,351,600</u>	<u>1,474,396</u>	<u>1,372,217</u>	<u>(102,179)</u>
Expenditures:								
General county government	539,248	539,248	387,623	151,625			-	-
Road & bridge			-	-	2,757,400	1,580,190	828,045	752,145
Health and welfare			-	-			-	-
Property valuation assessment & recording	120,696	120,696	126,746	(6,050)			-	-
Administration of justice & law	745,338	745,338	706,632	38,706			-	-
Capital outlay			131,175	(131,175)			599,023	(599,023)
Debt service-principal and interest			34,788	(34,788)			-	-
Total expenditures	<u>1,405,282</u>	<u>1,405,282</u>	<u>1,386,964</u>	<u>18,318</u>	<u>2,757,400</u>	<u>1,580,190</u>	<u>1,427,068</u>	<u>153,122</u>
Excess of revenues over (under) expenditures	<u>(41,289)</u>	<u>(41,289)</u>	<u>(44,970)</u>	<u>(3,681)</u>	<u>(405,800)</u>	<u>(105,794)</u>	<u>(54,851)</u>	<u>50,943</u>
Other financing sources (uses):								
Proceeds from loan	-		-	-	-	-	-	-
Transfer in	68,919	68,919	78,919	10,000	-	-	45,493	45,493
Transfer out	(29,314)	(29,314)	(30,500)	(1,186)	-	-	(114,412)	(114,412)
Insurance proceeds	-		-	-	-	-	-	-
Sale of capital assets	-		-	-	-	-	-	-
Total other financing sources (uses)	<u>39,605</u>	<u>39,605</u>	<u>48,419</u>	<u>8,814</u>	<u>-</u>	<u>-</u>	<u>(68,919)</u>	<u>(68,919)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,684)</u>	<u>(1,684)</u>	<u>3,449</u>	<u>5,133</u>	<u>(405,800)</u>	<u>(105,794)</u>	<u>(123,770)</u>	<u>(17,976)</u>
Cash balances, beginning of year	<u>18,259</u>	<u>18,259</u>	<u>18,259</u>	<u>-</u>	<u>162,786</u>	<u>162,786</u>	<u>162,786</u>	<u>-</u>
Cash balances, end of year	<u>\$ 16,575</u>	<u>\$ 16,575</u>	<u>\$ 21,708</u>	<u>\$ 5,133</u>	<u>\$ (243,014)</u>	<u>\$ 56,992</u>	<u>\$ 39,016</u>	<u>\$ (17,976)</u>

NOTES TO THE FINANCIAL STATEMENTS

BOLLINGER COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, or an elected county official. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Management has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the County did not produce certain information regarding its pension plan as required by the Government Accounting Standards Board (GASB) No. 27. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to the County for the year ended December 31, 2007 and 2006. Financial information is most useful when each major fund is presented separately rather than when fund combination are reported, such as the aggregation of the Prosecuting Attorney, Drug Enforcement, Sheriff's Criminal Forfeiture, Sheriff's Criminal Restitution, and special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the County.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards. The County maintains an unclaimed fees account, when unclaimed amounts are routinely deposited. The County holds cash balances as an agent and fund custodian.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

BOLLINGER COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>	
Div V Law Library Fund	2007	
Circuit Court Interest Fund	2007	2006
Election Administration Fund	2007	
Bad Check Fund		2006
Law Enforcement Training Fund		2006
Recorder's Technology Fund		2006
Election Services Fund		2006
Senior Services Tax Fund		2006
Bridge Construction Fund		2006

Although Section 50.740, RSMo requires a balanced budget, a deficit balance was budgeted in the Road and Bridge Fund for December 31, 2007 and 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the County. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>	
Division V Library	2007	
Sheriff Restitution		2006
Senior Services Tax		2006

NOTE 2. CASH

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the

BOLLINGER COUNTY, MISSOURI

Notes to the Financial Statements

December 31, 2007 and 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2. Deposits-(continued)

types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the County or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, the County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2007 and 2006 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The SB-40 Sheltered Workshop Board's deposits at December 31, 2007 and 2006 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

NOTE 3. RETIREMENT PLANS

a. County Employees Retirement Fund (CERF)

The County Employees Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county, and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under section 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System and County Sheriffs covered under sections 57.949 to 57.997, RSMo. The general administration and responsibility for the proper operation and investment of the fund are vested in a nine-person board of directors.

2. Pension Benefits

Any member who has attained the age of sixty-two (62) years may retire with normal annuity with eight or more years of creditable service as a county employee. Benefits are available no earlier than January 1, 1997. The normal annuity of a retired member, not also a member of the Local Government Employee's Retirement System, who served as an employee of a county shall be equal to one and one-half percent of the average final compensation of the retired member multiplied by the number of years of creditable service of the retired

BOLLINGER COUNTY, MISSOURI
Notes to the Financial Statements

December 31, 2007 and 2006

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Pension Benefits-(continued)

member, except that the annual annuity shall not exceed fifty percent of the member's average final compensation. The normal annuity of a member who is also a member of the Local Government Employee's Retirement System shall be equal to one percent of the average final compensation of the retired member multiplied by the number of years of creditable service. Members are always 100% vested in their own contributions. The County Employees' Retirement Fund has issued audited financial statements for the years ended December 31, 2007 and 2006. Copies of this audit report may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271 or by calling 573-632-9203.

3. Funding Policy

Contributions for CERF are provided by revenues collected by the counties, and for those employees not in LAGERS, a 2% salary employee contribution. The revenues collected, minus employee contributions, are considered employer contribution. These collections are stated by statute and are equivalent to the required contribution.

4. Long-Term Debt Obligations

The County signed a lease purchase agreement with Kansas State Bank of Manhattan dated August 7, 2006 in the original amount of \$65,377, for four years at an annual interest rate of 5.6% per annum, and matures on August 9, 2009.

The County signed a lease-purchase agreement with Caterpillar Financial Services Corp., for the purpose of financing the cost of road and bridge activities, on August 1, 2007 in the original amount of \$82,468 for four years at 5.5% per annum and matures on August 1, 2011.

The County obtained a loan from US Bank dated January 18, 2005 to finance its road and bridge activities in the original amount of \$60,530 for 23 months at 6.0% per annum with an original payment of \$1,424/month. The note originally matured January 18, 2007 but was renewed for an additional two years until January 18, 2009 at \$1,416/month. A schedule of future minimum lease payments at December 31, 2007 follows:

<u>Year</u>	<u>Kansas State Bank</u>	<u>US Bank</u>	<u>Caterpillar</u>	<u>Total</u>
2008	\$15,876	\$16,467	\$14,178	\$46,521
2009	16,765	1,293	15,053	33,110
2010	0	0	15,981	15,981
2011	0	0	9,649	9,649
Balance	0	0	9,649	9,649
Total	<u>\$32,641</u>	<u>\$17,760</u>	<u>\$64,510</u>	<u>\$114,910</u>

SUPPLEMENTAL REPORTS

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720 (Bus)/(314)-869-5955 (Fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Commissioners of
Bollinger County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bollinger County, Missouri ("the County") as of and for the years ended December 31, 2007 and 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2008. We issued an adverse opinion in our report on the governmental activities because the County did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, and did not produce adequate disclosures regarding its pension plan, among other omissions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management of the County, and federal-awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Charles Buchanan, CPA, PC
Certified Public Accountants
8733 Riverview Blvd, Suite 1
St. Louis, MO 63147
(314)-869-2720 (ofc)/(314)-869-5955 (fax)
charlesbuchanan8@aol.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Commissioners of
Bollinger County, Missouri

We have audited the compliance of Bollinger County, Missouri, ("the County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of Bollinger County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal-awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Charles Buchanan, CPA, PC
St. Louis, Missouri
August 15, 2008

Bollinger County Missouri
Schedule of Expenditures of Federal Awards
For the Years Ended December 31,

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>2007</u>	<u>2006</u>
US Department of Agriculture				
Passed through the State of Missouri				
Office of Administration -				
Schools & Roads - Grants to States	10.665		\$ -	\$ 834
Total Department of Agriculture			<u>-</u>	<u>834</u>
<u>U.S. Department of Justice</u>				
<i>Passed through Missouri Department of Public Safety</i>				
Cape Girardeau County				
Edward Byrne Memorial Stte and Local Law Enforcement	16.580	2007-boll	15,107	
Total U.S. Department of Justice			<u>15,107</u>	<u>-</u>
<u>U.S Department of Transportation</u>				
<i>Passed through Missouri Department of Transportation</i>	20.205	BRO-009-5	1,802	
Off System Bridge Program	20.205	BRO-009-5		378,974
<i>Passed through Missouri Department of Public Safety</i>				
Interagency Hazardous Materials Public Sector Training & Planning	20.703		1,728	3,388
Total U.S. Department of Transportation			<u>3,530</u>	<u>382,362</u>
<u>General Services Administration</u>				
<i>Passed through Missouri Office of Administration</i>				
Election Administration and Accessibility Grant	39.011			5,140
<i>Passed through the Missouri Secretary of State</i>				
Accessible Voting Equipment	90.401			45,815
Second Chance Voting Equipment	90.401			85,360
Help America Vote Act	90.401		12,302	
Total U.S. Department of Transportation			<u>12,302</u>	<u>136,315</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed through Missouri State Department of Public Safety</i>				
Disaster Relief FEMA	83.544		67,539	146,456
State & Local All Hazards Emergency Operations Planning	97.051	2004-GE-T4-0049		31,466
Citizens Corps Grant	97.053			1,038
Total of U.S. Department of Homeland Security			<u>67,539</u>	<u>178,960</u>
Total Expenditures of Federal Awards			<u>\$ 98,478</u>	<u>\$ 698,471</u>

BOLLINGER COUNTY, MISSOURI
Notes to the Financial Statements
December 31, 2007 and 2006

Note - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the cash basis of accounting. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Bollinger County, Missouri
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2007 and 2006

Section 1 - Summary of Auditor's Results

Financial Statements:

Type Audit Report issued on Financial Statements of Auditee Adverse

Internal Control Over Financial Reporting

Significant deficiencies identified that are not considered to be material weaknesses? None

Noncompliance material to the financial statements noted? None

Federal Awards:

Internal Control Over Major Programs

Material weaknesses identified. No

Significant deficiencies identified that are not considered to be material weaknesses? None

Type Audit Report Issued on Compliance for Major Programs Unqualified

Audit Findings

Audit findings required to be reported under OMB Circular A-133. None

Major Programs

CFDA #

20.205

90.401

Program Title

Highway Planning and Construction

Accessible & Second Chance Voting Equipment

Dollar Threshold Used to Distinguish Between Type A and Type B Program \$300,000

Auditee Qualified as a Low-Risk Auditee No

Section 2 - Financial Statement Findings

None

Section 3 - Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards
None.

**BOLLINGER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The prior audit report issued for the two years ended December 31, 2005 and 2004, did not included audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

BOLLINGER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005 and 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SUPPLEMENTAL INFORMATION

Bollinger County
Marble Hill, Missouri
Combining Balance Sheet - Cash Basis-
Non-Major Governmental Funds
As of December 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Prosecuting Atty Training Fund	Recorder User Fee Fund	Election Services Fund	Sheriff's Civil Fund	Inmate Security Fund	Collector Tax Maint. Fund	Subtotal
Assets									
Cash									
Investments				-	-	-	-	-	-
Restricted assets-cash	\$ 4,980	\$ 669	\$ 171	\$ 16,920	\$ 1,785	\$ 1,692	\$ 539	\$ 30,005	\$ 56,761
Restricted assets-investments	-	-	-	-	-	-	-	-	-
Total assets	4,980	669	171	16,920	1,785	1,692	539	30,005	56,761
Fund balances									
Reserved for debt service				-		-	-	-	
Unreserved	-	-	-	-	-	-	-	-	
Restricted	4,980	669	171	16,920	1,785	1,692	539	30,005	56,761
Total fund balances	\$ 4,980	\$ 669	\$ 171	\$ 16,920	\$ 1,785	\$ 1,692	\$ 539	\$ 30,005	\$ 56,761

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combining Balance Sheet - Cash Basis-
Non-Major Governmental Funds
As of December 31, 2007

	Carry Forward Subtotal	Courts Time Payment Fund	Archive Fund	Domestic Relations Fund	Circuit Clerk Interest Fund	Sheriff's Concealed Weapon Fund	Division V Law Library Fund	Recorder Tech Fund	Subtotal
Assets									
Cash									
Investments	-								
Restricted assets-cash	\$ 56,761	\$ 1,909	\$ 1,121	\$ 34	\$ 589	\$ 4,260	\$ 27,218	\$ 2,694	\$ 94,586
Restricted assets-investments	-								
Total assets	56,761	1,909	1,121	34	589	4,260	27,218	2,694	94,586
Fund balances									
Reserved for debt service									
Unreserved									
Restricted	56,761	1,909	1,121	34	589	4,260	27,218	2,694	94,586
Total fund balances	\$ 56,761	\$ 1,909	\$ 1,121	\$ 34	\$ 589	\$ 4,260	\$ 27,218	\$ 2,694	\$ 94,586

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combining Balance Sheet - Cash Basis-
Non-Major Governmental Funds
As of December 31, 2007

	Carry Forward Subtotal	Division V Banner Int Fund	Senate Bill 40 Board	Sheriff's Restitution Fund	Total Non-Major Governmental Funds
Assets					
Cash					
Investments					-
Restricted assets-cash	\$ 94,586	\$ 1,647	\$ 5,020	\$ 2,053	\$ 103,306
Restricted assets-investments					-
Total assets	94,586	1,647	5,020	2,053	103,306
Fund balances					
Reserved for debt service					-
Unreserved					-
Restricted	94,586	1,647	5,020	2,053	103,306
Total fund balances	\$ 94,586	\$ 1,647	\$ 5,020	\$ 2,053	\$ 103,306

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, & Changes in Cash Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2007

	Assessment Fund	Bad Check	Law Enforcement Training	Prosecuting Atty Training	Recorder User Fee	Election Services Fund	Sheriff's Civil Fund	Election Admin Fund	Inmate Security Fund	Collector Tax Maint.	Subtotal
Revenues											
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes											-
Fines, fees, licenses, and permits											-
Charges for services	1,922	8,792	500	166	5,850	1,682	15,336		530	13,362	48,140
Interest income	1,662	385	31	10	1,537	136	162	769	9	2,688	7,389
Intergovernmental	108,802		648								109,450
Miscellaneous											-
Total revenues	<u>112,386</u>	<u>9,177</u>	<u>1,179</u>	<u>176</u>	<u>7,387</u>	<u>1,818</u>	<u>15,498</u>	<u>769</u>	<u>539</u>	<u>16,050</u>	<u>164,979</u>
Expenditures											
General county government	127,554				8,295						135,849
Road & bridge											-
Health and welfare											-
Property valuation, assesment & recording											-
Administration of justice & law		12,558	1,059	80			15,952				29,649
Capital outlay:											-
Property, equipment, & buildings						1,466		12,302		14,486	28,254
Debt service:											-
Principal											-
Interest and paying agent fee											-
Total expenditures	<u>127,554</u>	<u>12,558</u>	<u>1,059</u>	<u>80</u>	<u>8,295</u>	<u>1,466</u>	<u>15,952</u>	<u>12,302</u>	<u>-</u>	<u>14,486</u>	<u>193,752</u>
Excess of revenues over (under) expenditures	<u>(15,168)</u>	<u>(3,381)</u>	<u>120</u>	<u>96</u>	<u>(908)</u>	<u>352</u>	<u>(454)</u>	<u>(11,533)</u>	<u>539</u>	<u>1,564</u>	<u>(28,773)</u>
Other financing sources (uses):											
Proceeds from loan											-
Transfer in											-
Transfer out											-
Insurance proceeds											-
Sale of capital assets											-
Other income/adjustments			-								-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(15,168)</u>	<u>(3,381)</u>	<u>120</u>	<u>96</u>	<u>(908)</u>	<u>352</u>	<u>(454)</u>	<u>(11,533)</u>	<u>539</u>	<u>1,564</u>	<u>(28,773)</u>
Cash balances, beginning of year	20,148	3,381	549	75	17,828	1,433	2,146	11,533		28,441	85,534
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	-	-
Cash balances, end of year	<u>\$ 4,980</u>	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 171</u>	<u>\$ 16,920</u>	<u>\$ 1,785</u>	<u>\$ 1,692</u>	<u>\$ -</u>	<u>\$ 539</u>	<u>\$ 30,005</u>	<u>\$ 56,761</u>

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, & Changes in Cash Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2007

	Carry Forward Subtotal	Courts Time Payment Fund	Archive Fund	Domestic Relations Fund	Circuit Clerk Interest Fund	Sheriff's Concealed Weapon Fund	Division V Law Library Fund	Recorder Tech Fund	Division V Banner Int Fund	Senate Bill 40 Board	Sheriff's Restitution Fund	Senior Services Tax Fund	Total Non- Major Governmental Funds
Revenues													
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,858	\$ -	\$ -	\$ 100,858
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	63,613	63,613
Fines, fees, licenses, and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	48,140	-	724	1,518	-	4,280	7,620	3,330	-	4,134	-	-	69,746
Interest income	7,389	68	107	39	1,323	170	1,073	116	823	48	222	-	11,378
Intergovernmental	109,450	907	-	-	-	-	-	-	-	-	8,322	-	118,679
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>164,979</u>	<u>975</u>	<u>831</u>	<u>1,557</u>	<u>1,323</u>	<u>4,450</u>	<u>8,693</u>	<u>3,446</u>	<u>823</u>	<u>105,040</u>	<u>8,544</u>	<u>63,613</u>	<u>364,274</u>
Expenditures													
General county government	135,849	-	805	-	-	-	-	-	-	-	-	63,613	200,267
Road & bridge	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	104,949	-	-	104,949
Property valuation, assesment & recording	-	-	-	-	-	-	-	2,220	-	-	-	-	2,220
Administration of justice & law	29,649	87	-	1,523	967	1,221	3,214	-	26	-	-	-	36,687
Capital outlay:	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment, & buildings	28,254	-	-	-	-	-	-	-	-	-	8,405	-	36,659
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and paying agent fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>193,752</u>	<u>87</u>	<u>805</u>	<u>1,523</u>	<u>967</u>	<u>1,221</u>	<u>3,214</u>	<u>2,220</u>	<u>26</u>	<u>104,949</u>	<u>8,405</u>	<u>63,613</u>	<u>380,782</u>
Excess of revenues over (under) expenditures	<u>(28,773)</u>	<u>888</u>	<u>26</u>	<u>34</u>	<u>356</u>	<u>3,229</u>	<u>5,479</u>	<u>1,226</u>	<u>797</u>	<u>91</u>	<u>139</u>	<u>-</u>	<u>(16,508)</u>
Other financing sources (uses):													
Proceeds from loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(28,773)</u>	<u>888</u>	<u>26</u>	<u>34</u>	<u>356</u>	<u>3,229</u>	<u>5,479</u>	<u>1,226</u>	<u>797</u>	<u>91</u>	<u>139</u>	<u>-</u>	<u>(16,508)</u>
Cash balances, beginning of year	85,534	1,021	1,095	-	233	1,031	21,739	1,468	850	4,929	1,914	-	119,814
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash balances, end of year	<u>\$ 56,761</u>	<u>\$ 1,909</u>	<u>\$ 1,121</u>	<u>\$ 34</u>	<u>\$ 589</u>	<u>\$ 4,260</u>	<u>\$ 27,218</u>	<u>\$ 2,694</u>	<u>\$ 1,647</u>	<u>\$ 5,020</u>	<u>\$ 2,053</u>	<u>\$ -</u>	<u>\$ 103,306</u>

Bollinger County
Marble Hill, Missouri
Combining Balance Sheet - Cash Basis
Non-Major Governmental Funds
As of December 31, 2006

	Assessment Fund	Law Enforcement Training	Prosecuting Atty Training	Recorder User Fee	Bad Check	Collector Tax Maint.	Circuit Court CD Fund	Courts Time Payment Fund	Archive Fund	Subtotal
Assets										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments										
Restricted assets-cash	20,148	548	74	17,828	3,381	28,441	-	1,021	1,095	72,536
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-
Total assets	20,148	548	74	17,828	3,381	28,441	-	1,021	1,095	72,536
Fund balances										
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	20,148	548	74	17,828	3,381	28,441	-	1,021	1,095	72,536
Total fund balances	\$ 20,148	\$ 548	\$ 74	\$ 17,828	\$ 3,381	\$ 28,441	\$ -	\$ 1,021	\$ 1,095	\$ 72,536

See Independent Auditor's Report and Notes to the Financial Statements

Bollinger County
Marble Hill, Missouri
Combining Balance Sheet - Cash Basis
Non-Major Governmental Funds
As of December 31, 2006

	Carry Forward	Circuit Clerk	Sheriff's	Division V	Recorder	Division V	Sheriff's	Sheriff	Election	Sheriff's	Senate Bill 40	Dare	Non-Major
	Subtotal	Interest	Concealed	Law Library	Tech Fund	Banner Int	Restitution	Donation	Services	Civil Fund	Board	Donation	Governmental
		Fund	Fund	Fund		Fund	Fund		Fund				Funds
Assets													
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -			\$ -
Investments		-											-
Restricted assets-cash	72,536	233	1,031	21,739	1,469	850	1,914	-	12,967	2,146	4,929	-	119,814
Restricted assets-investments		-											-
Total assets	72,536	233	1,031	21,739	1,469	850	1,914	-	12,967	2,146	4,929	-	119,814
Fund balances													
Reserved for encumbrances		-											-
Unreserved		-											-
Restricted	72,536	\$ 233	1,031	21,739	1,469	850	1,914	-	12,967	2,146	4,929	-	119,814
Total fund balances	\$ 72,536	\$ 233	\$ 1,031	\$ 21,739	\$ 1,469	\$ 850	\$ 1,914	\$ -	\$ 12,967	\$ 2,146	\$ 4,929	\$ -	\$ 119,814

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Cash Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2006

	Assessment Fund	Law Enforcement Training	Prosecuting Atty Training	Recorder User Fee	Bad Check	Collector Tax Maint.	Circuit Court CD Fund	Courts Time Payment Fund	Archive Fund	Subtotal
Revenues										
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes										-
Fines, fees, licenses, and permits		927						838		1,765
Charges for services	54,408	500	229	6,050	10,805	12,365			1,241	85,598
Interest income	907	45	10	1,241	278	2,526	50	39	80	5,176
Intergovernmental	68,030									68,030
Miscellaneous	114									114
Total revenues	<u>123,459</u>	<u>1,472</u>	<u>239</u>	<u>7,291</u>	<u>11,083</u>	<u>14,891</u>	<u>50</u>	<u>877</u>	<u>1,321</u>	<u>160,683</u>
Expenditures										
General county government	139,408								854	140,262
Road & bridge										-
Health and welfare										-
Property valuation, assessment & recording				2,025						2,025
Administration of justice & law		1,611	204		7,804		2,368	942		12,929
Capital outlay:										-
Property, equipment, & buildings						3,285				3,285
Debt service:										-
Principal										-
Interest and paying agent fee										-
Total expenditures	<u>139,408</u>	<u>1,611</u>	<u>204</u>	<u>2,025</u>	<u>7,804</u>	<u>3,285</u>	<u>2,368</u>	<u>942</u>	<u>854</u>	<u>158,501</u>
Excess of revenues over (under) expenditures	<u>(15,949)</u>	<u>(139)</u>	<u>35</u>	<u>5,266</u>	<u>3,279</u>	<u>11,606</u>	<u>(2,318)</u>	<u>(65)</u>	<u>467</u>	<u>2,182</u>
Other financing sources (uses):										
Proceeds from loan										-
Transfer in	30,500									30,500
Transfer out						(10,000)				(10,000)
Insurance proceeds										-
Sale of capital assets										-
Other income/adjustments		-								-
Total other financing sources (uses)	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>14,551</u>	<u>(139)</u>	<u>35</u>	<u>5,266</u>	<u>3,279</u>	<u>1,606</u>	<u>(2,318)</u>	<u>(65)</u>	<u>467</u>	<u>22,682</u>
Cash balances, beginning of year	5,597	687	39	12,562	102	26,835	2,318	1,086	628	49,854
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	-
Cash balances, end of year	<u>\$ 20,148</u>	<u>\$ 548</u>	<u>\$ 74</u>	<u>\$ 17,828</u>	<u>\$ 3,381</u>	<u>\$ 28,441</u>	<u>\$ -</u>	<u>\$ 1,021</u>	<u>\$ 1,095</u>	<u>\$ 72,536</u>

Bollinger County
Marble Hill, Missouri
Combining Statement of Revenues, Expenditures, & Changes In Cash Balances
Non-Major Governmental Funds - Cash Basis
For the year ended December 31, 2006

	Carry Forward	Domestic	Circuit Clerk	Sheriff's	Division V	Recorder	Division V	Sheriff's	Sheriff	Election	Sheriff's Civil	Senate Bill 40	Dare	Non-Major
	Subtotal	Relations	Interest Fund	Concealed	Law Library	Tech Fund	Banner Int	Restitution	Donation	Services Fund	Fund	Board	Donation	Governmental
		Fund		Weapon Fund	Fund		Fund	Fund						Funds
Revenues														
Property & other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,667	\$ -	\$ 98,667
Sales taxes	-													-
Fines, fees, licenses, and permits	1,765										11,398			13,163
Charges for services	85,598	1,488		62		3,338				138		7,053		97,677
Interest income	5,176	48	965	83	868	214	685	647	1	1,425	173	68	62	10,415
Intergovernmental	68,030							5,287		131,175				204,492
Miscellaneous	114				5,640		2,368				150			8,272
Total revenues	<u>160,683</u>	<u>1,536</u>	<u>965</u>	<u>145</u>	<u>6,508</u>	<u>3,552</u>	<u>3,053</u>	<u>5,934</u>	<u>1</u>	<u>132,738</u>	<u>11,721</u>	<u>105,788</u>	<u>62</u>	<u>432,686</u>
Expenditures														
General county government	140,262						3,200			580				144,042
Road & bridge	-													-
Health and welfare	-	1,610										123,184		124,794
Property valuation, assessment & recording	2,025					3,700								5,725
Administration of justice & law	12,929		1,391		2,478			10,535			13,339		1,755	42,427
Capital outlay:	-													-
Property, equipment, & buildings	3,285									135,735				139,020
Debt service:	-													-
Principal	-													-
Interest and paying agent fee	-													-
Total expenditures	<u>158,501</u>	<u>1,610</u>	<u>1,391</u>	<u>-</u>	<u>2,478</u>	<u>3,700</u>	<u>3,200</u>	<u>10,535</u>	<u>-</u>	<u>136,315</u>	<u>13,339</u>	<u>123,184</u>	<u>1,754</u>	<u>456,008</u>
Excess of revenues over (under) expenditures	<u>2,182</u>	<u>(74)</u>	<u>(426)</u>	<u>145</u>	<u>4,030</u>	<u>(148)</u>	<u>(147)</u>	<u>(4,601)</u>	<u>1</u>	<u>(3,577)</u>	<u>(1,618)</u>	<u>(17,396)</u>	<u>(1,692)</u>	<u>(23,322)</u>
Other financing sources (uses):														
Proceeds from loan	-													-
Transfer in	30,500												227	30,727
Transfer out	(10,000)								(227)	-				(10,227)
Insurance proceeds	-													-
Sale of capital assets	-													-
Other income/adjustments	-													-
Total other financing sources (uses)	<u>20,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227</u>	<u>20,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>22,682</u>	<u>(74)</u>	<u>(426)</u>	<u>145</u>	<u>4,030</u>	<u>(148)</u>	<u>(147)</u>	<u>(4,601)</u>	<u>(226)</u>	<u>(3,577)</u>	<u>(1,618)</u>	<u>(17,396)</u>	<u>(1,465)</u>	<u>(2,822)</u>
Cash balances, beginning of year	49,854	74	659	886	17,709	1,617	997	6,515	226	16,544	3,764	22,325	1,465	122,636
Prior year adjustments & equity transfers	-													-
Cash balances, end of year	<u>\$ 72,536</u>	<u>\$ -</u>	<u>\$ 233</u>	<u>\$ 1,031</u>	<u>\$ 21,739</u>	<u>\$ 1,469</u>	<u>\$ 850</u>	<u>\$ 1,914</u>	<u>\$ -</u>	<u>\$ 12,967</u>	<u>\$ 2,146</u>	<u>\$ 4,929</u>	<u>\$ -</u>	<u>\$ 119,814</u>

Bollinger County
Marble Hill, Missouri
Combining Statement of Fiduciary Net Assets - Agency Funds
As of December 31, 2007

	Collector of Revenue	Circuit Court Fund	Circuit Court Div. V Fund	Sheriff's Dept Escrow Fund	Archives & General Center	P.A. Trust Funds	Sheriff's Office Funds	Little River Drain Collector of Revenue Funds	Total Agency Funds
Assets									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-
Restricted assets-cash	2,549,611	41,486	1,911	606	2,224	1,490	742	29,408	2,627,478
Restricted assets-investments	-	-	-	-	-	-	-	-	-
Total assets	<u>2,549,611</u>	<u>41,486</u>	<u>1,911</u>	<u>606</u>	<u>2,224</u>	<u>1,490</u>	<u>742</u>	<u>29,408</u>	<u>2,627,478</u>
Liabilities									
Due to agencies and political subdivisions	2,549,611	41,486	1,911	606	2,224	-	742	-	2,596,580
Due to other funds	-	-	-	-	-	-	-	29,408	29,408
Due to others	-	-	-	-	-	1,490	-	-	1,490
Total liabilities	<u>\$ 2,549,611</u>	<u>\$ 41,486</u>	<u>\$ 1,911</u>	<u>\$ 606</u>	<u>\$ 2,224</u>	<u>\$ 1,490</u>	<u>\$ 742</u>	<u>\$ 29,408</u>	<u>\$ 2,627,478</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bollinger County
Marble Hill, Missouri
Combining Statement of Fiduciary Net Assets - Agency Funds
As of December 31, 2006

	School Fund Principal Account	Collector of Revenue	Circuit Court Fund	Circuit Court Div. V Fund	Sheriff's Dept Escrow Fund	Archives & General Center	P.A. Trust Funds	Sheriff's Office Funds	Little River Drain Collector of Revenue Funds	Total Agency Funds
Assets										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-
Restricted assets-cash	46,826	2,409,870	19,475	21,088	108	2,566	819	2,407	19,076	2,522,235
Restricted assets-investments	-	-	-	-	-	-	-	-	-	-
Total assets	46,826	2,409,870	19,475	21,088	108	2,566	819	2,407	19,076	2,522,235
Liabilities										
Due to agencies and political subdivisions	46,826	2,409,870	19,475	21,088		2,566		2,407		2,502,232
Due to other funds									19,076	19,076
Due to others					108		819			927
Total liabilities	46,826	2,409,870	19,475	21,088	108	2,566	819	2,407	19,076	2,522,235

See Independent Auditor's Report and Notes to the Financial Statements.



Susan Montee, CPA
Missouri State Auditor

Village of Iatan



May 2009

Report No. 2009-42

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following findings were included in our audit report on the village of Iatan.

Accounting duties are not adequately segregated and the board does not adequately review the work performed by the Village Treasurer. The village has not established separate accounting records for restricted receipts to ensure they are expended only for the intended purpose. The village has a General Fund, Street Fund, Town Hall Fund, and Cemetery Fund; however, adequate records are not maintained to accurately track the balance of the General and Street Funds, which are maintained in combined checking and savings accounts. Adequate records do not exist to account for the restricted street monies received.

Monthly bank reconciliations are not performed, accurate book balances for the various funds are not maintained, and dual signatures on checks are not required. In addition, various records could not be located and receipt slips are not issued for some monies received.

Minutes were not retained for some board meetings and some minutes were not signed by the Village Clerk and Chairperson. In addition, minutes did not include some information required by state law and did not contain sufficient detail of matters discussed and actions taken. The village did not post notices of meetings or tentative meeting agendas during 2006 and 2007. There is no evidence that public hearings on the village's proposed tax rates have been held in recent years, and the board has not formally approved the village tax levy since August 2006. Additionally, the village does not have an ordinance establishing rates to be charged to non-residents for the use of village trash dumpsters, and existing village ordinances are not complete and up-to-date. The village has not adopted ordinances to address all issues required by state law, including tax rates. Furthermore, the village has not adopted a policy regarding public access to village records as required by state law.

Monthly financial reports are in need of improvement. The village does not publish or post semi-annual financial statements in accordance with state law and has not submitted annual financial reports to the State Auditor's office since the year ended June 30, 2004. The village does not prepare annual budgets and a formal street maintenance plan for the village streets has not been prepared annually.

Two trustees were involved in the appointment of their relatives as Village Clerk and Village Trustee. The Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Neither of these two trustees is still on the board.

YELLOW SHEET

The Board of Trustees does not always review or approve the payment of village invoices prior to disbursements being made. Vendor invoices or other supporting documentation were not always obtained and/or retained. In 2007, the village paid for a mower and a shed with Cemetery Fund monies for \$1,400 and \$100, respectively. According to the board, the village did not receive these assets at the time they were purchased. A check for \$1,400 was made payable to Trustee Harris and cashed, and the proceeds were used to purchase a mower for \$600. The additional \$800 was not returned to the village and is apparently missing. Village officials indicated they received the mower in February 2009, but have taken no action to recover the \$800. A check for \$100 was paid to former Trustee Coffey for a shed, but the village has apparently never received the shed.

All reports are available on our Web site: www.auditor.mo.gov

VILLAGE OF IATAN
TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-15
<u>Number</u>	<u>Description</u>
1.	Accounting Controls and Procedures.....5
2.	Meeting Minutes, Ordinances, and Public Records8
3.	Financial Reporting and Budgets11
4.	Conflicts of Interest.....13
5.	Disbursements.....14
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	16-19

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Iatan, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Iatan. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the

determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the village of Iatan.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF IATAN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Accounting Controls and Procedures
-----------	---

Accounting duties are not adequately segregated, and the board does not adequately review the work performed by the Village Treasurer. An adequate accounting system is not maintained to ensure restricted revenues are spent appropriately. The village does not prepare bank reconciliations, and book balances for the general checking and savings accounts are not maintained. Dual signatures are not required for village checks, and some village records could not be located. In addition, receipt slips are not issued for monies received.

- A. Accounting duties are not adequately segregated, and the board does not adequately review the work performed by the Village Treasurer. The Treasurer's duties include receiving monies, making deposits, reconciling accounts, and writing checks. No independent review of the duties performed by the Treasurer is performed, and as discussed in part C below, the Treasurer is not performing all assigned duties.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from the recording and reconciling duties. If proper segregation of duties cannot be achieved, at a minimum, a periodic independent review of the records should be performed and documented, which should include a review of the monthly bank reconciliations.

- B. The village has not established separate accounting records for restricted receipts to ensure monies are expended only for the intended purpose. The village has a General Fund, Street Fund, Town Hall Fund, and Cemetery Fund; however, adequate records are not maintained to accurately track the balance of the General and Street Funds, which are maintained in combined checking and savings accounts. The Cemetery and Town Hall Funds are maintained in separate checking accounts, but all other types of receipts are deposited to the combined checking account and then periodically transferred to the savings account by the Treasurer. Adequate records do not exist to account for the restricted street monies received. The village receives motor vehicle revenues from the state which are restricted for street related disbursements, as well as a portion of the street sales tax collected by the county. During 2007, the village received \$7,064 in restricted street monies but only \$1,165 appears to have been added to the Street Fund balance reported on the treasurer's reports. The remaining \$5,899 appears to have been added to the General Fund balance. While the village paid \$983 for street lights from the General Fund in 2007, rather than the Street Fund

as allowed by law, the remaining \$4,916 appears to be due from the General Fund to the Street Fund.

Because financial and banking records commingle various restricted receipts, the village cannot adequately demonstrate restricted receipts have been used for restricted purposes and cannot determine a balance of funds available for restricted purposes. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related revenues apportioned by the state of Missouri be expended for street related purposes. The village should establish adequate accounting records to track the activity and cash balances of each village fund.

- C. Monthly bank reconciliations are not performed and accurate book balances for the various funds are not maintained. At December 31, 2007, the village reported balances for the General Fund and Street Fund as \$7,540 and \$2,330, respectively, or \$9,870 in total, while the combined reconciled bank balance (checking and savings) was \$10,334. A running check register balance is not maintained for the combined checking account, and while the total book balance is tracked on the monthly treasurer's reports, balances of the General and Street Fund monies in the checking account are not maintained. In addition, while the ending balances of the General and Street Funds held in the savings account is reported on the monthly treasurer's report, it is unclear how these balances are arrived at without a cash control for the savings account. The balances reported on the treasurer's reports are not accurate because some financial activity is not reported. Interest earned is rarely added to the book balances and some deposits do not appear to have been recorded on the book records properly, which could have been identified timely had bank reconciliations been performed.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to help detect errors on a timely basis. Accurate book balances should be maintained for each fund to allow for a comparison to reconciled bank balances, and differences should be identified and corrected.

- D. Dual signatures on checks are not required by the Board of Trustees. Dual signatures would help provide assurance checks represent payment for legitimate village disbursements.
- E. Various records could not be located including minutes of meetings; various records of the Cemetery Fund such as bank statements, check registers, blank checks, and invoices; and some bank statements for the combined general and street checking and savings accounts. The Treasurer obtained copies of the Cemetery Fund bank statements at our request.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

- F. Receipt slips are not issued for monies received. To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued immediately upon receipt for all monies received.

WE RECOMMEND the Board of Trustees:

- A. Adequately segregate the duties of receiving, recording, depositing, and disbursing village monies. At a minimum, the board should perform a documented review of these functions on a periodic basis including a review of the monthly bank reconciliations.
- B. Establish an adequate accounting system to ensure restricted receipts are spent for their intended purpose and transfer \$4,916 from the General Fund to the Street Fund.
- C. Maintain a complete check register and cash control ledger and perform monthly bank reconciliations.
- D. Require dual signatures on checks.
- E. Retain financial records in a secure location to prevent misplacement or loss.
- F. Issue prenumbered receipt slips for all monies received.

AUDITEE'S RESPONSE

The Board of Trustees provided the following written responses:

- A. *The board will immediately begin documenting its reviews of the bank statements and the Treasurer's monthly reports and will keep a copy with the minutes.*
- B. *The board is in the process of opening separate bank accounts for the General and Street Funds and will discuss the appropriate amount to transfer from the General Fund to the Street Fund.*
- C. *The board will ensure the Treasurer maintains adequate records and performs monthly bank reconciliations.*
- D. *The board agrees and has already begun requiring two signatures on all checks.*
- E. *The board agrees and will ensure records are retained in the future.*
- F. *The board agrees and will ensure some form of record is kept for all monies received.*

Minutes were not retained for some board meetings, were not properly signed, do not include some information required by state law, and do not contain sufficient detail. Notices of meetings and tentative agendas were not always posted or made available, public hearings on the city's proposed tax rates are not held, and there is no evidence the village has formally approved its tax rate since 2006. Additionally, the village does not have ordinances establishing tax rates and rates for the use of the village's trash dumpsters by non-residents. Also, village ordinances do not appear complete and up-to-date.

A. The following concerns related to meeting minutes were identified:

- 1) Minutes were not retained for some board meetings and some minutes were not signed by the village clerk and chairperson. While the board indicated meetings were held, no minutes were available from October 2006 through March 2007. In addition, prior to April 2007, minutes were not signed by the village clerk as preparer and the chairperson to indicate approval of the minutes. In April 2007, procedures changed to require the village clerk and chairperson to sign the minutes, but several meeting minutes after that date were not signed by one or both of these parties.
- 2) Board meeting minutes do not include some information required by law and do not contain sufficient detail of matters discussed and actions taken. The location of meetings is not documented, and the names of trustees and other village officials present and/or absent is not always documented in the minutes. The meeting minutes generally lack detail of actions taken and discussions held by the board, and votes and/or whether a vote is taken are not always documented.

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and include the date, time, and place; members present and absent; and a record of votes taken. Complete and accurate minutes of the board's meetings are necessary to retain a record of the business conducted and provide an official record of board actions and decisions. In addition, board minutes should be signed by the preparer and by the chairperson to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

B. The village did not post notices of meetings or tentative meeting agendas during 2006 and 2007. Section 610.020, RSMo, requires a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The village should ensure copies of agendas and meeting notices are retained to document compliance with state law.

- C. There is no evidence public hearings on the village's proposed tax rates have been held in recent years, and the board has not formally approved the village tax levy since August 2006. While a board member indicated public hearings are held, no documentation to support this claim was included in the minutes or elsewhere.

Section 67.110, RSMo, requires each governing body to hold at least one public hearing at which citizens may be heard prior to approval of the proposed tax rates. This section also provides guidance on what information is to be included at the public hearing.

- D. The city does not have an ordinance establishing rates to be charged to non-residents for the use of village trash dumpsters. In September 2006, the board approved charging \$12 per month for non-resident use of the dumpsters, but it is unclear how this amount was determined. The village pays for trash dumpsters located in front of the village hall for village residents' use at no charge, but rates have not been formally established for non-resident use of these dumpsters. Since these dumpsters are paid for with tax dollars, the board needs to establish formal rates to be charged for non-resident use and maintain documentation to show how this fee was determined.
- E. Village ordinances are not complete and up-to-date.

- The board has copies of ordinances, but the ordinances are very old, not filed in an orderly manner, and not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.
- The village has not adopted ordinances to address all issues required by state law, including tax rates. Sections 94.190.3 and 94.210, RSMo, require the property tax rate be set annually by ordinance.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help track additions and changes made to city ordinances. In addition, new ordinances should be passed as needed.

- F. The village has not adopted a policy regarding public access to village records as required by state law.

Section 610.026, RSMo, indicates fees for copying public records shall not exceed 10 cents per page for a paper copy not larger than 9 by 14 inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. The village does not have any

employees and its trustees are not compensated thus an hourly fee would not be authorized by state law. This ordinance and policy should establish a person to contact and an address to mail requests for access to records.

WE RECOMMEND the Board of Trustees:

- A. Ensure detailed meeting minutes are prepared and retained and signed by the preparer and the board chairperson to attest to their completeness and accuracy.
- B. Ensure notices and tentative agendas of all board meetings are posted and retained.
- C. Hold public hearings on the annual tax levy as required by state law and record this information in the board minutes.
- D. Pass an ordinance establishing the rate to be charged for non-resident use of the village's trash dumpsters and maintain documentation to support how the fee was determined.
- E. Update village ordinances and ensure a complete set of ordinances is maintained. New ordinances should be passed as needed. In addition, the board should consider establishing an index of all village ordinances passed and rescinded, and ensure all ordinances are up-to-date and enforced.
- F. Adopt a written policy and procedures regarding public access to and/or copies of village records in compliance with state law.

AUDITEE'S RESPONSE

The Board of Trustees provided the following written responses:

- A. *The board will ensure minutes contain all information required by law, and are retained and properly approved in the future.*
- B. *The board will ensure notices and agendas are posted and retained.*
- C. *The board will ensure the annual tax levy is set in accordance with state law in the future.*
- D&E. *The board will take the State Auditor's recommendations under advisement.*
- F. *The board agrees and will draft a policy in the next year.*

Significant weaknesses were identified in the village's budgeting, financial reporting, and planning. Monthly financial reports need to be improved, and the village does not post semi-annual financial statements or submit annual financial reports to the State Auditor's office as required by state law. In addition, the village does not prepare budgets, and a formal street maintenance plan has not been prepared.

- A. Monthly financial reports are in need of improvement. The monthly reports included a beginning book balance for the general checking account, bills paid, deposits made to the general checking account, and an ending balance for the savings account and general checking account. It appears the balances for the various village funds are not tracked elsewhere, and the balances reported in the monthly treasurer's reports are not accurate. The minutes occasionally mentioned a treasurer's report was reviewed and approved by the board, but the reports were not included with the official minutes. In addition, the financial reports prepared each month were not signed and gave no indication of review.

Complete financial reports, showing receipts, disbursements, and beginning and ending cash balances for each fund would not only provide the board with critical data necessary to make financial decisions for the city, but would allow the public to be informed about the city's financial position. Due to the various other weaknesses noted and overall lack of record keeping, board members should require detailed financial reports be prepared monthly and review them to help improve accountability over funds.

- B. The village does not publish or post semi-annual financial statements in accordance with state law. While the board indicated semi-annual financial statements are posted at the town hall; no documentation to support this claim was included in the minutes or elsewhere. Section 80.210, RSMo, requires the Board of Trustees prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- C. The village has not submitted annual financial reports to the State Auditor's office since the year ended June 30, 2004. Section 105.145, RSMo, requires political subdivisions to file annual reports with the State Auditor's office within the time prescribed by the State Auditor (currently within 4 months of the end of the fiscal year for un-audited financial statements and within 6 months of the end of the fiscal year for audited financial statements.)

- D. The village does not prepare annual budgets. Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provide a means to effectively monitor actual financial activity.

- E. A formal street maintenance plan for the village streets is not prepared annually. A street maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, a cost estimate, the dates such work could begin, and any other relevant information. The plan should be included in the budget and approved by the board. In addition, a public hearing should be held to obtain input from village residents. The village spent approximately \$1,800 on street maintenance during the year ended December 31, 2007.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees:

- A. Require the Village Treasurer prepare accurate monthly financial reports summarizing receipts, disbursements, and changes in the cash balance of each fund and ensure these reports are reviewed.
- B. Publish or post semi-annual financial statements as required by state law.
- C. Submit annual reports of financial transactions to the State Auditor's office as required by state law.
- D. Prepare annual budgets which include all information required by state law and to provide a complete financial plan for the city.
- E. Prepare a formal maintenance plan for village streets at the beginning of the year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Trustees provided the following written responses:

- A. The board agrees and will ensure the Treasurer prepares accurate financial records.*
- B. The board will ensure semi-annual financial statements are posted in accordance with state law.*
- C. The board will ensure financial statements are filed with the State Auditor in a timely manner.*
- D. The board prepared a budget for fiscal year 2009 and will ensure budgets are prepared in the future.*
- E. The board will take the State Auditor's recommendation under advisement.*

4. Conflicts of Interest

Two trustees were involved in the appointment of their relatives as Village Clerk and Village Trustee, and trustees were also paid for mowing at the cemetery, which is not allowable under state law.

- A. Two trustees were involved in the appointment of their relatives as Village Clerk and Village Trustee. In April 2007, Trustee Mark Anderson and Trustee Harris voted to appoint their cousin/mother as village clerk and their uncle/cousin as a trustee. This issue was brought to their attention at a May 2008 meeting and both were asked to resign their posts. Trustee Mark Anderson resigned his position with the village and Trustee Harris did not run for re-election in April 2009, and is no longer on the board.

Article VII, Section 6, of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Because of the serious consequences which result by hiring a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so the public has assurance no village official has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for village officials.

- B. During the year ended December 31, 2007, Trustee Mark Anderson was paid \$220, and Trustee David Anderson was paid \$60 for mowing the cemetery. While these payments were approved by the board, Section 105.458.1, RSMo,

prohibits payments to board members other than compensation for the performance of official duties.

WE RECOMMEND the Board of Trustees:

- A. Ensure board members abstain from voting when a relative's employment or appointment is involved.
- B. Comply with state law relating to the compensation of village trustees and officials.

AUDITEE'S RESPONSE

The Board of Trustees provided the following written response:

The board agrees and will comply with state law in the future.

5. Disbursements

Board approval is not always documented prior to the payment of village disbursements, and some disbursements were not supported by adequate documentation. In addition, it appears a \$1,400 check was cashed by a board member to purchase a \$600 mower, but the remaining \$800 was not returned to the village. Also, a storage shed was purchased and never received.

- A. The Board of Trustees does not always review or approve the payment of village invoices prior to disbursements being made. Based on discussions with board members, it appears disbursements were made even when regular board meetings were not held, and the chairperson issued village checks without approval from the majority of the board. In addition, board minutes do not list individual bills approved for payment.

Disbursements made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. To adequately document the board's review and approval, a complete list of all bills to be paid should be prepared and included with the board minutes.

- B. Vendor invoices or other supporting documentation were not always obtained and/or retained. No invoices were available for numerous disbursements from the General, Street, and Cemetery Funds during the year ended December 31, 2007.

All disbursements should be supported by paid receipts and/or vendor provided invoices to ensure the obligations were actually incurred and the disbursement

was an appropriate use of public funds. The board should ensure adequate documentation is available prior to approval of the payment.

- C. In 2007, the village paid for a mower and a shed with Cemetery Fund monies costing \$1,400 and \$100, respectively. According to the board, the village did not receive these assets at the time they were purchased. A check for \$1,400 was made payable to Trustee Harris and cashed, and the proceeds were used to purchase a mower for \$600 per a statement submitted by the seller to the board. The additional \$800 was not returned to the village and is apparently missing. Village officials indicated they received the mower in February 2009, but have taken no action to recover the \$800. In addition, the payment for the mower was not approved by the board. Also, a check for \$100 was paid to former Trustee Coffey for a shed, which was approved by the board, but the village has apparently never received the shed.

Disbursements should only be made for goods received. In addition, the village should consult legal counsel and law enforcement to resolve these matters.

WE RECOMMEND the Board of Trustees:

- A. Review and approve all invoices prior to disbursements being made.
- B. Obtain and retain adequate supporting documentation, including invoices, for all disbursements.
- C. Consult legal counsel regarding any criminal prosecution and seek restitution for the shed and the \$800.

AUDITEE'S RESPONSE

The Board of Trustees provided the following written responses:

- A. *The board agrees and will ensure the minutes reflect approved expenditures.*
- B. *The board agrees and will retain supporting documentation in the future.*
- C. *The board agrees and will ensure goods are received prior to payment in the future. The board will discuss the matter and decide on further action to be taken.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF IATAN HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The village of Iatan is located in Platte County. The village was incorporated in 1973. The population of the village in 2000 was 54.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairperson is elected by the board and serves until a successor is elected by the board, and presides over the Board of Trustees. The Chairperson, Board of Trustees, and other officials during the year ended December 31, 2007, are identified below.

Board of Trustees	Dates of Service During the Year Ended December 31, 2007
Lloyd Crawford, Board Member (1)	January 2007 – December 2007
Floyd Harris, Chairperson (2)	April 2007 – December 2007
John Parson, Board Member	January 2007 – April 2007
Mark Anderson, Board Member (3)	April 2007 – December 2007
Richard McDaniel, Board Member	January 2007 – April 2007
David Anderson, Board Member (4)	April 2007 – December 2007
Matthew Rockford, Board Member	January 2007 – April 2007
Betty Crawford, Board Member (5)	November 2007 – December 2007
Tom Coffey, Board Member (6)	April 2007 – October 2007
Carroll Murdock, Board Member (7)	January 2007 – February 2007
Other Officials	Dates of Service During the Year Ended December 31, 2007
Vicki Rockford, Village Treasurer (8)	January 2007 – December 2007
Alice Wendleton, Village Clerk (9)	April 2007 – December 2007
Lavada Park, Village Clerk	January 2007 – April 2007

- (1) Re-elected to a 2-year term in April 2009.
- (2) Teresa Shaw was elected to a 2-year term in April 2009.
- (3) Resigned in June 2008. Tom Shaw was appointed to this position in July 2008 and elected to a 2-year term in April 2009.
- (4) Replaced by Latrisha Case, who was elected to a 2-year term in April 2008.
- (5) Elected to a 2-year term in April 2008.
- (6) Resigned in October 2007 and was replaced by Betty Crawford.

- (7) Resigned in February 2007 and was replaced by Tom Coffey in April 2007.
- (8) Vicki Rockford resigned as Treasurer in April 2008 and was replaced by Bill Baker in May 2008.
- (9) Removed in May 2008 and replaced by Teresa Shaw.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$	201,029
Personal property		31,150
Railroad and utility		<u>14,695</u>
Total	\$	<u>246,874</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

		Rate
General Fund	\$	<u>0.3882</u>

A summary of the city's financial activity for the year ended December 31, 2007, is presented below:

	General Fund	Street Fund	Cemetery Fund	Town Hall Fund
RECEIPTS				
Property taxes	\$ 903	0	0	0
Motor fuel and vehicle fees	1,136	1,144	0	0
Franchise taxes	1,318	0	0	0
Transportation sales taxes	4,763	154	0	0
Trash service - non-residents	462	0	0	0
Interest	0	22	365	0
Donations	0	0	290	0
Total Receipts	8,582	1,320	655	0
DISBURSEMENTS				
Electricity	230	0	0	0
Street lights	983	0	0	0
Water	240	0	0	0
Trash	1,928	0	0	0
Propane	802	0	0	0
Gravel	0	1,000	0	0
Treasurer's bond	50	0	0	0
Street maintenance	0	845	0	0
Election expenses	477	0	0	0
Fixed Assets	0	0	1,500	0
Mowing	0	0	280	0
Other	190	0	0	0
Total Disbursements	4,900	1,845	1,780	0
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	3,682	(525)	(1,125)	0
CASH BALANCE JANUARY 1, 2007	3,738	3,439	3,080	230
CASH BALANCE, DECEMBER 31, 2007	\$ 7,420	2,914	1,955	230



Susan Montee, JD, CPA
Missouri State Auditor

City of Rolla



May 2009

Report No. 2009-41

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following findings were included in our audit report on the city of Rolla.

The city needs to develop a plan to address the financial impact to the city's Centre and SplashZone operations when the park sales tax revenue ends in 2013. Without the sales tax monies these facilities would have operated at a loss for three of the past five years.

The administrative fee charged various city funds is not based on actual administrative costs or other documented rationale. In addition, the city has not documented the administrative costs for collecting the tourism tax and does not take adequate steps to ensure all applicable taxes are collected. The city collected tourism tax totaling over \$520,000 in fiscal years 2006 and 2007, but did not examine or inspect the books and records of the hotels and motels to ensure the amounts paid were accurate.

The City Council does not document how some items discussed in closed meetings comply with the Sunshine Law. Sometimes the council discussed issues other than the specific reasons for going into a closed meeting and closed meeting minutes did not always include sufficient detail of matters discussed. The vote taken in closed meetings is not properly made available to the public. Also, the city does not maintain a log of public requests to ensure all requests are handled in compliance with the Sunshine Law.

The city's payment of \$750 to each full-time employee in October 2008 may violate the Missouri Constitution. Some expenditures do not appear to be prudent, reasonable, or necessary uses of city funds, such as an annual safety awards banquet for all employees and their spouses and a police department annual awards banquet for department personnel and their spouses.

Capital asset acquisitions and dispositions are not accounted for as they occur. The city does not have a written vehicle policy for effective monitoring procedures regarding vehicle use and fuel and usage logs are not maintained.

The Rolla Municipal Utilities (RMU) needs to evaluate its relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) to determine proper disclosures about the relationship in the RMU and city financial statements.

The RMU does not have documentation to support and justify the amount charged to the city for billing/collecting the city's sewer and refuse fees. In addition, the RMU has not developed criteria and methodology for determining the adequacy of water rates, does not periodically review and evaluate the service availability fees for either its electric or water services, and has not established adequate policies and procedures to

YELLOW SHEET

properly allocate some expenses between the Electric and Water Funds.

The RMU needs to improve its policies and procedures related to closed meetings. Minutes were not always maintained of closed meetings, the specific reasons for a closed meeting were not documented, sufficient detail of matters discussed and action taken was not always documented, and the vote taken is not properly made available to the public. Also, the public records policy and procedures need to be improved.

The RMU purchasing policy needs to be improved. The policy is limited and only provides for competitive bid/quotations for purchases greater than \$1,500. Plus, purchases greater than \$10,000 are approved by the board and purchases less than \$10,000 are approved by the general manager, operations manager, or business manager. There is no oversight over the general manager's expenses, such as his expense account or other travel related expenses.

The RMU has not established a formal salary schedule for its employees. The board approves new employees' salaries and subsequent increases; however, a formal analysis of RMU compensation to local/regional market standards has not been conducted. The RMU does not have a nepotism policy which addresses related employee issues. The RMU does not maintain a list of related employees, and employment applications do not disclose relatives already employed by the RMU.

The RMU does not have a written vehicle policy to communicate to employees the proper use of the RMU vehicles, and fuel and usage logs are not maintained. The commuting use of vehicles by employees is not reported to the IRS.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ROLLA

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-28
<u>Number</u>	<u>Description</u>
1.	Financial Condition of The Centre and SplashZone.....5
2.	City Policies and Procedures6
3.	City Meetings, Minutes, and Records.....10
4.	City Expenditures12
5.	City Capital Assets15
6.	Missouri Public Energy Pool Disclosures16
7.	RMU Billing and Collection Services17
8.	RMU Rates, Fees, and Expenses18
9.	RMU Meetings, Minutes, and Records20
10.	RMU Expenditures23
11.	RMU Personnel Issues25
12.	RMU Vehicles27
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	29-32

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
and
Members of the Board of Public Works
City of Rolla, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Rolla. The city engaged Evers & Company, CPA's, L.L.C. (Certified Public Accountants) to audit the city's financial statements for the year ended September 30, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Rolla.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Terri Erwin, MBA
Audit Staff:	Toni Wade Kutrell Barnes

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ROLLA
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition of the Centre and SplashZone
-----------	---

The city needs to develop a plan to address the financial impact to the city's Centre and SplashZone operations when the park sales tax revenue ends in 2013.

A 15-year 1/2 of 1 percent cent sales tax was passed in 1998 to provide local park funds to construct "... at a minimum an Indoor Walking Track, Indoor Swimming Pool/Aquatic Center, Outdoor Aquatic Facility, and an Indoor Recreation Center." General obligation bonds were issued to build the Centre/SplashZone to accomplish these goals. The bonds will be paid off in 2012. According to city personnel, it is the city's intention that the Centre/SplashZone be self-sufficient and not be subsidized by other city funds.

Currently, the sales tax is used to pay bond costs and to help pay operating costs of the Centre/SplashZone. From 2004 to 2008, sales tax monies exceeded the bond costs by an average of over \$400,000 a year. However as noted in the table below, without the sales tax monies these facilities would have operated at a loss for three of the past five years.

Centre/SplashZone financial information:

	Year Ended September 30,				
	2008	2007	2006	2005	2004
Total revenues	\$ 3,440,904	3,493,385	3,356,302	3,076,635	3,044,329
Less: Sales tax revenues	1,836,203	1,879,328	1,810,605	1,773,116	1,726,817
Adjusted revenues	1,604,701	1,614,057	1,545,697	1,303,519	1,317,512
Less: Operating expenditures	1,632,422	1,605,595	1,535,727	1,565,322	1,454,634
Operating profit (loss)	\$ (27,721)	8,462	9,970	(261,803)	(137,122)

Sales tax revenues					
Less: Bond costs	\$ 385,456	441,102	358,341	448,354	551,222

In 2008, the city attempted to be proactive about this issue by forming an ad hoc advisory committee to look into the situation and bring recommendations to the city council. However, the main recommendation from the committee was to ask citizens to extend the sales tax. Although an extension of the sales tax may be one option, the city needs to consider other options if citizens do not vote to extend the tax.

The city needs to monitor and evaluate the financial condition of the Centre/SplashZone and develop a plan with multi-options to address the decrease in funding as a result of the loss of the sales tax revenue. Options to increase revenues could include increasing fees charged for the various activities and membership fees. Also, the city should consider reducing expenditures. The various programs and services offered by the Centre/SplashZone should be reviewed and evaluated to determine where expenditures could be decreased. Such a plan could be presented to the public in order to explain the city's position for a proposed tax increase and/or to educate the community on any changes to services. Thorough and detailed documentation should be prepared and maintained to support and justify any plan the city implements.

WE RECOMMEND the City Council closely monitor the financial condition of the Centre and SplashZone. A plan should be developed to address the financial impact to the operation of these entities when the park sales tax ends. In addition, thorough and detailed documentation should be prepared and maintained to support and justify any plan the city implements.

AUDITEE'S RESPONSE

The City Council provided the following written response:

The City Administration and Council receive a detailed monthly report on the financial condition and operation of The Centre and SplashZone. However, the City Council will continue to closely monitor the financial condition of the Centre and Splash Zone. A plan is being developed to address the long-term support of the Centre beyond the existing ½ cent park sales tax sunset which ends in 2013. To ensure its long-term viability the City established the Rec Center Depreciation Reserve Account in 1999 with the express purpose of maintaining the facilities and supporting the operation of the Centre and SplashZone beyond the sunset sales tax. The Depreciation Reserve Account has a balance of \$2,780,000 as of September 30, 2008.

2. City Policies and Procedures
--

Neither the administrative fee charged to certain city funds to cover a portion of the costs incurred by various departments, nor the administrative fee retained from the tourism tax collected by the city are based on actual costs or other documented rationale. Also, the city has not taken adequate steps to ensure all applicable tourism tax is collected. In addition, it is unclear if the gross receipts fee charged on the electric and water services should also be charged on the utilities' service availability fees (SAF). Finally, the city's published financial statements do not include the indebtedness of the city.

- A. The 7 percent administrative fee, transferred to the General Fund from certain other city funds, is not based on actual administrative costs or other documented rationale. The city assesses an administrative fee calculated on 7 percent of certain revenues of certain funds to cover a portion of the costs incurred by

various departments such as finance, engineering, administration, and legal for these activities on behalf of all funds. There is no ordinance authorizing the administrative fee.

For fiscal years 2008 and 2007, the administrative fees transferred to the General Fund from other funds totaled:

	Year Ended September 30,	
	2008	2007
Recreation Center	\$ 103,000	99,750
Sewer	128,940	110,040
Solid Waste	202,396	135,620
Street	313,309	300,858
Total transfer	<u>\$ 747,645</u>	<u>646,268</u>

The Finance Department provides services to city funds such as maintaining accounts payable and receivable, preparing payroll, and managing the city's cash and investments; the Engineering Department provides engineering and planning for public works activities and other departments; the Administration Department provides the general administrative support for the city including the mayor and city council; and legal support is provided by the city prosecutor and the city's legal counsel. Also, the administrative fee is to cover the cost of the city's Management Information System (MIS) Department. This administrative fee is not charged to other city funds because the funds either have limited revenue streams or require transfers from the General Fund to meet expenses.

It is essential the city properly allocate expenses to its various funds. The administrative fee should be in direct proportion to the benefits received by the various funds from the various departments. This information is needed for the city to properly establish user charges for its utilities. Furthermore, the uses of certain funds, such as the Street Fund, are limited by state law for specified purposes. Documentation of administrative fee calculations is needed for both management and compliance purposes.

The city should develop a methodology to determine the appropriate administrative fee to allocate the costs of the various departments to various funds, and thorough and detailed documentation should be maintained and retained to support and justify the fee. Additionally, the city should authorize the administrative fee through an ordinance.

- B. The city has not documented the administrative costs for collecting the tourism tax and does not take adequate steps to ensure all applicable taxes are collected.

In April 1993, city voters approved a tourism tax pursuant to Section 94.830, RSMo, which provides for the collection of a 3 percent tax on hotel/motel charges. The proceeds from this tax are used to fund the Rolla Area Chamber of Commerce in order to promote tourism.

- 1) Although the city retains an administrative fee of 10 percent of the tourism tax collected, the city has not documented the administrative costs of collecting the tax. There is no documentation which shows how this administrative fee was determined. In addition, Section 94.830, RSMo, provides that if the Department of Revenue (DOR) collects the tourism tax, the DOR may only retain between 1 and 3 percent of the total collections. For fiscal years 2006 and 2007, the city retained administrative fees totaling over \$52,000.

The administrative fee should be set at a level to cover the costs of the service. The city needs to calculate and document the actual administrative costs of collecting the tourism tax.

- 2) The city collected tourism tax totaling over \$520,000 in fiscal years 2006 and 2007, but did not examine or inspect the books and records of the hotels and motels to ensure the amounts paid were accurate.

A monthly or quarterly report of gross receipts is required to be submitted by the hotels/motels to the city's Finance Department along with the sales taxes due. According to the city's Finance Director, the City Code authorizes her to examine and inspect the books and records of the hotels/motels to ensure the amounts reported are accurate. However, instead of examining/inspecting the books and records of the hotels/motels, she compares monthly reports for significant fluctuations.

To ensure hotels/motels are accurately reporting gross receipts, the city should consider implementing procedures to periodically examine the records of the hotels and motels in the city.

- C. It is unclear if the gross receipts fee should be charged on the SAF. The SAF is a fee charged on electric and water accounts to cover fixed expenses of the Rolla Municipal Utilities (RMU). For the 2 years ended September 30, 2007, gross receipts fees totaling almost \$155,000 were collected on the SAFs.

In October 2007, the city authorized the RMU to collect a 5 percent gross receipts fee on basic water and electric service, including operating revenues generated from the residential, commercial, and industrial sale of water and electric service. The RMU collects and transfers this fee to the city on a quarterly basis for deposit in the city's General Fund.

It does not appear SAFs are operating revenue as defined in the city's ordinance. According to city personnel, although not specified in the ordinance, it was the intention of the city council to assess the gross receipts fee on the SAFs.

The city should review and clarify its ordinance related to the collection of the gross receipts fee to ensure these fees are properly handled and to avoid any misunderstanding.

- D. The semi-annual financial statements published by the city do not include the indebtedness of the city as required by state law. Section 77.110, RSMo, requires the city to publish "... a full and detailed statement of the receipts and expenditures and indebtedness of the city ..." every six months.

WE RECOMMEND the City Council:

- A. Develop a methodology for determining the administrative fee charged to various funds. Thorough and detailed documentation of the rationale and calculation of the fee should be maintained and retained. In addition, the City Council should establish an ordinance to authorize the fee.
- B.1. Ensure the actual administrative costs of collecting the tourism tax is calculated, documented, and retained.
- 2. Implement procedures to periodically examine the books and records of the hotels and motels to ensure gross receipts used to calculate the tourism taxes are accurate.
- C. Review and clarify the ordinance related to the collection of the gross receipts fee on the SAF.
- D. Ensure the published financial statements include the indebtedness of the city.

AUDITEE'S RESPONSE

The City Council provided the following written responses:

- A. *The City will establish a formal policy to document and justify the administrative fee charged to various funds. The administrative fee charges various funds for general administration, finance, legal, IT, and engineering services provided from the City's General Fund.*
- B. *The City will ensure the actual administrative costs of collecting the tourism tax is calculated, documented, and retained. The City will also document that any hotel tax proceeds retained by the City above the collection costs are used solely for tourism-related purposes.*

- C. *The City will review the current ordinance authorizing the 5% "gross receipts" charge to RMU as it applies to the "service availability fee". Prior to the advent of the fixed-rate based SAF in 2005 the cost of fixed services was bundled with the total rates established by RMU.*
- D. *The City will ensure the semi-annual financial statements include all indebtedness of the City.*

3. City Meetings, Minutes, and Records

Weaknesses were noted in closed meetings policies and procedures. In addition, the city does not maintain a log of public requests.

- A. The council does not document how some items discussed in closed meetings complied with the Sunshine Law. For example, the council discussed the city's responsibility in regards to a piece of city property if the property was developed by a tenants association.

Section 610.021, RSMo, allows the council to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, specific personnel matters, and confidential or privileged communications with auditors. The council should restrict the discussion in closed meetings to specific topics listed in Chapter 610, RSMo.

- B. Sometimes the council discussed issues other than the specific reasons cited for going into a closed meeting. For example, in one meeting discussion of real estate transactions was listed as the reason for a closed meeting in the regular board minutes; however, both real estate and litigation were discussed. In another meeting, real estate transactions were listed as the reason for closing the meeting; however, personnel issues were also discussed.

Section 610.022, RSMo, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reasons used to justify such meeting, record, or vote.

- C. Closed meeting minutes did not always include sufficient detail of matters discussed. For example, although the council voted to approve a salary adjustment for the city administrator, there was no documentation regarding the discussion of his performance.

Complete and accurate minutes provide an official record of council actions and decisions, and minutes serve as the only official permanent record of decisions made by the council. Inadequate or unclear meeting minutes can lead to subsequent confusion as to the council's intentions or the inability to demonstrate compliance with legal provisions. Therefore, it is necessary meeting minutes clearly document all business conducted.

- D. The vote taken in closed meetings is not properly made available to the public involving matters related to litigation; real estate transactions; and firing, hiring, disciplining, and promoting employees. Typically, the open meeting minutes only state the total vote taken.

Sections 610.021(1), (2), and (3), RSMo, and Attorney General's Opinions No. 129-97 and 30-88, provide that after the closed meeting, the governmental body must disclose the vote of each member, not just the vote total or results. The vote also includes the proposition voted on and matters or materials referred to with the proposition.

- E. Although city personnel indicated that public requests are handled in a timely manner, the city does not maintain a log of public requests to ensure all requests are handled in compliance with the Sunshine Law.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

To ensure compliance with state law, the city should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

WE RECOMMEND the City Council:

- A. Ensure items discussed in closed meetings are allowed by state law.
- B. Limit issues discussed in closed meetings to only those specific reasons cited to justify such a closed meeting.

- C. Ensure the closed meeting minutes clearly document all business discussed and votes taken.
- D. Ensure votes taken in closed meetings are properly made available to the public.
- E. Maintain a public request log to help ensure the city is complying with state law.

AUDITEE'S RESPONSE

The City Council provided the following written responses:

- A. *The City places tremendous emphasis on compliance with the MO Sunshine Law. The City will ensure items discussed in closed meetings are allowed by State Law.*
- B. *The City will limit issues discussed in closed meetings to only those specific reasons cited for such a closed meeting.*
- C. *The City will ensure that minutes of closed meetings clearly document all business discussed and the votes taken.*
- D. *The City will ensure votes taken in closed meetings are properly made available to the public upon final disposition as required by the Sunshine Law.*
- E. *The City Clerk, the designated custodian of records, maintains a file of all public requests for public information. The City concurs that a log of said requests and documentation will help ensure timely compliance with the Sunshine Law.*

4. City Expenditures

The city's payment of \$750 to each employee in October 2008 may violate the Missouri Constitution. Also, a street project was not bid and change orders for airport construction projects were not approved by the council when required. Additionally, some expenditures do not appear to be prudent, reasonable, or necessary uses of city funds.

- A. The city's payment of \$750 to each full-time employee in October 2008 may violate the Missouri Constitution. These payments totaled \$149,250. According to city officials, these payments were for future services. However, the employees were not required to perform any additional duties and their job performance was not evaluated. In addition, the payment was not considered a raise and added to employees' base compensation.

Awarding additional pay to employees on a discretionary basis appears to violate Article III, Section 38(a) of the Missouri Constitution which prohibits the granting of public monies or property to any private person, association, or corporation.

The council should ensure employee compensation is in compliance with the state constitution, and may want to consider increasing the salaries of employees rather than making one-time payments.

- B. In fiscal year 2007, the city paid \$107,000 for a street project which was not bid, as required by the city's procurement policy. In addition, there was no documentation which explained the city's decision to award the project to a sole source provider.

The vendor used a new micro-surfacing technique which was supposed to increase the life of the surface of the street. The company charged the city the same rate the company had charged another Missouri city, with minimal additional charges added for transporting the equipment and supplies to Rolla. According to city personnel, this type of surfacing technique was unique to the company; however, there was no documentation to support this assertion.

The city needs to ensure street projects are bid as required by its procurement policy. If a sole source procurement is necessary, the circumstances and decision for the sole source procurement should be fully documented.

- C. The City Council did not approve change orders for airport construction projects, as required by city policy.

For example, for one airport project reviewed, a change order increased the project by over 18 percent. However, this change order was not approved by the council. The city's procurement policy provides that any change order increasing or decreasing the formal contract amount by over 10 percent be approved by the council.

To adequately monitor construction projects and to ensure changes to the projects are reasonable and proper, change orders should be approved by the council, as required by city policy.

- D. Some expenditures do not appear to be prudent, reasonable, or necessary uses of city funds.
- The city sponsors an annual safety awards banquet for all employees and their spouses. The cost of these banquets was over \$1,400 and \$1,500 in fiscal years 2008 and 2007, respectively.

- The police department sponsors an annual awards banquet for department personnel and their spouses. In fiscal year 2008, the city contributed approximately \$1,000 of city funds toward the banquet because the mayor, council members, executive staff, and their spouses attended. In prior years, the police department funded the banquet entirely through private donations.

These expenditures do not appear to be necessary or essential to the operations of the city. The city's residents have placed a fiduciary trust in their public officials to spend city funds in a prudent manner. The city should ensure funds are spent only on items which are necessary and beneficial to the city.

WE RECOMMEND the City Council:

- Discontinue one-time payments to employees for future services. In addition, the council needs to ensure employee compensation is in compliance with the state constitution.
- Ensure street projects are bid in accordance with city policy. The circumstances and decision involving a sole source procurement should be fully documented.
- Approve construction change orders in accordance with city policy.
- Ensure all expenditures are necessary and prudent uses of city funds.

AUDITEE'S RESPONSE

The City Council provided the following written responses:

- The City believes the one-time payment to employees in FY 2009 was legal and proper. However, the City has no intention to continue one-time payments to employees for future services. The City will ensure employee compensation is in compliance with State law.*
- The City is committed to full compliance with procurement procedures. In those rare instance when sole source procurement is absolutely necessary full documentation will be provided to City Council.*
- The city will ensure construction change orders are done in compliance with City procurement policies.*
- The City takes seriously its responsibility to ensure all expenditures are necessary and prudent. The City also believes employee morale and commitment to safety is paramount to an effective workplace. As such, the City believes budgeted funds to reasonably incentivize same is a necessary and prudent use of tax-payers money.

5.**City Capital Assets**

Capital asset records are not maintained on a perpetual basis. Also, the city does not have a written vehicle policy.

- A. Capital asset acquisitions and dispositions are not accounted for as they occur. The city's policy is to add and/or delete capital asset records in the city's detailed record of assets on an annual basis, prior to the audit of the city's financial records.

To ensure capital assets are properly accounted for and to help prevent theft or misuse of assets, capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Complete and accurate capital asset records are necessary to secure better internal control and safeguard city assets that are susceptible to loss, theft, or misuse.

- B. The city does not have a written vehicle policy for effective monitoring procedures regarding vehicle use. The city owns almost 100 vehicles assigned to various city departments.

- The city does not have a written vehicle policy to communicate to city employees the proper use of city vehicles.

A vehicle policy would help ensure vehicles are acquired, assigned, utilized, replaced, and maintained in an efficient and effective manner. Additionally, the policy should address and define the purpose and use of city vehicles, usage documentation requirements, personal use, car allowances, and identify applicable Internal Revenue Service (IRS) guidelines and reporting regulations.

- Fuel and usage logs are not maintained. As a result, fuel usage is not reconciled to fuel purchases. Also, without adequate fuel and usage logs, the city cannot effectively monitor that vehicles are used only for official business and fuel costs for vehicles are reasonable.

Fuel and usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and fuel costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business and evaluate operating costs.

WE RECOMMEND the City Council

- A. Ensure capital assets records are maintained on a perpetual basis.
- B. Adopt a written vehicle policy regarding the proper and allowable use of city vehicles. Fuel and usage logs should be maintained on all city vehicles including trip information.

AUDITEE'S RESPONSE

The City Council provided the following written responses:

- A. *The City currently reconciles capital assets, new and disposed, on an annual basis. The City concurs that maintaining said records on a regular basis (i.e. monthly or quarterly) is prudent.*
- B. *The City will adopt a formal written vehicle policy regarding the proper and allowable use of City Vehicles. The City will also implement usage logs on all city vehicles.*

6. Missouri Public Energy Pool Disclosures

The RMU needs to evaluate its relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC), including the Missouri Public Energy Pool (MoPEP), a power pool managed by the commission, to determine proper disclosures about the relationship in the RMU and city financial statements.

Currently, RMU "Notes to the Financial Statements - Commitments and Contingencies", include general comments about MJMEUC and MoPEP with little or no detail about RMU ownership interest in power generating facilities under construction and/or to be constructed and the potential ownership costs. However, pursuant to Governmental Accounting Standards Board statements, it appears the relationship between the RMU and the MJMEUC/MoPEP may be a joint venture. Additionally, joint venture participants must disclose specific information including information regarding ongoing financial interest and/or financial responsibility and information to evaluate whether the joint venture is accumulating significant financial resources or causing a financial burden on the participating government in the future.

The city of Rolla, specifically through the RMU, contracts with the MJMEUC for the purchase of electric power and energy. The city/RMU, along with other Missouri municipalities, is also a member of the MoPEP. In order to provide the MoPEP members a diversified portfolio of reliable energy resources on a long-term basis due to growing load requirements of the members and to replace power and energy currently purchased under short-term contracts, the MoPEP members directed the MJMEUC to participate in the development and construction of new generating facilities.

The obligations of the MoPEP members include maintaining adequate customer rates and maintenance of power facilities and contracts in order to meet the members' commitments to the pool. If a member city, such as Rolla, decides to leave the pool, it must give a 5-year notice. At the end of the 5-year period, the city/RMU would be responsible for a pro-rata share of the ongoing capital and operation costs of each pool project based on its share of energy. According to the MJMEUC personnel, as of September 2008, Rolla/RMU's pro-rata share was 13.8 percent. Thus, the city/RMU obligation for the project bonds issued would total almost \$41 million. Additionally, bonds that may be issued in the future would increase the obligation by over \$9 million. The RMU may also be obligated for any power purchase contracts.

WE RECOMMEND the City Council and RMU consult with its independent auditors to evaluate the relationship with MJMEUC/MoPEP and determine the proper and necessary disclosures for the financial statements.

AUDITEE'S RESPONSE

The City Council provided the following written response:

The City and RMU will consult with our independent auditor to evaluate the relationship with MJMEUC/MoPEP to determine the proper and necessary disclosures for the financial statements. The FY2007 Audit included a short footnote on the disclosure.

The Board of Public Works provided the following written response:

The RBPW agrees with the State Auditor to consult with our independent auditors to evaluate the relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) and MoPEP, and determine the proper and necessary disclosures for the financial statements.

7. RMU Billing and Collection Services

The RMU does not have documentation to support and justify the amount charged to the city for billing and collecting the city's sewer and refuse fees.

City residents receive one statement from the RMU for electric and water furnished by the RMU and sewer and refuse services furnished by the city. The RMU charges the city approximately \$142,000 annually for billing and collecting the city's sewer and refuse fees.

According to RMU personnel, \$142,000 was an amount agreed upon between the RMU and city at some point in the past. However, neither the RMU nor the city had an agreement or other documentation to support this amount.

To ensure the billing/collecting charges to the city are reasonable and represent the true cost of the services, the RMU should establish a criteria and methodology for calculating these costs. Adequate documentation should be maintained and retained to support and justify the amounts charged.

WE RECOMMEND the Board of Public Works establish criteria and methodology for determining the proper and actual cost of its billing and collecting of the city's sewer and refuse fees.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written response:

The RBPW agrees to establish written criteria to determine cost of its billing and collection of the City's sewer and refuse fees.

8. RMU Rates, Fees, and Expenses

RMU water rates are not determined by established criteria and methodology and SAFs are not periodically reviewed and evaluated. Also, policies and procedures have not been established to ensure the proper allocation of some expenses between the Electric and Water Funds.

- A. The RMU has not developed criteria and methodology for determining the adequacy of water rates. According to RMU personnel, the board informally reviews and evaluates the Water Department's revenues in relation to expenses and capital expenditures on an annual basis and establishes water rates. However, this review and evaluation is not documented.

Water fees are user charges which should cover the cost of providing the related services. The RMU should perform a formal detailed review of its costs, including depreciation and debt service costs, and set rates to cover the total cost of operation. In addition, the RMU should document and retain its justification for setting water rates.

- B. The RMU does not periodically review and evaluate SAFs for either its electric or water services. These fees are set amounts established to cover the fixed costs of the electric and water services. Currently, the monthly fee is \$10 and \$6 for each electric and water meter, respectively.

The electric SAF was established in 2003, based on fiscal year 2003 costs. Although the water SAF was also established in 2003, there is no documentation to support and justify the fee.

The RMU should periodically reassess its electric and water SAFs to ensure these fees cover the fixed costs of the respective utility service. In addition, adequate documentation should be prepared and retained to support and justify the SAFs.

- C. The RMU has not established adequate policies and procedures to properly allocate some expenses between the Electric and Water Funds.

Although salaries and other expenses, which are specific to an individual department, are charged directly to the applicable fund, administrative salaries and overhead expenses are allocated 75 and 25 percent to the Electric Fund and Water Fund, respectively. According to RMU personnel, this allocation was determined by the utility board after discussion with department heads, but no formal evaluation was done to justify the percentages.

The funds of the RMU are established as separate accounting entities to account for specific activities. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations; thus, enabling the RMU to establish the level of user fees necessary to meet operating costs. Adequate policies and procedures should be established to ensure expenses are properly allocated between the two funds. Additionally, adequate documentation should be prepared and retained to support the allocation. The proper allocation of expenses and adequate documentation is useful for both management and planning purposes.

WE RECOMMEND the Board of Public Works:

- A. Develop criteria and methodology for establishing water rates. In addition, the board should prepare and retain adequate documentation to support and justify the water rates.
- B. Reassess its electric and water SAFs on a periodic basis to ensure these fees cover the fixed costs of the respective utility service. In addition, adequate documentation should be prepared and retained to support and justify the SAFs.
- C. Establish policies and procedures to properly allocate expenses between the Electric and Water Funds. In addition, adequate documentation should be prepared and retained to support the allocation.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written response:

The RBPW agrees that it has, and will continue, to implement the recommendations of Sections 8A, 8B, and 8C.

9. RMU Meetings, Minutes, and Records
--

Some citizens may not be able to attend board meetings, and various requirements of state law related to closed meetings were not followed. In addition, the records policy does not adequately define public records, a log of public requests is not maintained, and charges for records search/duplication activities do not appear to be in compliance with state law.

- A. The board meets once a month at 4:00 p.m. However, many citizens may still be working at that time and unable to attend.

Section 610.20, RSMo, provides that meetings shall be held at a place reasonably accessible to the public and at a time reasonably convenient to the public, unless impossible or impractical. The board needs to consider scheduling meetings at a time more convenient for the public.

- B. The RMU needs to improve its policies and procedures related to closed meetings. Various requirements in Chapter 610, RSMo (Sunshine Law), regarding closed meetings were not always followed.

- 1) Minutes were not always maintained of closed meetings. We noted two instances in fiscal year 2007 where no closed meeting minutes were maintained. Section 610.020, RSMo, requires minutes of closed meetings be prepared and retained.
- 2) Open meeting minutes and related agendas do not document the specific reasons for a closed meeting.

Typically, the open meeting minutes included the same statement, a list of issues allowed by state law which might be discussed, to close meetings. The agendas also used a similar statement to indicate a closed meeting. The statement indicated the board "... may go into closed executive session" to discuss various issues allowed for a closed meeting.

Section 610.022, RSMo, requires the specific reasons for closing a meeting be announced publicly at an open meeting and entered into the minutes. A statement including all issues which might be discussed in a

closed session appears to miss the intent of the law. In addition, this law provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

- 3) The closed meeting minutes did not always include sufficient detail of matters discussed and actions taken. It was sometimes unclear what issue was being voted on and/or the final decision of the board. For example, the only information about the subject matter for one meeting was that the board discussed personnel issues.

Section 610.020, RSMo, requires minutes of closed meetings be taken and retained by all governmental bodies and indicate the date, time, and place; members present and absent; and a record of votes taken. Minutes of closed meetings serve as an official permanent record of decisions made by the board. Additionally, such minutes provide evidence that any discussion or business conducted in closed meetings pertain to matters authorized by the Sunshine Law.

- 4) The board does not document how some items discussed in closed meetings complied with the Sunshine Law. For example, salary increases for all employees were discussed at one meeting and an administrative secretarial position was discussed at another meeting.

Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, specific personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed meetings to specific topics listed in the Sunshine Law.

- 5) The vote taken in closed meetings is not properly made available to the public involving matters related to litigation; real estate transactions; and firing, hiring, disciplining, and promoting employees. Typically, the open meeting minutes briefly state the issues discussed and that an action was or was not taken.

Sections 610.021(1), (2), and (3), RSMo, and Attorney General's Opinions No. 129-97 and 30-88, provide that after the closed meeting, the governmental body must disclose the vote of each member, not just the vote total or results. The vote also includes the proposition voted on and matters or materials referred to with the proposition.

C. The public records policy and procedures need to be improved.

- 1) The records policy does not clearly and adequately define records or address issues related to email use and retention.

The policy does not provide specific guidance to employees regarding the definition of a record and the necessity to retain such records. Also, email records are not specifically covered under the policy. Electronic records, including email, must be retained and made available to the public when required. As a result, the RMU has little assurance that all necessary records will be properly retained.

Without clear, specific, and adequate guidance, there may be inconsistencies in the employees' understanding, implementation, and compliance with records retention and Sunshine Law requests.

- 2) The RMU does not maintain a log of public requests to ensure all requests are handled in compliance with the Sunshine Law.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

To ensure compliance with state law, the RMU should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

- 3) The charges for records search/duplication activities do not appear to be in compliance with the Sunshine Law. The actual personnel cost is charged for these activities; however, the Sunshine Law provides the hourly fee for duplicating time is not to exceed the average hourly rate of pay for clerical staff of the entity. Research time needed to fulfill the request may be charged at the actual cost of research time. The RMU needs to ensure its charges for records requests are in compliance with state law.

Section 610.023, RSMo, lists requirements for making records available to the public and provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public records is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

Section 610.026, RSMo, allows the public governmental body to charge certain fees for furnishing copies of public records.

WE RECOMMEND the Board of Public Works:

- A. Consider ensuring the time of board meetings is more convenient to the public.
- B.1. Maintain minutes of closed meetings in accordance with state law.
 - 2. Ensure open meeting minutes and related agendas state the specific reasons for going into a closed meeting.
 - 3. Ensure minutes of closed meetings clearly document all business conducted.
 - 4. Ensure items discussed in closed meetings are allowed by state law.
 - 5. Ensure votes taken in closed meetings are properly made available to the public.
- C.1. Update the public records policy to clearly and adequately define records, including electronic records, and their retention.
 - 2. Maintain a public request log to help ensure the board is complying with state law.
 - 3. Ensure charges for records research and duplication activities are in compliance with state law.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written responses:

The RBPW agrees to:

- A. *Set meetings at a time reasonably convenient to the public.*
- B. *Maintain minutes of closed meetings as required by law, disclosing votes taken in closed meetings, and restricting items discussed to that allowed by law.*
- C. *Implement an updated public records policy as recommended by Section 9C of the audit.*

10. RMU Expenditures

The RMU does not have a comprehensive purchasing policy, the general manager approves his own expenses, cash payments and other awards for the safety program are

not reported on employee W-2 forms, and some expenditures of the safety program did not appear to be prudent uses of public funds.

- A. The RMU purchasing policy needs to be improved. The policy is limited and only provides for competitive bids or quotations for purchases greater than \$1,500. Plus, purchases greater than \$10,000 are approved by the board and purchases less than \$10,000 are approved by the general manager, operations manager, or business manager. A more comprehensive policy would be more effective and should provide guidance on the appropriate solicitation method(s) and at what cost threshold a specific solicitation method may/should be used.

Depending on the situation and estimated cost of the goods and services, various methods could be used including catalog comparisons; email, telephone, and fax bids or quotations; and sealed bids. Also, consideration should be given to when bids or proposals should be formally advertised, sealed bids should be used, and requests for quotations or bids are necessary. The policy should also indicate the exceptions to the policy (i.e. emergency or sole source procurement) and the minimum number of bids required. Additionally, the policy should include guidance on the documentation required to be retained. All documentation related to each procurement should be maintained in a centralized manner so there is a clear audit path linking the solicitation process, evaluation, award, and payment.

- B. There is no oversight of the general manager's expenses such as his expense account or other travel related expenses. According to records presented to the board, the general manager's travel related expenses from October 2006 to July 2008 totaled over \$10,000.

The general manager's expenses should be reviewed and approved by a member of the board to ensure validity and propriety. In addition, the board may want to consider pre-approving his out-of-state travel.

- C. Cash payments and gift cards to employees related to the safety program were not reported on employee W-2 forms. In addition, the gift cards and annual banquet expenses may not be prudent, reasonable, or necessary uses of public funds.

As part of the RMU safety program, each employee who works accident free during a 6-month period receives \$50. Also, at the annual awards banquet, gift cards are distributed to employees. From October 2006 to December 2007, cash payments and gift awards totaled over \$9,700. It appears the cash payments and gift cards are fringe benefits which should be reported on employee W-2 forms.

In addition, the annual awards banquet includes both employees and spouses and door prizes are given away. The food cost for the banquets totaled \$2,031 and \$2,169, in October 2006 and November 2007, respectively. These expenditures do not appear necessary or essential to the operation of the RMU. The RMU has

a fiduciary duty to ensure funds are expended in a manner that provides the greatest benefit to the utility.

WE RECOMMEND the Board of Public Works:

- A. Develop a more comprehensive purchasing policy. The policy should provide guidance on appropriate solicitation methods and the applicable cost threshold for each method. The policy should also indicate the minimum number of bids required, exceptions to the policy, and documentation to be prepared and retained.
- B. Require a board member to review and approve the general manager's expenses and pre-approve his out-of-state travel.
- C. Report cash awards and gift cards on the employee W-2 forms. In addition, the board should ensure expenditures related to the safety program are necessary and prudent uses of public funds.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written responses:

The RBPW agrees to:

- A. *Revise the existing purchasing policy to reflect recommendations made in section 10A.*
- B. *Establish a written policy to review travel expenses.*
- C. *Report monetary incentives on the employees' W-2 form, and the RBPW will continue to ensure expenditures are necessary and prudent uses of public funds.*

11. RMU Personnel Issues

A formal salary schedule has not been established, a nepotism policy addressing related employees has not been adopted, and written performance appraisals are not prepared for some employees.

- A. The RMU has not established a formal salary schedule for its employees. The board approves new employees' salaries and subsequent increases; however, a formal analysis of RMU compensation to local/regional market standards has not been conducted. For fiscal years 2008 and 2007, the payroll expense, excluding fringe benefits, totaled over \$2.2 and \$2.1 million, respectively.

The RMU needs to establish a formal salary schedule based on applicable market standards for its employees to ensure salaries paid are fair and equitable and represent a prudent use of public funds.

- B. The RMU does not have a nepotism policy which addresses related employee issues. In addition, the RMU does not maintain a list of related employees, and employment applications do not disclose relatives already employed by the RMU.

At our request, the RMU Finance Director prepared a list of related employees. There are numerous related employees working at the RMU, including the general manager's wife and son-in law. While we did not note any instances where an employee was directly supervised by a related employee, it appears the RMU should monitor its employment of related personnel. The lack of a formal policy and the absence of data on related employees increases the likelihood of weakened internal controls and a lack of independent evaluation of employee performance.

Article VII, Section 6, of the Missouri Constitution defines the penalty for nepotism and states "Any public officer or employee in this state who by virtue of his office or employment names or appoints to public office or employment any relative within the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment."

To avoid the appearance of a conflict of interest or nepotism, the RMU should adopt a formal written policy regarding the employment and supervision of related employees.

- C. Management employees including the general manager, operations manager, and department heads, do not receive formal written performance evaluations. According to RMU personnel, the board gives the general manager an oral evaluation, while the general manager gives oral evaluations to the other management personnel.

Formal written performance evaluations should be prepared for all employees. Written evaluations can lead to improvement in employee performance and may be used to evaluate employees for salary increases, promotions, and other personnel actions.

WE RECOMMEND the Board of Public Works:

- A. Establish a formal salary schedule for its employees.
- B. Adopt a formal written policy regarding the employment and supervision of related employees.
- C. Ensure formal written performance evaluations are prepared and retained for all personnel.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written responses:

The RBPW agrees:

- A. It will continue to conduct a compensation analysis of local/regional market standards.*
- B. To establish a written policy regarding nepotism, in compliance with state law.*
- C. To perform and retain written performance evaluations for all personnel.*

12. RMU Vehicles

The RMU does not have a written vehicle policy, and fuel and usage logs are not maintained. In addition, commuting use of RMU vehicles is not properly reported to the IRS.

- A. The RMU does not have a written vehicle policy for effective monitoring procedures regarding vehicle use. The RMU maintains 26 vehicles for use by its employees.

- The RMU does not have a written vehicle policy to communicate to employees the proper use of RMU vehicles.

A vehicle policy would help ensure vehicles are acquired, assigned, utilized, replaced, and maintained in an efficient and effective manner. Additionally, the policy should address and define the purpose and use of RMU vehicles, usage documentation requirements, personal use, and identify applicable IRS guidelines and reporting requirements.

- Fuel and usage logs are not maintained. As a result, fuel usage is not reconciled to fuel purchases. Without adequate fuel and usage logs, the RMU cannot effectively monitor that vehicles are used only for official business and fuel costs for vehicles are reasonable.

Fuel and usage logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) and fuel costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for official business and evaluate operating costs.

- B. The commuting use of vehicles by employees is not reported to the IRS. According to RMU personnel, the general manager and two other employees are allowed to use RMU vehicles to commute between home and work because these employees are considered first responders to a power outage.

With certain exceptions, such as law enforcement and fire department personnel, the IRS reporting guidelines provide that personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported on employee W-2 forms if the employer does not require the submission of detailed logs which distinguish between business and personal use. Additionally, the RMU may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the Board of Public Works:

- A. Adopt a written vehicle policy regarding proper and allowable use of RMU vehicles. Fuel and usage logs should be maintained on all vehicles including all trip information.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in RMU owned vehicles.

AUDITEE'S RESPONSE

The Board of Public Works provided the following written responses:

The RBPW has:

- A. *Developed a written policy regarding proper and allowable use of RMU vehicles.*
- B. *Implemented a policy in compliance with the IRS guidelines related to commuting in RMU owned vehicles.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ROLLA
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Rolla is located in Phelps County. The city was incorporated in 1861 and is currently a third-class city. The population of the city in 2000 was 16,367.

The city government consists of a mayor and a 12-member city council. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the council, and votes only in the case of a tie. The Mayor, City Council, and other principal officials during the year ended September 30, 2007, are identified below. The Mayor is paid \$8,000 and the City Council members are paid \$1,800 annually. The compensation of these officials is established by ordinance.

Elected Officials	Dates of Service During the Year Ended September 30, 2007	
William S. Jenks III, Mayor	October 2006-September 2007	
Montgomery (Monty) Jordan,		
Councilman	October 2006-September 2007	
Terry Ruck, Councilman	October 2006-September 2007	
Donald Z. Barklage, Councilman	October 2006-September 2007	
Stanley Spadoni, Councilman	October 2006-September 2007	
Susan J. Eudaly, Councilwoman	October 2006-September 2007	
Gary W. Hicks, Councilman	October 2006-September 2007	
Louis J. Magdits, Councilman	October 2006-September 2007	
Judy Jepsen, Councilwoman (1)	October 2006-September 2007	
Richard C. Morris, Councilman	April 2007-September 2007	
Terry Harris, Councilman	October 2006 to March 2007	
James D. Williams, Councilman	October 2006-September 2007	
Richard Sibley, Councilman (2)	October 2006-September 2007	
Mark W. Walburg, Councilman	April 2007-September 2007	
Charlotte Wiggins. Councilwoman	October 2006-March 2007	
Other Officials	Dates of Service During the Year Ended September 30, 2007	Compensation Paid for the Year Ended September 30, 2007
John D. Butz, City Administrator	October 2006-September 2007	\$ 103,607
Carol L. Daniels, City Clerk	October 2006-September 2007	41,701
Steffanie D. Rogers, Finance Director	October 2006-September 2007	60,930
Steve L. Hargis, Public Works		

Director	October 2006-September 2007	81,601
Robert B. Williams, Fire Chief	October 2006-September 2007	65,442
Mark A. Kearse, Police Chief	October 2006-September 2007	57,177
Kenneth J. Kwantes, Parks and Recreation Director	October 2006-September 2007	65,754
Scott D. Caron, Recreation Center Director	October 2006-September 2007	63,138
Scott A. Grahl, Communications Coordinator	October 2006-September 2007	43,966
Brady D. Wilson, Solid Waste Director	October 2006-September 2007	62,043
John S. Petersen, Community Development Director	October 2006-September 2007	69,443
Robert J. Stoltz, City Prosecutor *	October 2006-September 2007	24,600
William E. Hickie, Municipal Judge *	October 2006-September 2007	15,000
John Beger, City Attorney	October 2006-September 2007	52,257

* Elected position

(1) Donald M. Morris was elected Councilman in April 2008.

(2) Donna D. Hawley was elected Councilwoman in April 2008.

In addition to the officials identified above, the city employed 192 full-time employees and 203 part-time employees as of May 30, 2008.

The Rolla Municipal Utilities (RMU) is governed by the city's 4-member Board of Public Works. Board members are appointed by the Mayor, approved by the City Council, and serve a 4-year term. The Board Members are paid \$1,800 annually. The board members and principal officers of RMU at September 30, 2007 were:

Board Members	Dates of Service During the Year Ended September 30, 2007
Dr. James O. Stoffer, President	October 2006-September 2007
Maurice Alfermann, Vice President	October 2006-September 2007
(1)	
Judge John D. Wiggins, Secretary	October 2006-September 2007
Mark Rolufs, Vice-Secretary	October 2006-September 2007

(1) Mr. Alfermann passed away in February 2009. Nick Barrack was appointed to this position in April 2009.

Other Officials	Dates of Service During the Year Ended September 30, 2007	Compensation Paid for the Year Ended September 30, 2007
Dan A. Watkins, General Manager	October 2006-September 2007	\$ 120,000
David F. Stogsdill, Operations Manager	October 2006-September 2007	108,932
Rodney P. Bourne, P.E., Operation and Public Relations Coordinator	October 2006-September 2007	76,522
Dennis L. Roberts, Finance Director	October 2006-September 2007	55,955
Thomas W. Wassilak, Office Manager	October 2006-September 2007	52,455

The RMU funded approximately 56 full-time employees during 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 186,529,765
Personal property*	44,046,034
Total	<u>\$ 230,575,799</u>

* The city does not levy taxes on personal property.

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General	\$ 0.4443
Library	0.1853
Parks and recreation	0.1094

TAX RATE(S) PER \$1 OF RETAIL SALES

	Rate
General	\$ 0.010
Capital improvement	0.005
Transportation	0.005
Park and recreation	0.005

The city also had the following tourism tax; rate is per \$1 of related sales:

	Rate
Rooms/accommodations	\$ 0.03



Susan Montee, JD, CPA
Missouri State Auditor

Carter County



May 2009

Report No. 2009-40

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

May 2009

The following findings were included in our audit report on Carter County:

The County Collector's annual settlements were not accurate or complete and were not prepared and filed in a timely manner. Some delinquent property tax receipts were not deposited and have not been accounted for. Receipts are not always deposited intact or in a timely manner, and the method of payment is not accurately recorded on the property tax system, and an independent review of the composition of receipts to deposits is not performed. The numerical sequence of receipt and batch numbers assigned by the computerized system is not accounted for. Manual receipt slips are not always issued for payments received that are not recorded in the computerized system. The County Collector does not always prepare monthly bank reconciliations or open items lists and an unidentified balance exists in the account. The County Collector's partial payment ledger was not accurate, and the County Collector did not distribute taxes on a timely basis. As a result of the significant control weaknesses identified in this office, there is no assurance all property tax receipts have been properly deposited and accounted for.

Neither the County Commission, nor the County Clerk adequately reviews the activities of the County Collector. Controls over property tax additions and abatements are not adequate, and the County Clerk did not file the back tax aggregate abstracts for the 2007 or 2006 tax year in a timely manner.

The former Sheriff used \$3,607 of accountable fees to pay for prisoner transports, office expenses, and drug buys. Supporting documentation was not retained for \$1,957 of these disbursements, and the former Sheriff did not always turn over fees to the County Treasurer on a monthly basis. Accounting duties are not adequately segregated, dual signatures are not required on checks, and two checks issued to a local grocery store and subsequently cashed did not appear to be signed by the bookkeeper. Receipts are not always deposited intact or on a timely basis, the method of payment is not always indicated on receipt slips, and the composition of receipt slips issued is not reconciled to the composition of deposits. Monthly lists of open items are not prepared, and consequently, liabilities are not reconciled with cash balances. The jail log maintained by the Sheriff's office does not always include the arrest or release dates of inmates. A control log of evidence and seized property is not maintained nor is a physical inventory periodically conducted.

The county did not always solicit bids nor was bid documentation always retained for various purchases, and adequate supporting documentation was not obtained or retained for some disbursements. Several concerns were noted regarding the use of credit cards in the Sheriff's office. Individual credit card slips were not reconciled to the credit card statement each month, and adequate supporting documentation was not maintained for

YELLOW SHEET

\$2,823 of the \$3,934 credit card purchases we reviewed. In addition, many of the purchases reviewed did not appear to be prudent uses of public funds. The county has not developed a formal written policy regarding cellular phone use or guidelines to determine whether a cellular phone is needed or of benefit to the county. The county did not always enter into formal written agreements defining services to be provided and benefits to be received and did not prepare IRS Forms 1099 Miscellaneous for payments made to the Prosecuting Attorney's private law office.

The County Clerk maintains three bank accounts to process grant monies received for the Justice Center Grant Fund, Siren Warning Grant Fund, and Little Black Fire District Grant Fund. There is no statutory authority that allows the County Clerk to hold these accounts outside the county treasury.

Also included in the audit report are findings related to county budgets; personnel policies; property records and procedures; the Treasurer's salary; the Circuit Clerk, Associate Circuit Court, and Prosecuting Attorney controls and procedures; the Senior Citizens Service Board; and the Senate Bill 40 Board.

All reports are available on our Web site: auditor.mo.gov

CARTER COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-31
<u>Number</u>	<u>Description</u>
1.	County Collector Controls and Procedures.....5
2.	Property Tax System Controls and Procedures10
3.	Sheriff Controls and Procedures12
4.	County Disbursements and Budgets16
5.	Personnel Policies21
6.	Property Records and Procedures22
7.	Treasurer's Salary.....22
8.	County Clerk Bank Accounts23
9.	Circuit Clerk Controls and Procedures23
10.	Associate Circuit Court Controls and Procedures25
11.	Prosecuting Attorney Controls and Procedures27
12.	Senior Citizens Service Board29
13.	Senate Bill 40 Board30
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	32-34

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Carter County

We have audited certain operations of Carter County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Van de Ven, LLC, Certified Public Accountants and Advisors, has been engaged to audit the financial statements of Carter County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Carter County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Daniel Vandersteen, CPA
Audit Staff:	Terese Summers, MSAS, CPA
	Tina Gildehaus, M. Acct.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CARTER COUNTY
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1.	County Collector Controls and Procedures
-----------	---

The County Collector's annual settlements were not accurate or complete. There are numerous weaknesses in the controls and procedures over receipts, and delinquent property tax receipts totaling \$546 were not accounted for. The County Collector does not always prepare monthly bank reconciliations, and an unidentified balance exists in the account. The County Collector's partial payment ledger was not accurate. In addition, the County Collector did not distribute taxes on a timely basis.

The County Collector's office collects property taxes totaling approximately \$2 million annually. The county implemented a new computerized property tax system for the tax year ended February 29, 2008.

As a result of the significant control weaknesses identified below and in MAR finding number 2, there is no assurance all property tax receipts were deposited and accounted for properly.

- A. The County Collector's annual settlements for the 2 years ended February 29, 2008, did not include all activity of her office and were not prepared in a timely manner.
- The County Collector failed to include County Employee Retirement Fund and Tax Maintenance Fund commissions, protested taxes, and surtaxes, and some interest, penalties, merchant licenses, and duplicate tax receipt fees totaling over \$39,000 collected by the office on the annual settlement for the year ended February 29, 2008.
 - The County Collector failed to include County Employee Retirement Fund commissions, Tax Maintenance Fund commissions, and protested taxes totaling over \$22,000 collected by her office on the annual settlement for the year ended February 28, 2007.
 - The County Collector failed to include distributions of interest earned on investments totaling \$12,135 on the annual settlement for the year ended February 28, 2007.
 - Collections and distributions to each political subdivision reported by the County Collector on the annual settlements appeared inaccurate and inconsistent from year to year.

- Delinquent tax credits reported on the annual settlement for the year ended February 28, 2006, did not agree to the delinquent tax charges reported on the annual settlement for the year ended February 28, 2007.

In addition, delinquent charges and credits reported on the annual settlements for each year did not agree to the back tax aggregate abstracts prepared by the County Clerk.

Further, because the County Collector used both property tax systems (new and old) to record some tax payments during the year ended February 29, 2008, as noted below in B.1, the delinquent tax books were not accurate or complete.

- Annual settlements were not filed by the County Collector in a timely manner. Annual settlements were not filed until August 19, 2008 and June 29, 2007, for the years ended February 29, 2008 and February 28, 2007, respectively.

Failure to accurately report all receipts and distributions and adequately reconcile charges and credits on the annual settlement reduces the assurance the County Collector has accounted for all monies she is charged with collecting. Additionally, the potential for loss to the county exists from inadequate monitoring of delinquent taxes.

Section 139.600.3, RSMo, states "...the collector shall...settle her accounts of all monies received by her on account of taxes and other sources of revenue..." In addition, Section 139.160, RSMo, requires the collector to settle accounts with the County Commission by the first Monday of March.

B. The following concerns were identified related to property tax receipts:

- 1) Five delinquent property tax receipts reviewed totaling \$546 were received during the period November 2007 through February 2008, and were not deposited as follows:

Date Received	Transaction Number	Type of tax	Tax year	Amount
		Personal		
November 6, 2007	22252	property	2006	\$ 28
November 30, 2007	22247	Real estate	2005	129
		Personal		
December 31, 2007	22266	property	2006	6
February 1, 2008	22275	Real estate	2005	256
February 8, 2008	22278	Real estate	2005	127
Total				<u>\$ 546</u>

The County Collector did not record these tax payments on her current property tax system, but instead recorded them on her old system. In addition, several delinquent tax collection reports from the old property tax system were not retained for the period November 2007 through February 2008, and as a result, we have no assurance all delinquent property tax receipts were deposited.

- 2) Receipts are not always deposited intact or in a timely manner. For example, the February 19, 2008, deposit included receipts from as far back as December 31, 2007, and additional deposits were made during this time period. In addition, cash refunds are given for overpayments of taxes, and personal checks of county employees and taxpayers are cashed by the County Collector. Further, the County Collector will hold checks for tax payments upon request.
- 3) The method of payment is not accurately recorded on the property tax system, and an independent review of the composition of receipts to deposits is not performed by the County Collector. The method of payment was not accurately recorded on the property tax system for 65 of 74 deposits reviewed, and over \$51,000 was recorded in the property tax system as cash in error, during the period November 2007 through February 2008.
- 4) The numerical sequence of receipt and batch numbers assigned by the new computerized property tax system is not accounted for by the County Collector. The County Collector could not account for 139 receipt numbers and 40 batch numbers during the period November 2007 through February 2008, and as a result, there is no assurance all property tax receipts were properly accounted for and deposited. In addition, the county's contracted computer programmer indicated the property tax system is not capable of tracking voided or missing receipt or batch numbers.
- 5) Manual receipt slips are not always issued for partial payments of taxes due, merchant licenses, or duplicate tax receipt fees (receipts not accounted for by the computerized property tax system). Receipt slips were not issued for \$4,404 of these monies during the period November 2007 through February 2008.

Failure to implement adequate receipting procedures increases the risk that loss or misuse of monies received will go undetected. The County Collector should investigate the unaccounted for monies and ensure all property tax reports are retained. To ensure monies received are properly deposited and reduce the risk of loss or misuse of funds, monies should be deposited intact in a timely manner, the method of payment should be accurately reported on the tax system, and the composition of receipts should be reconciled to amounts deposited. In addition,

personal checks should not be cashed, all disbursements should be made by check, and check payments should not be held. The County Collector should work with the computer programmer to ensure all receipt and batch numbers can be accounted for on the property tax system. Manual receipt slips should be issued for all partial payments, merchant licenses, and duplicate tax receipt fees.

- C. The County Collector does not always prepare monthly bank reconciliations and lists of open items (liabilities), and the bank reconciliation prepared for February 29, 2008, did not agree to the list of open items. As of August 26, 2008, monthly bank reconciliations and lists of open items had not been prepared for March through July 2008. In addition, the February 29, 2008, list of open items for this account totaled \$115,994. The reconciled cash balance totaled \$116,776, exceeding identified open items by \$782.

Timely reconciliations between open items and cash balances are necessary to ensure the balances in the bank account are properly identified and monies are sufficient to meet liabilities. In addition, amounts which cannot be identified should be disposed of in accordance with applicable state law.

- D. The County Collector's partial payment ledger was not accurate. Partial payments received totaling \$2,482 and partial payments applied to property taxes due totaling \$4,571 were not recorded on the ledger during the period November 2007 and February 2008. Partial payments are held in escrow until the tax bill is fully paid, whereupon the County Collector records the taxes as paid in the computerized tax system.

Recording all partial payments and partial payments applied on the ledger is necessary to ensure all funds held in escrow are accounted for properly. A properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the County Collector.

- E. The County Collector did not distribute taxes on a timely basis. For example, property taxes totaling \$284,175 collected in November 2007, were not disbursed to the County Treasurer until January 19, 2008.

Section 139.210, RSMo, requires all collections to be distributed to political subdivisions by the 15th day of the following month. In addition to being required by state law, timely distributions of property tax collections to the political subdivisions are important because most political subdivisions rely heavily on property tax revenues to fund their operations.

Conditions similar to A, B.3, C, and D were noted in our prior report.

WE RECOMMEND the County Collector:

- A. File complete and accurate annual settlements in a timely manner.
- B.1. Investigate the unaccounted for funds and ensure all delinquent tax collection reports are retained.
 - 2. Deposit receipts intact and in a timely manner, ensure all disbursements are made by check, and discontinue the practice of cashing personal checks and holding checks at the request of the taxpayer.
 - 3. Accurately record the method of payment on the computerized property tax system and reconcile the composition of receipts to the composition of deposits. Any differences should be investigated and explained on the reconciliation.
 - 4. Account for the numerical sequence of receipt and batch numbers and work with the computer programmer to ensure the tax system tracks voided or missing receipt and batch numbers.
 - 5. Ensure receipt slips are issued for all partial payments, merchant licenses, and duplicate tax receipts.
- C. Reconcile the amounts in the bank account to open items on a monthly basis and disburse any unidentified amounts in the account in accordance with state law.
- D. Ensure all partial payments are properly accounted for in the partial payment account ledger.
- E. Ensure taxes are disbursed in a timely manner.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *I am currently working on my annual settlement for the year ended February 28, 2009, and plan to accurately complete it on a timely basis. In addition, I am currently reviewing the delinquent tax books for accuracy and completeness.*
- B.1. *I will investigate the unaccounted for funds.*
 - 2. *I plan to implement the recommendations.*
 - 3. *I plan to begin accurately recording the method of payment, reconciling the composition of receipts to the composition of deposits, and documenting my investigation of any differences noted.*

- 4. *I will contact the programmer and attempt to correct these issues. If this does not work, I will maintain a record to account for all receipt and batch numbers.*
- 5. *This has been implemented.*
- C. *I am currently reconciling the bank account to related liabilities on a monthly basis and plan to disburse unidentified amounts in accordance with state law.*
- D. *I am currently issuing prenumbered receipt slips for all partial payments and properly accounting for them in the partial payment account ledger.*
- E. *I will continue trying to improve the timeliness of my distributions.*

2. Property Tax System Controls and Procedures

The County Clerk and County Commission do not adequately review the annual settlements of the County Collector, controls over property tax book additions and abatements are not adequate, and the County Clerk did not file the back tax aggregate abstracts with the Department of Revenue (DOR) and State Tax Commission (STC) in a timely manner.

- A. Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk does prepare and maintain an account book with the County Collector; however, she does not use the account book to further verify the accuracy and completeness of the County Collector's annual settlements. In addition, there was no evidence the County Commission examined and approved the County Collector's annual settlements. If a detailed review had been performed by the County Clerk and County Commission, discrepancies in the annual settlement noted in MAR finding number 1 may have been identified.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. The account book prepared by the County Clerk should be used to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and should also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to ensure some checks and balances are in place related to the collection of property taxes.

- B. Controls and procedures over property tax additions and abatements need improvement. The County Collector and Assessor both have the capability to make changes to property tax records for additions and abatements. Since the County Collector is responsible for collecting taxes, she should not have the capability to make changes to the actual tax data. The capability to make changes

weakens controls over the accountability of property tax charges and collections. A control should be installed in the computer system to limit the County Collector's and Assessor's access to only the computerized property tax data needed to perform their duties.

In addition, the County Commission approves court orders prepared for additions and abatements at the end of each tax year. However, no independent review of the actual changes made to the tax books as compared to the approved court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors and irregularities could go undetected. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows a greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure only appropriate correcting adjustments are made to the property tax records.

- C. The County Clerk did not prepare the back tax aggregate abstract for the 2007 or 2006 tax year in a timely manner. The back tax aggregate abstracts for the 2007 and 2006 tax years were not prepared until August 22, 2008 and July 26, 2007, respectively. The information needed to prepare the back tax aggregate abstract should be available at the beginning of March. Section 137.295, RSMo, provides for the County Clerk to prepare this report and forward it to the DOR and STC.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND:

- A. The County Clerk and County Commission should use the account book prepared by the County Clerk to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- B. The County Commission revise the property tax system to limit the County Collector's and Assessor's access to only the computerized property tax data needed for their office. In addition, the County Commission and County Clerk should develop procedures to ensure any changes to the property tax system are timely and properly approved and monitored.

- C. The County Clerk prepare and file the back tax aggregate abstract with the DOR and STC in a timely manner.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will use the account book prepared by the County Clerk to review the accuracy of the County Collector's monthly and annual settlements.*
- B. *We will work with our programmer in an attempt to properly revise the property tax system to appropriately limit the County Collector's and Assessor's access. In addition, we are currently reviewing and approving tax book changes on a monthly basis.*

The County Clerk provided the following response:

- C. *I will implement this recommendation if I obtain the necessary information from the County Collector on a timely basis.*

3. Sheriff Controls and Procedures

The former Sheriff used \$3,607 of accountable fees to pay for prisoner transports, office expenses, and drug buys. In addition, supporting documentation was not retained for \$1,957 of these disbursements, and the former Sheriff did not always turn over fees to the County Treasurer on a monthly basis. Accounting duties are not adequately segregated, dual signatures are not required on checks, and two checks issued to a local grocery store and subsequently cashed did not appear to be signed by the bookkeeper. Receipts are not always deposited intact or on a timely basis, the method of payment is not always indicated on receipt slips, the composition of receipt slips issued is not reconciled to the composition of deposits, and monthly lists of open items are not prepared. The jail log maintained by the Sheriff's office did not always include the arrest or release date of the inmate, and a control log of evidence and seized property is not maintained nor is a physical inventory periodically conducted.

The Sheriff's office collected civil and criminal process fees and cash bonds during the years ended December 31, 2007 and 2006, totaling approximately \$49,000 and \$46,000, respectively.

- A. The former Sheriff used \$3,607 of accountable fees to pay for prisoner transports, office expenses, and drug buys. Most of these disbursements (\$3,350) were made during the period April through August 2008. In addition, supporting documentation was not retained for \$1,957 of these disbursements.

Supporting documentation was not retained for checks written to the former Sheriff totaling \$1,300 and checks written to a local grocery store and

subsequently cashed totaling \$400. Sheriff's office officials indicated these monies were used to transport prisoners, perform criminal investigations, and to make drug buys. In addition, documentation was not retained for office expenses of \$257. According to the Sheriff's bookkeeper, these expenses included vehicle towing for \$110, a donation to West Carter County First Responder for \$100, and a credit card fee payment for \$47.

Also, these disbursements were not approved by the County Commission and were not handled through the county's procurement process. Similar concerns relating to the Sheriff's credit cards are noted in MAR finding number 4.

Further, as a result of using accountable fees for these expenses, the Sheriff did not always turn over fees collected by his office to the County Treasurer on a monthly basis. For example, fees totaling \$1,709 collected in March 2008 were not turned over to the Treasurer until May 5, 2008. Other instances were also noted during 2008.

Accountable fees should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to retain such monies outside the county treasury to make purchases. Section 50.370, RSMo, requires county officials to turn over all fees to the county treasurer monthly. In addition, all disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement is proper. If a petty cash fund is needed, one should be formally established and maintained on an imprest basis.

- B. Accounting duties are not adequately segregated. The Sheriff's bookkeeper collects monies, records transactions, makes deposits and disbursements, and reconciles the bank account. Internal controls would be improved by segregating the duties of receiving, recording, and depositing receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Sheriff.
- C. The bookkeeper signs all checks and only one signature is required. The bookkeeper signed a check payable to herself for \$200 to obtain cash for a criminal transport. In addition, although the bookkeeper's name was on the signature line of the checks written to the local grocery store and subsequently cashed for \$400 (noted in A above), it did not appear to be her signature. Further, the bookkeeper issued a \$400 check and left the payee blank. Dual signatures and ensuring the payee is included on the checks would help provide assurance checks are written only for appropriate disbursements.
- D. Controls over monies collected in the Sheriff's office need improvement.
 - 1) Receipts are not always deposited intact or on a timely basis. For example, a \$50 carry and conceal permit fee received from the bookkeeper's daughter-in-law on February 8, 2006, was held and not deposited until June 14, 2006 (over 4 months later). In another example,

cash receipts totaling \$460 received on June 1, 2006, were not deposited until June 5, 2006.

- 2) The method of payment is not always indicated on receipt slips, and the composition of receipt slips issued is not reconciled to the composition of deposits.
- 3) During a cash count conducted on August 8, 2008, we noted \$74 of unidentified cash was held by the Sheriff's office.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and in a timely manner. Also, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits. In addition, any unidentified monies on hand should be investigated and disposed of in accordance with state law.

- E. Monthly lists of open items are not prepared, and consequently, liabilities are not reconciled with cash balances. As of December 31, 2007, \$122 of unidentified funds existed in the bank account. To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available, monthly lists of open items should be prepared and reconciled to cash balances. Any unidentified amounts in the bank account should be investigated and disposed of in accordance with state law.
- F. The jail log maintained by the Sheriff's office does not always include the arrest or release dates of inmates. As a result, prisoner board bills received from other cities and counties cannot be reconciled to the jail log. Carter County prisoners are housed in other nearby city and county jails, and the county incurred costs of approximately \$66,000 and \$42,000 to board county prisoners during the years ended December 31, 2007 and 2006, respectively. Without an accurate and complete jail log, billings cannot be verified and there is less assurance board bills paid by the county are complete and accurate.
- G. A control log of evidence and seized property is not maintained nor is a physical inventory periodically conducted. While the Sheriff's office maintains a list of evidence and seized property in each suspect's case file, a control log of all evidence and seized property is not maintained. In addition, in February 2006, a fire destroyed the majority of evidence and seized property, and an insurance claim was not filed because a control log of the evidence and seized property was not maintained.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time

evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.

Conditions similar to B, D, F, and G were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Should turn over all fees to the County Treasurer on a monthly basis as required by state law. Payment of expenses should be authorized by the Sheriff and made through the county's normal disbursement process as provided for in the budgets of various funds. Further, if a petty cash fund is needed, it should be maintained on an imprest basis.
- B. Segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be documented supervisory reviews of the accounting records.
- C. Require dual signatures on all checks and ensure the payee is recorded on all checks issued.
- D. Deposit all monies received intact and in a timely manner, ensure the method of payment is recorded on receipt slips, and the composition of receipt slips issued is reconciled to the composition of deposits. In addition, any unidentified monies on hand should be investigated and disposed of in accordance with state law.
- E. Prepare monthly lists of open items and reconcile the lists to the bank balance. Any unidentified monies should be investigated and disposed of in accordance with state law.
- F. Ensure jail logs are accurate and complete and reconcile prisoner board bills to the jail logs.
- G. Prepare and maintain a complete inventory record of seized property. In addition, periodic physical inventories of seized property should be performed.

AUDITEE'S RESPONSE

The current Sheriff provided the following responses:

- A. *I will discuss utilizing a petty cash fund for expenses related to transporting prisoners and drug buys with the County Commission and will ensure supporting documentation is retained in the future.*

- B. *I will review accounting records periodically.*
- C. *I will sign all checks and require dual signatures.*
- D. *I will implement these recommendations.*
- E. *I will try and zero out the bank account monthly and disburse any unidentified amounts in accordance with state law.*
- F. *I have already implemented this.*
- G. *I am currently maintaining a control list of all seized property.*

4.	County Disbursements and Budgets
-----------	---

The county did not always solicit bids nor was bid documentation always retained for various purchases, and adequate supporting documentation was not obtained or retained for some disbursements. Controls and procedures over credit cards and cellular phones maintained by the Sheriff's office need improvement. The county did not always enter into formal written agreements and did not prepare IRS Forms 1099 Miscellaneous for payments made to the Prosecuting Attorney. The County Commission amended various county budgets after disbursements had already exceeded the original budgets.

- A. While a review of county minutes and bid files indicated the county bid some items, the county did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as noted below:

Items Purchased	Cost
Fuel and lubricants (2007)	\$ 71,587
Prisoner board (2007)	65,750
Used trucks	44,850
Property tax software and maintenance	25,560
Lumber (2007)	18,718

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement) should be retained to demonstrate compliance with the law and support decisions made.

- B. Adequate supporting documentation was not obtained or retained for some disbursements. Examples include payments for an engine (\$1,060), lodging (\$1,055), and auto parts (\$762). All disbursements should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.
- C. Several concerns were noted regarding the use of credit cards in the Sheriff's office. The Sheriff's office had five credit cards which were used to pay costs to transport prisoners, attend training, and purchase supplies and equipment. Credit card purchases totaled approximately \$16,000 and \$17,000 during the years ended December 31, 2007 and 2006, respectively. The County Commission discontinued the credit cards in 2008 after identifying concerns with usage. However, the Sheriff's office started using its official bank account for these purposes in 2008 and similar concerns relating to the bank account are noted in MAR finding number 3.

Individual credit card slips were not reconciled to the credit card statement each month, and adequate supporting documentation was not maintained for \$2,823 of the \$3,934 credit card purchases we reviewed. Examples include:

- Satellite television services totaling \$200 charged for personal use. Despite efforts by the county to remove this charge from the county's bill, the county eventually paid the charge plus an additional \$122 in late fees and penalties.
- Charges totaling \$229 for a listing in a registry of outstanding professionals.
- Charges totaling \$134 for fuel, food, and gun range supplies.
- Cash totaling \$90 was obtained from a local grocery store using the credit card. Sheriff's office personnel indicated the cash was obtained for drug buys or criminal investigations.
- Entertainment bargain network fees ranging from \$15 to \$17 a month and video purchases totaling \$48. The Sheriff's office personnel did not know what the network fees were for and indicated the videos were initially purchased for training; however, the videos were never used and were not currently on hand.

In addition, many of the purchases reviewed did not appear to be prudent uses of public funds.

All disbursements should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the disbursements represent appropriate uses of public funds. In addition, county residents place a fiduciary

trust in their public officials to disburse public funds in a necessary and prudent manner.

- D. The county has not developed a formal written policy regarding cellular phone use or guidelines to determine whether a cellular phone is needed or of benefit to the county. The Sheriff was allowed to contact the cellular phone company to set up his own accounts and obtain cellular phones without any review or approval by the County Commission. In addition, the Sheriff did not provide the County Commission with the detailed billings of calls and the billings were not retained. The Sheriff's office maintained five cellular phones and paid these phone bills through use of its credit cards during the 2 years ended December 31, 2007.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment, use, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel and properly used for business purposes. In this policy, the county should consider prohibiting the personal use of cellular phones, except in case of emergency.

- E. The county did not always enter into formal written agreements defining services to be provided and benefits to be received and did not prepare IRS Forms 1099 Miscellaneous for payments made to the Prosecuting Attorney's private law office.
- The Prosecuting Attorney operates the county Prosecuting Attorney's office from his private law office. The county does not have a written agreement with the Prosecuting Attorney outlining what office, personnel, and equipment costs will be provided by the county and what costs will be provided by the Prosecuting Attorney's private practice. The county paid the Prosecuting Attorney \$100 a month during the year ended December 31, 2007. In addition, the county did not prepare IRS Forms 1099 Miscellaneous for these payments.
 - The county does not have a contract with the city of Doniphan for the boarding of county prisoners. The county paid the city of Doniphan \$11,565 and \$12,812 for such services during the years ended December 31, 2007 and 2006, respectively.
 - The county does not have contracts with local fire districts regarding monies distributed to them for search and rescues. The county distributed \$17,500 and \$14,000 to the fire districts during the years ended December 31, 2007 and 2006, respectively.
 - The county does not have a contract with the city of Van Buren regarding monies distributed for road and bridge maintenance. The county distributed

\$14,173 and \$13,745 to the city during the years ended December 31, 2007 and 2006, respectively.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts, signed by the parties involved, should specify the services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- F. The County Commission amended the 2007 and 2006 budgets for various county funds on December 17, 2007, and December 18, 2006, respectively, to reflect increased disbursements made during the year. For example, the County Commission amended the General Revenue Fund and Little Black Rural Fire District Grant Fund disbursements by \$69,000 and \$29,000, respectively, for the year ended December 31, 2007. Budgets for various other funds were also amended. Prior to the amendments, disbursements had already exceeded the original budgets. While the County Commission indicated it monitors the budgets monthly, amendments were not made until the end of the year. Amendments made after disbursements have already exceeded the budgets do not allow for the budgets to be used as an effective management tool.

In addition, the County Commission neglected to submit the 2006 amendments to the State Auditor's office as required by state law.

Case law provides strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, to ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual disbursements.

Conditions similar to D and E were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Ensure adequate supporting documentation is obtained and retained for all disbursements.

- C. Require adequate supporting documentation for all credit card purchases and ensure disbursements are necessary and prudent uses of public funds.
- D. Develop a formal written policy regarding the use of cellular phones, including a provision prohibiting use for personal reasons, and establish a monitoring system for the assignment, use, and acquisition of cellular phones.
- E. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received. In addition, the County Commission should ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS.
- F. Refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended prior to incurring the actual disbursements, and filed with the State Auditor's office.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We solicited bids for some of these items; however, in the future, we will document the bidding process better.*
- B. *We will request and expect adequate supporting documentation be provided for all disbursements.*
- C. *Currently, the Sheriff's office only has fuel credit cards, which we have limited to fuel purchases only, and we are requiring adequate supporting documentation be submitted prior to paying the monthly bill.*
- D. *We will develop and implement a formal written cellular phone policy, including prohibiting personal use. The cellular phone agreement is currently in the county's name, and we will contact the cellular company and request all phone bills be sent directly to the County Clerk's office, which will enable us to better monitor cellular phone costs.*
- E. *We will enter into written agreements with all parties in the future. In addition, we will obtain documentation from the Prosecuting Attorney to indicate the monies paid to him are for office expenses. Therefore, a Form 1099 will not be needed.*
- F. *We monitor budget and actual disbursements for the General Revenue, Road and Bridge, and Assessment Funds on a monthly basis. In the future, we will amend budgets in a more timely manner and monitor other funds.*

The county has not established adequate written personnel policies to address various personnel issues. The county's policy does not address the number of hours to be worked by each employee in a normal day or work week, and as a result, it is not clear when employees should earn overtime. The county's personnel policy states overtime will be paid for all hours worked over the "...normal day's work schedule." The County Clerk indicated courthouse employees are required to work 35 hours a week, while road and bridge and Sheriff's office employees are required to work 40 hours a week. Also, some road and bridge department employees work four 10 hour days and others work five 8 hour days. As a result, some county employees are paid for overtime for hours in excess of 35 hours a week, while others are paid for overtime for hours in excess of 40 hours a week.

In addition, the current personnel policy does not address the number of required hours worked in a year to receive employee benefits. The County Clerk indicated employee benefits are given to employees who work more than 1,000 hours in a year. Further, the current personnel policy does not address how holiday pay is to be handled. Employees of the Sheriff's office, who work on a holiday, are paid double their regular rate of pay. Also, the current personnel policy does not require all employees of the county to prepare timesheets and file them with the County Clerk. Timesheets and records of vacation or sick leave earned, taken, and accumulated are not maintained for the Prosecuting Attorney's secretary.

Detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, avoid misunderstandings, and ensure compliance with the Fair Labor Standards Act. In addition, records of actual time worked and related leave records should be prepared and filed with the County Clerk's office to document work performed and support payroll disbursements.

WE RECOMMEND the County Commission review its current personnel policy and practices and revise the policy as needed. In addition, the County Commission should require the Prosecuting Attorney's secretary prepare and file timesheets and leave records with the County Clerk's office.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will develop a new personnel policy and require the Prosecuting Attorney's secretary to prepare a timesheet.

6.**Property Records and Procedures**

The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. County property records do not include the value of the newly constructed Justice Center. The county's insurance policy valued this building at approximately \$150,000. In addition, the County Clerk has no procedures in place to identify property purchases and disposals throughout the year. For example, the Assessor purchased computer equipment in April 2006, totaling \$8,206, and the Associate Circuit Clerk purchased a document shredder in December 2007, costing \$3,039 which were not added to the capital asset records, nor were these items tagged with a county property tag. While each of the various county departments submitted annual physical inventory reports, these reports were not reviewed for accuracy or used to monitor property additions.

Adequate property records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Property control tags should also be affixed to all capital assets to help improve accountability and ensure assets are properly identified as belonging to the county.

WE RECOMMEND the County Clerk review physical inventory reports received from each of the county departments for accuracy and utilize them to monitor property additions and dispositions. In addition, property control tags should be affixed to all capital assets.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I will try to implement this recommendation.

7.**Treasurer's Salary**

It is unclear whether the County Treasurer should have received a salary increase for the year ended December 31, 2007. Section 54.261, RSMo 2003, allowed for an increase in the County Treasurer's annual salary to \$29,000 for the beginning of her new term in 2007. However, when the salary commission met in November 2005, it did not approve this change in salary, and the County Treasurer's annual salary remained at \$21,460, the salary level set by Section 54.261, RSMo 2000.

WE RECOMMEND the County Commission review this situation with legal counsel to ensure actions taken were in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will obtain a legal opinion.

8. County Clerk Bank Accounts

The County Clerk maintains three bank accounts to process grant monies received for the Justice Center Grant Fund, Siren Warning Grant Fund, and Little Black Fire District Grant Fund. There is no statutory authority that allows the County Clerk to hold these accounts outside the county treasury.

The County Clerk received over \$60,000 and \$179,000 and disbursed over \$90,000 and \$179,000 in the Justice Center Grant Fund and Little Black Fire District Grant Fund, respectively, during the year ended December 31, 2007. The County Clerk received \$15,000 in the Siren Warning Grant Fund during the year ended December 31, 2006, and these monies were not spent as of December 31, 2007.

Special revenue funds should be maintained by the County Treasurer and disbursed only as authorized by a warrant approved by the County Commission and signed by the County Clerk. Section 50.550, RSMo, authorizes the County Commission to establish separate funds as necessary.

WE RECOMMEND the County Commission require the County Clerk to turn over custody of the Justice Center Grant Fund, Siren Warning Grant Fund, and Little Black Fire District Grant Fund bank accounts to the County Treasurer.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The Little Black Fire District Grant bank account has been closed, and we plan to close out the other two bank accounts in the future. In the future, we will ensure all bank accounts are maintained by the County Treasurer.

9. Circuit Clerk Controls and Procedures

The accrued cost list is not accurate and is not reviewed by the Circuit Clerk. The Circuit Clerk has not reviewed the list of open items to ensure monies on hand have been disposed of in a timely manner.

The Circuit Clerk processed receipts totaling approximately \$231,000 and \$50,000 during the years ended December 31, 2007 and 2006, respectively, in civil and criminal case fees, fines, and bonds.

A. The accrued cost list is not accurate and the Circuit Clerk does not review the complete list. Upon our request, the Circuit Clerk requested the Office of State Courts Administrator (OSCA) to generate a report of accrued costs due to the Circuit Clerk as of July 2008; the list totaled \$63,878. The following concerns were identified during our review of five cases included on this report:

- The report included a case with \$350 in costs related to an Associate Court case. A new case number was assigned to the same case by the Circuit Court and the balance paid, but the original Associate Court case had not been voided on the system.
- The report included a case with \$200 due at the end of the defendant's probationary period; however, the defendant was released from probation in June 2007, and no action was taken by the court to collect these monies.
- The report included a case with \$184 due; however, amounts due were paid according to the case file and the defendant's probation officer. The Circuit Clerk indicated she needed to review this case file more thoroughly to determine the error.

To ensure amounts due are accurately recorded and reasonable, and collection procedures are effective, the Circuit Clerk should establish procedures to review the complete accrued cost list.

B. The Circuit Clerk has not reviewed the list of open items she prepares each month to ensure monies on hand have been disposed of in a timely manner. The July 29, 2008 open items list totaled \$17,535, and the following concerns were identified:

- The list included a case which was closed in September 2003; however, \$1,010 was still on hand.
- The list included a case which was closed in June 2007; however, \$297 was still on hand.

Procedures should be adopted to routinely follow-up on old open items and disburse amounts when the applicable case is closed. For unclaimed amounts, various statutory provisions provide for the disposition of unclaimed monies.

WE RECOMMEND the Circuit Clerk:

A. Establish procedures to review the accrued cost list for accuracy.

- B. Establish procedures to review open items on hand and attempt to identify all closed cases with open items and disburse these amounts. Any unclaimed or unidentified monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *On the first case in question, the computer system will not allow me to void any balance or case in the Associate division. I will work with the Associate Clerk to have this amount due voided. On the second case, the restitution is paid through the Prosecuting Attorney's office. I will review the accrued cost listing for any restitution that has been paid through the Prosecuting Attorney's office. On the third case, the costs were duplicated in the system and I have deleted the duplicated costs.*
- B. *The first case in question is a condemnation case and I cannot pay out monies deposited with the court without a pay-out-order signed by the judge. On the second case in question, only a part of the costs have been paid; however, I will send a partial payment of costs due to the applicable parties.*

10. Associate Circuit Court Controls and Procedures
--

Receipts are not always deposited intact or on a timely basis. Monitoring procedures related to accrued costs are not adequate, and the Associate Circuit Clerk does not review the list of open items to ensure monies on hand are disposed of in a timely manner. The Associate Circuit Court did not prepare budgets or publish financial statements for the Law Library and Associate Circuit Court Interest Funds.

The Associate Circuit Court collected and disbursed civil fees, fines, and bonds totaling approximately \$350,000 annually.

- A. Receipts are not always deposited intact or on a timely basis. For example, cash of \$830 received on July 1, 2008, was still on hand during a cash count conducted on July 10, 2008. Other monies received after this receipt had been deposited prior to our cash count. In addition, even though a deposit was made on December 14, 2006, monies received on December 13, 2006, totaling \$951 (including cash of \$489), were held and not deposited until December 18, 2006.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact on a timely basis.

- B. Monitoring procedures related to accrued costs are not adequate. The Associate Circuit Clerk relies on probation and parole officers to ensure monies owed to the court are paid. Upon our request, the Associate Circuit Clerk requested OSCA to generate a report of accrued costs due to the Associate Circuit Court as of

July 2008; the list totaled \$186,132. Four of five cases reviewed had been dismissed by the judge, but were still included on this report.

The Associate Circuit Clerk should establish written procedures for monitoring accrued costs and reviewing the listing for accuracy.

- C. The Associate Circuit Clerk prepares a monthly open items list for the fee account and compares the total open items with the reconciled cash balance of this account; however, she does not review the list to ensure monies on hand are disposed of in a timely manner. The December 31, 2007 open items list totaled \$13,709, and the following concerns were identified during our review of five open items included on the list:

- The list included three cases where checks were written and subsequently voided when the payee had not cashed the checks. No effort has been made to disburse these monies since June 2007.
- The list included a case with a balance on hand which was to be refunded in August 2007.

Procedures should be adopted to routinely follow-up on old open items and disburse amounts when the applicable case is closed. For unclaimed amounts, various statutory provisions provide for the disposition of unclaimed monies.

- D. The Associate Circuit Court did not prepare budgets for the Law Library and Associate Circuit Court Interest Funds for the years ended December 31, 2007 and 2006, and as a result, the County Clerk did not have the needed information to publish financial statements for these funds.

Chapter 50, RSMo, requires officials and the county to prepare annual budgets for all funds and prohibits the disbursement of public funds without an approved budget that has been filed with the State Auditor's office. In addition, Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires receipts, disbursements, and beginning and ending balance information be presented for all funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the Associate Circuit Court:

- A. Deposit all monies intact and in a timely manner.
- B. Establish procedures to routinely follow-up on monies owed to the court and review the accrued cost list for accuracy.

- C. Establish procedures to review open items on hand, and attempt to identify all closed cases with open items and disburse these amounts. Any unclaimed or unidentified monies should be disposed of in accordance with state law.
- D. Prepare budgets and ensure financial information is provided to the County Clerk for published financial statements for the Law Library and Associate Circuit Court Interest Funds.

AUDITEE'S RESPONSE

The Associate Circuit Clerk provided the following responses:

- A. *I will try to deposit intact and more timely in the future.*
- B. *I will review the accrued cost list for additional cases which may have been dismissed and remove them from the list to ensure accuracy.*
- C. *I disposed of these open items when our courts were consolidated a few months ago.*

The Associate Circuit Judge provided the following response:

- D. *This was an oversight and has been corrected.*

11. Prosecuting Attorney Controls and Procedures

Accounting duties are not adequately segregated, receipt slips are not issued for all monies received, and monies received are not always transmitted to the County Treasurer in a timely manner.

The Prosecuting Attorney's office remitted bad check related fees to the County Treasurer for deposit into the Prosecuting Attorney Bad Check Fund totaling approximately \$3,800 and \$5,700 during the years ended December 31, 2007 and 2006, respectively. Bad check restitution is remitted directly to the merchants.

- A. The duties of receiving, recording, and transmitting monies are not adequately segregated. The Prosecuting Attorney's secretary performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.
- B. Prenumbered receipt slips are not issued for all monies received. Receipt slips are only issued for monies received in person. Also, checks and money orders are not

restrictively endorsed immediately upon receipt. Without issuing and accounting for prenumbered receipt slips for all monies collected, the office cannot ensure all monies collected are ultimately accounted for and deposited. Further, to reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- C. Monies received are not always transmitted to the County Treasurer in a timely manner. For example, bad check fees totaling \$865 received in August 2008 were not transmitted to the County Treasurer until October 3, 2008. Several other instances of untimely transmittals were identified. To adequately account for collections and reduce the risk of loss or misuse of funds, monies received should be transmitted to the County Treasurer on a timely basis.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney or an independent person should perform documented reviews of the accounting records.
- B. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Transmit all monies received to the County Treasurer on a timely basis.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *I shall personally and regularly review all bad check records and thereupon place my initials on same.*
- B. *My office now maintains prenumbered receipt slips for all monies received. You may check same whenever you wish. But, we handle no cash; all money orders or cashiers checks are completely filled in and made payable to the creditor or county when we accept same: so, we will not be endorsing them.*
- C. *We handle no cash. All money orders or cashiers checks will be delivered to the proper person on a timely basis. However, we are too busy with other duties to transmit same daily or even weekly.*

The Senior Citizens Service Board does not have written contracts with the two nutrition centers it provided funding to and does not adequately monitor the monies provided. Minutes were not retained for board meetings held during the years ended December 31, 2007 and 2006, and minutes prepared for meetings held during the year ended December 31, 2008, were not signed by the preparer or board president and did not always record the votes cast by each individual board member.

- A. The board has not entered into written contracts with the two nutrition centers it provided funding to and does not adequately monitor the monies provided. The board paid approximately \$21,000 to these two centers during the 2 years ended December 31, 2007.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstanding. In addition, to ensure the board funds are properly disbursed, financial reports documenting how funds are spent should be obtained from the centers and reviewed by the board.

- B. Minutes were not retained for any meetings held during the years ended December 31, 2007 or 2006. The board secretary indicated the board only met in January of each year to approve disbursements. During the year ended December 31, 2008, board minutes were not signed by the preparer or board president and did not always record the votes cast by each individual board member. The minutes typically indicated motions were approved, but a record of how each member voted was not documented.

The board minutes should be signed by the preparer and the board president to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. Section 610.020, RSMo, states the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the official permanent record of decisions made by the board. Therefore, it is imperative the minutes be prepared to clearly document all business and discussions conducted.

A condition similar to A was noted in our prior report.

WE RECOMMEND the Senior Citizens Service Board:

- A. Enter into written contracts for all funding requests that clearly detail services to be performed and the compensation to be paid or benefits received, and require

these entities to provide financial reports documenting how funds provided by the board are spent.

- B. Ensure minutes are signed by the board president or other board member, a record of votes taken is documented, and all minutes are retained.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following responses:

- A. *We will enter into written contracts with the nutrition centers and require them to submit periodic financial reports for the board's review and approval.*
- B. *We will comply with this recommendation.*

13. Senate Bill 40 Board

The Senate Bill 40 Board did not submit budgets to the County Clerk in a timely manner, and as a result, the County Clerk did not have the necessary information to publish financial statements. Board minutes were not signed by the preparer or board president and did not always record the votes cast by each individual board member.

- A. The Senate Bill 40 Board did not submit budgets to the County Clerk for the years ended December 31, 2007 and 2006, in a timely manner, and as a result, the County Clerk did not have the needed information to publish financial statements for these funds.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the board's annual published financial statements and requires receipts, disbursements, and beginning and ending balance information be presented for all board funds. Complete published financial statements are needed to adequately inform the citizens of the board's financial activities and show compliance with statutory requirements.

- B. Board minutes were not signed by the preparer or board president. In addition, board minutes did not always record the votes cast by each individual board member. The minutes typically indicated motions were approved, but a record of how each member voted was not documented.

The board minutes should be signed by the preparer and by the board president to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. Section 610.020, RSMo, states the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the official permanent record of decisions made by the board. Therefore, it is

imperative the minutes be prepared to clearly document all business and discussions conducted.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure financial information is provided to the County Clerk in a timely manner for the published financial statements.
- B. Ensure minutes are signed by the board president or other board member, and a record of votes taken is documented.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following written responses:

- A. *The budget was turned into the County Clerk after the deadline; therefore, it did not get published. The president and secretary of the board will be more diligent in the future to get the budget turned into the County Clerk in a timely manner.*
- B. *We will sign the minutes of the previous meeting after they have been approved. In the future, the secretary will record all votes cast by each individual member, unless all members voted the same.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CARTER COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Carter County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Van Buren.

Carter County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 5,428 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	32,581,060
Personal property		11,696,759
Railroad and utilities		<u>2,261,457</u>
Total	\$	<u><u>46,539,276</u></u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Carter County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50%
General	.0050	None	N/A

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Gene Oakley, Presiding Commissioner		21,140
Eddie Ballard, Associate Commissioner		19,140
Lynn Murdick, Associate Commissioner		19,140
Pauline Peterman, Recorder of Deeds		29,000
Rebecca Simpson-Gibbs, County Clerk		29,000
Ernie Richardson, Prosecuting Attorney		37,000
Greg Melton, Sheriff		36,000
Margie Duncan, County Treasurer		21,200
Dennis McSpadden, County Coroner		8,000
Mary Jo Sanders, Public Administrator		20,000
Jennifer Clark-Williams, County Collector, year ended February 28 (29),	29,000	
George Meyers, County Assessor (1), year ended August 31,		29,688

(1) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Cathy Duncan Terry, Circuit Clerk	51,197
Michael Ligons, Associate Circuit Judge	101,090

The county has entered into a lease purchase agreement for road and bridge equipment. At December 31, 2007, the principal balance of the lease totaled approximately \$150,000. Principal and interest payments are made from the Special Road and Bridge Fund.



Susan Montee, JD, CPA
Missouri State Auditor

SOCIAL SERVICES

Medicaid Provider Monitoring



April 2009

Report No. 2009-39

auditor.mo.gov



Medicaid Provider Monitoring Can Be Improved

Medicaid is a jointly funded state and federal partnership providing health coverage for selected categories of people with low incomes who might otherwise go without medical care. The state's Medicaid Program spent between \$6.7 and \$7.2 billion (approximately split 60 percent federal and 40 percent state) annually over the last several years. The Program Integrity Unit (PIU) of the Department of Social Services, MO HealthNet Division (division) is responsible for monitoring the utilization of Medicaid services in the state. The audit objectives included determining whether the Missouri Medicaid Program has an effective system for (1) preventing improper payments to service providers, and (2) identifying and recouping any improper payments that occur.

Staffing levels and resources limit productivity

PIU analysts told us heavy workloads impacted the timeliness of case reviews and the extent of work performed. An analysis of case assignments showed (1) PIU analysts responsible for provider reviews opened cases, but did not begin working the cases for several months or longer, (2) PIU provider reviews are not always expanded to additional time periods outside the initial review period or to similar providers when concerns are identified, (3) PIU management had inadequate procedures to identify and track open cases, (4) staff primarily conducted desk reviews instead of on-site visits of providers due to a limited or no travel budget, and (5) staff limited record requests from providers due to concern over potential charges for copies. (See page 9)

Problem providers need to be better monitored

The division does not effectively monitor known problem providers or use available sanctions. Concerns identified include (1) there are no established follow-up procedures for providers sent education letters, cited for over billings, or with a previous history of abusive billing practices, (2) re-enrolled providers with past billing problems are not monitored more closely, and (3) few providers are put on prepayment review. (See page 13)

Disqualified Medicaid provider paid \$669,000

In 2004, division staff approved a Medicaid provider that was on the federal Department of Health and Human Services (DHHS) - Office of Inspector General (OIG) disqualified list. The provider remained an active Missouri Medicaid provider until a federal DHHS employee contacted the division in March 2006. The provider was paid a total of \$669,000.

The provider had pleaded guilty to mail fraud related to a federal health program in 1994 and had been placed on the federal OIG disqualified list for 5 years beginning November 1995. The provider had not applied for removal from the disqualified list at the end of the disqualification period. A division official said the provider's approval in 2004 was a mistake and could provide no explanation why the approval occurred. Division officials are seeking reimbursement for payments made to the provider. As of January 2009, the Administrative Hearing Commission case remained open. (See page 23)

**Missouri's False Claims Act
does not mirror federal act**

The 2007 Missouri General Assembly enacted legislation modifying existing state Medicaid fraud laws to include false claims act provisions. However, state law does not include required provisions to allow Missouri to retain an additional 10 percent of funds recovered under the act. To encourage states to pass false claims act legislation, the Federal Deficit Reduction Act of 2005 included provisions allowing states which pass laws that mirror the Federal False Claims Act to keep 10 percent more than the Medicaid matching rate of monies recovered from cases that are settled or prosecuted under the state act. (See page 27)

All reports are available on our Web site: auditor.mo.gov

Contents

State Auditor's Letter		3
<hr/>		
Chapter 1		4
Introduction	Claim Submission and Review	4
	PIU Responsible for Monitoring Utilization	5
	Other Review Responsibilities	7
	Scope and Methodology	8
<hr/>		
Chapter 2		9
More Effective Use of	Management Decisions Not Supported by Cost-Benefit Analysis	9
Resources and Improved	Staffing Levels and Resources Limit Productivity	9
Prioritization Could	More Fraud Training Would Be Beneficial	13
Benefit PIU Efforts	Problem Providers Need to Be Better Monitored	13
	Providers Are Not Required to Re-Enroll	15
	Conclusions	15
	Recommendations	16
	Agency Comments	16
<hr/>		
Chapter 3		20
Weaknesses in Collection	Collection Process Needs Improvement	20
	Conclusions	21
Process Impacts	Recommendation	21
Recoveries	Agency Comments	22
<hr/>		
Chapter 4		23
Other Management and	Disqualified Medicaid Provider Paid \$669,000	23
Statutory Weaknesses	MMIS Edit Weaknesses	23
	Managed Care Encounter Data Not Reviewed	26
	Missouri's False Claims Act Does Not Mirror Federal Act	27
	FAD System Contract Included Items Not Used	29
	Conclusions	31
	Recommendations	32
	Agency Comments	33

Abbreviations

AGO	Attorney General's Office
AHC	Administrative Hearing Commission
AIDS	Acquired Immune Deficiency Syndrome
CFR	Code of Federal Regulations
CMS	Center for Medicare and Medicaid Services
CSR	Code of State Regulations
DHHS	Department of Health and Human Services
DLS	Division of Legal Services
FAD	Fraud and Abuse Detection
GAO	Government Accountability Office
MFCU	Medicaid Fraud Control Unit
MMIS	Medicaid Management Information System
OIG	Office of Inspector General
PDW	Physical Disability Waiver
PIU	Program Integrity Unit
PO	Program Operations
ROI	Return on Investment
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SPAR	System Problem Assistance Requests



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Ronald J. Levy, Director
Department of Social Services
Jefferson City, Missouri

Missouri spends more than \$6.5 billion annually on Medicaid services. The Program Integrity Unit (PIU) of the Department of Social Services, MO HealthNet Division (division) is responsible for monitoring the utilization of Medicaid services in the state. The audit objectives included determining whether the Missouri Medicaid Program has an effective system for (1) preventing improper payments to service providers, and (2) identifying and recouping any improper payments that occur.

PIU decisions and results could be improved through (1) use of return on investment analysis, (2) evaluating and addressing staffing level and resource needs, (3) more fraud training, (4) better monitoring of problem providers, and (5) requiring re-enrollment of providers. In addition, collection procedures on overpayment amounts past due from providers need improvement to ensure monies are appropriately recovered. Various management and control weaknesses have resulted in (1) a disqualified provider being approved and paid as an eligible provider, (2) exception reports not being reviewed and system changes not being made timely, and (3) managed care claims activity not being reviewed. Further, the state's False Claims Act does not meet criteria set by the federal government to allow additional state reimbursement, and implementation of the state's fraud and abuse detection system took longer than planned with the division exchanging original contract items for other services.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer. Key contributors to this report were Jon Halwes, Norma Payne, Kelly Davis, and Dana Wansing.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

Introduction

Medicaid is a jointly funded state and federal partnership providing health coverage for selected categories of people with low incomes who might otherwise go without medical care. The state's Medicaid Program spent between \$6.7 and \$7.2 billion (approximately split 60 percent federal and 40 percent state) annually over the last several years.

Title XIX of the Social Security Act requires states to offer certain basic services to the needy population in order to receive federal matching funds. States may receive additional federal Medicaid matching funds if they elect to provide other optional services. Pursuant to 42 Code of Federal Regulations (CFR) Part 455.13, a state Medicaid agency is required to have (1) methods and criteria for identifying suspected fraud cases, (2) methods for investigating these cases, and (3) procedures, developed in cooperation with state legal authorities, for referring suspected fraud cases to law enforcement officials. The U.S. Department of Health and Human Services (DHHS) - Centers for Medicare and Medicaid Services (CMS) oversees the Medicaid Program for the federal government. The Department of Social Services, MO HealthNet Division¹ (division) has state responsibility for the program.

Claim Submission and Review

Providers submit Medicaid claims requesting payment in one of three forms:

- Point of Sale System - claims are submitted electronically by pharmacies using an on-line system with real time processing.
- Electronically - claims are submitted through the state contractor, or by entering claim information into the Medicaid Management Information System (MMIS).
- Paper - claims are submitted using standardized paper forms applicable to the type of claim. Claims submitted on paper forms are keyed manually into the MMIS. Pharmacies are not allowed to submit paper claims.

Prior to payment, Medicaid claims go through various system edits in the MMIS to identify potential incomplete or invalid program billings. Each edit is assigned a status code that determines whether a claim is to be paid, denied, or suspended.² Division management determines the status code assigned to the edits. The modification of edits occurs upon formal request

¹ Effective September 1, 2007, the Division of Medical Services was renamed the MO HealthNet Division as part of the Missouri Health Improvement Act of 2007.

² This process is referred to as claim disposition.

from division employees. Requests to research an MMIS processing issue (for example payment errors, denied claims, etc.) are submitted on System Problem Assistance Requests (SPARs).

PIU Responsible for Monitoring Utilization

The division's Program Integrity Unit (PIU) is responsible for monitoring the utilization of Medicaid services in the state. As described in 42 CFR Parts 456.1 through 456.23, the PIU is to determine the propriety of claims reimbursed by the Medicaid Program. At January 2008, the PIU consisted of 24 staff with 14 staff dedicated to provider reviews.

Medicaid providers are selected for review based upon referrals, exception reports, and/or other system generated reports. Referrals concerning possible misutilization may be received from providers, recipients, consultants, division employees, and staff from other agencies. Exception reports are produced on providers that have unusual patterns of utilization, or deviate from established norms. The PIU uses exception reports from a fraud and abuse detection (FAD) system and the MMIS to evaluate providers for potential overpayments.

Post-payment review process

A post-payment review of Medicaid claims is performed on selected providers or projects to determine program compliance. These reviews are completed by either a desk or field review.

Evaluation criteria are based on the specific requirements stated in each program's Missouri Medicaid Manual and updated by Missouri Medicaid Bulletins. All programs are evaluated for adequate documentation as defined in 13 Code of State Regulations (CSR) 70-3.030, Section (2)(A), which defines adequate documentation (in part) as, "...documentation from which services rendered and the amount of reimbursement received by a provider can be readily discerned and verified with reasonable certainty. Adequate medical records are records which are of the type and in a form from which symptoms, conditions, diagnosis, treatments, prognosis, and the identity of the patient to which these things relate can be readily discerned and verified with reasonable certainty."

Fraud³ is an intentional deception, false statement or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to oneself or another person. Waste and abuse³ are practices that are inconsistent with professional standards of care; medical necessity; or sound fiscal, business, or medical practices; and that constitute an over-utilization of services, resulting in unnecessary costs.

³ As defined by various CMS sources.

	<p>The PIU is responsible for ensuring the appropriateness and quality of service are also considered for the claims being reviewed. If a question regarding the quality of service, medical necessity or medical interpretation exists, the case is referred to the division's contracted medical consultant(s) for review. The division also has a doctor on staff for medical referrals. Improper payments include inadvertent errors, such as duplicate payments and miscalculations; payments for unsupported or inadequately supported claims; payments for services not rendered; and payments to ineligible beneficiaries.</p>
Post-payment review may result in administrative action	<p>The outcome of a post-payment provider review may include one or more administrative actions or sanctions including (1) determination of overpayment, (2) withholding of future payments, (3) transfer to closed-end agreement, (4) provider education, (5) placement on prepayment review status, (6) referral to another state or federal agency, and (7) suspension or termination of the provider's Medicaid participation agreement.</p> <p>If the review findings question the provider's license or certification, an appropriate referral is made to the state's Department of Insurance, Financial Institutions and Professional Registration. If the review findings question the practitioner's Bureau of Narcotic and Dangerous Drugs prescribing privileges, the appropriate referral is made to that state agency. If a question of potential fraud exists, the case is referred to the Attorney General's office (AGO), Medicaid Fraud Control Unit (MFCU). The PIU regularly meets with the MFCU to discuss providers suspected of fraud. The MFCU accepts 20 to 25 cases per year from the PIU.</p>
Overpayment collection and reporting procedures	<p>If an overpayment is identified, a certified mailing is sent to the provider outlining the error(s) noted in the review and informing the provider of the total amount overpaid. The provider is also notified of repayment options available, as outlined in 13 CSR 70-3.030, Section (6).</p> <p>Upon receipt of the overpayment notification, the provider has 45 days to remit payment to the division. If, after 45 days, the provider has not remitted payment, the overpayment due is to be established in the MMIS system and withheld from current payments due the provider. If, after 3 months, the provider has discontinued billing, the overpayment is to be forwarded to the department's Division of Legal Services (DLS) for further referral to the AGO for collection or possible litigation, and the provider is terminated from participation in the program.</p> <p>When an overpayment is identified, the overpayment amount must be reported as an offset to expenditures. States are required by 42 CFR Parts 433.312, 433.316, and 433.320, to refund the federal share of overpayments</p>

	<p>within 60 days of discovery even if the state has not recovered the overpayment from the provider. Under federal guidelines, the state does not have to return the federal portion of an overpayment if during the 60-day period, the overpaid provider filed for bankruptcy or went out of business and the state followed required efforts to collect the overpayment.</p>
Pre-payment reviews of claims	<p>Prepayment review, as authorized in 13 CSR 70-3.030, Section (4) (J), is a means by which a specific provider's claims are reviewed by a division contracted consultant prior to payment to determine the reasonableness and appropriateness of services and charges. In such cases, division consultants monitor all claims submitted and payment is denied for all incorrectly billed services. Whether a provider is placed on prepayment review depends on the type of error and the benefit to the division in initiating the procedure.</p>
Other Review Responsibilities	<p>The division has separate units (Pharmacy, Managed Care, Nursing Home Policy and Reimbursement, and Hospital Policy and Reimbursement) that handle some expenditure review activity outside of the responsibilities of the PIU. The division's Provider Enrollment Unit is responsible for determining and monitoring provider eligibility. During fiscal year 2008, the program had about 39,000 enrolled providers. Some providers are approved for a specific period of eligibility while others have open-ended eligibility. Providers with open-ended enrollment are not required to be re-enrolled at a future date.</p> <p>The division contracts with vendors for inpatient hospital utilization reviews and approvals and pharmacy prescription drug claim evaluation.</p>
Managed care	<p>Approximately half of Missouri's Medicaid recipients receive services through managed care. The division plans to transition more recipients to managed care over the next several years. Under managed care, recipients select a health plan and a primary care provider within the plan to access healthcare services. The state pays the health plans an amount per person each month to cover all health benefits (capitation payment); as such, the state is not at risk for healthcare costs beyond the monthly capitation payment. Health plans must ensure each enrollee has access to a comprehensive benefits package and 24-hour access to necessary covered services. The health plans contract with doctors, hospitals, pharmacies and other providers. The managed care providers submit encounter data to the division for services provided to recipients.</p>

Scope and Methodology

We reviewed state and federal regulations related to provider enrollment and PIU operations. We performed research to identify fraudulent practices occurring in the healthcare industry. We obtained audit reports prepared by other state auditors and federal agencies covering Medicaid provider issues and used the findings in those reports to identify possible review areas. We reviewed the contracts and division procedures for the post-payment analysis software, inpatient hospital approval and pharmacy claims, and spoke with representatives of the vendors. We obtained selected expenditure data for calendar years 2004 to 2007 to analyze for trends or potential problem providers.

To analyze the procedures and records of the PIU, we interviewed all PIU staff and reviewed the logs and other documents maintained by the unit. We contacted Medicaid PIU representatives in Arkansas, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Nebraska, North Carolina, Ohio, Oklahoma, Tennessee, and Texas to determine their staff sizes, budgets, procedures, and annual recoveries.

To evaluate overpayment collection procedures, we discussed procedures with department and PIU staff and reviewed documentation. We also reviewed collection procedures for Medicaid overpayments with the DLS and the AGO. We reviewed records covering 2005 to 2007.

To evaluate provider enrollment procedures, we interviewed PIU staff and compared Missouri's procedures to those used in other states.

To analyze MMIS edits, we reviewed the default status of all edits as of specific dates in 2006 and 2008 and reviewed edit change and review procedures and policies. We obtained a database of SPARs from June 2004 to October 2006 to identify requests that remained uncompleted for extended periods and the potential impact of those delays.

To evaluate managed care claims analysis, we discussed procedures with applicable division staff, and reviewed external quality review reports and the completeness of encounter claim data.

To evaluate Missouri's False Claims Act, we compared it to the federal government's act and similar acts established in other states. We contacted officials in 16 states (Arkansas, California, Delaware, Florida, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Montana, Nevada, New Mexico, New Hampshire, Tennessee, Texas, and Virginia) with false claims acts as part of this analysis.

More Effective Use of Resources and Improved Prioritization Could Benefit PIU Efforts

Identification of fraud and overpayments could be improved through (1) the use of return on investment (ROI) analysis in operational decisions, (2) evaluating and addressing staffing level and resource needs, (3) more fraud training, and (4) better monitoring of problem providers. Requiring providers to periodically re-enroll could also benefit the program.

Management Decisions Not Supported by Cost-Benefit Analysis

PIU and division officials have based operational decisions upon costs without considering savings, benefits, or calculating the ROI to determine if the benefit produced outweighs the associated costs. Division officials could not provide cost-benefit analyses supporting several decisions made including:

- Elimination of most on-site provider visits
- Not participating in the National Association of Medicaid Program Integrity⁴
- Limited use of prepayment review before paying providers

Division officials said budget concerns resulted in these areas being reduced or eliminated. When a division official was asked to support a reported PIU calculation of \$500,000 for ROI of adding each new PIU employee, the official responded, "We have no actuarially sound formula for calculating or reporting ROI..." The Government Accountability Office (GAO) has reported that calculating a ROI can determine the effectiveness of program integrity activities.⁵ ROI identifies the dollars saved for each dollar spent. It will also ensure management decisions are supported by the benefit. ROI is one of six major strategies the CMS Medicaid Integrity Group reported using for the Comprehensive Medicaid Integrity Plan.⁶

Staffing Levels and Resources Limit Productivity

PIU analysts told us heavy workloads impacted the timeliness of case reviews and the extent of work performed. An analysis of case assignments showed (1) PIU analysts responsible for provider reviews opened cases, but did not begin working the cases for several months or longer, (2) PIU provider reviews are not always expanded to additional time periods outside the initial review period or to similar providers when concerns are

⁴ The purpose of the association is to assist states in providing the greatest control of fraud or abuse for the Medicaid Program. Annual dues per member are included in the cost of attending the organization's annual conference or \$25 per year.

⁵ GAO, *Medicaid Integrity, Implementation of New Program Provides Opportunities for Federal Leadership to Combat Fraud, Waste, and Abuse*, GAO-06-578T, March 28, 2006.

⁶ Centers for Medicare and Medicaid Services, Center for Medicaid and State Operations Medicaid Integrity Group, *Comprehensive Medicaid Integrity Plan of the Medicaid Integrity Program*, FY 2006-2010, July 2006.

identified, (3) PIU management had inadequate procedures to identify and track open cases, (4) staff primarily conducted desk reviews instead of on-site visits of providers due to a limited or no travel budget, and (5) staff limited record requests from providers due to concern over potential charges for copies.

Provider reviews not always timely

Supervisors have instructed PIU analysts to open approximately 3 cases per month. Our analysis showed analysts frequently opened cases, but did not actively work them for months. Case records showed post-payment review time for cases frequently exceeded 180 days. A PIU supervisor said the general expectation was for cases to be opened and closed within 3 months and no longer than 6 months. Analysts said they opened cases because it was expected, but heavy workloads, extended leave and other assignments did not allow for some cases to be processed in a timely manner.

Examples of untimely program reviews include:

Hospital Outpatient Expenditures

Staff said outpatient hospital charges were not regularly reviewed by the PIU from January 2004 through May 2006. An analyst conducted a review of one outpatient code resulting in overpayments of \$87,142. The review started May 22, 2006 and completed January 30, 2007, determined all providers reviewed had a billing error. The scope of the review included billings from September 1, 2003 through March 10, 2006. The review was not expanded to cover more current time periods, or additional outpatient codes (see page 11 for further discussion of expanding reviews).

Waiver Reviews

The fiscal year 2004 and 2005 Physical Disability Waiver (PDW) reviews were not completed until fiscal years 2007 and 2008, respectively. The fiscal year 2004 acquired immune deficiency syndrome (AIDS) waiver review was not completed until fiscal year 2007. The state's waiver agreements with the federal government require the division to monitor compliance with requirements of each waiver.

A PIU official said these reviews were not a priority and due to limited resources the PIU focused on reviews which yielded the highest returns. The fiscal year 2005 PDW review identified overpayments of \$56,305. The fiscal year 2004 AIDS waiver and PDW reviews identified overpayments of \$33,268 and \$36,018, respectively. In March 2008, PIU staff said the fiscal year 2005 AIDS waiver review began in July 2007 but was not yet complete and the 2006 review had not been started.

Reviews not expanded

Identified errors were not always expanded to other time periods for that provider or like providers. When PIU analysts identified errors during a provider review, the analysts told us they did not always expand the review on that provider to other time periods or review other providers for the same error because of a lack of time to complete their current workloads. Four of 12 analysts told us they had expanded the review period for a provider after errors had been identified.

Examples of reviews not being expanded include:

- In February 2007, the PIU began a review of payments to nursing home providers when recipients were hospitalized and not in the home. The review started after a nursing home self reported a problem and included all nursing home providers. As of early 2008, the review was still open with identified overpayments of \$806,000. PIU staff said the review was not expanded to periods after December 2005 because of the time consuming case review process.
- In February 2007, the PIU completed a review of a durable medical equipment provider resulting in an overpayment of \$45,436 for improperly billed services. Although the review did not begin until August 2006, the review only included billings for July 1, 2005 through December 31, 2005. The PIU analyst said the review had been limited to the original billing period selected for review.

Procedures to identify open cases need improvement

The PIU lacked a process to track open cases by analyst and to identify cases that remained open when analysts ended their employment. PIU staff relied upon pre-set system reports that showed cases opened, closed, and remaining open during the month, but did not identify individual cases. A PIU supervisor said it is her personal practice to get a summary of pending cases from staff who terminate and reassign the case. However, the supervisor said there is no written policy or procedure to identify the open cases.

We identified cases remaining open after analysts left and these cases were not included on the PIU monthly report. PIU staff closed the majority of these cases without further action after we discussed the issue with PIU supervisors. PIU officials said since October 2008 a report is now run quarterly to enhance tracking of cases.

On-site provider reviews infrequent

Provider reviews are impacted due to limited on-site reviews. PIU analysts said they primarily perform desk reviews of providers instead of on-site reviews because of little or no travel budget. In April 2002, division administration directed that all on-site reviews be cancelled or delayed until

notified to proceed. The PIU received a similar notification again in February 2003. During fiscal year 2005 through fiscal year 2007, PIU analysts told us they could do on-site reviews only if the review did not involve an overnight stay and could be performed in less than 12 hours for one day. Division officials could not provide documentation of a cost-benefit analysis to support the decision to reduce travel funding.

The analysts said more overpayments were identified when records were reviewed on-site. In September 2007, a PIU official said a small amount of funding was made available for increasing field reviews, but funding is not sufficient for providing this function on a full-time basis. The PIU official said the fiscal year 2009 budget did not include requests for funding on-site visits.

Copy costs a concern

The number of records reviewed on provider cases is limited. PIU analysts said supervisors have instructed them to limit most record requests to 25 or 30 items over concern providers will charge the state for copy costs.

The state's agreement with Medicaid providers requires them to furnish, on request, information regarding payments claimed. Section 191.227.2, RSMo, allows healthcare providers to condition the furnishing of a patient's health care records to the patient, the patient's authorized representative, or any other person or entity authorized by law to obtain or reproduce such records upon payment of a fee to cover copy or other costs associated with providing the information. During fiscal years 2005 and 2006⁷ the division paid a total of about \$5,300 for medical record copies.

Arkansas has addressed this cost concern through a provision in its Medicaid Fairness Act which requires providers to supply records at their own cost during a review.⁸ An Iowa Medicaid employee told us providers are not allowed to charge the program for copy costs; however, he indicated this provision is not in the provider contracts or specifically covered by a state law. A division official said provider agreements could be amended to limit the ability of providers to charge for copies.

⁷ Division officials did not provide copy cost information for fiscal years 2007 and 2008.

⁸ The law allows the provider to bill for copy costs if records are requested more than once on the same review.

More Fraud Training Would Be Beneficial

PIU staff lack training on identification of specific fraudulent activity. A December 2004 report⁹ by the General Assembly's Joint Committee on Legislative Research, Oversight Division reported staff training received was based on the capabilities of the new FAD system and the PIU lacked training to identify potential fraudulent activity. The report recommended division staff receive training from the Attorney General's MFCU. Our analysis of training logs for 2005 to 2007 and part of 2008 showed while training was provided by the state contractor for the state's FAD system as a part of weekly meetings, limited outside fraud training was obtained and no training had been provided by the MFCU. Minutes from PIU and MFCU joint meetings show PIU officials requested fraud training on two occasions. MFCU staff told us no training took place because PIU staff did not identify specific training requests. A PIU official said outside fraud training is provided based on funding availability. The official said since March 2008, PIU staff has begun to receive training through the federal government's newly established Medicaid Integrity Institute.

Problem Providers Need to Be Better Monitored

The division does not effectively monitor known problem providers or use available sanctions. Concerns identified include:

- There are no established follow-up procedures for providers sent education letters, cited for over billings, or with a previous history of abusive billing practices.
- Re-enrolled providers with past billing problems are not monitored more closely.
- Few providers are put on prepayment review.

The GAO¹⁰ has reported some state Medicaid agencies increase the monitoring and review of providers that have been identified as having significant billing problems if they remain in the program.

No established follow-up policy

The PIU did not have specific written guidelines for determining the extent and comprehensiveness of follow-up reviews and identifying which providers require a follow-up review. A PIU official said analysts are to follow-up on cases as much as time allows. However, no tracking process is in place to evaluate if follow-up reviews are occurring. Our analysis showed 5 of 12 analysts regularly or occasionally performed follow-up reviews on

⁹ Oversight Division, Joint Committee on Legislative Research, Program Evaluation, *Medicaid Fraud Program Follow-up*, December 2004.

¹⁰ GAO, Medicaid Program Integrity, *State and Federal Efforts to Prevent and Detect Improper Payments*, GAO-04-707, July 2004.

problem providers. PIU analysts said time spent on current cases prevented the review of old cases and/or ongoing monitoring to ensure problem providers had corrected billing practices.

A representative from the PIU in Ohio said providers under indictment or that have had previous billing problems are more closely monitored in that state. The official said it is too difficult to recoup money once the provider is paid. Providers under indictment are subject to prepayment review which could require the provider to submit documentation that services were rendered. The official said the concern was not the cost of monitoring, but how much it would have cost the Medicaid Program if the problem providers were not monitored.

Re-enrolling providers with past billing problems not monitored

The PIU has no procedures to monitor providers with prior billing problems that re-enroll in the Medicaid Program once prior overpayment debts are resolved. A PIU analyst said former providers that had previous overpayments can easily re-enroll once overpayments are paid. Analysts also said these providers will be monitored like any other provider with no additional scrutiny.

Prepayment review is limited

Few providers are placed on prepayment review. PIU staff said prepayment reviews are infrequently established because of the contracted consultant costs for handling the reviews. Division officials said a cost-benefit analysis has not been prepared to support the limited use of prepayment review. The PIU staff said they placed only 2 providers on prepayment review in 2006 and 8 in 2007.

In September 2004, the MFCU recommended the PIU place a psychology services provider on prepayment review. Documentation in the PIU's file on the provider showed a PIU supervisor concluded the division needed to limit expenditures to the psychology consultant and therefore did not place the provider on prepayment review status. In March 2006, the provider pleaded guilty to 3 counts of health care fraud following a MFCU investigation, and was terminated from the Medicaid Program for 5 years and ordered to pay restitution of \$3,356.

Division officials said as of early 2009, 55 providers were on prepayment review, including 43 ambulance services, 7 physicians and 5 psychologists. Hired consultants handle the psychology reviews while division employees or the MMIS contractor staff handle the ambulance and physician reviews.

Providers Are Not Required to Re-Enroll

Missouri Medicaid providers with open-ended eligibility dates are not required to periodically re-enroll. Re-enrollment allows states to periodically verify provider information such as medical specialty credentials, addresses, and ownership and licensure status.

A 2004 report¹¹ by the GAO reported 25 states require at least some Medicaid providers to re-enroll or re-certify. We contacted Medicaid staff in Missouri's contiguous states about their provider enrollment procedures. Medicaid staff from 3 (Illinois, Kentucky, and Oklahoma) of 7 states contacted said their programs limit the length of time certain providers are enrolled. Illinois uses a 180 day probationary period for high-risk providers, while Kentucky and Oklahoma require re-enrollment or re-certification at least every 3 years.

A PIU analyst said as part of sending letters to psychology service providers on a review project, 25 of about 560 letters were returned as undeliverable by the post office. A division employee said the provider enrollment unit does not have enough staff to require providers to periodically re-enroll.

Conclusions

PIU and division officials have based operational decisions on costs without considering potential savings or calculating the ROI.

Staffing and funding limitations have negatively impacted the timeliness of case reviews, the ability to perform on-site work at providers, the ability to expand reviews when overpayments are detected, and potential recoveries.

Poor tracking of cases has resulted in cases remaining open for extended periods when analysts leave the PIU. Unit staffing levels may limit the number of cases the PIU can work at one time, but timely identification and tracking of open cases would allow unit management to prioritize which cases will be reviewed.

Limiting record requests from providers due to concerns over potential copy costs is unnecessary. Other states have taken either legislative or administrative actions to eliminate or limit copy costs.

Specific fraud training enhances PIU analysts' ability to detect and identify provider fraud or abuse. The training analysts are now receiving through the Medicaid Integrity Institute should benefit the state's program integrity efforts.

¹¹ GAO, *Medicaid Provider Integrity - State and Federal Efforts to Prevent and Detect Improper Payments*, GAO-04-707, July 2004.

The PIU had not developed increased monitoring procedures for providers with past billing problems. These providers are a higher risk for potential fraud or abuse and need additional scrutiny from division staff.

Other states periodically re-enroll providers to obtain up-to-date provider information.

Recommendations

We recommend the Director of the Department of Social Services:

- 2.1 Evaluate the ROI when making decisions on the operation of the PIU.
- 2.2 Evaluate the staffing and funding needs of the PIU which would include:
 - The need for more staffing and/or specialized staffing
 - Funding to perform on-site provider reviews
 - Work redistribution and prioritization
 - Increased in-house and external (from MCFU and others) fraud identification training
- 2.3 Improve case tracking to ensure provider reviews are reassigned and prioritized when analysts leave employment.
- 2.4 Seek legislative change or amend the provider participation agreement, as necessary, to require providers to supply copies of records at no cost to the PIU.
- 2.5 Improve monitoring of problem providers by:
 - Establishing specific follow-up procedures on providers with identified overpayments
 - Establishing specific monitoring procedures for re-enrolled providers with past billing problems
 - Expanding the use of prepayment reviews
- 2.6 Evaluate implementing a periodic provider re-enrollment process for at least high-risk providers.

Agency Comments

- 2.1 *We partially agree with this recommendation. The department agrees that calculating a return on investment is a wise strategy to ensure best use of limited resources available for expenditure. The PIU routinely evaluates and focuses efforts toward projects yielding the greatest return. As recently as December 2008, PIU analyzed work*

distribution based on return on investment, trend analysis, and referrals.

The report indicated operational decisions were made based upon costs without considering savings, benefits, or calculating the return on investment (ROI) to determine if the benefit produced outweighs the associated costs. Specific instances cited in the report included reduction of on-site provider visits, not participating in a national association for Program Integrity, and limited use of prepayment review of providers. These are all items that are paid from the division's operating budget for administration of the program.

The operation of the PIU is reliant upon appropriation of funds from the Missouri General Assembly. The funds available for PIU are included in the Administration appropriation. The department cannot redirect funds from other appropriation lines for administration of the program. When fewer administrative dollars are available as was the case in past fiscal years, the department must make tough decisions and reduce expenditures and live within its budget authority. Those items cited in the report were ways the department reduced expenditures during tough economic times while maintaining core operations within the PIU.

The division did not eliminate travel for on-site provider visits but looked at ways that would not require the expense of overnight stays. Staff could and did do on-site reviews of providers that did not require an overnight stay. In some instances, PIU was able to use staff from other divisions within the Department of Social Services to collect records in other locations that would have required an overnight stay by PIU staff.

The sanction of a prepayment review was not eliminated in its entirety, but was used strategically because of the cost associated with hiring a consultant as a peer reviewer of the provider's claims.

- 2.2 *We partially agree with this recommendation. In the state fiscal year 2010 budget, the department requested and the Governor recommended funding for four new positions to increase the capabilities of the unit to detect and eliminate waste, fraud and abuse in the MO HealthNet Program. The request funds two auditors and two investigators to expand on site reviews and increase recoveries by approximately \$1.6 million annually. The department is hopeful that this budget request will be funded by the General Assembly.*

The PIU routinely reassesses workloads and priorities. As recently as December 2008, PIU analyzed work distribution based on return on investment, trend analysis, and referrals. As this report recommended in 2.1, return on investment is a critical tool for prioritizing work load. Delay in completion of low return projects will occur as staff is redirected to higher return projects. By taking this very pragmatic approach, the impact to the program increased steadily over time as demonstrated in the following chart.

DSS MO HealthNet Program Integrity and Cost Recovery

<i>Fiscal Year</i>	<i>Cost Avoidance</i>	<i>Cost Recovery</i>	<i>Total</i>
2004	\$84,708,463	\$38,035,986	\$122,744,449
2005	\$90,904,620	\$41,084,920	\$131,989,540
2006	\$123,377,373	\$63,289,433	\$186,666,806
2007	\$142,884,088	\$54,060,109	\$196,944,197
2008	\$162,255,546	\$47,689,870	\$209,945,416

In addition to the training PIU staff are taking advantage of through the Medicaid Integrity Institute, PIU is coordinating a fraud training session for staff to be provided by MFCU.

- 2.3 *We agree with this recommendation and it has been implemented. The reporting system used by PIU now generates reports by analyst. In October 2008, PIU implemented a process to generate an open case report on a quarterly basis to enhance tracking of cases. At the time an analyst terminates employment with PIU, the supervisor identifies the analyst's open cases by running the open case report to reassign to another analyst.*
- 2.4 *We disagree with this recommendation. Within the last year, the PIU has obtained two scanners for on-site audits which are no cost to PIU for copying records and PIU does not limit record requests based on the number of pages. While the department does recognize the cost to providers, not all providers charge for copies. Since January 1, 2009, PIU has received 10 provider reimbursement requests for supplying copies of records for a total of \$225.*
- 2.5 *We partially agree with this recommendation. Providers with past problems have always been included in the regular reporting of suspicious claims. If a provider continued past billing behaviors that resulted in an overpayment, any problem claims would again be identified in the reports generated from the Fraud and Abuse Detection System. Generally, the identification of suspicious claims*

through the Fraud and Abuse Detection System was how the provider was originally targeted.

In total there are almost 40,000 enrolled providers. In state fiscal year 2008, the PIU conducted 337 provider review projects that encompassed 4,653 providers. PIU has 17 full-time equivalent employees to conduct those activities. As was indicated in recommendations 2.1, 2.2 and 2.3, the work of PIU is targeted to those activities with the highest return. We are concerned that including providers without indication of continuing problems as identified through the Fraud and Abuse Detection System would have diminishing returns. Typically, overpayments are not the result of providers intending to defraud the program. Once an error is identified and brought to attention, providers generally correct their billing practices and there is no need for further follow-up.

The PIU will evaluate its policies to determine if there are instances in which a further review of a provider is warranted even though their on-going claims are not appearing in suspicious activity reports.

- 2.6 We agree with this recommendation. The department will evaluate implementing a periodic provider re-enrollment process for at least high-risk providers.*

Weaknesses in Collection Process Impacts Recoveries

	Collection procedures for overpayment amounts due from providers need improvement to ensure monies are appropriately recovered.
Collection Process Needs Improvement	Bad debt referrals have not always been timely, the overpayment tracking process lacks key reconciliations and controls, and available resources have not always been used.
Action taken for collection not always timely	<p>Our review of outstanding receivables indicated PIU analysts did not always follow collection referral guidelines and did not refer cases for collection timely. The PIU's system did not automatically notify analysts when it was time to take the next step in the collection process. Instead, the unit has relied on analysts to identify those cases that should be referred for collection. PIU analysts said unit procedures had required them to monitor cases for collections and attributed the delays to their work loads and higher priority assignments.</p> <p>Providers receive an overpayment letter when PIU analysts identify an overpayment. If a provider fails to respond to the overpayment letter after 45 days, PIU staff is supposed to recoup the receivable from payments that may be due the provider for other claims. If the provider is no longer billing, the analyst notifies the provider to pay by certified check or money order. The PIU allows 3 months¹² to lapse before referring the debt to the DLS for collection.</p> <p>PIU supervisors said beginning April 2007, and fully implemented in early 2008, receivable and collection functions were consolidated with two unit staff (an analyst and account clerk) to improve the collection process. In addition beginning in March 2008, once collection efforts have been determined unsuccessful, a letter is sent giving the provider 30 days to pay any balance due.</p>
System lacks controls	<p>PIU receivable and collection information is tracked in both the MMIS and PIU case tracking database. However these systems are not linked and had not been reconciled to identify errors. Our review of the case tracking database indicated:</p> <ul style="list-style-type: none"> • The system design made it difficult to track individual collection amounts and the method of collection (actual payments or withholding from subsequent claims).

¹² Prior to late 2007, the time period allowed was 6 months.

-
- The system formula logic did not always result in accurate receivable balances or alert staff to incorrectly entered dates or amounts outside of reasonable field parameters.
 - The system could not provide an aging of receivables.

As a result, receivable information in the database had inaccuracies. PIU analysts said they tracked some payment information in manual case files due to system limitations. A PIU official said staff has now begun a process to regularly reconcile information in the two systems.

PIU does not use resources available

The PIU does not use the MMIS system to automatically generate letters to providers with outstanding receivable balances. The letters could help the PIU meet federal regulations for documentation of collection efforts in the first 60 days. PIU officials said they did not use these letters because of concern about sending letters to providers with an Administrative Hearing Case (AHC) case that had an active stay order. Staff in the department's Division of Finance and Administrative Services told us the MMIS system can be set to block sending individual letters to vendors that have received a stay. PIU officials also said the changes made in early 2008 to the collection process would improve collections.

Conclusions

Weaknesses in receivable tracking and collection procedures impact recoveries. Changes made in 2008 to consolidate responsibility for collection activity between two PIU staff should help address some of the weaknesses.

Recommendation

We recommend the Director of the Department of Social Services:

- 3.1 Evaluate the procedures being used for collection of overpayments identified by PIU. Issues to be evaluated include:
- Monitoring the collection process changes to evaluate their effectiveness
 - Improvements to the functionality of the case tracking database
 - Reconciliation of data between the tracking system and the MMIS
 - Use of the automatic letters in the MMIS

Agency Comments

3.1 *We partially agree with this recommendation. Procedures were implemented in early 2008 to improve the collection process and have proven to be effective. Specifically, the PIU reporting system now contains the date the overpayment was established and tracks the date payments are applied to the account. This allows staff to calculate the age of PIU receivables.*

The PIU has performed a reconciliation of the MMIS and the PIU database. PIU procedures include a quarterly reconciliation. In addition, the PIU check log is reconciled monthly with the MMIS. System recoupment of payments is reconciled with the MMIS after each financial cycle.

The use of the automatic letters in the MMIS is not feasible for PIU because of the variation in the verbiage of the overpayment letters.

Other Management and Statutory Weaknesses

Various management and control weaknesses have resulted in (1) a disqualified provider being approved as an eligible provider, (2) MMIS exception reports not reviewed and system changes not made timely, and (3) managed care claims activity not reviewed. The state's False Claims Act does not meet criteria set by the federal government to allow additional state retention of recovered monies. Implementation of the state's FAD system took longer than planned with the division exchanging original contract items for other services.

Disqualified Medicaid Provider Paid \$669,000

In 2004, division staff approved a Medicaid provider that was on the federal DHHS - Office of Inspector General's (OIG) disqualified list. The provider remained an active Missouri Medicaid provider until a federal DHHS employee contacted the division in March 2006. The provider was paid a total of \$669,000.

The provider had pleaded guilty to mail fraud related to a federal health program in 1994 and had been placed on the federal OIG disqualified list for 5 years beginning November 1995.¹³ The 2004 provider application submitted by the provider disclosed the conviction and disqualification information. Division officials said approval procedures include checking the OIG disqualification list, and following identification of this situation the Provider Enrollment Unit made changes to address any weaknesses in approval procedures. A division official said the provider's approval in 2004 was a mistake and could provide no explanation why the approval occurred.

Department officials are seeking reimbursement for payments made to the provider. As of January 2009, the AHC case remained open. An AHC hearing official said the department and provider have waived their hearing and submitted a joint stipulation of facts and asked the AHC for permission to submit a joint brief.

MMIS Edit Weaknesses

System reports for certain edit dispositions have not been regularly reviewed, edits identifying transactions having a high likelihood of fraud or abuse were set to force the payment of claims, and requested system changes have not been tracked for timely completion.

Edits compare the data submitted on a claim to a series of tests to determine whether the data is valid, and whether billing of the services complies with department policy. Through this process, the claims are subjected to various

¹³ Providers must apply for reinstatement with the OIG to be removed from the exclusion list once exclusion periods end. The provider had not done this at the time he was approved as a Missouri Medicaid provider in 2004.

edits, including duplicate payment edits, provider and recipient eligibility edits, coverage edits and various other edits that are specific to provider types and specialties.

The MMIS status codes and dispositions are as follows:

- Status 1 - Super Suspend - Claims are not paid but are suspended regardless of any other exceptions or status codes.
- Status 2 - Deny - Claims are not paid.
- Status 3 - Suspend - Claims are not paid but are posted to a suspended claim file for resolution.
- Status 4 - Pay, but report - claims are paid and posted to an exception report which division staff is to evaluate later to determine the appropriateness of the payment.
- Status 5 - Pay - Claims are paid and not posted to an exception report for staff review (in limited situations the claim benefit information may be reported to the provider).

Reports not reviewed

The status 4 exception report had not been reviewed for years prior to our audit inquiries. This daily report can be in excess of 1,000 pages. The reports should have been reviewed by applicable division staff to ensure the propriety of claims paid. Discussions with agency officials in the PIU, Program Operations (PO), and MMIS sections determined no one had reviewed the daily reports for approximately 6 years prior to our inquiries in June 2007. According to division employees, the division discontinued printing most exception reports (including the status 4 exception report) between 2000 and 2001. A PO supervisor and PIU official could not provide a reason why exception report reviews were discontinued once the report became an electronic document.

In June 2007, PIU staff performed an analysis of the report. The summary report of the analysis showed:

- After July 2005 when many edit codes changed to status 4, PO ran exception reports comparing billing by code before and after the change, but did not analyze the status 4 exception report.
- PO staff identified codes related to circumcisions being billed more frequently after the change, but department officials denied changing the

edit for these codes. PIU staff performed a separate review on these codes.

- Drug claim codes had been essentially inactivated in the MMIS system because those claims are now analyzed by a state contractor.
- For some codes the staff person suggested consideration of an exception report to monitor the code.
- For some codes the staff person suggested the PIU consider the area for a medical review.

Potential abuse edits changed

Edits having a high potential for identifying fraud and abuse were changed to status 4. We reviewed a November 2000 Medicaid fraud risk review report¹⁴ contracted for by the state. This report identified 23 edits as having a potential for identifying fraud or abuse. Our analysis of 14 of these edits determined the system status for 10 edits had changed by 2006 to status 4 or 5 (for paper and/or electronic claims) from deny or suspend.

A PIU analyst said many of the edits changed due to the division's transition to a paperless claim submission process. A MMIS official also said some edits also changed for drug claims because those claims are now reviewed under a separate state contract.

We obtained paid claim detail for the period April 2005 to January 2008 for expenditures that hit these edits. Seven of the edits showed little or no activity but three had activity as detailed below:

- Edit 005 - Provider name and number do not match - 657 claims paid for \$50,878.
- Edit 564 - Visit billed within 30 days of procedure - 801 claims paid for \$31,010.
- Edit 476 - Global prenatal billed after 2 prenatal consultations -14 claims paid for \$13,650.

Division officials could not provide documentation to show any of these transactions or the providers associated with the transactions had been reviewed for propriety.

¹⁴ The Medstat Group Inc., *Medicaid, Fraud, Waste and Abuse Risk Review*, November 21, 2000.

SPARs requests not always completed timely

SPAR processing lacked monitoring and tracking procedures which resulted in some SPARs prioritized as high risk not being promptly processed. A SPAR is completed when there is a request for MMIS staff to research a problem with the MMIS.

We reviewed 75 SPARs made from June 2004 to October 2006. Twenty of the SPARs had been prioritized for completion as high or as soon as possible. Reports showed 8 of the SPARs took more than a year for completion with 4 taking more than 2 years to complete.

An MMIS official attributed the delays to lack of staff assigned to the SPAR review and resolution process. The official said the SPAR priority ranking is assigned using her judgment. During fiscal year 2008, MMIS officials assigned a PIU employee to track the status of the SPARs in a database and periodically inquire on their completion status, according to the official.

Managed Care
Encounter Data Not
Reviewed

PIU staff does not perform fraud detection activities on encounter claim¹⁵ data in the managed care program. Federal regulations require states to perform fraud detection work on Medicaid claims which would include both fee-for-service and managed care activity. PIU officials told us unit staff perform fraud detection activities in the Medicaid fee-for-service program. However, the officials said no fraud detection work is performed in the managed care program because of a lack of resources and reliance on the fraud detection programs the managed care companies are required to have, and the encounter claim data is not reliably complete. A similar problem was reported in a report issued by the SAO in January 2004.¹⁶ A federal official involved in the Medicaid Program told us by not monitoring the managed care program for fraudulent activity, the division cannot be sure if the levels of capitation payments reflect the true cost of services, which could eventually result in higher costs to the state.

Encounter claims data still not complete

Encounter data submitted by managed care organizations is not complete. In December 2007, the state's Managed Care External Quality Review for fiscal year 2006 reported weaknesses with encounter data still existed. The report said analysis performed was impacted because only paid encounter claims were available and other claims submitted and rejected through system edits were unavailable. The report said contractor staff could not conclude on the extent to which the encounter claims database reflected the

¹⁵ Encounter data is used for managed care organization rate setting and quality improvement evaluations.

¹⁶ SAO, *Oversight Controls and Management in the State's Managed Care Program*, 2004-01, January 2004.

accuracy and completeness of rejected claims. In January 2004, the SAO reported similar weaknesses in encounter data.

Missouri's False Claims Act Does Not Mirror Federal Act

The 2007 Missouri General Assembly enacted legislation modifying existing state Medicaid fraud laws to include false claims act provisions. However, state law does not include required provisions to allow Missouri to retain an additional 10 percent of funds recovered under the act. To encourage states to pass false claims act legislation, the Federal Deficit Reduction Act of 2005 included provisions allowing states which pass laws that mirror the Federal False Claims Act¹⁷ to keep 10 percent more than the Medicaid matching rate of monies recovered from cases that are settled or prosecuted under the state act.¹⁸

Guidelines¹⁹ state that for a state's act to mirror the federal act and be eligible for the enhanced recoveries, the state act must include provisions that (1) the suit will remain under seal for at least 60 days, and (2) cases not accepted by the Attorney General can proceed at the discretion of the citizen/whistleblower.²⁰ Missouri's 2007 legislation did not include either of these provisions. The legislation allows the Attorney General to proceed with a case at his discretion, but does not include a provision allowing the citizen/whistleblower to proceed with the case if the Attorney General declines to pursue it. The person providing the information for any case prosecuted by the Attorney General would be eligible to receive 10 percent of recovered monies. A person intentionally filing a false report or claim alleging a Medicaid fraud violation would be guilty of a misdemeanor under the legislation.

As of 2008, our review determined 23 other states had enacted false claims acts with some states limiting the provision to the Medicaid Program. Texas

¹⁷ 31 U.S.C. sections 3729-3733. A federal law which allows people who are not affiliated with the government to file actions against federal contractors claiming fraud against the government. The act of filing such actions is informally called "whistleblowing." Persons filing under the act stand to receive a portion of any recovered damages. The act provides a legal tool to counteract fraudulent billings turned in to the federal government. Claims under the law have been filed by persons with insider knowledge of false claims which have typically involved health care, military, or other government spending programs.

¹⁸ The federal portion of Medicaid monies recovered from over billings or fraud must be reimbursed to the federal government. Effective October 1, 2007, Missouri's Medicaid federal matching rate was 62.42 percent. As a result, with an eligible state False Claims Act, Missouri would only have to reimburse the federal government 52.42 percent for recoveries or settlement resulting from cases filed under the act. The matching rate increased to 63.19 percent effective October 1, 2008.

¹⁹ Federal Register, Vol. 71, No. 161 issued August 21, 2006.

²⁰ Referred to as Qui tam provision.

established its act in 1995 and New Jersey did so in 2008. The state acts generally mirrored the Federal False Claims Act which includes whistleblower provisions allowing citizens with evidence of fraud against government contracts and programs to sue, on behalf of the government, to recover the funds. In compensation for the risk and effort of filing such cases, the citizen/whistleblower may be awarded a portion of the funds recovered, typically between 15 and 25 percent. Such federal suits initially remain under seal for at least 60 days during which time the Department of Justice can investigate and decide whether to join the action. At the state level, a state's Attorney General evaluates the merits of a case. An Indiana official said he believed a false claims act helped identify more fraud and abuse because even if a state Medicaid Fraud Unit investigates a provider, it may not be able to get as much information as an insider would. At least 15 states with false claims acts allow the cases to continue if the Attorney General decides not to proceed with the case.

Other states with false claims acts did not experience a reduction in provider enrollment

To discuss the impact of these acts on the Medicaid Program, we contacted Medicaid staff in 17 states²¹ with false claims acts. Officials from these states said a false claims act should not adversely affect current Medicaid providers. A Michigan official said frivolous lawsuits are limited in that state because of the extensive vetting process the state's Attorney General uses before choosing to prosecute a case. He also said Medicaid providers are already subject to suit under the Federal False Claims Act, and if they have not been charged under that act, it is unlikely they will face a suit under a state's false claims act. Another official in Virginia, who handles false claims act cases, said small dollar cases, which are feared by providers, would not be filed under the law because they would not be worth the time and money of the private citizen and his/her legal counsel. The same official in Virginia and an official from Massachusetts said suits normally involve large providers, often in the pharmaceutical industry.

None of the Medicaid staff from other states reported a decrease in provider enrollment after passage of a False Claims Act. Medicaid officials from 6 states told us Medicaid provider enrollment had not decreased in their state for several years.

Representatives from 4 states reported total recoveries under false claims acts of greater than \$10 million, with one state reporting over \$79 million in recoveries. Two other states reported total recoveries in excess of \$1 million.

²¹ States contacted had their False Claims Acts in place by early 2007. Officials from three states did not respond to our requests for information. We did not contact Hawaii.

FAD System Contract Included Items Not Used

The division requested functionality elements for its FAD system in the original contract that were not implemented. Through December 2007, the division spent about \$10.5 million on the system and exchanged original contract components for additional consulting hours and software. In 2002, the division contracted to build and support a FAD system to assist the PIU in identifying abnormal billing patterns by providers and provide information for identifying potential overpayments. The initial 5 year contract required the contractor to provide functionality including, among other things, 80 data processing algorithms²² over the life of the contract; a case tracking system; a mapping system; and advanced FAD system software for data mining. None of this functionality has been provided as originally required.

Only 48 of the 80 data processing algorithms were produced. PIU staff told us the approved algorithms required many hours of work to provide useful results and additional algorithms would increase this workload. Contractor officials said the 80 algorithms originally requested by Missouri were more than any of the other 7 states with which the company had contracts. An official from Nebraska²³ with a similar system told us that state only has a few algorithms and plans to contract for more incrementally. In 2005, the division exchanged the other 32 contracted algorithms for consulting hours that were provided by the contractor. Division officials said the contractor used the hours for additional projects which included a rebuild of the FAD system and an analysis project.

The division substituted the contractual mapping, case tracking, and advanced fraud and abuse system for other hardware and software. The mapping software was exchanged for hardware needed to maintain the FAD system. Both the case tracking software and advanced FAD system were exchanged for another data analysis tool and licenses for that tool. The case tracking software was developed by the contractor, but never approved by the division. Records show division officials notified the contractor in March 2006 that the FAD system provided was sufficient to meet the needs of the PIU, and the advanced system was more complex than the unit could effectively use at the time. The records also stated the contractor was not obligated to deliver or support the case tracking software under the contract, and did not request any compensation for forgoing this portion of the

²² A step-by-step problem-solving procedure, especially an established, recursive computational procedure for solving a problem in a finite number of steps.

²³ Seven states other than Missouri (Georgia, Nebraska, Nevada, New Hampshire, Ohio, South Carolina, and Tennessee) contract with this contractor for a FAD system. Only Medicaid staff from two states, Nebraska and New Hampshire, responded to questions regarding their system.

contract. Division officials subsequently contacted the contractor in the summer 2006, to obtain the software licenses discussed on the previous page.

FAD system implemented behind schedule

Implementation of the FAD system did not meet the timeframe requirements specified in the contract. The contract required initial implementation of the system within the first 9-10 months of the contract period. By the end of the first contract year the software was to be installed, customized and tested, including 50 algorithms to be implemented by the end of phase two of the contract. The initial contract also called for phase three, including advanced software implementation, to be completed by the 15th month of the contract. The remainder of the contract term was to include additional algorithm implementation and general training and support.

Missouri completed year five of the contract in March 2007. The contract was scheduled to move to the support phase out of the testing phase at the beginning of 2007 but was not completed until December 2007. In November 2005, PIU officials approved 38 algorithms for use. An additional 10 algorithms were also tested for final use. Case management systems and advanced FAD software were not complete when they were exchanged for other software in year five of the contract.

Both division and contractor officials cite the lengthy algorithm approval process as a reason for the delay in system implementation. Per division officials, the "canned" algorithms the contractor had previously designed for other states required a lot of work and review before they were useful for Missouri. PIU staff and supervisors reviewed algorithms extensively to ensure results having the most potential information and resulting ROI. PIU staff said the algorithms produced a lot of "false positives"²⁴ which led to additional work requiring the contractor programmers to redefine the algorithm logic.

Two contractor officials agreed the algorithm approval process took longer than expected. One official said other states used fewer algorithms but, moved into the actual process of finding fraud faster. The contractor officials said it is difficult to compare the work done with other states to Missouri because of the unique needs of the state. One official said she felt PIU staff wanted reports that produce no "false positives." She also stated the review process in Missouri was more intense than in other states, possibly due to an effort to prevent these "false positives."

²⁴ The potential exceptions in the algorithm result turn out to be proper transactions.

Contract amended in fiscal year 2008

Effective August 1, 2007, the division amended the contract with the FAD system contractor to include analytical consulting services for \$41,042 per month, for the 11 month contract period. The contract required the contractor to hold back billing 10 percent or \$4,104 per month until the division validates that program savings from recoveries and cost avoidance totaled a minimum of \$25 million for the fiscal year ending June 30, 2008. If the minimum savings threshold was not met, the hold back would not be invoiced by the contractor.

The deliverables to be provided for the monthly fee include:

- New algorithms and modifications to existing algorithms
- Reports and documentation relevant to case development
- Procedures for providing division administration with documentation of barriers to recovery including Medicaid policy issues
- Preparation of relevant portions of reports on PIU activities as requested by the division
- Providing 2 full-time contractor staff to fulfill the deliverables

Division officials said the FAD system contractor provides PIU analysts with reports which allow them to review a specific provider for various infractions. The official said recoveries and cost avoidance identified for the period ended June 30, 2008, totaled \$25.3 million (approximately 80 percent cost avoidance) and the contract had been extended.

Conclusions

An error in provider enrollment resulted in a disqualified provider being paid \$669,000 in Medicaid funding. Division officials reported making procedural changes to better identify excluded providers following this situation. These procedures need to be periodically evaluated and improved where necessary to prevent similar errors in the future.

Limited review of transactions hitting the status 4 report, especially for edits with a higher risk for fraud or abuse, increases the risk that abusive billing practices will not be detected.

High priority SPAR changes have not always been performed timely due to the lack of a completion tracking process. Such a process is needed to ensure staff identified system critical concerns are corrected.

Division staff does not perform fraud detection work on managed care encounter data and managed care organizations are still not submitting complete and accurate encounter data. These areas, while already critical to Medicaid Program oversight, will become even more important as the division transitions Medicaid recipients to managed care from fee-for service over the next few years. Incomplete or inaccurate encounter claim data can lead to higher future capitation rates.

A state's False Claims Acts must meet guidelines established by the DHHS – OIG to be eligible for retaining 10 percent more of recoveries under the act. Missouri law fails to meet those requirements resulting in the state being able to retain less recovered funding than possible.

The division contracted for a system PIU staff could not effectively use. A FAD system is a useful tool for identifying potential overpayments. However, the division spent almost four of the five contract years implementing rather than using the system. This problem led to the contract being behind schedule and the division exchanging original contract elements for other services.

Recommendations

We recommend the Director of the Department of Social Services:

- 4.1 Periodically reevaluate provider enrollment procedures to ensure disqualified providers are not approved as active Medicaid providers.
- 4.2 Improve procedures regarding MMIS edits that would include:
 - Reviewing the status 4 report on a routine basis for transaction propriety and trends.
 - Evaluating edits set at status 4 to ensure the edits offer the payment safeguard designed to protect Medicaid funds. In addition, the department should ensure timely transaction review or other compensating controls are in place for edits set at that status.
 - Establishing procedures to track SPAR completion status to ensure high priority requests are timely completed.
- 4.3 Develop and implement fraud detection activities for encounter claim data.
- 4.4 Continue working with managed care organizations to improve the accuracy of encounter claim submissions.

-
- 4.5 Work with the General Assembly to pass False Claims Act legislation that allows the state to retain a larger share of recovered monies.
- 4.6 Ensure FAD system features are needed for future contracts and evaluate the needs of the unit when considering future FAD system contract changes.

Agency Comments

- 4.1 *We agree with this recommendation. At the time the provider was identified, the Provider Enrollment Unit (PEU) immediately made procedural changes to ensure that the provider is not enrolled if his/her name remains on the exclusion list even after the expiration of the exclusion period.*

The provider in question was excluded beginning in November 1995 for a period of five years. The provider was eligible to have his name removed from the exclusion list in late 2000, but failed to complete the necessary paperwork. The division erroneously enrolled the provider in 2004 due to that technical oversight. Once it was brought to the provider's attention, he completed the necessary paperwork to have his name removed from the exclusion list.

- 4.2 *We partially agree with this recommendation. Many of the claims in question had been set to a status 4 (pay but report) prior to the implementation of the Fraud and Abuse Detection System. Prior to the enhancement of the ability of the division to systematically detect suspicious claims, a tool was to identify an edit to manually monitor. It is a laborious and staff intensive process to go through every claim that may hit an edit. With staffing cuts in 2003 and 2005, the division relied more upon the Fraud and Abuse Detection System to identify suspicious claims in an effort to direct staff to more probable cases for a better return on investment.*

The PIU will evaluate the status 4 report. The evaluation each month will focus on several edits at a time. Based upon the review, a determination will be made for the appropriate action to be taken. If an issue arises with a particular edit during the month, priority will be given to the issue.

Fiscal agent staff have been made aware that high priority SPARs need to be resolved as soon as possible. A MMIS staff person has been assigned the task of monitoring SPARs for completion time and will notify the fiscal agent and supervisor when resolution is not timely. A new view has been created in the SPAR database that will give staff the ability to monitor requests by priority and handle accordingly.

-
- 4.3 *We partially agree with this recommendation. Currently, the Managed Care Organizations (MCOs) have an approved fraud and abuse detection plan and are required to monitor their contracted providers' billing practices. The MCOs have a vested interest in protecting against fraud and abuse since they are at full risk for the financial loss.*

The MCOs report their identified suspected fraud and abuse cases and activities to the MO HealthNet Division on a quarterly basis. PIU does notify the MCOs of problem providers that are also in the MCO network to see if the questionable practices are affecting the MCO billings as well. PIU is not staffed to monitor the MCO network providers as well as the MO HealthNet fee-for-service network.

The PIU will evaluate whether there is a non-duplicative monitoring process for encounter data that has a high return on investment.

- 4.4 *We agree with this recommendation. In December 2007, the Managed Care Unit began conducting monthly Encounter Data Technical Assistance calls with the Managed Care Organizations (MCOs) and Infocrossing Healthcare Services, Inc. to improve the accuracy of encounter data and use for managed care rate development. The monthly technical assistance calls will continue until all outstanding encounter submission issues are resolved.*

Once all outstanding issues are resolved, the Managed Care Unit will move to quarterly Encounter Data Technical Assistance calls with Infocrossing and the MCOs to address new issues as they arise.

Current evaluation has determined that the hospital and pharmacy encounters are reliable. Other encounter data claim types are nearing being able to be rated as valid. New contract requirements regarding encounter submission requirements will help improve the reliability and accuracy of encounter data.

- 4.5 *We agree with this recommendation. There was such a bill filed in 2006 (Senate Bill 1210). The bill was not passed by the General Assembly at that time. The department will cooperate and provide supporting documentation as requested by the General Assembly.*

- 4.6 *We disagree with this recommendation. The FAD system is operational and fully functional. Although not all 50 algorithms were in place, 38 algorithms and other system capabilities were fully functional and were producing results as evidenced by the increasing*

savings over time. It would not be wise to simply insert canned reports into a system without modification to reflect a state's unique billing rules. Without that critical step, you would get a report that would have lower yield. By taking the time necessary to ensure that the algorithms produce the correct result, the resulting yield and return on investment is greatly enhanced. Fraud and Abuse Detection is not a static environment where you implement a detection report and expect the same level of results over time. As you work a report over time, providers learn the correct billing procedures and the detection report has diminishing returns. In fact, the division and contractor continue to review and refine algorithms that reflect the changing billing patterns of providers over time and the discovery of new schemes that have potential for recovery.

SAO Comment

The point of recommendation 4.6 is not to criticize the number of algorithms, but to recommend that planning for similar future contracts or FAD system improvements be better coordinated since many of the original items in the contract including a case tracking system, a mapping system, and advanced FAD system software for data mining were not delivered.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Community and Economic Development Offices



April 2009

Report No. 2009-38

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The State Auditor performed an audit of the City of St. Louis, Community and Economic Development Offices. These offices include: the Community Development Administration, Planning and Urban Design Agency, Affordable Housing Commission, Land Reutilization Authority, and Port Authority. The following findings were included in our audit report.

The Community Development Administration (CDA) is primarily responsible for the administration of federal funds for housing projects and community and economic development programs. The CDA does not use any formal evaluation criteria to determine subrecipient funding and does not adequately document reasons for funding various proposals. The city allocates money to each aldermanic ward for ward pool housing projects and proposals for projects are received by the CDA throughout the year. The CDA normally documents and summarizes some information for each housing project proposal; however, the CDA does not use any formal evaluation criteria and does not adequately document the reasons for funding the various housing proposals. In calendar year 2008, \$10 million was awarded to subrecipients and \$4.6 million was allocated to ward pool housing projects.

The city does not advertise for proposals or document the selection process for housing projects funded under the Major Residential/Commercial Initiatives program. The projects funded by this program are proposed and selected by a 12 member aldermanic caucus; however, no meeting minutes or other documentation of the reasons for selecting projects to be funded are maintained. The city allocated a total of \$4.3 million to this program during 2007 and 2008.

The city's Healthy Home Repair Program provides home repair loans to homeowners who meet various requirements. The city usually allocates the same amount of Healthy Home Repair Program monies to each aldermanic ward, and it appears the city does not allocate the monies based on the area of greatest need. As of August 28, 2008, there were 3,325 clients on waiting lists mainly in wards with little or no unspent monies, while there were 4 wards with unspent balances that exceeded \$120,000 each with small or no waiting lists. In addition, the CDA has not periodically solicited proposals for Healthy Home Repair Program administration services. The city appropriated \$2 million to the Healthy Home Repair Program in 2008.

The Affordable Housing Commission (AHC) provides partial financing for affordable housing development, homeless shelters and prevention programs, neighborhood home repair, and training programs. The AHC does not summarize the results of the evaluation process when selecting applications for funding awards. The AHC does not have a formal plan for the selection of recipients chosen for fiscal monitoring and does not have formal procedures for tracking recommendations made as a result of fiscal

YELLOW SHEET

monitoring reviews. In addition, the AHC has not established adequate policies or procedures for on-site monitoring of recipients or to ensure loans to housing developers are repaid in compliance with the loan agreements. During the year ended June 30, 2008, the AHC awarded funding of \$5.4 million.

The Land Reutilization Authority (LRA) takes control of delinquent tax properties that fail to be sold at land tax sales and purchases properties for redevelopment by the CDA. The LRA manages, sells, transfers, or otherwise disposes of these properties to return the properties to a tax-generating status. Improvements are needed in land inventory records, and the LRA does not have contracts related to costs incurred for property maintenance and upkeep. Expenses incurred for maintenance and upkeep are not allocated to individual properties as required by state law. The LRA's policies for land sale pricing are outdated or not adequately documented. LRA staff estimated it controlled approximately 9,300 parcels of land at December 31, 2008.

Also included in the audit are recommendations related to the CDA's monitoring and receipt procedures.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
COMMUNITY AND ECONOMIC DEVELOPMENT OFFICES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-4
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	5-26
<u>Number</u>	<u>Description</u>
1.	Community Development Administration Awarding Procedures.....6
2.	Community Development Administration Monitoring Procedures.....9
3.	Community Development Administration Healthy Home Repair Program.....12
4.	Community Development Administration Receipt Procedures.....15
5.	Affordable Housing Commission Controls and Procedures.....16
6.	Land Reutilization Authority Controls and Procedures.....21
HISTORY AND ORGANIZATION	27-29

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Acting Executive Director of Community Development Administration
and
Acting Director of Planning and Urban Design Agency
and
Affordable Housing Commission
and
Land Reutilization Authority
and
Port Authority
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the offices of the City of St. Louis Community Development Administration, Planning and Urban Design Agency, Affordable Housing Commission, Land Reutilization Authority, and Port Authority. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the offices have adequate internal controls over significant management and financial functions.
3. Determine if the offices have complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the offices, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the offices' management and was not subjected to the procedures applied in our audit of the offices.

The accompanying Management Advisory Report presents our findings arising from our audit of the offices of the City of St. Louis Community Development Administration, Planning and Urban Design Agency, Affordable Housing Commission, Land Reutilization Authority, and Port Authority.

Additional audits of various officials and departments of the city of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in progress, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Julie Vollmer, CPA
Audit Staff:	Katie Twiehaus Travis Owens

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
COMMUNITY AND ECONOMIC DEVELOPMENT OFFICES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Community Development Administration Awarding Procedures
--

The Community Development Administration's (CDA) procedures for awarding funds for subrecipients and housing projects need improvement. The CDA is primarily responsible for the administration of federal funds for housing projects and community and economic development programs. The amount of funds allocated to the various CDA programs is approved by city ordinance on a calendar year basis.

- A. The CDA does not perform a standard analysis or summarize the results of the evaluation process when selecting proposals for subrecipient or ward pool housing project awards. As a result, the reasons for funding the various proposals are not adequately documented.
- The CDA publishes annual requests for proposals for new subrecipients, but does not require previously funded subrecipients to apply for funding. CDA staff review budgets submitted by previously funded subrecipients and determine the amounts to be awarded to these subrecipients. Funding for new subrecipients is determined by reviewing submitted proposals and determining how much money is left to fund new subrecipients. Recommendations for subrecipient funding awards are then sent to the Board of Aldermen for approval. The CDA does not use any formal evaluation criteria to determine subrecipient funding and does not adequately document the reasons for funding the various proposals. In addition, when program income is generated by a subrecipient, the CDA sometimes awards these monies to the same subrecipient without performing an evaluation. In calendar year 2008, the CDA awarded approximately \$10 million to subrecipients.
 - The city allocates money to each aldermanic ward for ward pool housing projects, and proposals for projects are received by the CDA throughout the year. The CDA normally documents and summarizes some information for each housing project proposal; however, the CDA does not use any formal evaluation criteria and does not adequately document the reasons for funding the various proposals. In calendar year 2008, approximately \$4.6 million was allocated to ward pool housing projects.

The CDA's selection process should be adequately documented and retained to support decisions made. By ensuring a standard analysis is performed using stated criteria, the CDA can better evaluate the proposals to ensure the best proposals are funded by the CDA.

- B. The city does not advertise for proposals or document the selection process for projects funded under the Major Residential/Commercial Initiatives program. The city started this program in 2007 to fund housing projects in the city's northern aldermanic wards and allocated a total of \$4.3 million to this program during 2007 and 2008.

The projects funded by this program are proposed and selected by the 12 members of the African American Aldermanic Caucus; however, there are no meeting minutes or other documentation of the reasons for selecting projects to be funded. After a project is selected by the caucus, the CDA determines if the project is eligible for the applicable federal funding, and then submits the project to the Board of Estimate and Apportionment for final approval. As of August 2008, 1 project had received partial approval, 2 projects were submitted and awaiting approval, and 8 projects were in various stages of planning and evaluation.

Requests for proposals or other competitive processes help ensure all interested parties are given the opportunity to participate in city business and the city receives fair value for each project. The city should adopt a formal selection process, perform a standard analysis of each project, and document the reasons for selecting the winning projects. By ensuring a standard analysis is performed using stated criteria, the city can better evaluate the proposals to ensure the best proposals are funded.

WE RECOMMEND the Community Development Administration:

- A. Develop a formal selection process for all subrecipient and housing project awards which includes requests for proposals for previously funded subrecipients and for program income awards. The selection process should include performing a standard analysis with stated criteria for each type of award, and preparing and retaining documentation of the reasons for funding the various proposals.
- B. Work with the Board of Aldermen to establish a formal competitive selection process for projects funded by the Major Residential/Commercial Initiatives program.

AUDITEE'S RESPONSE

The Community Development Administration provided the following written response:

- A. *Subrecipient selections:*

Although applications from new applicants were reviewed for consideration in prior years, and the results of the application review were noted in the file, CDA did not have a formal rating sheet. A formal application rating sheet for new applicants has been developed and will be used to better document the review and the results of the review.

In prior years all previously funded subrecipients received annual programmatic and fiscal monitoring reviews. These reviews formed the basis for determining whether continued funding was appropriate. In November 2008 CDA revised its subrecipient funding notification process for the City's 2009 Annual Action Plan participants by requiring all previously funded subrecipients to complete an application. A formal application rating sheet, which will encompass the results of the annual programmatic and fiscal reviews for these subrecipients, has been developed and will be completed annually, prior to commitment of funding.

Housing Development selections:

There are very few instances when CDA receives more than one proposal in response to Requests for Proposals published to solicit developers for specific properties—almost all such requests are issued for properties acquired because they were deemed to be "problems". CDA's housing analysts go to great lengths to interest developers in these properties, attending realtor open houses, appearing before the St. Louis Rehabbers Club, participating in dialogues with the Homebuilders Association, making presentations before groups of minority contractors in cooperation with the City's Office of Disadvantaged Business Enterprises, and maintaining a widely-publicized website. Despite these efforts, multiple proposals for a project are rarely received.

Often CDA works in cooperation with a neighborhood housing corporation or community-based development organization. In such cases, CDA's housing analysts work with the organization to develop criteria for developer selection. When more than one proposal is received, developers are often asked to make presentations before the neighborhood organization, and selection of the successful respondent is based on criteria developed jointly by the organization and CDA staff.

All initial selections are preliminary only. Developers are granted options of six to eighteen months in length to obtain acceptable plans, budget and financing and must complete full applications, ensuring that standard financial analysis is performed before final development awards are made—financial analysis and disbursement monitoring procedures ensure that funds are disbursed in appropriate amounts for appropriate costs and that CDA's funds are leveraged with private financing. CDA uses the Missouri Housing Development Commission's guidelines where available as CDA maximums for a variety of soft cost types—these MHDC standards were developed collaboratively with other state finance agencies across the country. In addition, staff now use an evaluation form that is kept on file for each project to document staff review of development proposals.

The CDA Residential Development standard "Request for Proposals" form has recently been revised. Given unusual conditions or challenges that may be involved with particular properties, CDA will also issue customized Requests for Proposals in such situations.

- B. *CDA and the Mayor's Office will work with the Board of Aldermen in the future to establish a more formal and competitive process for the selection of projects for the Major Residential/Commercial Initiatives program. This process will take into account one of the primary goals of the Initiatives program—to initiate major sustainable development activities in areas of the City which are distressed and have experienced little major development in the past. It is expected that, like the HOPE VI developments that were the inspiration for this Major Initiatives concept, many such developments will require multi-year commitments of CDBG and HOME funding as well as other resources in order to achieve that goal.*

2. Community Development Administration Monitoring Procedures
--

CDA procedures for monitoring funds awarded for subrecipients and housing projects need improvement. The CDA has not established formal procedures regarding the repayment or write-off of loans for housing projects.

- A. The CDA has contracted with the Comptroller's Office, Internal Audit Section, to perform fiscal monitoring reviews and issue monitoring reports for contracts awarded to subrecipients and housing projects. The reviews are to ensure the subrecipients and housing projects are in compliance with contract terms and to ensure city monies are spent as intended. CDA staff performs program monitoring reviews for subrecipients and housing projects and issues monitoring reports. These reviews are performed to determine whether program objectives have been met for subrecipients and to monitor the quality of construction for housing projects. The monitoring procedures performed by CDA staff need improvement as follows:

- 1) The CDA does not have formal procedures for tracking program review recommendations made by CDA staff. As a result, there is no documentation that CDA staff performs follow-up procedures on these recommendations. CDA staff indicated follow-up is often communicated by telephone calls and electronic mail. Documentation is necessary to ensure recommendations are adequately followed up and implemented.
- 2) The CDA does not adequately document some monitoring visits for housing projects. Documentation is prepared for monitoring visits that are required by CDA policy; however, CDA staff indicated optional monitoring visits are normally performed several times during each project and monitoring reports are not prepared for these optional visits unless concerns are noted and not immediately corrected during the visit. The purpose of the monitoring visit is to provide a quality control review and monitor the construction progress for cost overruns. Written documentation of the results of all monitoring visits is necessary to ensure the CDA is performing monitoring procedures in accordance with its policies and procedures.

- B. The CDA has not established formal policies and procedures for the repayment or write-off of rental housing loans. The CDA makes loans to contractors that build or rehabilitate rental housing benefiting low-income city residents. The outstanding housing loans for rental properties totaled approximately \$59.6 million as of December 31, 2007. As a result of the lack of formal policies and procedures, loan repayments may not be handled consistently. CDA staff indicated loan repayment terms or loan write-offs are determined on an individual basis by using various information submitted by the rental housing developer.

Detailed written policies are necessary to provide guidance to rental housing developers, ensure equitable treatment, and avoid misunderstandings. The CDA should develop procedures to ensure all housing project loan repayments and write-offs are handled consistently and to maximize loan repayment receipts.

WE RECOMMEND the Community Development Administration:

- A.1. Ensure follow-up on program monitoring recommendations is performed and documented on a timely basis.
2. Prepare documentation of all housing project monitoring visits.
- B. Establish formal written policies and procedures for repayment and write-off of rental housing project loans.

AUDITEE'S RESPONSE

The Community Development Administration provided the following written response:

- A.1. *CDA's programmatic monitoring report has always addressed prior year findings and the status of the findings. For documentation purposes, however, and to ensure follow-up regarding programmatic findings, the CDA Site Visit Monitoring Tracking Sheet has been revised to include three new columns: date monitoring report was mailed; date Operating Agency response is due (if applicable); and, date concern was resolved.*
2. *All projects that use CDA funding for construction require a formal disbursing agreement, and that agreement always requires a CDA inspection before any draw of funds is made, regardless of funding source. Thus, CDA inspections take place regularly throughout the project, every time a request for funding is received, and CDA inspectors always maintain written records for all such inspections because CDA sign-off is required for a check to be issued. Such draw inspections take place at least monthly and frequently every two weeks. Inspectors are strongly encouraged to visit the site at other times, but there is no set schedule or agenda for such visits. In these instances of auxiliary non-required inspections, reporting is done only if issues requiring resolution are identified. CDA believes this to be sufficient, since an inspection is required prior to every disbursement and written documentation is maintained for all such inspections.*

For projects involving only acquisition write-down assistance, the CDA inspector visits the property and prepares a written report prior to the property's acquisition. Once a developer is chosen and begins work, CDA's inspector visits the property a minimum of three times during the construction period. At the time of the audit field work, each of the three visits was documented photographically, with photos date/time marked, although no standard inspection form was used for these visits. CDA has now added the use of a standard form to document these inspections.

- B. First, it should be noted that CDA funds could be granted rather than loaned with no repayment required, in full compliance with HUD's CDBG and HOME regulations. CDA's insistence on making loans, not grants, wherever possible, is evidence of CDA's desire to (a) maximize the opportunity for repayment in the future even though the potential for such opportunity cannot be predicted at the time the loan is made, (b) retain a level of control over how the property is managed and an ability to enforce property maintenance and management standards, and (c) in cases where the loan was made with funds that are subject to income restrictions, to allow CDA to enforce such restrictions. If CDA funding were structured as grants, no repayment at all would be required, so there would be no "write-off" to discuss.*

Second, CDA rental development loans are always provided on the basis of need, and need is determined by a very wide range of conditions—regulatory, financing, market and risk. Almost all CDA rental loans constitute "gap" financing: at the time the loan is made, the maximum loan amount is the difference between the private financing supported by a project's value and the total project cost—CDA fills this "gap" so that the project can proceed. CDA loans are due and payable when first mortgage debt is fully amortized or when a project is refinanced or sold. Because CDA funding is structured as "gap" financing, changes in the real estate's value over time have the most significant impact on whether it is possible for the real estate to support repayment at either a sale or refinancing. CDA loans are long-term loans, typically 25, 30 or 40 years. Whether the value will increase, remain the same or decrease over the life of the loan cannot be predicted at the time the CDA loan is made, because change in the value of real estate over time is dependent on variables that are not consistent throughout the City or from property to property. These variables include overall improvement or decline in the neighborhood, the condition of the property, and the inherent desirability of the property itself. Requests for approval of a sale or refinancing typically initiate a negotiation that involves whether CDA will permit a subordination of the loan or permit all or a portion of the CDA loan amount to be written off.

Given the range of variables involved, it is CDA's opinion that a flexible approach to repayment is essential to increase potential revenue to the City by allowing for unique circumstances to be taken into account. An owner is under no obligation to sell or refinance a property prior to the time when the first mortgage debt is fully amortized. If the owner wishes to sell or refinance prior to that time, it can be to CDA's advantage to accept a lower repayment now rather than wait years—sometimes many years—for a repayment that may or may not be higher, and may even be lower, than the amount that can be negotiated at the time the developer seeks CDA approval for reduction of the loan

amount. If a property is in danger of foreclosure and the first mortgage debt is non-recourse (e.g., there is no penalty to the owner if the foreclosure occurs other than the loss of the property), it is to CDA's advantage to negotiate a lower repayment so as to avoid foreclosure and preserve some level of value for the City—if the bid at a foreclosure sale is less than or equal to the amount of first mortgage debt (a situation that is very typical—situations where the bid is greater than the first mortgage debt are very rare), the CDA loan would be entirely eliminated as an encumbrance on the title as a matter of law and all CDA repayment potential would be lost. In some situations, a complete write-off of the loan may make sense if the write-off avoids foreclosure and allows CDA to approve a controlled sale of the property: when a property is sold to the highest bidder on the courthouse steps, it too often falls into the hands of a speculator, who exploits the property to the detriment of the neighborhood's well-being. In still other cases, the owner wishes to refinance to make investments in the property: in these situations, if the proceeds from the refinancing exceed the amount the owner plans to invest in the property, CDA negotiates a repayment and/or subordination arrangement that will induce the owner to invest in the property, thereby preserving its value, rather than foregoing the refinancing—if the owner does not refinance in these circumstances, the property will likely deteriorate and the value associated with CDA's loan will decrease.

For all these reasons, CDA believes that whether and how much repayment should be required if a property is sold or refinanced is best approached on a case-by-case basis. Were CDA to require standardized interim repayments for its rental production loans, private lending and private equity investment in these projects would almost certainly be significantly reduced, and the amount of CDA funding required for the project to be feasible would be increased, reducing the total number of projects that could be completed with a given amount of funding.

The loan structure primarily ensures that CDA has a mechanism in place to enforce affordability and upkeep requirements and that CDA maintains a right to recapture excess proceeds at the time the first mortgage debt is fully amortized or project is sold or refinanced, if such recapture is feasible given the economics of the development and the neighborhood at the time.

Within what CDA management believes to be practical and prudent, CDA has had a policy for analysis of requests for full or partial write-offs, and CDA has amended that policy in a manner that CDA believes retains its flexibility while acknowledging the auditors' comments.

3. Community Development Administration Healthy Home Repair Program

The CDA's procedures related to soliciting proposals for administration services and allocation of monies for the Healthy Home Repair Program need improvement. The Healthy Home Repair Program provides home repair loans to homeowners who meet

various requirements. The city appropriated approximately \$2 million to the Healthy Home Repair Program in calendar year 2008.

- A. The CDA has not periodically solicited proposals for Healthy Home Repair Program administration services. These administration services include determining individual participant eligibility, developing a scope of work, selecting contractors, and monitoring construction work. The CDA has used the same 2 organizations for administration services since requesting proposals in 2004 for a 3-year period. In calendar year 2008, the CDA contracted with these 2 organizations for \$181,500 and \$507,875, respectively. CDA personnel believe city bidding and procurement requirements do not apply to these services.

The CDA should periodically solicit proposals for administrative services and select the best proposal based on cost, experience, the type of service to be provided, and any other relevant factors.

- B. It does not appear the city adequately allocates the monies to wards based on the areas of greatest need. The annual city appropriation amount is usually divided equally between the wards regardless of the previous years' unspent balances and waiting lists for the program. The CDA tracks the amount allocated and spent by each ward. As of August 28, 2008, the CDA's records indicate 3,325 clients on waiting lists mainly in wards with little or no unspent monies, while there were 4 wards with unspent balances which exceeded \$120,000 each and small or no waiting lists. The majority of the clients on the waiting lists are from the city's northern wards.

The city should review its procedures for allocating Healthy Home Repair Program monies to the various aldermanic wards to ensure funds are spent efficiently and effectively, and maintain documentation to support the allocation process.

WE RECOMMEND the Community Development Administration:

- A. Periodically solicit proposals for administrative services related to the Health Home Repair Program.
- B. Work with the Board of Aldermen to review the allocation of Healthy Home Repair Program monies and maintain documentation to support how the monies are allocated. Consideration should be given to allocating the monies to the areas of the city with the greatest need.

AUDITEE'S RESPONSE

The Community Development Administration provided the following written response:

- A. *In 2003 CDA began to redesign the City's home repair programs at the suggestion of the U. S. Department of Housing and Urban Development. HUD provided and paid for a consultant to assist CDA in the redesign. When CDA initiated this redesign in 2003 for commencement of operations in 2004, the services for which CDA solicited proposals were envisioned as multiyear engagements, because the program design was new and unique and incorporated features that had not previously been administered by any of the agencies interested in operating the program. Few organizations responded to our initial RFP in 2003. Ramp-up time was relatively lengthy, and as operation of the program began in 2004, operations protocols and staffing levels designed at the program's inception required fine-tuning once the program was underway. CDA agrees, however, that the department should periodically solicit proposals for these services, if the program continues in operation. Due to a significant amount of dissatisfaction with the program (largely due to a lack of funding availability—see below), a decision was made in preparation for the 2009 Community Development Block Grant year to decentralize the City's home repair activities. CDA is now in the process of working with the current team of service providers to finish projects that were initiated prior to this decision, and at the same time working with each Alderman to determine how the program will be operated in the future in his or her ward. CDA expects to complete this process by the end of 2009. In preparation for the 2010 Community Development Block Grant year, CDA will solicit new applications for services required for the operation of the various components of the decentralized program. CDA expects that these applications will also contemplate multi-year contracts, since ramp-up and fine tuning times will again be lengthy. CDA would also like to take this opportunity to state its general satisfaction with the services provided by the non-profit organizations administering the centralized program, and CDA expects that relationships with one or more of these organizations may continue following the RFP process.*
- B. *CDA does not have control over the allocation of home repair funds, as the Board of Aldermen appropriates them. Low and moderate income homeowners live in every ward in the City, and each ward receives an equal allocation of \$75,000 per year. This allocation was established by consensus with the members of the Board of Aldermen. An allocation of \$75,000 is usually sufficient to complete between 5 and 10 home repair projects each year. If additional funds are needed for home repair, each Alderman can decide whether he or she wishes to transfer Housing Production funds into the Healthy Home Repair Program. Most Aldermen have not chosen to do so. Even if the City's entire CDBG allocation were to be devoted to the Healthy Home Repair Program, it would be insufficient to address all of the home repair needs throughout the City, as the waiting list continues to grow. Assuming each home only needed \$10,000 in repair expenditures (most homes require more) to bring the home into code compliance and make it lead safe, the total funding required to address the current waiting lists would total \$33,250,000 and the City's **total** CDBG allocation each year is approximately half of that amount. More clients are added to the waiting lists each year, and the numbers of*

people on the lists grow faster if individual Aldermen actively market the program. CDA has encouraged those aldermen with long waiting lists to discontinue marketing the program until those already on waiting lists have been addressed, and CDA will encourage aldermen with unspent home repair funds to market the program more actively. If after such marketing it becomes obvious that some wards do not have a sufficient number of low-income homeowners to use the \$75,000 per year allocated, CDA will suggest to those wards' aldermen that they offer home repair funds allocated to these wards to other wards with greater needs. CDA has also encouraged aldermen representing wards with long waiting lists to offer other alternatives to CDA-funded home repairs. These alternatives include FHA-insured and portfolio home improvement loans available from local lenders such as United Missouri Bank's 5% interest/no closing cost product where eligibility is based on ability to repay rather than credit score.

4. Community Development Administration Receipt Procedures

CDA procedures for processing receipts need improvement. Numerous employees in the CDA collect or receive checks and money orders. Some receipts are not recorded and checks and money orders are not restrictively endorsed immediately upon receipt. Some receipts are not transmitted to the Comptroller's Office in a timely manner. During the year ended June 30, 2008, the CDA transmitted approximately \$3.2 million to the Comptroller's Office, Federal Grants Section.

- A. Numerous employees in the CDA collect or receive checks and money orders. In accordance with CDA receipt-handling policies and procedures, receipts are transmitted to other employees for additional processing prior to being recorded by the CDA Fiscal Management Section and transmitted to the Comptroller's Office. For example, 4 CDA employees process housing project loan repayments prior to transmittal. To safeguard monies from theft, loss, or misuse, the number of employees who receive and handle monies should be limited to the extent possible.
- B. Checks and money orders received by the Residential Development section are not always recorded immediately upon receipt on either official prenumbered receipt slips or a receipt log. Monies for open housing projects are initially received by the housing analyst but are not recorded until transmittal to the asset manager. In addition, receipt records are not reconciled to amounts transmitted to the Fiscal Management section. As a result, receipts for the Residential Development section are not always transmitted to the Comptroller's Office in a timely manner. For example, 3 checks from a title company dated June 25, 2007, totaling approximately \$5,500 were kept in a housing project file and had not been transmitted to the Comptroller's Office as of July 7, 2008. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for all receipts, checks and money orders should be recorded immediately upon receipt on either official prenumbered receipt slips or

a receipt log, and this record should be reconciled to amounts transmitted to the Fiscal Management section by someone independent of the receipting or collection functions. Transmittals should also be made intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt to reduce the risk of loss or misuse of funds.

WE RECOMMEND the Community Development Administration:

- A. Limit the number of employees who receive or process monies prior to recording and transmitting monies.
- B. Ensure all receipts are immediately recorded on official prenumbered receipt slips or receipts logs, and the original receipt records are reconciled to transmittals to the Fiscal Management section by someone independent of the receipting or collection functions. In addition, all monies should be transmitted to the Comptroller's Office on a timely basis, and checks and money orders should be restrictively endorse immediately upon receipt.

AUDITEE'S RESPONSE

The Community Development Administration provided the following written response:

CDA has endeavored to maintain sound practices with respect to processing receipts and had a procedure in place at the time of the auditor's field work. To address the suggestions made by the auditors, however, CDA has developed a new procedure, and that procedure is now in place. CDA further acknowledges that an error was made in retaining the three title company checks noted in the report, but CDA also notes that this situation was unique: the checks were issued in error by the title company at the outset and the circumstances surrounding retention of these checks were unique. The checks have since been returned to the title company and re-issued.

5. Affordable Housing Commission Controls and Procedures

The Affordable Housing Commission (AHC) procedures for awarding and monitoring contracts and monitoring loan repayments need improvement. AHC activities are primarily funded by a dedicated city use tax generating \$5 million a year, as well as loan repayments.

For each funding award cycle, which is usually once a year, the AHC publishes a notice of funding available for social services (homeless shelters and prevention programs, neighborhood home repair, and training programs), rental housing loans or subsidies, and for-sale housing loans or subsidies. AHC staff review applications received and make recommendations to the commission for awarding the funding. During the year ended June 30, 2008, the AHC awarded funding of approximately \$5.4 million.

- A. The AHC does not summarize the results of the evaluation process when selecting applications for funding awards. As a result, reasons for funding the various proposals are not adequately documented. The application forms include criteria which AHC personnel indicated are considered when evaluating the applications. The AHC normally documents and summarizes some information for each application; however, this information does not always agree with the stated criteria. For example, cost per square foot was documented for housing applications but this was not one of the stated criteria.

The AHC selection process should be adequately documented and retained to support decisions made. By ensuring a standard evaluation is performed using stated criteria, the AHC can better evaluate the applications to ensure the best applications are funded by the AHC.

- B. AHC procedures for monitoring recipient awards need improvement. Beginning in fiscal year 2006, the AHC has an agreement with the Comptroller's Office, Internal Audit Section, to perform fiscal monitoring reviews and issue monitoring reports for contracts awarded to recipients. The reviews are to ensure the recipients are in compliance with contract terms and to ensure city monies are spent as intended. For certain housing projects, the AHC contracted with the city's Building Division from August 2005 to June 2007, and with an architect beginning in January 2008, to perform on-site monitoring to ensure construction is completed in accordance with the approved contracts.

- 1) The AHC does not have a formal plan for the selection of recipients chosen for fiscal monitoring. Beginning in fiscal year 2006, the AHC annually selects approximately 20 recipients which were not monitored in the previous year for the Internal Audit section to monitor. However, because some of the previous years' reviews had not been completed, no recipients were selected for review in fiscal year 2008. As a result, fiscal monitoring has only been performed on 47 of the 269 social service and housing project contracts which have been awarded since the AHC began funding recipients in fiscal year 2004.

A comprehensive fiscal monitoring plan would facilitate the effectiveness and efficiency of the review function and identify the objectives of the review function. Because the AHC appears to have limited resources available for the performance of fiscal monitoring, such a plan will assist the AHC in more effectively prioritizing and establishing the frequency of reviews.

- 2) The AHC does not have formal procedures for tracking recommendations made as a result of the Internal Audit section's fiscal monitoring reviews. As a result, there was no documentation that AHC staff performed follow-up procedures on these recommendations. AHC staff indicated follow-up is often communicated by telephone calls and electronic mail.

Documentation is necessary to ensure follow-up on recommendations is performed and to effectively communicate results.

3) The AHC has not established adequate policies or procedures for on-site monitoring of recipients.

- Site visits are not conducted for social service recipients.
- For housing projects which are also subsidized by federal, state, or other city monies, the AHC relies on the federal, state, or other city agency or office to monitor these projects. However, the AHC does not obtain monitoring reports from these other offices.
- The AHC did not monitor housing projects which were only subsidized by the AHC from June 2007 to January 2008. This is the time period between the effective dates of the contracts with the Building Division and the architect as noted above. For the monitoring currently performed by the architect, the AHC also does not ensure the on-site monitoring is performed timely or complies with the contract requirements.

To ensure recipients are following contractual requirements and construction is completed in accordance with the applicable contracts, the AHC should establish on-site monitoring policies and procedures and ensure the procedures are in place and operating effectively.

C. The AHC does not have adequate procedures to ensure loans to housing developers are repaid in compliance with loan agreements. Loan agreements usually require developers repay loans based on cash flows generated from the related housing projects. The AHC has approved repayable loans to developers of approximately \$6.8 million as of June 30, 2008. AHC staff indicated they periodically review the list of loans to determine whether follow-up action is needed. Beginning in July 2005, the AHC began requiring developers to submit annual audited financial statements to determine whether repayments should begin based on cash flow requirements in the loan agreement. However, the AHC does not ensure all required audited financial statements are received or maintain documentation of its reviews of the financial statements.

Adequate follow-up procedures are necessary to ensure all developers with loans are treated equally and to ensure the AHC maximizes the amount of loan repayment receipts.

WE RECOMMEND the Affordable Housing Commission:

A. Develop a standard analysis for evaluating funding applications and ensure the reasons for funding the various proposals are adequately documented.

- B.1. Work with the Internal Audit section to develop a formal plan for fiscal monitoring to ensure recipient awards are reviewed on a timely basis.
2. Ensure follow-up on fiscal monitoring recommendations is performed and documented on a timely basis.
3. Establish formal policies and procedures to ensure on-site monitoring is performed for award recipients to ensure recipients are complying with contractual requirements.
- C. Establish procedures to adequately follow-up on developer loans to ensure loans are repaid in a timely manner.

AUDITEE'S RESPONSE

The Affordable Housing Commission provided the following written response:

- A. *In response to the State Auditor's recommendations, the Affordable Housing Commission returned to a six point coding system to explain and/or document the reasons for staff recommendations for the grant proposals received in the fall 2008 round. This system was first used in 2006, and staff recommendation sheets including the codes are provided to Commission members before projects are selected for funding.*

In addition, staff prepare evaluations that are provided to the Commission for both grants and loans. These documents denote whether a project meets explicitly stated funding priorities that are clearly stated in news releases, advertisements for proposals, and the Notice of Funding Availability ("NOFA"). The NOFA is mailed to applicants that respond to the news releases and advertisements.

For projects that involve the new construction or rehabilitation of housing, Affordable Housing Commission staff prepare the following analysis for each construction proposal. The following documents are distributed to commission members in advance of funding decisions:

- ***Proposal Analysis*** – *This multi-page document dissects all project costs allowing for comprehensive scrutiny of each project's financial outlay. The analysis is an objective comparison of each project's financial data. It allows comparative project strengths and weaknesses to be observed.*
- ***Proposal Summary*** – *The proposal summary provides a narrative description of each proposal. It organizes and describes the proposal's subjective qualities, and it incorporates and explains the financial data derived from the analysis. In response to feedback throughout the State Auditor's recent review, the Affordable Housing Commission included a section in the 2008 development proposal summaries that documented 'concerns' in which proposal weaknesses and unresolved issues were detailed.*

- ***Proposal Evaluation*** – this one-page summary recaps salient elements from both the analysis and the summary in order to provide commissioners with a succinct project synopsis. Additionally, it reiterates AHC's concerns about the project, and includes AHC's funding recommendations, funding terms/stipulations, and serves as AHC's funding determination document of record.

All AHC development projects approved for funding by the Commission are additionally reviewed by the Community Development Administration. This added layer of review produces an additional Evaluation Form prepared by CDA Housing Analysts. The CDA evaluation summarizes the proposal, and indicates, in a check-box table, how the proposal meets various development criteria, using a scale of: Good – Fair – Poor – See Comments. During AHC's exit conference with the State Auditor's office, the Auditor's staff referenced the CDA evaluation tool, and suggested that AHC staff consider using this form as well. In the future, AHC staff will use a modified version of this form for evaluation of development projects, in addition to the three (3) documents listed above.

- B.1. *AHC will work with the Internal Audit Department for the 2009 and subsequent fiscal years to develop a fiscal monitoring plan that ensures that timely monitoring of grantees occurs. In developing the plan, AHC will take into consideration the size of the grant and previous experience with the grantee, if any, given limitations on the number of fiscal monitoring reviews that can be performed in a given year.*
2. *In the future, AHC will develop procedures for fiscal monitoring follow-up. Staff will also document in each recipient file when such follow-up occurred and when/how each recommendation has been resolved.*
3. *In November, 2008, AHC established an on-site monitoring system for all grants. A standardized form has been developed for monitoring purposes—this form documents performance, issues, and goals established for resolution of issues developed as a result of the visit. This system also includes a "tickler file" for issues resolution follow-up.*

Each agency is also reviewed by AHC staff whenever a reimbursement request is made. Expenditures identified on the request are checked against the contract's line item budget, and any expenditure that does not match a line item is disallowed. The agency is notified by email of the adjustment to their request and the reason an item is being disallowed. Concurrently, the project's goal achievement is assessed by comparing goals stated in the contract with accomplishments data submitted by the agency. An agency is denied payment if they have not filed their quarterly programmatic report, which is mandated by contract.

In addition, the Commission also visits/requests presentations from selected service grantees, and itself makes site visits to development projects that are of interest or concern. The department also contracts with a registered architect for inspections of development projects where inspections are not already being performed by state, federal or other City funding sources.

- C. *While all AHC development project funding is structured as a loan, repayment of these loans is not typically expected unless and until a rental development or owner-occupied development is sold or refinanced by the original owner of the completed development. The loan structure primarily ensures that AHC has a vehicle in place to enforce affordability and upkeep requirements. In addition, most loans for rental developments require payments for excess cash flow. In 2007, in response to AHC's growing portfolio of repayable loans, Affordable Housing Commission staff began the process of creating a new staff position to monitor completed housing developments and service the AHC loan portfolio, particularly with respect to rental developments—servicing involves tracking due dates for annual financial reports, ensuring that annual financial reports are received, calculating the amounts of payments due, if any, based on the financial reports, overseeing compliance with income restrictions, and monitoring physical condition of rental units.*

This position has now received approval by the Commission, the City of St. Louis' Department of Personnel, and the City's Board of Estimate and Apportionment. The job description was drafted, the position advertised, and candidates sought. In the fall of 2008, AHC began interviewing candidates. However, the position was created and budgeted as part-time, and all of the candidates determined to have the necessary skills and experience declined further interest due to the part-time nature of the position. AHC will pursue filling the position with a full-time employee if it is not possible to attract a qualified part time employee within a reasonable time. Until the new employee is hired, existing AHC staff will track loan terms, annual repayment, and affordability provisions of all funded projects in order to soundly monitor and protect AHC's investment portfolio.

6. Land Reutilization Authority Controls and Procedures
--

The Land Reutilization Authority (LRA) procedures related to land inventory, land sales pricing, and cost tracking need improvement. The LRA takes control of delinquent tax properties which fail to be sold at land tax sales, and purchases properties for redevelopment by the CDA. The LRA manages, sells, transfers, or otherwise disposes of these properties to return the properties to a tax-generating status. LRA staff estimated it controlled approximately 9,300 parcels of land at December 31, 2008.

- A. The LRA inventory records need improvement as follows:
- When the LRA sells properties, the sales records are not reconciled to inventory disposition records. Our review noted 2 sold properties that were not marked as such on the inventory records.
 - Some properties are recorded more than once in the inventory records. LRA officials indicated the current inventory system, which was updated in 2008, allows for certain parcels to be recorded more than once in the inventory records, and they are working to resolve this problem.

- The LRA does not periodically review the availability status of properties, as recorded on the inventory records. The inventory records indicate the status of each property as available for sale, unavailable, offer pending, option pending, or sold. Our review noted several properties were recorded with an inaccurate availability status. For example, the inventory records indicated a property had an option status, although the option had been expired for about a year.

Section 92.910, RSMo, requires the LRA to establish and maintain a perpetual inventory of each tract of its real estate. Complete and accurate inventory records are necessary to ensure all properties are accounted for and to allow the LRA to proactively market all properties available for sale.

- B. The LRA does not have contracts related to costs incurred for property maintenance and upkeep. During the year ended June 30, 2008, the LRA paid approximately \$660,000 to the St. Louis Development Corporation for property upkeep services, and \$100,000 to the city's Forestry Division for grass cutting, weed maintenance, and debris removal. In addition, there is no documentation to support why only \$100,000 was paid while the Forestry Division's billing records indicate it incurred charges of \$1,658,000 for LRA properties. LRA staff indicated the land sales do not generate sufficient revenues to pay for all related costs and the city's General Fund incurs the majority of the additional costs.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts should clearly outline expectations and provide a means for the LRA to monitor compliance with the contract terms, and provide protections for the LRA in the event of a dispute over the terms of the agreement.

- C. Expenses incurred for maintenance and upkeep are not allocated to the individual properties. Maintaining a record of expenses incurred for each property or apportioning expenses to each individual parcel is necessary for the LRA to distribute the net proceeds from each land sale to the taxing authorities as required by state law. LRA personnel indicated land sales do not generate any excess monies required to be distributed to the taxing authorities; however, this claim cannot be substantiated without accounting for the costs related to each property. The LRA indicated that no distributions have been made to taxing authorities in at least 20 years.

Section 92.915, RSMo, requires the LRA to establish accounts for the operation, management, or other expenses of each parcel of real estate. This section also requires the proceeds from the sale of each parcel of land to be applied to the costs of the sale, care, improvement, operation, acquisition, demolition, management, and administration of the parcel, and any remaining proceeds be

distributed to the taxing authorities that are included in the unpaid tax bills on the parcel.

D. LRA policies for land sale pricing are outdated or not adequately documented, as follows:

- The LRA has established standard selling prices for properties based on square footage and neighborhood location. The LRA established these prices based on an analysis of land sales prior to 2002 and has not updated the standard prices since 2002. In addition, the LRA did not maintain documentation of how the prices were calculated.
- The LRA does not maintain supporting documentation for exceptions to the standard selling prices. For example, a vacant lot was sold for \$4.50 per square foot in a neighborhood where the standard price was \$2.50 per square foot. LRA staff indicated the LRA Commissioners increased the price because they believed the land was in a better location than other vacant lots in the neighborhood; however, there was no appraisal or other written documentation to support the reason for the price increase and to ensure the LRA received fair value for this property.
- Although LRA staff indicated appraisals are obtained for all commercial property prior to sale, the standard pricing policy indicates an appraisal is only required for commercial property located east of Broadway.

Periodic updating and proper documentation of the standard pricing policy is necessary to ensure the price the LRA receives for land sales is reasonable or represents the fair value of the property. In addition, any exceptions to the standard pricing should be documented in writing or supported by an appraisal. Because the LRA does not appear to generate sufficient revenues to cover the costs of property maintenance and upkeep (as noted in Parts B and C), it is important that the LRA maximizes its revenues.

WE RECOMMEND the Land Reutilization Authority:

- A. Establish procedures to ensure inventory records are complete and accurate. In addition, the LRA should routinely review the status of tracts of land to ensure the availability status of each tract is up-to-date.
- B. Enter into contracts for property maintenance and upkeep and ensure contracts contain adequate details and protections for the LRA.
- C. Maintain records accounting for the operation, management, or other expenses related to each parcel of real estate as required by state law.

- D. Periodically update standard land sales prices to ensure the prices reflect the fair value of the property. Any exceptions to the standard pricing should be documented in writing or supported by a property appraisal.

AUDITEE'S RESPONSE

The Land Reutilization Authority provided the following written response:

- A. *LRA has procedures in place to reconcile land acquisitions and sales to inventory, and LRA does routinely review the status of tracts of land to ensure the availability status of each tract is accurate. In light of the auditors' observations, LRA will examine these procedures and consider modifications to ensure that acquisition, sales and status data maintained in the inventory is as accurate and up-to-date as is possible with an inventory of 9,300+ – properties.*
- B. *Based on the auditors' observations, LRA now has a formal contract with the St. Louis Development Corporation for maintenance work associated with LRA properties. In the future, based on the auditors' observations, LRA, a City agency, will develop and execute a formal cooperation agreement with Forestry, another City agency, for grass cutting support services, although since the agreement will be between two City agencies LRA is not certain that a written agreement is definitively required by statute. It is not expected that the cooperation agreement will require LRA to pay Forestry for the full cost of these services, since the sale of LRA properties does not generate nearly enough revenue to pay for all costs incurred for LRA properties—see "C" below. If full payment were required for these services, one of two approaches would be necessary: either the services would be discontinued because LRA could not pay for them with available LRA revenues (an outcome that would result in a variety of negative consequences for the neighborhoods in which LRA properties are located) or LRA would have to seek an appropriation from the City to pay Forestry, a City department, as provided in Section 92.905.1 RSMo: "The land reutilization commissioners...may incur such other reasonable and proper costs and expenses as are related thereto. If such costs and expenses exceed the amount of funds available to the land reutilization authority under provisions of sections 92.700 to 92.920, the land reutilization authority shall obtain approval of the board of estimate and apportionment and an appropriation by the governing body of the city for such additional or supplemental fund needs." LRA has not sought such an appropriation and does not intend to seek such an appropriation.*
- C. *This question was addressed in a memorandum provided to the Collector of Revenue in 2007.*

As detailed in the attachments to LRA's memorandum to the Collector, costs associated with minimally maintaining LRA's more than 9,300 properties far outweigh sale proceeds—this has been the case since LRA's inception. For the twelve months ending June 30, 2007, income from LRA properties equaled \$1.141 million; expenses associated with the LRA inventory during this time period were \$5.099 million—in other words, expenses exceeded income by nearly \$4 million. As noted in the letter, state statutes

allow for consolidation of parcels as provided for in Sections 92.910 of the Missouri Revised Statutes, which states "The land reutilization authority shall set up and maintain a perpetual inventory on each tract of its real estate, except that individual tracts may be consolidated and grouped or regrouped for economy or convenience." LRA believes that this section of the statutes permits LRA to consolidate parcels for "economy and convenience" in tracking expenses, and further believes this approach is both practical and justifiable because, for the entirety of LRA's history, costs have been far greater than income—the additional work associated with allocating all costs to each of the 9,300 specific properties individually will only add administrative costs, will exacerbate the fact that costs are far greater than income, and will not change that fact. As noted above, Section 92.905.1 RSMo also allows LRA to seek City funds for costs that exceed income. LRA has never sought City funds as permitted by the statutes and does not intend to do so. Should a time come when it appears that LRA revenues may become sufficient to cover the costs associated with the LRA properties, LRA will begin tracking expenses to specific properties. However, given that LRA's expenses have always exceeded LRA's income since the agency's formation in the early 1970s, it is not expected that this will occur for many years.

- D. Land sale pricing based on neighborhood was instituted in 2002—prior to that time, LRA charged the same price for land regardless of its location. The fact that LRA now has a land pricing policy based on neighborhood is a significant improvement over prior practices.*

Real estate staff has been working to establish a procedure for updating land pricing on a bi-annual basis, using data provided by the Assessor's office and developed during the bi-annual reassessment process. The original pricing policy was intended to be based on arms length sales transactions. One difficulty with that original process is that it is challenging to establish prices based on comparable market-based sales in many City neighborhoods due to the fact that insufficient numbers of private sales have occurred to establish a reliable price. By using the Assessor's data, LRA can avoid developing a separate system and can take advantage of the Assessor's research on land values. This proposed policy of using land values established by the Assessor has now been fine tuned and was approved by the LRA commissioners on February 25—LRA has already begun using the new policy. For commercial properties and those properties located east of Broadway, and in cases where the uniqueness of a particular property leads real estate staff to believe that the actual value of the particular property may differ from the pricing policy, the new pricing policy will include language requiring formal appraisals in these exceptional cases. Every two years, when the Assessor has completed the bi-annual reassessment, pricing will be updated to reflect the Assessor's new data.

Very few exceptions are made to the pricing policy, but when they are LRA Commissioners base their decisions on factors such as whether the parcel is irregularly shaped, whether the size of the parcel inhibits its utility for development, the peculiarities of a particular site (e.g., drastic changes in elevation on the site), whether the location within the neighborhood warrants a change in price, and whether the offeror will have to incur extraordinary costs in order to develop the property. LRA staff also consider the

end use of the property proposed by the offeror and whether or not the offeror will need to acquire privately owned property in order for the development to proceed—the cost of acquiring private property in distressed areas often greatly exceeds the property’s value, since it is often difficult to locate multiple owners, such properties often have title problems, and the developer must often pay for improvements that have no real value. In such cases, LRA may reduce the price of its property to encourage the developer to acquire vacant and vandalized private property adjacent to the LRA property and incorporate it into the development. Offerors appear before the LRA Commission and have an opportunity to appeal the recommended price. The Commission listens to the potential buyer’s explanation and may adjust the price recommended by staff based on the buyer’s argument. The LRA Commission, composed of a representative of the Mayor, a representative of the Comptroller, and a Board of Education representative, determines the price at which a parcel will be sold. The reason for any deviation from staff recommendation is documented in the meeting minutes. Based on the auditors’ observations, LRA will, in the future, make sure that the property file includes such reason for deviation and documentation to support the deviation when exceptions are made to the pricing policy.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
COMMUNITY AND ECONOMIC DEVELOPMENT OFFICES
HISTORY AND ORGANIZATION

The city has established various offices to provide community and economic development services as described below:

Community Development Administration

The Community Development Administration was established under the provisions of St. Louis City Revised Code Section 3.47. The Community Development Administration is responsible for the administration of federal funds allocated to the city of St. Louis for housing, community development, public service, and economic development programs. Its activities are mainly funded with federal monies, Affordable Housing Commission grant funds, and self-generated revenues. The Acting Executive Director is Jill Claybour.

The Community Development Administration has 4 sections: Residential Development, Housing Programs, Fiscal Management, and Program Monitoring. The Residential Development section works with developers, aldermen, and neighborhood groups to provide secondary financing for affordable and market rate housing, inspect and provide oversight during the development of that housing, finance acquisition of properties by the Land Reutilization Authority for redevelopment, and issue and evaluate requests for proposals for desired development. The Housing Programs section administers the down-payment assistance and home repair loan programs. The Fiscal Management section reviews and monitors subrecipient budgets, reviews and processes accounts payable, and processes receipts. The Program Monitoring section reviews applications for subrecipients, provides oversight and monitors program performance for subrecipients, and prepares various federal reports.

Planning and Urban Design Agency

The Planning and Urban Design Agency was established under the provisions of St. Louis City Revised Code Section 3.48. The Planning and Urban Design Agency performs future planning for the city. This agency provides support staff for the city's Planning Commission and also for the Preservation Board. Its activities are funded through a combination of Community Development Administration grant funds and some direct city appropriations. The Acting Director is Donald W. Roe.

The Planning and Urban Design Agency has 4 divisions: Planning and Urban Design, Cultural Resources Office, Research, and Graphics/Computer Mapping. The Planning and Urban Design Division is responsible for writing planning documents and policy, and reviewing land use applications for approval. The Cultural Resources Office is responsible for activities related to the city's historic districts, including review of applications and ensuring compliance within the districts. The Research Division provides research support for planning activities. The Graphics/Computer Mapping Division is responsible for operating the city's geographic information system (GIS) and providing GIS services to the public for a fee.

Affordable Housing Commission

The Affordable Housing Commission was established under the provisions of St. Louis City Revised Code Section 3.49. The Affordable Housing Commission promotes city living and neighborhood stabilization through preservation and production of affordable, accessible housing and support services for those in need. Its activities are funded by a dedicated special use tax generating approximately \$5 million annually, and loan repayments from developers. The Executive Director is Angela Morton Conley.

The Affordable Housing Commission provides partial financing for affordable housing development, homeless shelters and prevention programs, neighborhood home repair, and training programs. Funding is generally awarded once a year. All awarded funds must benefit households earning no more than 80 percent of the St. Louis area median income. In addition, not less than 40 percent of the annual funding must benefit households earning 20 percent or less of the St. Louis area median income. The Affordable Housing Commission staff reviews applications for recipients, monitors program performance for recipients, reviews and monitors recipient budgets, and processes receipts.

Land Reutilization Authority

The Land Reutilization Authority is established under the authority of Sections 92.700 to 92.920, RSMo. This entity is responsible for taking control of delinquent tax properties which fail to be sold at land tax sales and for purchasing properties for the Community Development Administration. It manages, sells, transfers, or otherwise disposes of these properties to return the properties to a tax-generating status. Its activities are funded through a combination of Community Development Administration grant funds and self-generated revenues which are maintained in city accounts. The St. Louis Development Corporation, a not-for-profit corporation, provides administrative services for the Land Reutilization Authority.

Port Authority

The Port Authority is established under the authority of Chapter 68, RSMo. This entity is responsible for managing and leasing the city-owned riverfront property, including dock and mooring space and parking lots. Its activities are funded through a combination of state and federal grants and self-generated revenues which are maintained in city accounts. The St. Louis Development Corporation, a not-for-profit corporation, provides administrative services for the Port Authority.



Susan Montee, JD, CPA
Missouri State Auditor

City of St. Louis Information Technology Services Agency



April 2009

Report No. 2009-37

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The following findings were included in our audit report on the City of St. Louis, Information Technology Services Agency.

The City of St. Louis Information Technology Services Agency (ITSA) is responsible for the City Wide Area Network (WAN) and provides IT functions to 109 city of St. Louis departments and city-related agencies.

Significant concerns were noted regarding the city's contractual relationship with a consultant that provided network systems services to the ITSA. The city awarded a contract in 2005 to United Forensics, a network services consulting company, to provide various maintenance and upkeep services for the city's computer network. The city paid United Forensics approximately \$1 million from 2005 to 2008. The ITSA did not retain adequate documentation regarding the award of the United Forensics consulting contract in 2005 as required by city rules and regulations. In addition, the exact value of the approved contract amount was not clear.

The ITSA and the city approved annual contract extensions with United Forensics that significantly increased the total value of the contract and the hourly rates to be paid by the city; however, these contract extensions were approved without considering proposals from other vendors. The original value of the contract was not to exceed \$194,000 for fiscal year 2006, increased to \$450,000 for fiscal year 2007, and also set at \$450,000 for fiscal year 2008. In addition, the hourly rates paid by the city for contractual services increased significantly in fiscal year 2008.

During the first quarter of 2008, one of the owners of United Forensics created a company called Access Forensics. The ITSA began utilizing the services of Access Forensics and discontinued utilizing the services of United Forensics. The ITSA did not adequately document the reasons for discontinuing the services of United Forensics, and it appears the city may have made payments to Access Forensics without a valid written contract.

The ITSA approved payments to United Forensics for services that appeared unreasonable or were not specifically allowed by the contract including administrative costs, holiday pay, unspecified and duplicate charges, and charges at unauthorized billing rates.

Also included in the audit are recommendations related to other contracts and software agreements

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
INFORMATION TECHNOLOGY SERVICES AGENCY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-10
<u>Number</u>	<u>Description</u>
1.	Network Services Contract5
2.	Other Contracts and Software Agreements.....8
HISTORY AND ORGANIZATION	11-12

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Information Technology Services Agency. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the agency has adequate internal controls over significant management and financial functions.
3. Determine if the agency has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in our audit of the agency.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Information Technology Services Agency.

Additional audits of various officials and departments of the city of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Michael Reeves, MPA
Audit Staff:	Travis Owens

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
INFORMATION TECHNOLOGY SERVICES AGENCY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Network Services Contract
-----------	----------------------------------

Significant concerns were noted regarding the city's contractual relationship with a consultant that provided network systems services to the city's Information Technology Services Agency (ITSA). These concerns include inadequate documentation for the award of the contract and contract extensions, and billings that appear questionable or did not agree to the terms of the contract.

The city awarded a contract in 2005 to United Forensics, a network services consulting company, to provide various maintenance and upkeep services for the city's computer network. Annual contract extensions were approved by the city. During 2008, one of the owners of United Forensics formed a company named Access Forensics, and the ITSA began utilizing the services of this company. From 2005 to 2008, the city paid United Forensics approximately \$1 million and Access Forensics approximately \$100,000.

- A. The ITSA did not retain adequate documentation regarding the award of the United Forensics consulting contract in 2005. As a result, the exact value of the approved contract amount was not clear.

For the award of any professional services contract in excess of \$5,000, City of St. Louis Ordinance 64102 requires the formation of a selection committee to recommend and approve each contract. The selection committee is required to follow the rules and regulations adopted by the city's Board of Public Service (BPS) for the selection of professional service providers. In accordance with the city ordinance, a committee was formed and the former ITSA director served as the committee chair. BPS rules and regulations require the committee chair to maintain a file of certain documents related to the contract selection process, including copies of all documentation related to how the selection committee was chosen (including conflict of interest disclosures from each committee member), all meeting notices and agendas, all correspondence related to the selection process, copies of all draft and final requests for proposals (RFP), all responses received from potential vendors, and meeting minutes and records of all votes in accordance with the Missouri Sunshine Law. Other than documentation of the final vote of the committee, ITSA officials could not provide documentation regarding meeting agendas and minutes. In addition, there was no documentation maintained of any proposals received other than the winning proposal, even though current city officials indicated they believe other proposals were received.

In addition, the exact value of the approved contract amount was not clear. The proposal submitted by United Forensics was dated August 19, 2005, and indicated

an annual contract cost of \$194,000. A letter from the former ITSA director to selection committee members dated September 8, 2005, indicated the contract's annual value would not exceed \$90,000. The selection committee meeting minutes dated September 16, 2005, indicate approval of the United Forensics proposal but did not include documentation of the total value of the contract. The former ITSA director submitted a contract payment authorization of \$194,000 to the City Comptroller's office dated September 27, 2005. Current ITSA personnel could not provide any reasons for the differing amounts or documentation to support the exact amount approved by the selection committee.

To ensure contracts are negotiated and selected in accordance with city policy and that the city approves the best proposal, the ITSA should ensure all required information is maintained regarding the solicitation, selection, and approval of professional services.

- B. The ITSA and the city approved annual contract extensions with United Forensics that significantly increased the total value of the contract and the hourly rates to be paid by the city; however, these contract extensions were approved without considering proposals from other vendors. The original contract approved for fiscal year 2006 did not include any language regarding contract extensions; however, the ITSA approved a contract extension for fiscal year 2007, and this contract extension included language that allowed for unlimited annual contract extensions.

The ITSA approved significant increases in the total value of the contract with United Forensics. The original value of the contract was not to exceed \$194,000 for fiscal year 2006, increased to \$450,000 for fiscal year 2007, and also set at \$450,000 for fiscal year 2008. In addition, the hourly rates paid by the city for contractual services increased significantly in fiscal year 2008. The original contract and the fiscal year 2007 contract extension included a two-tiered rate structure of \$100 or \$80 per hour, depending on the type of service provided. The fiscal year 2008 extension included a three-tiered rate structure of \$156, \$104, or \$78 per hour.

While contract extensions may be desirable under certain circumstances, it appears the ITSA should have followed the city's ordinance for procuring professional services prior to approving significant increases in the network services contract. Competitive contract negotiations, as required by city ordinance, help ensure the city is obtaining services at reasonable rates. At a minimum, the original contract should have included language allowing contract extensions and caps on annual increases in the contract's total value and hourly rates.

- C. During the first quarter of 2008, one of the owners of United Forensics created a company called Access Forensics. The ITSA began utilizing the services of Access Forensics and discontinued utilizing the services of United Forensics. The

former ITSA director notified the City Comptroller's office by letter to pay Access Forensics even though the city had not negotiated a contract with Access Forensics. The ITSA did not adequately document the reasons for discontinuing the services of United Forensics, and it appears the city may have made payments to Access Forensics without a valid written contract.

- D. The ITSA approved payments to United Forensics for services that appeared unreasonable or were not specifically allowed by the contract.
- 1) The city made payments of \$11,034 for administrative costs, such as time spent by United Forensics to prepare the monthly billings, and \$19,796 for holiday pay. Payment for holiday pay and administrative costs are not defined in the contract and these payments appear questionable.
 - 2) One invoice included duplicate charges of \$113 and another invoice included time spent for unspecified purposes totaling \$663.
 - 3) During fiscal year 2007, United Forensics billed for some hours at \$150 per hour; however, the highest rate authorized by the contract for fiscal year 2007 was \$100 per hour.

Due to concerns regarding potential improprieties related to this contract, the city discontinued utilizing the services of the contractor in 2008. The city plans to hire additional staff to perform the services provided by the contractor. In addition, the city is currently in litigation concerning bills submitted to the city by Access Forensics. The amount in litigation is \$164,453. The city should perform a thorough review of all billings received from and payments made to United Forensics and Access Forensics to determine any amounts owed and if the city should seek reimbursement for any amounts paid that did not comply with the approved contract.

WE RECOMMEND the ITSA:

- A. Ensure it fully complies with documentation retention requirements for professional service contracts in accordance with city rules and regulations. In addition, the ITSA should ensure documentation clearly indicates the value of contracts approved by the contract selection committee.
- B. Discontinue approving contract extensions that significantly increase the value of the contract unless the increases are approved by competitive negotiations. If the ITSA considers contract extensions to be desirable, the original contract should include language that allows contract extensions and caps on increased rates paid for services and the total value of the contract.
- C. Adequately document the circumstances when there is a change in ownership of a service provider, or negotiate a new contract if necessary.

- D. Ensure all contractual costs billed are reasonable and necessary and are specifically allowed under the contract and review billings received from and payments made to United Forensics and Access Forensics to determine any amounts owed and if the city should seek reimbursement for any improper payments. In addition, prior to entering into contracts for professional services, the ITSA should evaluate whether it would be more cost efficient to hire additional staff to provide the services.

AUDITEE'S RESPONSE

- A. *ITSA management concurs. Management will review city procurement procedures for professional service contracts by April 1, 2009.*

NOTE: The current members of ITSA's management team were not party to the particular contract reviewed by the state auditors.

- B. *ITSA management concurs. Management will review existing procurement procedures regarding contract extensions, recommending changes, if necessary, to ensure compliance by April 1, 2009.*

- C. *ITSA management concurs. Internal ITSA procedures will be reviewed and updated to ensure compliance by May 1, 2009.*

NOTE: The current members of ITSA's management team were not party to the particular contract reviewed by the state auditors.

- D. *Management will review existing procurement procedures regarding contractual costs, recommending changes, if necessary, to ensure compliance by May 1, 2009.*

2. Other Contracts and Software Agreements

The ITSA has renewed contracts without obtaining proposals from other vendors. Invoices submitted for one of these contracts do not contain sufficient detail of hours worked and tasks performed, and billings for some services provided by the other contractor were not specifically defined in the contract. The ITSA renews various software agreements without periodically evaluating the effectiveness of the software.

- A. The ITSA renewed contracts for internet services and mainframe support services without considering proposals from other vendors.

- 1) The original contract for internet services was a 5-year contract negotiated in 2001. In 2005, a new 3-year contract was signed by the former ITSA director with the same vendor which replaced the existing contract. No proposals from other vendors were solicited prior to the signing of the new 3-year contract. This contract expired in November 2008; however, the

ITSA has continued to utilize the services of this vendor without negotiating a new contract or officially extending the existing contract. The city paid approximately \$390,000 for internet services under this contract for the year ended June 30, 2008.

- 2) The original contract for mainframe support services was negotiated in 1997 as a 3-year contract with an option to extend the contract for an additional 2 years. In 2001, the contract was extended for an additional 5 years, and in 2006, the contract was extended for an additional 3 years. No proposals from other vendors were solicited prior to signing the contract extensions. The hourly rate for services provided by this vendor only increased from \$65 in the original contract to \$75 in the current contract extension; however, the maximum annual value of the contract increased from \$55,000 in the original contract to \$130,000 in the current contract extension. During the year ended June 30, 2008, payments to the vendor totaled the maximum contract value (\$130,000).

ITSA officials indicated that these vendors are considered sole source providers because of their expertise and familiarity with the city's computer systems. However, periodic solicitation of proposals would ensure the city is receiving these services at a reasonable price. BPS rules for professional service agreements indicate the maximum compensation paid for any sole source engagement shall not exceed \$50,000.

In addition, the mainframe support services contract is for a sole proprietor who spends significant time working for the city and is paid \$75 per hour. During the 2 years ended June 30, 2008, this person billed the city an average of 140 to 160 hours per month. The ITSA should determine whether IRS rules and regulations would require this person to be considered a city employee instead of a contractor. In addition, the ITSA should evaluate this contract to determine if it would be more efficient or cost effective to hire a city employee to provide these services.

- B. Invoices submitted by the mainframe support services vendor do not contain sufficient detail. Invoices are submitted monthly and only include the total hours worked each month. Information regarding the specific days worked, hours worked each day, and specific tasks performed were not provided.

Some invoices provided by the internet services vendor included charges for services that were not defined in the contract. For example, the vendor billed the city for broadband services which were not specifically included in the contract.

To ensure amounts billed the city are reasonable and in accordance with applicable contracts, the ITSA should require detailed invoices which include the dates of service and specific tasks performed. In addition, all services billed to the city should be defined in the applicable contracts.

- C. The ITSA routinely renews software agreements without evaluating the benefits or effectiveness of the software. During the year ended June 30, 2008, the ITSA spent approximately \$530,000 on software renewals. The ITSA considers all software agreements as sole source providers. The city has several old software packages, including one used since the early 1980's for the Comptroller's financial system; however, the ITSA does not periodically evaluate whether better or more effective software could be used in place of these older packages. To ensure city funds are spent efficiently and effectively, the ITSA should adopt procedures to periodically evaluate the costs and benefits of all software agreements and whether other available software packages would be more efficient or effective.

WE RECOMMEND the ITSA:

- A. Periodically solicit proposals for all professional service contracts as required by city ordinance. In addition, the ITSA should evaluate the mainframe support services contract and determine if the contractor should be considered a city employee under IRS rules and whether these services could be provided by city employees.
- B. Require vendors provide detailed invoices of services provided that include dates of service and specific tasks performed. In addition, all billable services should be defined in the applicable contract.
- C. Periodically re-evaluate all software agreements prior to their renewal.

AUDITEE'S RESPONSE

- A. *ITSA management concurs. Management will review and update ITSA procedures for renewing contracts to ensure compliance by June 1, 2009.*
- B. *ITSA management concurs. Management will amend ITSA procedures for professional service contracts to require more detailed invoices by June 1, 2009.*
- C. *ITSA management concurs. Management will document an ITSA procedure to review all software agreements annually by June 1, 2009.*

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
INFORMATION TECHNOLOGY SERVICES AGENCY
HISTORY AND ORGANIZATION

The City of St. Louis Information Technology Services Agency (ITSA) is responsible for the City Wide Area Network (WAN) and provides IT functions to 109 city of St. Louis departments and city-related agencies. Michael Wise served as the ITSA Director until his resignation in December 2008, and this position is currently vacant. The agency employs 43 people and is organized in the following five units:

1. Operations System Services

This unit maintains the city's mainframe computer, as well as managing all purchased software. The Helpdesk is the first point of contact for any city employee having a computer issue (generally passwords or software issues). Helpdesk clerks are also responsible for maintenance of the backup tapes for city offices not located in City Hall and running reports for city agencies.

2. Network System Services

This unit is responsible for all aspects of the city's network. This includes servers, desk support, communications, and application support.

3. System Development Services

This unit is responsible for developing and maintaining computer programs for city agencies.

4. CityView Services

This unit oversees Mayor Francis Slay's initiative known as CityView, which is a program to improve city government performance. CityView works in partnership with each city department to create a performance measurement system. Each department creates a matrix to track the progress in reaching its goals.

5. Web Development Services

This unit is responsible for maintaining and hosting the city's public internet site. This unit develops web-related applications at the request of city agencies and hosts free websites for St. Louis neighborhoods and certain city funded non-profit agencies.



Susan Montee, JD, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Crystal City Municipal Division



April 2009

Report No. 2009-36

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

An audit was conducted by our office of the Twenty-Third Judicial Circuit, City of Crystal City, Municipal Division.

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties are not adequately segregated. Some monies received are not deposited on a timely basis. Receipt slips are issued for fines, costs, and bonds; however, the method of payment is not documented on some receipt slips, and the composition of receipt slips issued is not reconciled to deposits. A list of open items (liabilities) is not prepared monthly and reconciled to the municipal account and monthly receipt reports are not reconciled to monthly disbursement reports and court dockets. As a result, several disbursement errors went undetected (\$4,999 in overpayments and \$9,492 in underpayments) and \$1,739 in the account can not be identified.

The municipal division earns interest on the municipal and bond accounts; however, the interest has not been disbursed to the city for several years. The Court Clerk does not account for the numerical sequence of bond forms.

The municipal division has not established a fines schedule or designated a violations bureau (VB) clerk by court order. Although a VB has been established by city ordinance, a court order has not been issued to formally establish the VB. The court collects and remits \$1 per case for the Peace Officers Standards and Training Commission fee; however, the city has not established this fee by ordinance.

Neither the police department nor the Court Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-10
<u>Number</u>	<u>Description</u>
1.	Court Controls and Procedures5
2.	Court Costs.....9
3.	Tickets Controls and Procedures10
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	11-12

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Crystal City, Missouri

We have audited certain operations of the city of Crystal City Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Crystal City Municipal Division of the Twenty-Third Judicial Circuit.

A petition audit of the city of Crystal City, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Monique Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Court Controls and Procedures
-----------	--------------------------------------

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties are not adequately segregated, some monies received are not deposited on a timely basis, some receipt slips do not indicate the method of payment, and the composition of receipt slips is not reconciled to deposits. In addition, monthly lists of opens items are not prepared and reconciled to the municipal account and interest income is not disbursed to the city. Also, procedures have not been established to resolve old outstanding checks and the numerical sequence of bond forms is not accounted for properly.

- A. Cash custody and recordkeeping duties are not adequately segregated. The Court Clerk receipts all monies, records transactions, prepares deposits, and issues and signs checks. The city's accountant prepares the bank reconciliations for the municipal and bond accounts and account for the numerical sequence of checks issued; however, there is no independent review and reconciliation of receipts to deposits and the numerical sequence of receipt slips issued is not accounted for properly.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. In addition, the Missouri Municipal Clerk Manual provides that someone other than the person who issued the receipts or checks should review the accounting records to verify receipts and checks are issued in sequence and recorded on the cash control record. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reconciliations of receipt slips issued to the amount and composition of bank deposits should be performed and documented. Also, the numerical sequence of receipt slips issued should be accounted for properly.

- B. The following concerns relating to receipts were noted:

- 1) Some monies received are not deposited on a timely basis. Several deposits contained receipts collected over a period of several days. For example, on February 27, 2008, the municipal division deposited \$2,471 into the municipal account, which contained receipts from February 20, 2008, through February 26, 2008. Approximately \$1,080 in cash was included in this deposit.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made timely.

- 2) Receipt slips are issued for fines, costs, and bonds; however, the method of payment is not documented on some receipt slips issued and the composition of receipt slips issued is not reconciled to deposits. Additionally, there is no record indicating which receipts are included in each deposit.

To ensure receipts are properly handled and recorded, the method of payment should be documented for all monies received and the composition of receipt slips issued should be reconciled to deposits. In addition, the receipt slips included in each deposit should be clearly documented.

C. The following concerns relating to open items were noted:

- 1) A list of open items (liabilities) is not prepared monthly and reconciled to the municipal account. In addition, monthly receipt reports are not reconciled to monthly disbursement reports and court dockets. As a result, several disbursement errors went undetected and some monies in the account can not be identified. Upon our request, an open items list was prepared as of December 31, 2008, which included \$5,331 in identified liabilities (monies collected since the previous court date but not disbursed). The reconciled bank balance at December 31, 2008, was approximately \$11,563. The Court Clerk could not identify the remaining \$6,232; however, a review of the monthly bank reconciliations noted several disbursement errors which further reduced this amount.

The Court Clerk disburses monies after the last court date of each month. She generates a disbursement report from the court system by entering the dates it covers (the day after last month's court date through the current court date). From April 2007 through December 2008, the Court Clerk entered the dates incorrectly for several reports resulting in overpayments totaling \$4,999 (duplicated some days) and underpayments totaling \$9,492 (failed to include some days). After adjusting for these errors, an unidentified balance of \$1,739 remains in the municipal account.

Monthly reconciliations of cash balances to liabilities are necessary to ensure all monies collected are properly disbursed. Without preparation of such reconciliations, there is little assurance receipts and disbursements have been properly handled and recorded. All monies collected and deposited into the municipal account should be disbursed monthly. To prevent errors in disbursements, the Court Clerk should reconcile the receipts, disbursements, and docket totals to actual deposits monthly and document this review. Section 479.080, RSMo, requires the municipal division to disburse fines and court costs to the city treasury and state at least

monthly. The Court Clerk should correct the errors identified and investigate the remaining unidentified balance. Any amounts that can not be identified should be disposed of in accordance with state law.

- 2) The municipal division earns interest on the municipal and bond accounts; however, the interest has not been disbursed to the city for several years. The city's accountant prepares the bank reconciliations and records the interest earned as a reconciling item each month. As of December 31, 2008, cumulative interest earned in the municipal and bond accounts totaled \$1,735.

Interest earned on municipal division accounts should be turned over to the city treasury periodically.

- D. Procedures have not been established to resolve old outstanding checks. According to the July 2008 bank reconciliation, the bond account had one check totaling \$75 that has been outstanding for more than one year. The check was voided in August 2008, and added back to the book balance with no attempt to locate and reissue payment to the payee.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

- E. The Court Clerk does not account for the numerical sequence of bond forms. The police department issues prenumbered bond forms for all bond monies received. The Court Clerk issues receipt slips, noting the bond form numbers, to the police department for bonds transmitted; however, the Court Clerk does not account for the numerical sequence of the bond forms to ensure all bonds have been accounted for properly.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance all bond receipts are accounted for properly, the Court Clerk should account for the numerical sequence of bond forms.

WE RECOMMEND the city of Crystal City Municipal Division:

- A. Adequately segregate the duties of receiving and depositing monies from recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits. Any unusual items or discrepancies noted should be investigated promptly.
- B.1. Deposit monies on a timely basis.

2. Record the method of payment on all receipt slips issued and reconcile the composition of receipts to deposits. In addition, the Court Clerk should clearly indicate which receipts are included in each deposit.
- C.1. Prepare a monthly list of open items and fees on hand for the municipal account and reconcile the list to the book and reconciled bank balances. The Court Clerk should attempt to identify the remaining unidentified balance, and if any amounts remain unidentified, they should be disposed of in accordance with state law. In addition, the Court Clerk should reconcile receipts, disbursements, and docket totals monthly.
2. Disburse interest from the municipal and bond accounts to the city periodically.
- D. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.
- E. Account for the numerical sequence of bond forms.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following responses:

- A. *We will implement this recommendation and have the Deputy Court Clerk review deposits.*
- B.1. *We will implement this recommendation. The new computer system will require deposits be prepared on a daily basis.*
 2. *We will implement this recommendation. The new computer system will generate receipt slips and the method of payment is a required field of entry.*
- C.1. *We have disbursed all of the identified monies and will develop procedures to reconcile open items to the book balance.*
 2. *The interest will be disbursed to the city prior to the end of each fiscal year.*
- D. *We will implement this recommendation. Checks outstanding for greater than a year will be investigated.*
- E. *This recommendation has been implemented. The Police Clerk maintains a bond log which the Court Clerk reviews and signs to document all bonds are accounted for properly.*

The municipal division has not established the violations bureau (VB) or a fines schedule or designated a VB clerk by court order. In addition, the \$1 assessed and collected for the Peace Officers Standards and Training Commission (POSTC) fee has not been established by ordinance and the ordinance establishing the fee withheld for the Judicial Education Fund shows an incorrect fee amount.

- A. Although a VB has been established by city ordinance, a court order has not been issued to formally establish the VB or to designate a VB clerk. Additionally, fines assessed have not been established by court order.

Supreme Court Rule No. 37.49 requires a VB and a schedule indicating the amount of fines and costs to be imposed for each offense be established and a VB clerk be designated by court order.

- B. The municipal division collects and remits \$1 per case for the POSTC fee; however the city has not established this fee by ordinance.

All court costs assessed and collected by the municipal division should be established by ordinance.

- C. The municipal division withholds \$1 per case from court costs for the Judicial Educational Fund; however, City Ordinance 949, Section 15 ½-26 (6), establishing the Judicial Educational Fund incorrectly states the amount assessed as \$100 per case. Ordinances represent laws established by the city and should be reviewed for accuracy to prevent conflicts.

WE RECOMMEND the city of Crystal City Municipal Division:

- A. Prepare a court order establishing a VB and a fine schedule and designating a VB clerk.
- B. Request the city to pass an ordinance establishing the POSTC fee.
- C. Request the city to review all ordinances assessing court costs to ensure accuracy.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following responses:

- A. The Municipal Judge will issue a court order establishing the violations bureau and fines schedule and designate a violation bureau clerk.*
- B. The city will establish this fee by ordinance.*
- C. This recommendation will be implemented and corrections made as needed.*

3. Ticket Controls and Procedures
--

Neither the police department nor the Court Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and posts tickets issued to its computer system. The Court Clerk posts the tickets received from the police department to the division's computer system. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition of each ticket issued. A review of one officer's tickets revealed one ticket missing. The Police Chief could not provide an explanation for the missing ticket.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot be assured all tickets issued were properly submitted for processing.

WE RECOMMEND the city of Crystal City Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following response:

This recommendation has been implemented. The Police Clerk prints out a ticket report which is reviewed and compared to the tickets entered into the division's computer by the Court Clerk.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Crystal City Municipal Division is in the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Financial and Caseload Information

Year Ended March 31, 2008

Receipts	\$266,519
Number of cases filed	3,165

Personnel

At March 31, 2008, the municipal division employees were as follows:

Municipal Judge	Edward Page
Court Clerk	Shelly Andrews *

* Shelly Andrews resigned as court clerk in February 2009. Kathy Kirkland served as acting court clerk, until Rene Perry was hired in March 2009. Jan Fischer served as court clerk prior to April 2007.



Susan Montee, JD, CPA
Missouri State Auditor

ADMINISTRATION

Review of Article X, Sections 16 Through 24, Constitution of Missouri

Year Ended June 30, 2008



April 2009

Report No. 2009-35

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2008.

Total state revenue was calculated at \$9.6 billion, while the refund threshold was calculated at \$11 billion, which means state revenue was under the revenue limit by \$1.4 billion for the year ended June 30, 2008.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
EXECUTIVE SUMMARY	4-8
EXHIBITS:	9-20
<u>Exhibit</u>	<u>Description</u>
A	Summary of Total State Revenue and Refund Calculations, Five Years Ended June 30, 200810
B	Schedule of Total State Revenues, Five Years Ended June 30, 2008 11-19
C	Schedule of Expenditure Refunds, Five Years Ended June 30, 200820
BACKGROUND, METHODOLOGY, AND CONCLUSIONS.....	21-31
APPENDIX.....	32-36
Appendix	Article X, Sections 16 through 24, Constitution of Missouri (Adopted November 4, 1980, Amended April 2, 1996)..... 33-36

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Kelvin L. Simmons, Commissioner
Office of Administration
Jefferson City, MO

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2008, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2007. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the information in the Exhibits is fairly stated in all material respects.

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, of the Constitution of Missouri.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeffrey Thelen, CPA

EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2008, 2007, 2006, 2005, and 2004. The results of our review determined that for the year ended June 30, 2008, TSR was approximately \$1.35 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2008.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the home dock city or county and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the home dock city or county and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

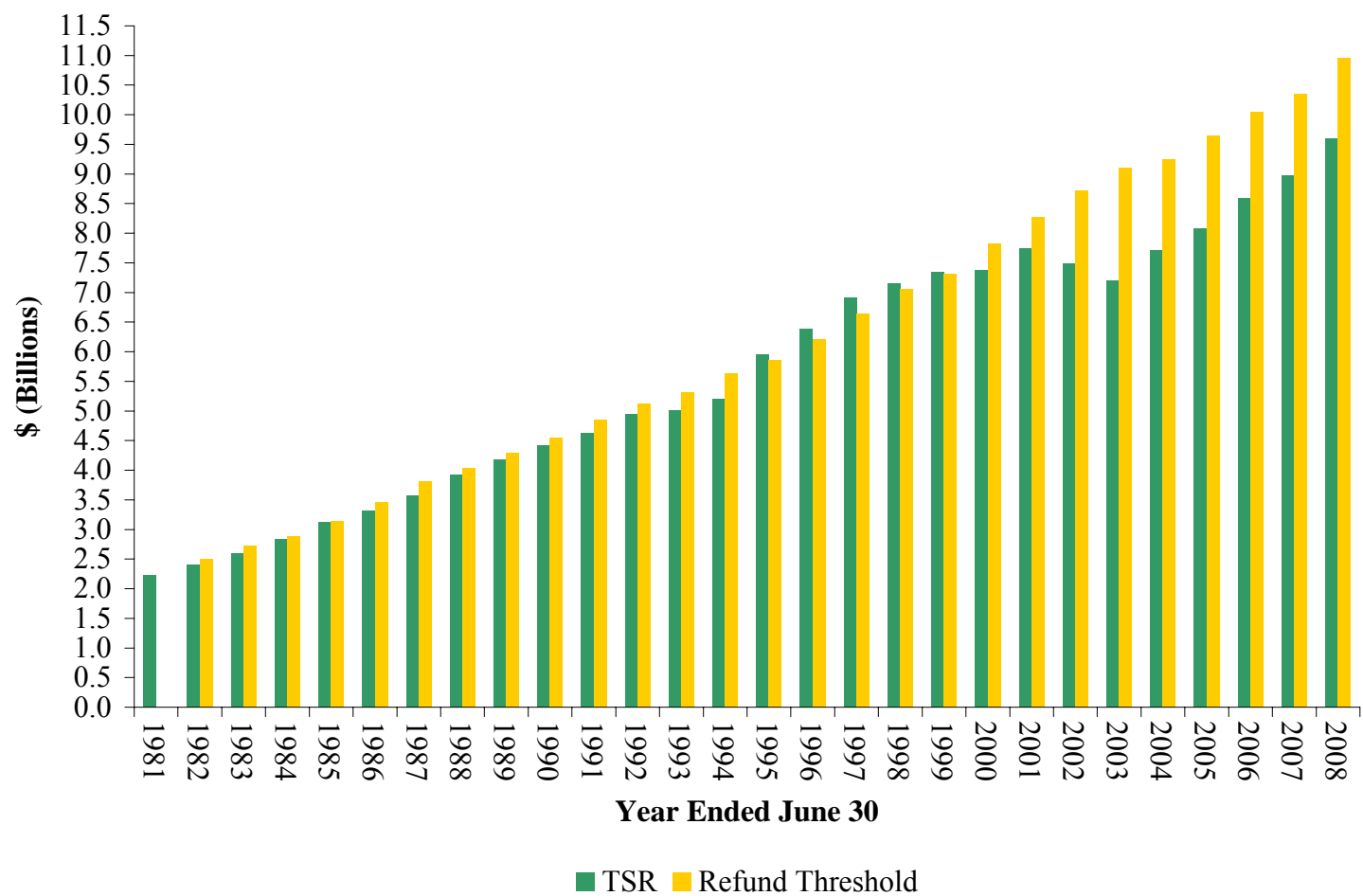
This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state decided not to recalculate TSR for those years. However, for fiscal year 1998, the state excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation

sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.



EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS
(IN MILLIONS)

	Year Ended June 30,				
	2004	2005	2006	2007	2008
TOTAL STATE REVENUE (TSR)					
Total state receipts	\$ 18,893.99	19,500.87	20,919.97	21,928.92	22,939.03
Less excluded revenue	(10,050.55)	(10,288.16)	(11,170.56)	(11,675.58)	(12,021.91)
Less expenditure refunds	(1,126.23)	(1,127.33)	(1,185.51)	(1,272.91)	(1,321.37)
Add refundable tax credits	4.07	4.79	31.20	5.08	2.75
TSR	\$ 7,721.28	8,090.17	8,595.10	8,985.51	9,598.50
REVENUE LIMIT AND REFUND THRESHOLD					
Missouri personal income	\$ 161,648.00	168,512.00	175,524.00	181,066.00	191,413.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	9,116.14	9,503.23	9,898.68	10,211.22	10,794.74
Judicial article amendment	44.28	45.81	45.81	47.64	49.06
Revenue limit	9,160.42	9,549.04	9,944.49	10,258.86	10,843.80
1 percent adjustment	91.60	95.49	99.44	102.59	108.44
Refund threshold	\$ 9,252.02	9,644.53	10,043.93	10,361.45	10,952.24
REFUND CALCULATION					
TSR	\$ 7,721.28	8,090.17	8,595.10	8,985.51	9,598.50
Less refund threshold	9,252.02	9,644.53	10,043.93	10,361.45	10,952.24
Over (Under) Threshold	(1,530.74)	(1,554.36)	(1,448.83)	(1,375.94)	(1,353.74)
1 percent adjustment	0.00	0.00	0.00	0.00	0.00
Refund	\$ 0.00	0.00	0.00	0.00	0.00

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1001	Sales and use tax	\$ 1,821,777,954	1,887,769,667	1,957,288,809	2,035,863,087	2,029,365,907
1003	(l) Parks sales and use tax	37,391,971	38,608,924	39,628,892	41,334,134	41,177,179
1005	(k) Soil and water sales and use tax	37,394,824	38,608,927	39,632,549	41,334,138	41,177,637
1007	General revenue reimbursements - local sales and use tax	1,952,122	1,850,561	1,874,991	1,869,288	1,836,920
1009	Motor vehicle sales tax	215,078,975	210,749,553	73,944,788	63,299,893	29,084,872
1009	(dd) Motor vehicle sales tax - Amendment 3	-	-	106,679,065	166,565,679	171,801,305
1011	(u) Conservation sales and use tax	93,488,139	96,524,659	99,069,219	103,332,575	102,945,079
1013	(f) Proposition C sales and use tax	731,735,057	756,380,208	778,913,723	815,417,913	807,214,841
1015	Sales and use taxes paid under protest	6,034,772	925,453	154,942	133,448	679,617
1016	Suspense holding	-	-	-	-	(1)
1022	Individual income tax	4,579,484,729	4,866,347,540	5,360,652,738	5,736,714,734	6,118,983,440
1024	Individual income taxes paid under protest	55,591	121,038	27,095	78,291	107,119
1026	Corporate income tax	329,596,001	354,390,367	528,814,068	553,946,111	520,955,635
1028	Corporate income taxes paid under protest	-	-	27,012	2,311	22,040
1033	County foreign insurance tax	162,129,552	165,480,625	189,702,198	199,210,713	209,554,552
1037	Worker's compensation insurance tax	45,780,130	23,532,434	2,070,359	6,289,512	13,945,412
1039	Worker's compensation insurance tax - second injury	73,637,324	73,796,417	69,529,997	64,288,526	60,287,228
1041	Excess lines of insurance tax	23,300,865	24,929,980	22,028,985	25,158,519	25,699,706
1049	Heavy beer tax	8,287,133	8,127,177	8,368,270	8,380,561	8,436,959
1051	Light beer tax	43,970	44,632	41,247	31,303	33,457
1053	Liquor tax	15,792,060	16,159,921	16,848,358	18,421,990	18,045,107
1055	Wine tax	3,902,201	3,975,042	4,286,145	4,496,356	4,657,885
1057	Cigarette tax	98,815,335	99,247,687	99,873,124	96,959,034	97,150,389
1059	Tobacco product tax	10,837,459	11,035,093	11,448,194	11,917,483	12,214,822
1060	Motor vehicle fuel tax	407,048,241	415,205,844	415,115,603	412,792,165	410,494,152
1060	(g) Motor vehicle fuel tax	173,258,962	176,987,003	175,587,964	175,375,774	175,543,409
1060	(p) Motor vehicle fuel tax	153,771,103	157,079,820	-	-	-
1060	(dd) Motor vehicle fuel tax - Amendment 3	-	-	155,838,142	155,649,820	155,798,599
1062	Special fuel non-gas tax	1,829,636	2,118,492	1,240,891	1,312,257	3,331,931
1062	(dd) Special fuel non-gas tax - Amendment 3	-	-	106,978	92,863	115,290
1064	Aviation fuel tax	409,621	405,276	353,686	336,589	343,894
1070	Corporation franchise tax	91,387,675	119,446,502	77,827,368	77,788,371	92,508,381
1073	Estate tax	75,115,067	42,221,932	15,569,883	5,971,861	3,451,099
1074	(q) Bingo tax	2,909,716	2,703,789	2,472,633	2,282,012	2,154,878
1076	(r) Gaming commission gross receipts tax	251,587,273	270,532,391	286,934,255	286,393,286	293,171,757
1080	Real and personal property tax	19,450,597	19,737,535	22,825,969	23,605,723	25,689,796
1082	Delinquent real and personal property tax	3,312,254	3,499,542	2,281,634	2,791,494	3,280,619
1084	Hazardous waste fees	3,367,830	3,100,982	1,287,666	1,860,180	1,713,325
1085	Managed care organization reimbursement allowance	-	-	17,174,996	-	-
1086	Miscellaneous taxes paid under protest	-	-	-	9,537	-
1088	Nursing facility reimbursement allowance	9,833,951	13,116,650	11,810,655	12,161,891	12,831,315
1089	Pharmacy reimbursement allowance	17,131,990	18,995,336	15,079,728	8,915,898	10,806,129
1090	Federal reimbursement allowance	15,134,996	33,782,892	17,142,839	8,700,416	11,284,451
1093	Athletic events tax	95,742	180,817	86,504	174,484	120,933
1095	Surcharges	766,956	1,566,759	8,261,197	14,141,291	396,680
1097	Agency collected sales taxes	435,451	386,577	374,927	407,964	352,093
1099	Other taxes	90,237	109,316	88,684	76,928	83,118
1100	Professional licenses or permits	26,304,410	23,938,936	26,330,221	23,446,674	21,312,199
1102	Recreational licenses or permits	4,435,398	4,656,292	4,313,421	4,572,038	4,547,798
1104	All-terrain vehicle licenses or permits	118	362	1,029	2,044	326
1106	Motor vehicle licenses or permits	174,810,579	180,565,635	104,739,988	78,597,030	126,655,951
1106	(dd) Motor vehicle licenses or permits - Amendment 3	-	-	81,033,917	81,093,455	55,960,916

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1108	Interstate transportation licenses or permits	56,525,164	59,110,421	50,934,127	49,638,906	49,744,434
1108 (g)	Interstate transportation licenses or permits	4,964,903	5,066,222	-	-	-
1108 (dd)	Interstate transportation licenses or permits - Amendment 3	-	-	24,600,544	22,381,807	21,632,031
1110	Driver's licenses or permits	16,559,810	17,088,649	7,938,652	7,524,695	6,839,329
1110 (dd)	Driver's licenses or permits - Amendment 3	-	-	9,609,103	9,467,142	8,718,336
1112	Land reclamation commission permits	536,854	535,465	567,114	541,457	674,024
1114	Salesman licenses or permits	225,190	252,940	254,160	247,560	186,320
1116	Vehicle and boat manufacturer and dealer licenses	973,838	976,181	992,413	980,078	977,540
1118	Liquor licenses or permits	3,877,954	3,986,540	4,118,092	4,180,895	4,764,537
1120	Gaming commission licenses	1,873,125	1,777,891	1,441,184	1,728,790	1,712,730
1122	Beer licenses or permits	8,849	7,472	6,861	18,545	6,117
1124	Motor carrier licenses	2,516,988	2,611,895	2,292,089	2,073,834	94,593
1126	Hunting and fishing licenses and commission permits	29,224,056	29,295,503	28,285,286	29,535,358	29,390,276
1127	Hunting and fishing special tags	1,126,188	1,134,412	1,186,138	1,161,514	1,154,059
1128	Hazardous waste transporter licenses	286,091	338,746	164,379	376,836	303,265
1130	Water pollution control permits	4,318,335	4,377,961	4,542,878	5,033,755	4,509,288
1132	Overdimension/overweight permits	4,913,789	5,286,025	2,568	3,892	-
1132 (dd)	Overdimension/overweight permits - Amendment 3	-	-	5,615,174	6,620,053	8,155,732
1134	Merchant licenses	1,044,668	1,178,706	1,132,984	1,267,445	1,196,319
1136	Tobacco licenses	25,300	24,100	25,900	27,000	25,910
1138	Temporary licenses	742	755	307	125	500
1140	Duplicate plates	1,865	2,201	17,836	23,936	26,353
1149	Other licenses and permits	3,703,824	5,356,182	3,364,580	3,152,349	3,457,744
1149 (dd)	Other licenses and permits - Amendment 3	-	-	1,578,504	1,753,449	2,746,279
1150	Lobbyist registration fees	1,340	1,970	2,961	13,510	12,190
1152	Motorboat fees	6,812,398	7,852,101	6,970,789	10,266,665	9,600,457
1154	Narcotics and dangerous drugs fees	805,479	620,506	999,794	778,581	714,987
1156	Occupational boards exam fees - individual exam fees	879,392	969,081	594,716	616,843	644,623
1160	Non-motor fuel decal fees	115,455	100,966	-	-	-
1160 (dd)	Non-motor fuel decal fees - Amendment 3	-	-	110,608	83,977	74,587
1162	Filing fees	20,980,420	19,927,361	19,517,988	19,269,826	19,875,870
1163	Certifying/authenticating fees	726,665	192,184	64,251	49,425	43,727
1164	Transfer fees	21,547	27,014	30,365	27,690	26,328
1165	Service contract registration fee	-	-	-	62,500	73,250
1169	Other registration fees	7,213,300	7,542,362	7,343,546	7,832,821	8,610,985
1174	Asbestos fees	247,992	276,147	286,911	238,255	254,582
1178	Milk control fees	100,087	64,066	63,193	43,058	62,986
1180	Home health care license fees	121,350	117,750	112,800	129,100	115,450
1182	Nursing home license fees	135,174	132,404	164,447	128,726	129,076
1184	Title V emissions fees	8,663,826	8,250,446	8,531,692	8,638,247	9,928,734
1185	Emission fees/non Title V facilities	368,492	344,704	382,437	356,012	414,460
1186	Boarding home license fees	712,583	724,251	718,914	715,186	719,196
1188	Public utilities fees	19,990,103	19,261,361	18,355,749	20,190,954	20,929,841
1190	Hospital license fees	86,032	83,647	85,704	85,398	80,140
1192	Grain warehouse license fees	33,964	34,161	32,246	34,159	35,493
1194	Missouri primacy fees	2,639,033	2,794,025	2,560,720	3,558,666	4,430,383
1196	Underground storage tank annual participation fees	597,671	-	-	-	-
1198	Transport load fees	23,904,017	23,665,383	23,389,711	23,634,784	23,608,574
1200	Storage tank registration fees	215,545	224,440	259,296	70,850	43,420

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1202	Tourist cabin permit fees	195,510	46,881	186,847	183,255	190,413
1206	Solid waste disposal fees	11,012,418	11,473,573	11,855,266	12,735,973	12,708,281
1208	New tire fees	1,623,688	27,332	953,815	2,104,673	2,193,715
1209	Battery fee	-	-	288,524	722,637	770,341
1210	Ground water protection fees	543,966	623,233	666,068	618,151	582,549
1214	Insurance regulatory fees, renewals and purchasing groups	1,787,206	1,718,125	2,451,504	1,425,228	2,323,828
1216	Air conservation commission permit fees	472,619	449,690	349,094	299,163	536,063
1218	Bingo license fees	62,277	67,275	52,570	49,030	48,790
1220	Lab fees	2,461,317	2,424,212	4,432,911	4,639,903	4,345,438
1222	Program administration fees	726,810	713,491	731,723	785,700	958,714
1223	Confined animal feed operation indemnity fees	64,619	37,731	41,953	29,517	9,176
1224	Railroad assessments	654,101	971,729	499,106	863,313	817,934
1227	Enhanced vehicle emission inspection fees	1,706,183	1,738,699	1,685,333	1,688,837	1,879,945
1233	Grain warehouse inspection fees	1,573,755	1,741,117	1,529,055	1,508,603	1,868,115
1235	Milk inspection fees	1,383,077	1,379,483	1,196,302	1,073,188	1,298,899
1237	Ice cream products inspection fees	27,280	31,700	31,360	33,060	31,560
1239	Mine inspection fees	75,953	66,982	88,502	72,498	66,054
1241	Mobile home and recreational vehicle inspection fees	654,744	745,037	823,258	848,302	692,098
1243	Oil inspection fees	2,567,947	2,557,810	2,543,426	2,527,235	2,529,258
1249	Other inspection fees	1,302,603	1,370,310	1,503,392	1,436,877	1,669,840
1250	Collection fees	18,813,734	19,775,880	21,095,935	22,675,134	23,608,199
1252	Admission fees	1,292,168	1,341,952	1,108,448	1,326,303	1,163,583
1252 (r)	Admission fees - riverboat gambling	52,561,952	54,146,991	54,679,803	50,902,479	50,443,830
1254	State auditor fees	840,199	1,071,601	1,231,909	1,013,252	539,400
1260	Grade crossing safety fees	1,215,990	1,250,036	1,491,051	1,548,723	1,252,031
1262	Loan administration fees	3,145,252	3,810,458	4,274,803	5,163,127	5,521,764
1262 (c)	Loan administration fees - Fund 881	-	-	1,895	5,537,769	6,725,473
1264	Court fees	20,538,094	21,604,235	22,925,711	23,032,841	37,470,842
1266	Financial institutions examination fees	6,990,259	7,209,189	7,924,104	7,911,716	7,909,159
1268	Consumer finance license fees	875,325	986,550	1,005,300	1,053,225	1,208,234
1270	Transcript fees	147,137	139,175	143,371	123,751	147,615
1272	Land survey fees	-	(1,300)	-	-	-
1274	Marketing development fees	181,565	212,008	309,413	46,619	33,821
1276	Miscellaneous insurance fees	669,215	601,590	514,125	500,230	223,250
1278	Gaming commission administrative income	3,648	1,011	933	195	42
1279 (a)	Lottery commission fees	290,689	387,762	337,854	320,659	310,335
1280	Motor vehicle inspection sticker fees	4,457,993	4,533,806	4,466,495	4,569,287	4,528,447
1282	Logo sign advertising fees	3,805,960	4,161,752	4,608,913	5,287,240	5,650,254
1284	Public defender fees	1,456,724	1,455,500	1,771,541	1,732,334	1,838,506
1286	Witness fees	8,060	6,961	6,162	12,598	7,315
1288	County recorders fees	11,038,590	9,404,215	9,501,397	8,941,272	7,956,681
1290	Training or conference fees	40,537	45,410	96,483	150,108	199,278
1294	Electronic monitoring fee	1,634,176	1,640,776	1,626,475	1,299,497	758,683
1298	Substance abuse offender program fees	3,642,414	3,872,787	3,946,177	3,966,623	4,044,125
1302	Criminal records check fees	4,116,455	5,669,234	6,733,119	6,958,215	9,092,462
1303	Other fees	6,526,807	7,025,043	11,724,083	23,408,294	25,639,072
1305 (h)	Bond sales proceeds	262,829,539	3	370,196,052	829,993,881	591,204,336
1310	Land sales	4,755,543	5,512,710	5,001,965	3,836,054	4,796,703
1312	Sales of natural resources products	2,878,772	3,524,846	3,836,475	4,418,501	4,104,935

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1314	Sales of agriculture products	1,667,391	1,750,295	1,852,115	1,711,914	1,718,766
1316	Manufactured product sales	8,276,056	7,799,864	7,892,157	8,333,588	9,267,484
1318	Information sales	3,343,120	3,237,949	3,283,582	3,273,720	3,108,519
1320	Souvenir sales	617,851	626,113	595,639	566,016	484,982
1322	Surplus property sales - state	2,345,583	1,626,659	1,522,369	3,030,067	1,838,028
1322	(a) Surplus property sales - state - Fund 657	-	-	10,000	-	-
1322	(aa) Surplus property sales - state - Fund 710	1,088,245	1,374,300	746,426	1,038,204	2,406,296
1324	Surplus property sales - federal	2,037,258	2,281,737	2,903,435	2,761,749	3,227,475
1326	Unclaimed property sales	350	-	-	-	-
1328	Sales of fixed assets - control	6,405,790	6,740,642	9,052,606	27,501,823	8,610,355
1330	Vital records sales	1,200,507	1,436,055	1,867,182	1,714,728	1,623,663
1332	(a) Lottery ticket sales	366,115,206	345,575,845	416,691,040	405,909,024	426,619,333
1334	Cafeteria sales	720,508	613,530	654,178	678,666	810,586
1338	Other sales	618,051	238,143	223,093	161,139	301,386
1338	(a) Other sales - Fund 657	-	643	-	-	-
1342	Supply sales	637	618	342	-	252
1401	Land rentals/leases	1,066	1,066	56,052	802	802
1403	State facilities rentals/leases	915,819	703,612	762,715	764,022	883,696
1404	Parking rentals/leases	75,793	68,872	72,349	67,046	57,527
1405	Concessions and recreational rentals/leases	2,093,605	2,310,330	2,292,138	2,265,352	2,118,733
1407	Housing/building rentals/leases	271,249	255,272	267,281	483,807	490,125
1409	Other leases and rentals	1,161,489	842,244	820,430	1,155,026	859,985
1414	(e) Medicare	7,891,969	13,104,191	11,840,541	14,355,763	15,286,228
1418	(e) Medicaid	116,247,130	113,767,474	104,129,943	94,774,725	91,248,819
1420	(e) Medicaid - community based	29,086,883	46,154,590	114,403,516	116,805,982	127,076,851
1422	Private payments	7,643,629	7,484,711	7,172,906	6,705,792	6,404,747
1424	Insurance payments	2,483,663	2,183,788	2,627,062	2,053,140	1,955,642
1426	Other payments	164,919	82,499	223,016	6,913	23,242
1434	Institutional support fees	171,780	29,525	73,761	98,527	32,466
1436	Room and care	20,559,387	23,390,722	25,408,983	26,844,689	28,463,349
1438	Fleet services operations/maintenance	-	-	395	-	-
1442	Mail/freight services	2,555	1,686	1,798	581	-
1444	Telephone billing	698	-	-	-	-
1446	Printing service	99,901	112,719	156,303	166,681	189,891
1448	Computer services	1,673	3,699	4,279	3,897	3,739
1450	Administration services	3,025	-	-	45	-
1501	Private donations	3,494,597	3,038,212	2,132,328	2,944,164	4,957,335
1502	Other governmental entity donations	29,000	6,458	35,470	-	232,942,595
1504	Donated assets-state agencies	-	-	-	-	268,140
1507	(e) NASAO (airport inspections)	-	-	5,500	16,500	29,603
1510	(e) US Department of Agriculture	315,309,213	324,208,864	341,963,232	349,407,388	381,641,506
1512	(e) US Department of Defense	2,556,350	3,139,604	4,780,027	3,893,101	4,060,015
1513	(e) US Department of Homeland Security	-	-	-	1,252,634	682,977
1514	(e) US Department of Housing and Urban Development	39,383,092	38,264,807	34,944,621	34,535,980	31,411,897
1516	(e) US Department of Interior	18,635,222	20,010,553	26,236,848	27,365,634	20,279,925
1518	(e) US Department of Justice	23,534,299	45,439,686	67,710,357	70,533,811	69,045,688
1520	(e) US Department of Labor	73,958,806	75,173,714	80,155,791	74,373,262	68,105,755
1522	(e) US Department of Education	567,929,279	607,650,375	655,561,523	638,057,083	645,983,360
1522	(c) US Department of Education - Fund 880	7,008,260	6,777,654	7,753,744	7,878,432	8,583,560
1522	(c) US Department of Education - Fund 881	21,146,522	42,401,412	54,653,829	54,336,871	68,627,016
1524	(e) US Department of Transportation	727,496,377	832,914,720	827,044,903	894,887,794	966,375,333
1526	(e) National Foundation for the Arts and Humanities	3,693,442	3,118,665	3,928,489	4,255,569	3,997,117

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1528	(e) US Veterans Administration	28,976,671	26,333,616	28,181,524	30,818,955	33,325,810
1529	(e) US General Services Administration	-	6,577	7,113	-	-
1530	(e) US Environmental Protection Agency	92,846,554	65,371,097	67,603,444	83,034,587	77,554,953
1532	(e) US Department of Energy	6,657,746	7,971,473	7,526,734	5,956,480	7,199,609
1534	(e) Federal Emergency Management Agency	30,750,178	15,694,217	8,273,328	56,826,554	100,158,631
1536	(e) US Department of Health and Human Services	4,400,831,476	4,940,907,333	4,905,437,144	4,852,243,251	5,173,517,451
1538	(e) National and Community Services	8,722	3,607	1,115	-	-
1540	(e) US Social Security Administration	35,120,494	32,955,548	32,848,371	29,882,066	31,986,280
1542	(e) National Archives and Records	2,000	104,549	-	-	2,847
1544	(e) Elections Assistance Commission	44,914,650	-	-	-	-
1546	(e) US Department of Treasury	95,183,169	-	-	7,217	14,131
1549	(e) Miscellaneous federal revenues	170,523,112	32,039,098	37,287,497	36,183,522	39,257,277
1551	County mental health programs	7,915,368	8,823,579	9,989,505	13,875,319	14,145,722
1560	(e) Federal pass-through grants	32,910,930	38,100,579	47,538,058	34,258,934	25,400,556
1601	Time deposits interest	3,746,600	5,893,485	12,895,202	23,996,538	29,926,290
1601	(f) Time deposits interest - Fund 688	97,299	157,407	411,767	612,653	641,067
1601	(a) Time deposits interest - Fund 657	23,981	36,639	159,048	242,536	273,873
1601	(k) Time deposits interest - Fund 614	41,312	71,316	186,636	292,342	358,018
1601	(l) Time deposits interest - Fund 613	17,757	21,759	47,803	75,523	72,808
1601	(b) Time deposits interest - Fund 905	5,937	10,028	26,020	42,128	48,307
1601	(q) Time deposits interest - Fund 289	9,344	12,525	20,526	18,977	8,238
1601	(r) Time deposits interest - Fund 285	19,958	34,523	92,255	136,919	148,375
1601	(d) Time deposits interest - Fund 963	37	73	203	328	381
1601	(u) Time deposits interest - Fund 609	39,631	64,275	146,264	173,506	249,889
1601	(c) Time deposits interest - Fund 851	3,157	2,333	692	4	-
1601	(c) Time deposits interest - Fund 880	23,770	50,877	125,596	136,386	254,027
1601	(c) Time deposits interest - Fund 881	39,279	42,233	94,280	256,202	283,429
1603	U.S./agency securities interest	43,022,691	49,506,581	92,567,456	136,046,244	165,547,425
1603	(f) U.S./agency securities interest - Fund 688	816,747	1,041,365	1,873,702	2,360,935	2,378,829
1603	(a) U.S./agency securities interest - Fund 657	200,741	236,997	683,862	790,655	885,649
1603	(k) U.S./agency securities interest - Fund 614	340,616	453,657	794,963	978,599	1,168,927
1603	(l) U.S./agency securities interest - Fund 613	147,844	142,987	210,279	270,821	252,923
1603	(b) U.S./agency securities interest - Fund 905	48,999	64,582	109,873	138,138	156,670
1603	(q) U.S./agency securities interest - Fund 289	77,495	81,826	85,557	61,420	26,900
1603	(r) U.S./agency securities interest - Fund 285	166,287	223,260	416,621	491,769	513,853
1603	(d) U.S./agency securities interest - Fund 963	1,615	1,433	1,827	2,271	2,594
1603	(u) U.S./agency securities interest - Fund 609	325,892	412,250	625,465	599,606	821,176
1603	(c) U.S./agency securities interest - Fund 851	26,518	15,656	2,480	13	-
1603	(c) U.S./agency securities interest - Fund 880	193,633	324,274	525,676	444,875	813,773
1603	(c) U.S./agency securities interest - Fund 881	326,989	277,329	399,813	838,339	908,536
1605	Other investment interest	525,665	400,000	610,000	669,229	611,213
1610	Interest on loans	1,068,022	951,381	1,020,355	1,343,034	1,105,177
1612	Interest - federal	643	13,523,913	16,232,810	11,749,631	4,213,149
1614	Interest on receivables	56,302	201,562	33,040	59,153	19,012
1616	Interest on settlements	47,983	94,709	57,276	65,220	66,588
1618	Other interest	1,071,386	29,162	58,582	53,160	157,670
1618	(c) Other interest - Fund 880	-	-	122,516	96,985	57,651
1618	(u) Other interest - Fund 609	-	-	-	-	431
1620	Safety responsibility	-	-	-	-	15
1621	Penalties	17,547,145	19,400,092	14,246,673	9,424,865	8,484,577
1621	(q) Penalties - Fund 289	-	15	-	-	-
1621	(c) Penalties - Fund 881	-	-	-	826	1,622
1624	Settlements	1,993,625	4,736,944	7,970,583	2,301,820	49,350,712
1626	Court awards	2,039,930	1,681,369	1,732,607	1,704,591	2,106,126
1628	Insufficient funds charges	10,609	7,703	7,186	4,936	5,600

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1634	Estates	1,028	449	66	153	756
1636	Unclaimed properties	76,804,125	53,672,476	92,367,911	91,118,828	66,694,449
1700	(i) Salary refunds - federal	464,856	695,196	614,734	758,548	589,826
1701	(i) Salary refunds - state	79,988	40,575	48,639	35,771	25,423
1702	(i) Salary refunds - local/other	23,047	28,205	17,929	20,238	17,151
1703	(i) General relief pension refunds	2,830,777	1,186,474	121,698	70,586	16,784
1704	(i) Blind pension refunds	73,105	2,788	5,886	11,895	9,433
1706	(i) Dependent children pension refunds	376,190	367,373	356,838	356,687	290,147
1715	(i) Day care refunds	61,322	72,401	58,904	183,536	191,875
1717	(i) Medicare - Medicaid refunds	250,677,523	331,852,999	413,909,726	226,517,358	258,377,975
1719	(i) Cost in criminal cases refunds	342,290	447,889	565,968	693,320	761,476
1721	(i) Vendor refunds - federal	1,043,953	1,313,190	1,008,453	1,213,162	1,657,882
1722	(i) Vendor refunds - state	1,003,623	747,697	603,961	517,589	1,203,020
1722	(a) Vendor refunds - state - Fund 657	6,130	6,045	24,422	3,189	831
1722	(c) Vendor refunds - state - Fund 880	-	1,857	753	2,672	54,278
1722	(c) Vendor refunds - state - Fund 881	-	100	9,000	-	945,118
1723	(i) Vendor refunds - local/other	387,345	290,456	294,599	276,869	234,455
1723	(c) Vendor refunds - local/other - Fund 880	-	1,151	-	-	-
1724	(i) Political subdivision refunds	359,837	9,919	18,180	20,255	25,023
1725	(i) Excess court payment refunds	1,573,649	1,499,024	795,229	1,900,561	818,399
1727	(i) School refunds	6,048,847	5,689,555	5,314,240	4,691,784	8,222,948
1728	(i) Scholarship refunds	252,530	314,355	349,559	355,827	274,898
1728	(c) Scholarship refunds - Fund 881	216	-	-	-	-
1729	(i) Audit findings - federal	144,227	194,239	120,584	35,091	-
1730	(i) Audit findings - state	198,436	50,321	-	-	-
1731	(i) Audit findings - local/other	21,462	38,282	52,665	175,203	434,776
1732	(i) Utility refunds	12,383	9,131	13,651	18,141	17,744
1733	(i) Fuel tax refunds	325,004	300,863	227,324	150,385	151,592
1733	(a) Fuel tax refunds - Fund 657	-	-	277	-	-
1733	(c) Fuel tax refunds - Fund 880	-	3	24	-	-
1737	(i) Other refunds	4,013,975	2,585,121	3,630,689	4,433,171	5,873,148
1737	(a) Other refunds - Fund 657	-	-	-	47,344	134,433
1737	(c) Other refunds - Fund 880	322	-	-	25,211	3,503
1737	(c) Other refunds - Fund 881	8,675	-	25,710	29	-
1806	(w) Recovery costs	163,653,275	158,226,200	147,510,945	156,840,026	168,814,932
1806	(a) Recovery costs - Fund 657	667	-	-	-	-
1806	(bb) Intergovernmental transfer program	30,326,961	26,875,705	-	-	-
1808	Deposit of surplus property funds	910,773	2,040	20,640	-	-
1808	(a) Deposit of surplus property - Fund 657	20,467	-	-	-	-
1808	(c) Deposit of surplus property - Fund 880	397	-	-	-	-
1808	(c) Deposit of surplus property - Fund 881	4,350	-	-	-	-
1811	(z) Local match	2,147,704	3,942,050	4,235,868	3,010,486	3,367,687
1812	(x) Cost reimbursements - federal	281,369	481,878	854,596	859,539	528,325
1812	(c) Cost reimbursements - Fund 880	-	2,146	-	-	-
1813	(x) Cost reimbursements - state	24,503,507	20,069,835	17,379,683	32,758,124	24,793,321
1813	Cost reimbursements - state (included)	7,038,004	8,011,183	9,299,758	10,036,608	11,640,527
1813	(c) Cost reimbursements - Fund 880	-	213	247	-	465
1814	(x) Cost reimbursements - local/other	131,365,650	114,342,412	127,523,055	128,148,184	157,061,744
1814	(c) Cost reimbursements - local/other - Fund 880	-	-	6	-	-
1816	Bond account	6,676,769	7,278,870	6,375,510	6,305,705	7,677,792
1818	(v) Employee expense reimbursement - federal	112	1,756	-	405	112
1819	(v) Employee expense reimbursement - state	2,816	1,447	615	26,116	5,199

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
1820	(v) Employee expense reimbursement - local/other	-	969	771	583	-
1821	(v) Employee personal expense reimbursement	20,740	33,588	37,578	35,838	94,250
1821	(c) Employee personal expense reimbursement - Fund 880	-	137	88	10	3
1822	(n) Outlawed checks	9,391,724	7,329,715	6,015,970	7,228,137	5,993,548
1822	(b) Outlawed checks - Fund 905	17,439	2,620	3,850	6,102	9,348
1822	(c) Outlawed checks - Fund 881	3,184	-	-	-	-
1824	(y) Canceled checks	4,151,727	5,801,505	4,218,841	4,042,092	2,562,124
1824	(a) Canceled checks - Fund 657	38	19,368	32,995	-	-
1824	(b) Canceled checks - Fund 905	173	2,880	-	4	2,967
1824	(c) Canceled checks - Fund 880	-	-	-	109	-
1826	(m) Redeposit of investments principal	1,850,020	1,267,000	2,820,075	1,167,300	1,304,050
1826	(d) Redeposit of investments principal - Fund 963	-	5,000	-	-	-
1828	(o) Redeposit of loan principal	96,777,971	48,774,710	32,786,258	40,736,073	41,337,044
1830	Telephone commissions	2,951,377	2,220,545	2,191,590	1,004,266	819,800
1832	Commission on sales	36,385	42,918	33,051	25,670	28,177
1834	Rebates	3,248,923	3,186,878	2,657,841	346,877	927,252
1834	(a) Rebates - Fund 657	46	169	381	563	978
1834	(c) Rebates - Fund 880	-	3	26	2,224	7,112
1834	(cc) Rebates - WIC	32,459,831	33,432,384	36,203,754	38,046,323	39,542,659
1836	Housing and maintenance receipts	44,144	61,888	61,026	70,788	61,735
1838	Loan defaults	222,620	374,067	280,132	638,617	336,208
1840	(t) Loan proceeds	10,268,507	8,688,830	1,787,376	7,861,815	42,630,952
1842	(o) Loan repayment	83,583	92,404	94,639	103,409	109,797
1842	(c) Loan repayment - Fund 880	801	-	-	-	-
1842	(c) Loan repayment - Fund 881	29,430,674	22,088,262	28,090,069	49,202,530	51,746,648
1843	(o) Loans receivable contra account	5,367,701	18,300,256	12,156,376	3,227,912	3,035,032
1844	Insurance proceeds	3,148	5,295	7,089	2,448	500
1846	Capital credits/dividends	44,721	55,706	47,137	53,045	67,838
1848	Recycling receipts	76,608	130,338	135,281	181,661	301,545
1850	Forfeitures	2,437,245	2,071,385	1,989,974	1,960,425	1,803,287
1852	Overpayments	4,345,745	1,771,438	2,337,400	6,004,394	2,654,717
1856	(e) Other miscellaneous receipts - federal	2,774,771	6,886,042	5,063,853	4,861,403	7,979,360
1858	Other miscellaneous receipts - state	12,010,358	1,991,881	2,922,024	4,141,635	2,124,232
1858	(a) Other miscellaneous receipts - state - Fund 657	7,403	4,461	8,565	6,496	4,902
1858	(b) Other miscellaneous receipts - state - Fund 905	10,964,014	10,260,864	10,698,732	11,005,829	11,136,779
1860	Other miscellaneous receipts - local/other	1,749,384	1,793,312	2,030,010	635,352	3,695,397
1860	(a) Other miscellaneous receipts - local/other - Fund 657	-	74,350	55	1,024,385	410,501
1860	(c) Other miscellaneous receipts - local/other - Fund 880	30	-	-	-	-
1862	Fees for copying public records	515,415	496,751	416,138	394,686	304,600
1862	(a) Fees for copying public records - Fund 657	173	473	85	124	6,653
1866	Federal share of grantee sales	232,667	100,649	326,931	371,362	85,111
1868	Receivable overpayment - federal	130	356	-	-	-
1870	Receivable overpayment - state	3,159	6,506	673	4,384	4,936
1872	Receivable overpayment - local	127	169	-	27	241

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
6001	(j) Supply sales	-	18	24,426	231	1,240
6002	(j) Open records fees	9,389	9,221	17,818	8,983	14,607
6003	(j) Fleet services operations/maintenance	998,046	991,562	1,115,253	1,417,108	1,399,792
6005	(j) Fleet services replacement	2,171,486	699,191	942,733	1,795,574	1,643,902
6006	(j) Criminal records check fees	1,035,216	2,081,767	1,955,861	416,590	551,019
6007	(j) Mail/freight services	567,986	613,666	479,607	1,103,960	4,623,797
6009	(j) Telephone billing	32,136,693	30,453,762	28,357,604	27,984,063	29,296,050
6011	(j) Printing service	5,954,992	5,994,738	5,818,290	6,772,408	6,758,675
6013	(j) Reimbursement/recovery cost	22,719,299	23,900,839	27,763,425	46,816,635	27,588,347
6013	(c) Reimbursement/recovery cost - Fund 881	-	-	87,391	-	-
6015	(j) Leased facility	3,453,059	3,681,193	3,581,126	24,524,831	28,115,044
6017	(j) Sale of material, supplies, and services	1,136,437	991,081	960,872	1,562,826	1,023,568
6019	(j) Training	1,129,212	1,104,409	1,101,498	929,024	1,370,505
6021	(j) Computer services	23,342,866	24,494,010	23,672,220	21,535,182	20,108,887
6023	(j) Administration services	1,069,786	1,414,446	1,208,365	703,313	538,893
6025	(j) Flight operations services	463,883	397,374	303,007	246,618	306,660
6027	(j) Sale of manufactured products	22,003,644	21,069,582	20,575,593	20,523,336	27,259,106
6029	(j) Interagency receipts	17,651,535	19,048,175	20,626,666	20,866,582	22,106,993
6029	(c) Interagency receipts - Fund 851	457	-	-	-	-
6029	(c) Interagency receipts - Fund 880	1,096,663	1,058,766	-	-	-
6029	(c) Interagency receipts - Fund 881	105,950	531,142	329,256	390,026	439,461
6030	(j) Sampling &/or analysis	24,130	34,774	21,999	60,421	19,023
6031	(s) Redeposit of state funds	3,241	31,440	30,969	81,964	91,307
6032	(j) Deposit of unclaimed property	312	-	250	99	-
6033	(j) Permits	52,670	58,025	50,518	50,279	46,380
6034	(j) Registration fees	23,784	36,100	59,786	95,400	85,920
6035	(j) Taxes	2,283,087	1,541,530	1,360,109	939,124	1,028,358
6036	(j) Transcript fees	3,937	6,848	5,205	4,807	6,563
	Total revenues	18,893,988,141	19,500,869,283	20,919,973,902	21,928,919,952	22,939,031,965
Fund Exclusions:						
	(a) Lottery Enterprise - Fund 657	366,665,541	346,342,752	417,948,583	408,344,975	428,647,487
	(b) Alternative Care Trust Fund - Fund 905	11,036,562	10,340,974	10,838,475	11,192,201	11,354,071
	(c) Student Loan Funds 626, 851, 880, and 881	59,419,847	73,575,547	92,223,091	119,149,513	139,451,675
	(d) Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,652	6,507	2,030	2,599	2,974
Revenue Source Exclusions:						
	(e) Federal funds	6,867,222,534	7,289,320,981	7,412,473,472	7,458,588,194	7,921,621,979
	(f) Proposition C sales and use tax/interest	732,649,103	757,578,980	781,199,192	818,391,501	810,234,737
	(g) Proposition A gas tax and license fee increases	178,223,865	182,053,225	175,587,964	175,375,774	175,543,409
	(h) Bond sales	262,829,539	3	370,196,052	829,993,881	591,204,336
	(i) Refunds	270,314,372	347,736,051	428,129,456	242,435,981	279,193,974
	(j) Interagency sales and receipts	138,231,448	138,622,309	140,002,232	178,357,392	173,893,330
	(k) Soil and water sales and use tax/interest	37,776,751	39,133,900	40,614,148	42,605,079	42,704,582
	(l) Parks sales and use tax/interest	37,557,571	38,773,670	39,886,973	41,680,478	41,502,910
	(m) Redeposit of investment principal	1,850,020	1,267,000	2,820,075	1,167,300	1,304,050
	(n) Outlawed checks	9,391,724	7,329,715	6,015,970	7,228,137	5,993,548
	(o) Redeposit of loan principal	102,229,254	67,167,370	45,037,273	44,067,394	44,481,873
	(p) Amendment 8 motor fuel tax to local governments	153,771,103	157,079,820	-	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2004	2005	2006	2007	2008
(q)	Bingo	2,996,554	2,798,154	2,578,717	2,362,408	2,190,015
(r)	Riverboat gambling	304,335,470	324,937,164	342,122,934	337,924,453	344,277,815
(s)	Redeposit of state funds	3,241	31,440	30,969	81,964	91,307
(t)	Loan proceeds	10,268,507	8,688,830	1,787,376	7,861,815	42,630,952
(u)	Conservation sales and use tax/interest	93,853,662	97,001,184	99,840,948	104,105,688	104,016,575
(v)	State employee expense account reimbursement	23,669	37,760	38,964	62,942	99,562
(w)	Recovery costs	163,653,275	158,226,200	147,510,945	156,840,026	168,814,932
(x)	Cost reimbursements	156,150,526	134,894,125	145,757,334	161,765,847	182,383,390
(y)	Canceled checks	4,151,727	5,801,505	4,218,841	4,042,092	2,562,124
(z)	Local match	2,147,704	3,942,050	4,235,868	3,010,486	3,367,687
(aa)	Proceeds of surplus property sales (Fund 710)	1,088,245	1,374,300	746,426	1,038,204	2,406,296
(bb)	Intergovernmental transfer program	30,326,961	26,875,705	-	-	-
(cc)	Department of Health WIC rebates	32,459,831	33,432,384	36,203,754	38,046,323	39,542,659
(dd)	Constitutional amendment No.3	-	-	385,172,035	443,708,243	425,003,075
	CMIA interest payment to the federal government	726,910	420,661	1,223,951	2,330,281	2,117,351
	Agency remitted sales tax	456,704	416,977	425,485	435,720	415,655
	Abandoned funds claim payments	18,739,655	19,432,004	19,462,594	21,635,424	30,642,979
	Federal interest	643	13,523,913	16,232,810	11,749,631	4,213,149
	Coding errors	97	-	-	1,399	-
	Total exclusions	10,050,554,267	10,288,163,160	11,170,564,938	11,675,583,344	12,021,910,458
	Total revenues after exclusions	8,843,433,874	9,212,706,123	9,749,408,964	10,253,336,608	10,917,121,507
	Less expenditure refunds (Exhibit C)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)	(1,272,907,957)	(1,321,367,348)
	Add refundable tax credits:					
	Pharmaceutical	524,527	142,373	1,672	-	-
	Business facility	23,992	-	6,026,392	19,478	92,579
	Enterprise zone	123,464	347,009	14,969,750	52,168	50,111
	BUILD	2,336,876	4,301,069	10,204,348	5,011,569	2,570,811
	Strategic initiative investment income	1,065,718	-	-	-	-
	Missouri Quality Jobs	-	-	-	-	37,366
	New Enhanced Enterprise Zone	-	-	-	-	126
	Total State Revenue	\$ 7,721,281,852	8,090,168,172	8,595,097,534	8,985,511,866	9,598,505,152

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30,				
		2004	2005	2006	2007	2008
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 2,290,607	3,214,409	3,174,790	3,607,162	2,970,993
3206	Deposit and escrow refunds	127,838	98,848	82,239	100,990	79,807
3212	Federal share grantee salary refunds	-	836	-	-	-
3213	Tax credit debt offset	-	-	192,267	658,452	227,342
3215	Debt offset refunds	6,582,994	6,269,213	7,196,032	9,154,126	9,513,639
3218	Motor vehicle license fee refunds	1,137,842	1,401,820	1,528,907	1,551,837	1,162,009
3221	Driver's license fee refunds	77,982	78,359	76,197	89,678	71,902
3227	License and permit fee refunds	84,732	160,866	187,184	144,244	164,254
3230	Registration fee refunds	7,622	16,984	13,786	21,762	9,653
3233	Regulatory fee refunds	45,944	237,543	16,421	13,154	52,960
3236	Inspection fee refunds	40,532	40,125	46,058	41,017	32,265
3239	Miscellaneous fee refunds	294,700	594,262	386,883	401,386	265,248
3242	Sales refunds	27,829	9,887	36,158	11,076	4,995
3245	Lease and rentals refunds	1,858	2,847	5,226	5,490	4,108
3248	Medical services refunds	1,876,972	2,571,969	2,855,085	4,982,151	6,420,842
3251	Contributions refunds	-	104,883	50	-	50
3254	Federal refunds	529,557	1,101,919	1,600,014	112,019	375,453
3255	Financial institutions tax refunds	-	-	-	-	60
3257	Penalty and court award refunds	38,456	168,547	26,054	15,971	98,591
3260	Interagency billing refunds	150	-	-	3,294	1,277
3261	Receivable overpayment refunds	141,205	10,962	46,188	31,237	54,017
3266	Missouri consolidated check off refunds	124,184	165,968	200,356	(48)	-
3267	Deferred revenue refunds	1,753,349	1,092,357	3,463,708	1,468,220	4,754,448
3269	Other refunds	1,778,662	1,708,679	903,385	5,658,768	600,632
3272	Sales and use tax protested refunds	391,490	37,141	156,832	5,255,333	13,101
3281	County foreign insurance tax refunds	24,125,058	15,863,307	14,468,499	21,577,679	23,577,535
3287	Worker's compensation insurance tax refunds	1,685,755	392,963	150,375	78,341	1,447,545
3290	Worker's compensation second injury insurance tax refunds	9,944	9,732	-	-	-
3293	Cigarette tax refunds	141,494	83,251	44,675	31,563	39,838
3296	Tobacco products tax refunds	9,302	100	3,819	631	4,349
3299	Aviation fuel tax refunds	52,827	68,327	25,172	25,589	16,155
3305	Special fuel (non-gas) tax refunds	25,536,357	30,388,502	29,996,843	32,290,045	28,343,359
3308	Fuel tax refunds	9,611,080	9,765,264	9,522,282	8,885,478	9,336,130
3311	Sales tax refunds	5	44	48	1	3,612
3314	Food tax exemption refund	85,626	-	-	-	831,966
3317	General sales and use tax refunds	59,927,094	44,966,016	31,494,255	88,368,480	69,427,541
3326	Motor vehicle sales tax refunds	4,721,452	4,291,710	4,179,140	3,981,005	3,867,997
3329	Motor vehicle use tax refunds	961,458	1,002,748	983,801	1,164,938	1,043,711
3335	Boat tax refunds	6,645	7,257	6,720	9,587	4,339
3338	Individual tax refunds	763,201,964	752,279,117	773,108,237	808,846,331	900,112,335
3341	Senior citizens tax refunds	95,237,087	99,101,427	96,090,703	93,118,292	100,165,523
3342	Pharmaceutical tax refunds	524,527	496,516	1,672	-	-
3344	Corporation tax refunds	116,499,019	144,879,893	195,549,284	172,190,828	151,204,765
3347	Franchise tax refunds	460,301	691,213	6,435,586	1,188,431	3,760,724
3350	Inheritance tax refunds	5,458,449	2,816,253	930,022	7,429,565	310,823
3356	Other tax refunds	616,650	1,136,338	328,639	393,855	991,455
	Total SAM II Expenditure Refunds	\$ 1,126,226,599	1,127,328,402	1,185,513,592	1,272,907,957	1,321,367,348

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	= $\frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personalincome (MPI)}}$ x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.
------------------------------	--	--

The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows (dollar amounts are in billions):

$$\frac{\$2,232.204096}{\$ 39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In past years, the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. However, the Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

C. State Guaranty Student Loan Funds

Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.

D. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

E. Federal Funds

Article X, Section 17 of the constitution specifically excludes federal funds.

F. Proposition C Sales and Use Tax/Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16 of the constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

G. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by 4 cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item **DD**. below.

H. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

I. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

J. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

**K. Soil and Water Sales and Use Tax/Interest
and**

L. Parks Sales and Use Tax/Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) of the constitution states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

M. Redeposit of Investment Principal

The redeposit of investment principal is excluded.

N. Outlawed Checks

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

O. Redeposit of Loan Principal

Redeposits of loan principal are excluded.

P. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) of the constitution which revised the apportionment of the motor fuel tax. In addition, the

amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded. Also see item **DD** below.

Q. Bingo

The August 1992 amendment to Article III, Section 39(d) of the constitution related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

R. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) of the constitution and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee payable to the state is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining one dollar portion of the two dollar admission fee is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eighth of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc., for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

W. Recovery Costs

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Regarding items W. and X., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.

Y. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

Z. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

AA. Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

BB. Intergovernmental Transfer Program

Starting in fiscal year 2001, the state participated in the Medicaid intergovernmental transfer (IGT) program. Under the IGT program the state was able to receive additional federal Medicaid matching funds based on enhanced payments to some government operated health care providers. The state made the enhanced payments to the providers and, after the state claimed the federal matching funds, the providers returned the enhanced payments to the state. Because these funds were simply returned to the state, similar to a refund, they are excluded from TSR.

CC. WIC Rebates

The Department of Health and Senior Services (DHSS) issues food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to program participants who use them to obtain formula at participating grocery stores and pharmacies. The participating grocery stores and pharmacies then redeem the food instruments. The food instruments are processed through the Federal Reserve System and the WIC program is charged for the food instruments presented. The DHSS records the redeemed food instruments and sends a monthly invoice to Mead Johnson who then rebates the federal monies to the state.

DD. Amendment 3 Revenue Derived From Highway Users

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d) of the constitution, effective July 1, 2005.

Section 30(a) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, "...The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues"..."

Motor vehicle fuel tax monies distributed to local governments excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **P.** above.)

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section further provides that, "...The moneys apportioned or distributed under this section to the state

road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues"...".

As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver's licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **G.** above.)

Sections 29, 30(c), and 30(d) have no apparent Hancock implications.

Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Abandoned Funds Claim Payments

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Expenditure Refunds

According to Article X, Section 17(1) of the constitution, total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

Tobacco Master Settlement Agreement Proceeds

The OA-BP has excluded \$153,277,453 received from tobacco companies during fiscal year 2008. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2007 were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
2006	133,078,222
2007	139,292,616

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, "*all monies received from others for costs incurred or to be incurred by the state.*" The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. In our audit for 2001, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received.

Compliance with Article X, Section 18(e)

Article X, Section 18(e) of the constitution imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. For fiscal year 2008, the OA-BP calculated these limits at \$88.8 million for the Missouri Personal Income amount and \$85.9 million for the one percent of total state revenues amount.

For fiscal year 2008, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$124.7 million. As a result, it appears the state complied with Article X, Section 18(e).

APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.

(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual

returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e). Voter approval required for taxes or fees, when, exceptions--compliance procedure.

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the

taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).



Susan Montee, JD, CPA
Missouri State Auditor

Linn County



April 2009
Report No. 2009-34

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The following findings were included in our audit report of Linn County.

The County Commission occasionally held closed meetings without maintaining minutes and the open meeting minutes did not always include required information related to closed meetings. The county policy regarding public access to county records is not in compliance with state law.

The road and bridge department and the coroner do not maintain vehicle mileage or equipment usage logs, fuel usage logs, or maintenance logs for their vehicles and other equipment. Fuel purchases are not reconciled to fuel usage logs by the Sheriff's department and juvenile office.

Several items relating to the Circuit Clerk's office were noted in previous audit reports. The Circuit Clerk's procedures related to manually prepared receipts are not adequate. The Circuit Clerk is not adequately monitoring accrued costs owed to the court and has not taken advantage of established debt collection programs. The Circuit Clerk has an old civil bank account which included \$1,530 from passport fees that should have been remitted to the state and the county.

The Public Administrator does not file annual settlements for his estates in a timely manner and monthly bank reconciliations are not performed to ensure accounting records are in agreement with bank records. Receipts are not recorded in the check register and the Public Administrator does not maintain a running balance in the check register for each estate.

The Senior Citizens' Services Fund Board has not entered into written contracts as required by state statute. The two members of the board authorized to sign checks are not bonded.

The report includes findings related to segregation of accounting duties in the offices of the Circuit Judge, Prosecuting Attorney, and Sheriff. In addition, findings related to the duties of the Collector-Treasurer are included.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

LINN COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-16
<u>Number</u>	<u>Description</u>
1.	County Commission Minutes and Public Records Policy5
2.	Property Tax Controls and Procedures6
3.	Vehicle and Equipment Records and Procedures7
4.	Circuit Clerk Accounting Controls and Procedures9
5.	Circuit Judge Accounting Controls and Procedures11
6.	Prosecuting Attorney Accounting Controls and Procedures12
7.	Public Administrator Accounting Controls and Procedures13
8.	Sheriff Accounting Controls and Procedures14
9.	Senior Citizens' Services Fund Board15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	17-19

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Linn County

We have audited certain operations of Linn County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Linn County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Linn County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Eartha Taylor, MBA, CPA
	Karla Swift, MBA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

LINN COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1.	County Commission Minutes and Public Records Policy
-----------	--

The County Commission occasionally held closed meetings; however, minutes were not maintained for all closed sessions. The open meeting minutes did not always include required information related to closed meetings, and the county's written policy regarding access to public records is not in compliance with state law.

- A. There were no minutes for some of the closed meetings held by the County Commission. In addition, open meeting minutes did not always document the vote for closing the meeting, cite the specific statute and subsection allowing the closure, or the final disposition of certain matters discussed in closed meetings.

Section 610.020, RSMo, requires closed meeting minutes to document and record official board decisions and actions affecting the county. Section 610.022.1, RSMo, states that the vote of each member of the public governmental body on the question of closing a public meeting and the specific reason for closing that public meeting by reference to a specific section shall be announced publicly at an open meeting of the governmental body and entered into the minutes. In addition, under Section 610.021, RSMo, the final disposition of certain matters determined in closed meetings must be made available to the public within specified times. The county did not have procedures in place to ensure actions taken in closed meetings were made available to the public as required.

- B. The county has adopted a policy regarding public access to county records; however, the policy does not comply with state law as it indicates \$1 is to be charged for copies. The County Clerk indicated the fees actually charged are 10 cents per copy and the hourly rate for the employee if any research is required in accordance with state law. The county's policy should be revised to comply with Section 610.026, RSMo, and actual fees charged.

WE RECOMMEND the County Commission:

- A. Ensure minutes are taken for all closed sessions. In addition, the County Commission should ensure votes to enter into closed session and the subjects to be discussed in closed session are properly recorded, and decisions made in closed session are made available to the public as required.
- B. Revise the county's policy for record request fees to comply with state law.

AUDITEE'S RESPONSE

The County Clerk provided the following written response:

I will work with the commissioners to see that minutes are taken for all closed sessions. The commission will also ensure votes to enter into closed sessions and subjects discussed are properly recorded and decisions made are made available to the public as required. The County's policy will be revised to record request fees in accordance with state law.

2. Property Tax Controls and Procedures
--

Errors were made in calculating assessment withholdings and commissions. The Collector's office processed approximately \$1.8 million in property taxes, fees, and commissions during 2006. Collections increased to \$7.8 million in 2007 due to a change in state law transferring responsibility for processing current property tax receipts from township collectors to the Collector-Treasurer.

- A. Assessment withholdings were improperly calculated for the December 2005 current tax collections for all taxing authorities other than state and schools. The Collector-Treasurer erroneously used 3 percent instead 1.25 percent on her worksheets. This error resulted in excess assessment withholdings of \$20,756 paid to the Assessment Fund in January 2006. These monies are due to other funds and taxing authorities in the county.
- B. The Collector-Treasurer did not assess the 7 percent commission state law requires to be added on all delinquent tax payments on the 2007 real and personal property tax payments received in January and February 2008. This error resulted in a loss of revenue of approximately \$25,800. Of this amount, 2/7 would have been paid into the General Revenue Fund, 2/7 into the Tax Maintenance Fund, and 3/7 into the County Employee's Retirement Fund. Per the Collector-Treasurer, the necessary changes to the county's computer program had not yet been made when the 2007 tax bills were printed and mailed, and the additional amounts listed for payments made in January and February did not include the add-on penalty.
- C. In November 2007, the Collector-Treasurer started collecting current drainage district taxes. Collections totaled nearly \$5,350 for the year ended February 28, 2008. The Collector-Treasurer did not include this activity on the annual settlement.

To properly reflect all activity for which she is responsible, the Collector-Treasurer should include all appropriate collections and credits on the annual settlements.

WE RECOMMEND the Collector-Treasurer:

- A. Make adjustments to future distributions to the Assessment Fund and taxing authorities other than state and schools to correct the \$20,756 erroneously retained and paid to the Assessment Fund.
- B. Ensure add-on commissions are properly assessed on all delinquent tax payments in the future.
- C. Include all appropriate collections and credits on the annual settlements.

AUDITEE'S RESPONSE

The Collector-Treasurer provided the following written responses:

- A. *The County Commission paid \$20,756 in excess assessment withholdings and the money was refunded to the political subdivisions in the tax distribution Jan. 2009. The Assessor will pay the \$20,756 back to the County in the next 2 years.*
- B. *Our computer program was not set up to print the extra 7% along with the interest when our statements were printed for 2007 taxes. When I became aware the 7% was supposed to start in January instead of March, the statements had already been printed and mailed out. The program was corrected for 2008 taxes and the 7% was collected starting in January 2009.*
- C. *The Drainage tax was never reported on the annual report although the Township collectors collected it along with Current taxes and I reported their current taxes on the report. Therefore, I didn't report the tax on my annual settlement when I started collecting it in my office. I will start putting the Drainage tax collections on my annual report this year.*

I try to do a good job in my office and I want to comply with the laws. Sometimes they are a little vague and not every Collector-Treasurer does things the same.

3. Vehicle and Equipment Records and Procedures
--

Vehicle mileage, fuel usage, and maintenance logs are not maintained for the road and bridge department vehicles and equipment or the county coroner vehicle. Fuel purchases are not reconciled to fuel usage logs by the Sheriff's department and juvenile office.

- The road and bridge department and the coroner do not maintain vehicle mileage or equipment usage logs, fuel usage logs, or maintenance logs for their vehicles and other equipment. Fuel purchases by the road and bridge department and county coroner totaled approximately \$15,000 and \$13,900 in 2007 and 2006, respectively. About 75 percent of the fuel for the road and bridge department is

purchased on a charge account at the local service station in Linneus and individual receipts signed by employees making the purchases are submitted with the monthly bill. These purchases include bulk purchases of diesel fuel and gasoline that is pumped into truck mounted portable tanks used to fuel road and bridge equipment. No separate record of the amounts of bulk fuel purchased and dispensed is maintained.

The remainder of the road and bridge department's fuel purchases and the coroner's fuel purchases are made by Petro-Card at other locations and no individual receipt is generated. The Petro-Card bill for these vehicles is received by the County Clerk's office and reviewed by the County Commission for reasonableness prior to payment. However, there is no reconciliation of the Petro-Card bills to records of fuel purchased.

- The Sheriff's department does not reconcile fuel purchases to vendor billings. The department fuel purchases totaled approximately \$25,300 and \$23,800 in 2007 and 2006, respectively. The purchases are made by using Petro-Cards assigned to each officer. The department maintains vehicle mileage and fuel usage records for each vehicle and a summary log of fuel purchases; however, the fuel purchase log is not reconciled to the vendor billing which is received directly by the Sheriff's department. The billing is approved by the department and forwarded to the County Clerk's office for further processing.
- The juvenile office does not reconcile fuel purchases to vendor billings. Juvenile office fuel purchases totaled approximately \$3,500 and \$2,050 in 2007 and 2006, respectively. The driver maintains a daily trip log for the vehicle but does not record fuel purchases which are made by Petro-Card and are included on the billing received by the Sheriff's department. The juvenile office reviews its charges for reasonableness, but since fuel purchase records are not maintained there is no reconciliation of purchases to the billing.

Maintenance and review of vehicle and equipment usage, fuel usage, maintenance, and bulk fuel purchase and dispensing logs and comparison of log information to fuel and maintenance purchases, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without detection. Vehicle and equipment logs typically include the date, driver or operator, purpose and destination of each trip, and the daily beginning and ending odometer or hour meter readings for vehicles and equipment, as well as fuel purchased and maintenance services performed.

WE RECOMMEND the County Commission establish written policies and procedures for all county-owned vehicles and equipment to require vehicle and equipment usage logs including fuel usage and maintenance activities be maintained, periodically reviewed, and reconciled to vendor billings prior to payment.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Linn County Commission agrees with Item 3 Vehicle and Equipment Records and Procedures of Missouri Auditors audit of Linn County Missouri 2008. We the Linn County Commission will implement individual vehicle record logs for all county vehicles and equipment.

4. Circuit Clerk Accounting Controls and Procedures
--

Circuit Clerk procedures related to manual receipt slips, accrued costs, old bank accounts, and open items are in need of improvement. Circuit Clerk receipts totaled approximately \$415,000 and \$490,000 in 2007 and 2006, respectively, in civil and criminal case fees, fines, and bonds.

- A. Receipts are usually posted to the Justice Information System (JIS) as received. However, manual receipt slips may be issued when the computer system is not available. The corresponding JIS receipt slip number is not recorded on the manual receipt slip after the information has been entered in the JIS and there is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited. In addition, the manual receipts slips issued are not official, pre-numbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. Official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

This condition was noted in our prior audit.

- B. The Circuit Clerk's controls and procedures for accrued costs need improvement.

- 1) The Circuit Clerk is not adequately monitoring accrued costs owed to the court. A listing of accrued costs is maintained in the Circuit Court's computer system, (JIS); however, the Circuit Clerk was not aware this information was available or that a report could be generated. Upon our request, the Circuit Clerk ran a report of accrued costs which totaled \$703,600 as of July 30, 2008. Nearly \$675,700 (96 percent) was 60 or more days outstanding including over \$254,000 for jail board bills. The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness.

A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and take

appropriate steps to ensure amounts owed are collected or determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

- 2) The Circuit Clerk's office has not taken advantage of the debt collection programs established by the Office of State Courts Administrator for collection of monies owed to the court. Improved collection procedures and monitoring of accrued costs could result in additional revenues due to the state, county, and others.

Similar conditions were noted in our prior report.

- C. The Circuit Clerk has an old civil bank account which is used as a petty cash fund. The account included \$1,530 from passport fees collected prior to 2006, of which \$1,224 and \$306 should have been remitted to the state and county, respectively. The Circuit Clerk issued a check for \$400, of which only \$267 was later reimbursed by employees, for catering of the county employee Christmas dinner in December 2007. This purchase does not appear to be a prudent use of taxpayer monies. Other activity in the account included periodic purchases of postage with subsequent reimbursement from the county. The Circuit Clerk should disburse the remaining funds and close the bank account.
- D. The Circuit Clerk has a \$50 change fund that has not been used for several years. These monies are accountable fees and should be remitted to the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. If a change fund is determined to be necessary, it should be maintained at a set amount and reconciled to that amount each time monies are deposited.
- E. The Circuit Clerk has not adequately reviewed the status of old open items. We noted 11 cases with monies totaling \$1,074 that should have been disbursed. These cases were shown as closed or have not had any activity for several years. These monies either need to be refunded to the appropriate parties or charges applied to the cases.

WE RECOMMEND the Circuit Clerk:

- A. Ensure manual receipt slips are recorded on the JIS and accounted for properly. In addition, official pre-numbered manual receipt slips should be obtained for use when necessary.
- B. Establish procedures to monitor and collect accrued costs.

- C. Disburse the monies remaining in the old civil account to the appropriate parties and close the account. In addition, the Circuit Clerk should ensure all purchases are a prudent use of taxpayer monies.
- D. Turn over the change fund to the county. If a change fund is considered necessary, it should be kept on an imprest basis.
- E. Routinely review open items and disburse monies as appropriate.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *This will be done.*
- B. *We will try to implement some additional procedures.*
- C. *This account has been closed and the monies distributed as appropriate.*
- D. *We used the \$50 to establish a petty cash fund to be used for postage.*
- E. *We are now doing this.*

5. Circuit Judge Accounting Controls and Procedures
--

Cash custody and recordkeeping duties have not been adequately segregated for a bank account maintained for office expenses. In addition, a budget is not prepared for the funds maintained by the Circuit Judge.

The home base of the Circuit Judge for the Ninth Judicial Circuit is located in Linn County. The three counties that make up the circuit are billed for their share of expenses. The judge's secretary issues receipts, makes deposits, prepares bank reconciliations, and writes checks. Account activity in 2007 included receipts and disbursements of about \$5,400 and \$5,050, respectively. The Circuit Judge reviews the billing statements sent to the three counties and supporting invoices for disbursements; however, he does not review the bank statements, canceled checks, or bank reconciliations.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation cannot be achieved due to the limited staff available, the Circuit Judge should, at a minimum, compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Circuit Judge and documented reviews help ensure financial records are properly maintained and help detect errors on a timely basis.

In addition, a budget is not prepared for these funds. Chapter 50, RSMo, requires county officials to prepare budgets for all funds. Adopting budgets is necessary to monitor fund disbursements and cash balances.

WE RECOMMEND the Circuit Judge segregate accounting duties to the extent possible, ensure periodic supervisory reviews are performed and documented, and prepare a budget for these funds.

AUDITEE'S RESPONSE

The Circuit Judge provided the following response:

I agree to increase supervision over this account. I do not agree with the recommendation to budget these funds. A budget is already submitted to each county for their share.

6. Prosecuting Attorney Accounting Controls and Procedures

Accounting duties have not been adequately segregated and receipts are not deposited on a timely basis. The Prosecuting Attorney's office collects bad check and court-ordered restitution monies. Bad check restitution is usually forwarded directly to the victims. Bad check fees and court-ordered restitution are deposited into official accounts. Collections totaled about \$27,000 and \$35,800 for the years ended December 31, 2007 and 2006, respectively.

- A. Accounting duties are not adequately segregated. Currently, the administrative assistant is responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. The Prosecuting Attorney does sign all checks and the monthly bad check fee report; however, this review is the only documented review of the work performed by the administrative assistant.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved due to the limited staff available, the Prosecuting Attorney should at least review the bank reconciliations and monthly restitution reports and perform periodic comparisons of bad check restitution receipts to acknowledgement letters from the victims.

- B. Receipts are not deposited on a timely basis. Only money orders are accepted. Monies are normally collected each business day, but deposits are normally made only two or three times per month. Our cash count of bad check fees and restitution conducted on August 5, 2008, showed monies on hand totaling \$250, comprised of receipts collected from July 29 to August 1, 2008. In addition, a

review of deposits for the months of December 2007 and December 2006 indicated monies totaling more than \$100 were held from three to nine days before deposit. All receipts should be deposited intact on a timely basis.

Similar conditions were noted in our previous report.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented supervisory reviews of the accounting records.
- B. Deposit receipts intact on a timely basis.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *The funds received by the Prosecuting Attorney are not public funds, but are paid by defendants in criminal cases. The Prosecuting Attorney has one administrative assistant. The office is unable to hire additional staff to segregate duties due to budget constraints. The Prosecuting Attorney will approve and review all receipts and deposits and will sign the deposit slip prior to depositing funds.*
- B. *The county seat does not have a banking institution. Deposits are currently made once per week. The bank does not charge a fee for deposit slips due to the limited number of deposits. However, the Prosecuting Attorney's office will continue to make weekly deposits and will make additional weekly or daily deposits, if needed, upon receipt of funds in excess of \$250.*

7. Public Administrator Accounting Controls and Procedures

Annual settlements are not filed timely. In addition, monthly bank reconciliations are not performed, and running balances are not maintained in check registers.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. At December 31, 2007, the Public Administrator handled 23 cases.

- A. The Public Administrator does not file annual settlements in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held as well as financial activity for the year. We reviewed annual settlements due in 2006 or 2007 for three cases. All six settlements were filed between 6 to 11 months after the due date. Three settlements included 24 months of information.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

- B. The internal control procedures for the Public Administrator are in need of improvement:
- 1) Monthly bank reconciliations are not performed to ensure accounting records are in agreement with bank records. Monthly bank reconciliations would serve to detect errors and allow necessary corrections to be made on a timely basis.
 - 2) Receipts are not recorded in the check register and a running balance in the check register for each estate is not maintained by the Public Administrator. Maintaining running book balances and recording receipts promptly to check registers helps ensure accurate records and provides balances to reconcile to bank amounts.

WE RECOMMEND the Public Administrator:

- A. File annual settlements on a timely basis.
- B.1. Perform monthly bank reconciliations for all bank accounts.
2. Promptly record receipts to and maintain running balances in the check register.

AUDITEE'S RESPONSE

The Public Administrator provided the following response:

I have taken steps to implement these recommendations.

8. Sheriff Accounting Controls and Procedures
--

Cash custody and recordkeeping duties have not been adequately segregated. The Sheriff's department received approximately \$46,000 and \$39,000 from paper service fees, bonds, gun permits, and other general receipts during 2007 and 2006, respectively. Cash custody and recordkeeping duties have not been adequately segregated.

The office clerk issues receipts, prepares deposits, prepares bank reconciliations, and writes checks. The Sheriff indicated he periodically selects a couple of receipt slips and traces the amounts through the accounting system, and he documents his review by signing off on the items he looks at including the cash control; however, we did not find

any such notations on the 2007 cash control. In addition, the Sheriff does not review the bank statements and canceled checks.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews help ensure financial records are properly maintained and help detect errors on a timely basis.

WE RECOMMEND the Sheriff segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

We will try to comply with the auditor's recommendation.

9. Senior Citizens' Services Fund Board
--

The Senior Citizens' Services Fund Board does not have written contracts with any of its service providers and does not adequately monitor monies provided to the entities. In addition, board members who sign checks and collect monies are not bonded. The board was established in September 2007 and received approximately \$10,000 prior to December 31, 2007, from property taxes.

- A. The board has not entered into written contracts with the Brookfield Senior Center and the Marceline Senior Center as required by Section 432.070, RSMo. There were no disbursements during the audit period; however, these entities received approximately \$60,000 during the period January through August 2008. While the entities provided the board with reports of their activities in their applications to the board, the board did not require any specific type of report documenting how these monies were used. Written agreements are necessary to specify the services to be performed and the consideration to be paid for the services, provide a means for the board to monitor compliance with the contract terms, and protect the board in the event of a dispute over the terms of the agreement.
- B. The two members of the board authorized to sign checks are not bonded. In addition, only one signature is required on the checks. Board officials indicated they approved the decision to forego bonding; however, this decision was not documented in the board minutes.

Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the board to unnecessary risks. In addition, the minutes are the official records of the actions of the board and care should be taken to ensure the minutes are complete and provide reasons and specific intentions behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to board intentions and possible incorrect interpretation of board actions by the general public, future board members, or other outside entities.

WE RECOMMEND the Senior Citizens' Services Fund Board of Directors:

- A. Enter into written contracts with all entities which receive funding from the board and require and periodically review records of services provided to residents of Linn County.
- B. Obtain adequate bond coverage for all persons with access to monies. In addition, the board should ensure all significant discussions and actions taken are adequately documented in board minutes.

AUDITEE'S RESPONSE

The Senior Citizens' Services Fund Board chairperson and the Treasurer provided the following responses:

- A. *This recommendation has been implemented.*
- B. *The Senior Citizens' Services Fund Board will obtain bond coverage.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

LINN COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Linn County is a township-organized, third-class county and is part of the Ninth Judicial Circuit. The county seat is Linneus.

Linn County's government is composed of a 3-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 13,754 in 2000. The assessed valuation for the year ended December 31, 2007 was:

Real estate	\$ 69,696,060
Personal property	40,242,143
Railroad and utilities	18,316,361
Total	<u>\$ 128,254,564</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Linn County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements, road & bridge	.0050	2009	None	
Use tax	.0010	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Rick Solomon, Presiding Commissioner		24,823
Randy Wade, Associate Commissioner		22,823
Jim Libby, Associate Commissioner		22,823
Loretta Brookshier, Recorder of Deeds		34,580
Peggy Ward, County Clerk		34,580
Tracy L. Carlson, Prosecuting Attorney		40,950
Tom Parks, Sheriff		38,220
Kenny F. Creason, County Coroner		10,010
Leroy Duncan, Public Administrator		22,750
Pamela Reed, County Collector-Treasurer (1), year ended March 31,	34,713	
Marlene Graves, County Assessor (2), year ended August 31,		35,268

(1) Includes \$35 of commissions earned for collecting drainage district property taxes.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

E. Elaine Clough, Circuit Clerk	51,197
James Williams, Associate Circuit Judge	101,090



Susan Montee, JD, CPA
Missouri State Auditor

Thirty-Fourth Judicial Circuit

City of Hayti Heights Municipal Division



April 2009

Report No. 2009-33

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

An audit was conducted by our office of the Thirty-Fourth Judicial Circuit, City of Hayti Heights Municipal Division.

Internal controls and accounting records of the city of Hayti Heights Municipal Division are inadequate. Receipt records are poorly organized and lack proper documentation and controls. As a result, there is no assurance all monies collected were accounted for properly and deposited to the city's account. Controls over receipts are in need of improvement, receipt information is not documented on the court dockets, and duties are not properly segregated. Also, police officers and court employees are not bonded, case files are not maintained, and some cases are assigned a new case number when moved to a different docket. The Court Clerk does not file a monthly report with the city of all cases heard in the municipal division.

Bond records are poorly organized and lack proper documentation and controls. As a result, there is no assurance all bond monies collected are accounted for properly. Bond forms are not used to record bonds collected. A bond ledger is not maintained, and a listing of open items is not prepared periodically and reconciled to bonds held. Some bond monies were used to fund city operations prior to the disposition of the bonds by the court, creating a shortage to cover bond liabilities.

Procedures have not been established to adequately monitor accrued costs owed to the municipal division. A listing of accrued costs is maintained by the Court Clerk; however, it is incomplete and inaccurate. There is no documentation indicating the Municipal Judge met with or issued a warrant for several defendants who failed to make a payment.

Prior to May 2008, neither the city nor the Court Clerk disbursed Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees collected to the state as required; however, the city's Municipal Court Account does not have sufficient funds to cover liabilities due to the state.

Neither the police department, nor the municipal division, maintain adequate records to account for tickets assigned and issued, and their ultimate disposition.

Computer systems and data are vulnerable to unauthorized use, modification, or destruction due to not limiting access and not keeping passwords confidential. In addition, daily back-ups are not performed and stored off-site.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HAYTI HEIGHTS
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-16
<u>Number</u>	<u>Description</u>
1.	Court Controls and Procedures5
2.	Bond Controls and Procedures.....9
3.	Accrued Costs11
4.	Court Costs.....12
5.	Ticket Accountability.....14
6.	Computer Controls.....15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	17-18

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Thirty-Fourth Judicial Circuit
and
Municipal Judge
Hayti Heights, Missouri

We have audited certain operations of the city of Hayti Heights Municipal Division of the Thirty-Fourth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

Internal controls and accounting records of the city of Hayti Heights Municipal Division were inadequate. Receipts and disbursements were not adequately documented and case files were not maintained. In addition, some records could not be located. As a result, we were unable to design and perform procedures to provide reasonable assurance of detecting instances of noncompliance significant to legal provisions.

Except as discussed in the preceding paragraph we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Hayti Heights Municipal Division of the Thirty-Fourth Judicial Circuit.

An audit of the city of Hayti Heights fulfilling our obligation under Section 26.060, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report

Director of Audits: Alice M. Fast, CPA, CIA, CGFM
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Steven Re', CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HAYTI HEIGHTS
MUNICIPAL COURT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Court Controls and Procedures
-----------	--------------------------------------

Receipt records are poorly organized and lack proper documentation and controls. As a result, there is no assurance all monies collected were accounted for properly and deposited to the city's account. Controls over receipts are in need of improvement, receipt information is not documented on the court dockets, and duties are not properly segregated. Also, police officers and court employees are not bonded, case files are not maintained, and some cases are assigned a new case number when moved to a different docket. The Court Clerk does not file a monthly report with the city of all cases heard in the municipal division.

The city maintains a bank account for court deposits and disbursements. Monies received from fines, fees, and bonds are receipted and deposited by the Court Clerk. The City Clerk is responsible for preparing disbursements and reconciling the account.

A. The following concerns relating to receipts were noted:

- 1) Receipt slips are issued for fines, costs, and bonds; however, the receipt slips are not pre-numbered and the method of payment is not documented on some receipt slips issued. To ensure receipts are properly handled and recorded, pre-numbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips issued should be accounted for properly. In addition, the method of payment should be documented for all monies received and the composition of receipt slips issued should be reconciled to deposits.
- 2) Monies are not deposited intact and in a timely manner. In addition, the Court Clerk does not prepare deposit slips or indicate which receipt slips compose the deposits. The Court Clerk indicated she deducts monies from collections to make purchases of office supplies and pay Crime Victims Compensation (CVC) fees to the state.

The Court Clerk currently places monies received for each case along with receipts for cash purchases in separate envelopes and records the total amount received and any monies withheld for purchases or payments on the outside of the envelopes. The envelopes are then placed in a bank bag which is locked up in the file cabinet. At the time of the deposit, the Court Clerk will go through the bank bag, remove all monies from each envelope and make the deposit. The Court Clerk then makes copies of the

vendor receipts for cash purchases or payments and gives the original along with a copy of the bank receipt to the City Clerk. The Court Clerk indicated the copies of the vendor receipts are placed back in the envelope and placed in a folder.

We reviewed the month of May 2008, and noted the following problems:

- May receipt slips showed total cash composition of \$273; however, only \$93 in cash was deposited. The Court Clerk withheld \$228 in cash from May receipts to purchase money orders to pay CVC fees for January through May 2008 and located one vendor receipt for \$30. It appears \$78 more in cash was deposited than recorded on May receipt slips. Because the receipt slips composing a deposit are not clearly indicated, we could not determine whether this additional cash was from monies received in previous months or from unrecorded monies.
- The May 20, 2008, deposit consisted of receipts for \$82 dated April 16, 2008, \$51 dated May 2, 2008, \$223 dated October 12, 2007, and \$83 dated November 19, 2007. The Court Clerk indicated the October and November receipts had been missed when preparing earlier deposits.

Monies are normally collected each day, but monies are deposited only once or twice a month. In addition, only two deposits were made in April, two in May, and one in June 2008.

To prevent loss or misuse of receipts, all monies should be deposited intact timely, preferably daily, and deposit slips prepared indicating which receipts are included in the deposits. The CVC and Peace Officer Standards and Training Commission (POSTC) monies should then be disbursed by the city, based on information provided by the court. Additionally, if monies are needed to purchase supplies, the municipal division should work with the city to establish a petty cash fund.

- 3) Checks and money orders are not restrictively endorsed until monies are deposited. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- B. The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. The Court Clerk performs all the duties related to the collection, depositing, and recording of fines, court costs, and bond monies received. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To reduce the risk of loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

- C. Police officers and court employees who collect monies are not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.
- D. Case files are not maintained and court dockets are incomplete. The Court Clerk does not document the ticket number, date paid, amount paid, or receipt slip number on the court dockets, and the case number assigned is often changed when a ticket is moved to a different type of docket. Tickets are filed haphazardly in a folder with the court docket each month. Additionally, the municipal division could not locate copies of some dockets, receipt slips, and tickets. As a result, the status of each ticket can not be adequately tracked, nor can tickets be accounted for properly.

Missouri Supreme Court Operating Rule 4 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented to include, but not limited to, a copy of the ticket, case number, defendant's name, amount due the municipal division, bond information, warrants and disposition of the case. In addition, Missouri Supreme Court Operating Rule 8 requires municipal divisions to retain all case file records including ticket logs and copies of tickets issued. Retention of municipal records is essential to establish accountability of municipal division activity and in demonstrating compliance with state law. Effective control of records requires all documents and records to be safeguarded against loss, accessible to the appropriate municipal division employees, and upon reasonable request, accessible to the public. To prevent confusion and allow for tracking, the original case number assigned and ticket number should be documented and remain the same on all court dockets.

- E. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the City Clerk. This listing should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).

WE RECOMMEND the city of Hayti Heights Municipal Division:

- A.1. Issue pre-numbered receipt slips for all monies received, reconcile the composition of receipt slips issued to deposits, and account for the numerical sequence of receipt slips issued.
 2. Deposit all monies received intact in a timely manner, prepare deposit slips which clearly indicate which receipts are included, and request the city disburse CVC and POSTC monies to the state. If deemed necessary, the division should establish a petty cash fund to be used to make cash purchases, maintain it on an imprest basis, and retain all supporting documentation for disbursements.
 3. Restrictively endorse checks and money orders immediately upon receipt.
- B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits. Any unusual items or discrepancies noted should be investigated promptly.
- C. Work with the city to ensure all police officers and division employees handling court monies are adequately bonded.
- D. Maintain case files which contain the required information and are retained in compliance with court operating rules. In addition, the division should utilize the original case number for all reports and records.
- E. Prepare monthly reports of cases heard in the court and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

The Board was completely unaware of the operations of the Municipal Court. It has taken immediate action to correct the deficiencies and to implement your recommendations. It is in the process of hiring a new judge and municipal court clerk. I have contacted the State Court Administrator's Office to obtain a copy of the "Municipal Court Clerk's Handbook" for the new clerk. It contains accounting procedures and forms which will address several of the concerns addressed in the audit. In addition, we are checking into the availability of training programs for municipal court clerks through the State Court Administrator's Office.

The Municipal Court records were removed from City Hall by the Chief of Police and kept locked at the police station. The City had demanded the files be returned to City Hall.

The Chief of Police will be required to file all tickets with the municipal court clerk who will post them to the docket and set up folders as individual case files. The City will provide deposit slips for making deposits of municipal court collections to the municipal court account and will require the court clerk to clearly indicate which receipts are deposited. The clerk will be required to deposit all collections intact. The City will provide a budget for the Municipal Court and consider establishing a petty cash fund to the extent needed. The Board will monitor compliance with the procedures and require detailed monthly reports from the City Clerk as recommended in your audit.

The Board is in agreement with your recommendations and will be implementing them. In addition, the City will be obtaining assistance from the State Court Administrator's Office regarding procedures and accounting methods to improve the operation of the Municipal Court and establish fiscal safeguards.

The Board is uncertain how to implement your recommendation for separating the duties of receiving and depositing money from those of recording and disbursing monies. At this point the police department has been collecting bonds and possibly fines. Once the court clerk and court files are moved from the police station back to City Hall, the City Clerk and court clerk will be able to work more closely for collecting and depositing court funds. No disbursements will be made by the municipal court clerk; that function will be the duty of the City Clerk upon order of the court. Distributions will require signature of the City Clerk and that of the Mayor or designated board member.

The city is currently seeking a new City court judge. As part of his responsibilities he/she will be required to review on a monthly basis the dockets, record of bonds, dispositions, cases, fines and costs accrued, and balances owed.

2. Bond Controls and Procedures
--

Bond records are poorly organized and lack proper documentation and controls. As a result, there is no assurance all bond monies collected are accounted for properly. Bond forms are not used to record bonds collected. A bond ledger is not maintained and a listing of open items is not prepared periodically and reconciled to the bonds held. In addition, bond monies collected were used to fund city operations prior to the disposition of the bond by the court.

Bond monies are collected, receipted, placed in their own envelope by the police, and turned over to the Court Clerk. Bond monies collected are deposited by the Court Clerk into the city's Municipal Court Account along with fines and fees collected. The City Clerk is responsible for issuing any refunds of bond monies.

- A. Bond forms are not used to record bonds collected. To ensure all bonds are accounted for and deposited, pre-numbered bond forms should be used and the numerical sequence accounted for properly. Additionally, Missouri Supreme

Court Rule 37.F. requires bond forms to be used for statutory, ordinance, or traffic violations.

- B. A bond ledger is not maintained. In addition, a monthly listing of bond open items is not prepared and reconciled with the bonds held in the city's Municipal Court Account.

A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. Monthly listings of open items should be prepared and reconciled to the bonds held to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

Preparation of monthly reconciliations would allow differences to be investigated and errors corrected on a timely basis. Additionally, the municipal division should consider maintaining a separate account or fund to track bond transactions.

- C. Some bond monies were used to fund city operations prior to the disposition of the bonds by the court. Bond monies totaling \$2,223 were deposited on July 15, 2008, to the city's Municipal Court Account. On July 23, 2008, the balance in the account was \$483, thereby creating a shortage of \$1,740 to cover bond liabilities. Some of these monies had been transferred to the payroll account.

Bond monies collected represent liabilities of the court prior to the disposition of the bonds and should not be used to fund city operations. Bond monies collected should remain in the bank account until the bond is disposed by the court to provide sufficient funds for payment of liabilities.

WE RECOMMEND the city of Hayti Heights Municipal Division:

- A. Along with the Police Chief, obtain and issue pre-numbered bond forms or receipt slips for all bonds received and ensure all bond forms are accounted for properly.
- B. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. In addition, the ledger should be reconciled to the bonds held in trust on a monthly basis. Also, the division should consider maintaining a separate bond account or fund to ensure bond monies collected are sufficient for payment of bond liabilities.
- C. Ensure bond monies are sufficient to make payment of bond liabilities and are not used to fund city operations prior to disposition by the court.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

Your audit indicates that bond money was removed from the municipal court account prior to distribution of cases and used to fund the operations of the city. The board was unaware that bond money was being so used. The Mayor and City Clerk would have been responsible for appropriately paying money out of the various city accounts. The Board of Aldermen were unaware of the use of bond money to fund city operations. Until recently they have been provided no information regarding various accounts, money collected, and individual disbursements. They will be taking a more active role managing the City's finances. Among the changes they expect to make will involve maintaining a record for bonds received and a bond ledger to account for bond monies. Likewise, they will not use bond money to pay municipal court or to fund other city operations until a proper disposition of the bonds. The City currently has numerous bank accounts, many of which are inactive or unnecessary.

The City believes that the existing municipal court bank account can be used for bond money collected with stringent record keeping and payment being made only at the conclusion of a case. The City will require the police department and court clerk to use bond forms, They are unfamiliar with the use of "pre-numbered" bond forms or where they can be obtained but are willing to consider their use.

3. Accrued Costs

Procedures have not been established to adequately monitor accrued costs owed to the municipal division. Defendants are allowed to pay fines and court costs over a period of time. Payments made on the payment plan and the balance due on the account are recorded on the receipt slips issued. A listing of accrued costs is maintained by the Court Clerk; however, it is incomplete and inaccurate. The listing of accrued costs does not include the original amount due, monthly payment amounts, all payments made (including the date paid, the amount paid and the receipt slip number), and the remaining balance due. There is no documentation indicating the Municipal Judge met with or issued a warrant for several defendants who failed to make a payment. Additionally, these cases are not carried forward on the court dockets and there is no indication the Municipal Judge reviewed and approved the accrued costs each month. Court records are poorly organized and lack proper documentation, reducing assurance that all defendants with payment plans are accounted for properly.

A comprehensive control ledger showing the original amounts owed by defendants, all payments made, and the balance due would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly. All open cases should be shown on the court dockets to ensure the Municipal Judge is aware of all court activities. In addition, the Municipal Judge should review and sign the ledger each month to ensure the listing is accurate and complete.

WE RECOMMEND the city of Hayti Heights Municipal Division establish procedures and controls to ensure all case and payment information is properly documented and reconciled for deferred payment plans. In addition, the division should record all open cases on the court dockets.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

The City agrees with your recommendation for ensuring all case and payment information is properly documented. It expects to adopt the use of a control ledger or docket tracking fines, court costs assessed, payments made and current balances. The court clerk will be required to list cases on the docket and provide payment information to the judge each month until all monies have been paid and accounted for. In addition, such information will be included in the monthly report by the court clerk to the Board of Aldermen.

4.

Court Costs

Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly. In addition, ordinances establishing current court costs have not been updated.

- A. CVC and POSTC fees have not been turned over to the state monthly in accordance with state law. In addition, the Court Clerk does not maintain adequate documentation to support the amounts remitted to the state. CVC and POSTC fees are assessed and collected by the court for violations of municipal ordinances. Prior to May 2008, the fees collected were deposited into the Municipal Court Account held by the city with other fines and costs; however, neither the city nor the Court Clerk disbursed these monies monthly to the state as required. Division personnel could not provide any documentation indicating they had submitted information to the city which would allow city personnel to make the monthly turnover to the state for these fees. In June 2008, the Court Clerk began withholding cash from deposits to the city's Municipal Court Account to purchase money orders to pay these fees to the state.

The state Department of Public Safety indicated CVC fees were not remitted to the state for numerous months. In addition, POSTC fees collected have not been remitted. Currently, the municipal division has no estimate of the amounts owed to the state for CVC and POSTC fees. In addition, court records are in poor condition and determining these amounts will be difficult if not impossible. The city's Municipal Court Account had a negative balance of (\$141) as of June 30, 2008. The account does not have sufficient funds to cover liabilities for the CVC and POSTC fees collected but not remitted to the state.

The current Court Clerk remitted CVC fees in June 2008 for January through May 2008. She simply noted the number of cases for each month; however, no documentation could be provided to reconcile the number of cases shown to actual tickets or court dockets. Court dockets for January 2008 showed 6 tickets were paid but the Court Clerk's notes show that monies for 11 cases were remitted to the state. For February 2008, court dockets indicate 8 tickets were paid; however, fees for 14 tickets were remitted to the state. Similar discrepancies were noted for March and April, 2008.

Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly. To ensure the proper amount is remitted to the state, records should clearly document the amount of CVC and POSTC fees collected each month.

- B. The court assesses court costs and fees totaling \$22.50 for municipal violations. Court costs were established under city ordinance 72.240; however, this ordinance has not been updated to reflect current court costs charged. The city has not established ordinances authorizing the fees assessed for CVC, POSTC, and Law Enforcement Training. Court costs assessed should be established by city ordinance to ensure compliance with state law.

WE RECOMMEND the city of Hayti Heights Municipal Division:

- A. Remit CVC and POSTC fees to the state monthly in accordance with state law. In addition, the division should maintain records in a manner to ensure all fees collected are properly distributed.
- B. Request the city establish ordinances authorizing the fees collected for CVC, POSTC, and Law Enforcement Training.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

The City will adopt an ordinance authorizing it to collect fees for CVC and POSTC and Law Enforcement Training. With the documentation and training of a new municipal court clerk, the City will be able to track the disposition of cases and account for monies due the State. The court clerk will be required to reconcile the tickets and payments to determine the amounts to be paid. The information you provided in the audit states that the "court clerk failed to maintain adequate documentation to support the amounts remitted to the State". Your data indicates the former court clerk remitted to the State CVC and POSTC fees in more cases than payments were received. If that is actually the case, the court clerk paid out of the city court account more fees than she was collecting. Another possibility is that the court clerk was unqualified for the position and was careless in accounting for money she received. The City hopes to employ a better qualified court clerk and require her to go through training for the position.

Neither the police department nor the municipal division maintain adequate records to account for tickets assigned and issued, and their ultimate disposition. As a result, there is no assurance all tickets issued are accounted for properly. A ticket book is assigned to each police car and multiple officers issue tickets from the book assigned to each car. While the Police Chief indicated a log of ticket books assigned to each car is maintained, no current logs were available. Additionally, our review of a block of ten tickets revealed one ticket could not be located. No log is maintained by the police department of tickets issued and submitted to the division for processing. The Court Clerk does not indicate the ticket number on any of the court records.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured that all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date each ticket is issued, and the violator's name would ensure all tickets issued are submitted to the municipal division for processing or properly voided. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Hayti Heights Municipal Division work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets assigned to vehicles or officers, and tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

The City is working with the Police Department to establish procedures for accounting for all tickets issued and filing them with the Municipal Court and showing the final disposition of all tickets. Each officer will be assigned a single ticket book from which to write tickets. The tickets in the books are in numerical sequence. Any ticket written but not issued or spoiled will be retained by the officer in a separate file for review by the municipal judge and city attorney each month and included in regular reports to the Board of Aldermen. All other tickets are to be filed with the court clerk who will docket the case and assign a case number and ticket number.

The City will be working closely with the court clerk to implement procedures and develop formats for processing tickets, showing actions taken and disposition of all cases, and making monthly reports to the Board.

Computer systems and data are vulnerable to unauthorized use, modification, or destruction due to not limiting access and not keeping passwords confidential. In addition, daily back-ups are not performed and stored off-site.

- A. Access to various court records on the computer system is not adequately limited. Although passwords are required to log in, the Court Clerk indicated the court files are accessible to all users.

To establish individual responsibility and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls. Unauthorized access can result in the deletion or alteration of data files and programs.

- B. Passwords are not changed on a periodic basis to ensure confidentiality. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

- C. Backup copies of computer programs and data are not prepared and stored offsite. Backup copies of computer information are necessary to provide a means for recreating destroyed data. Backup copies should be maintained and stored off-site to provide increased assurance that court data can be recreated.

WE RECOMMEND the city of Hayti Heights Municipal Division:

- A. Ensure access to specific computer programs/data files is restricted to authorized individuals through a system of passwords and security codes.
- B. Require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the division's computer systems and data.
- C. Ensure backup copies of computer programs and data are prepared periodically and stored in a secure, off-site location.

AUDITEE'S RESPONSE

The Board of Aldermen and the City Attorney provided the following written response:

Your audit refers to computer controls for municipal court records. In particular, you noted that the municipal court clerk did not maintain back-up copies of computer data. You further stated that access to the computer system and data was not restricted and was subject to unauthorized use, modification or destruction. You also noted that no case files were maintained.

The Board of Aldermen was uninformed that the court clerk was using a computer for municipal court records and files. It had never provided a computer for the clerk's use. As we mentioned, the Chief of Police removed the court files and took them to the police station. It is likely that court records were maintained on the police department computer which would have also been accessible by the chief of police in addition to the court clerk.

The City will attempt to have a back-up copy made of any municipal court data on the computer. Should the City obtain a computer for the municipal court, it believes that all your recommendations should be implemented.

The Board of Aldermen expects to take an active roll in monitoring the operations of the Municipal Court and in particular use of bond deposits as well as distribution of fines collected. The members of the Board will be attempting to implement your recommendations over the next few months as they are able to get the municipal court staffed and back in operation.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HAYTI HEIGHTS
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Hayti Heights Municipal Division is in the Thirty-Fourth Judicial Circuit, which consists of Pemiscot County. The Honorable Fred Copeland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At June 30, 2008, the municipal division employees were as follows:

Municipal Judge	Derrick R Williams *
Court Clerk	Takendra Herrod **

* Stephen Keating served as Municipal Judge prior to April 2008. Derrick Williams was terminated as Municipal Judge in October 2008. A new judge has not been appointed.

**Jacqueline Brooks served as Court Clerk prior to September 2007. Takendra Herrod was terminated as Court Clerk in September 2008. A new Court Clerk has not been appointed.



Susan Montee, JD, CPA
Missouri State Auditor

Livingston County



April 2009

Report No. 2009-32

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The following findings were included in our audit report of Livingston County.

The Enhanced 911 Fund is in poor financial condition and the county is providing substantial assistance to this operation from other county funds. The county provides dispatching services to all political subdivisions in the county at no charge and without written contracts, and has not performed a cost analysis of providing these services. In addition, the emergency telephone charge assessed is the maximum rate allowed, so without an alternative funding source it is unlikely the county has the ability to increase revenues. As a result, the Enhanced 911 Fund does not have sufficient revenues to support ongoing operating expenses and will not be able to build any reserves for obligations including future equipment upgrades and replacement, and unforeseen expenses.

The Circuit Court is not participating in the state's automated tax offset and debt collection programs, and is not properly monitoring activities related to court-ordered restitution collected by the Prosecuting Attorney's office.

The Sheriff's department does not reconcile the inmate bank account balance to the individual inmate account balances and various liabilities. Also, the numerical sequence of receipts slips is not accounted for properly.

Accounting duties are not adequately segregated in the Prosecuting Attorney's office. In addition, bad check restitution and fee monies are not posted to the accounting system timely, and an adequate system to account for all bad checks handled has not been established.

Throughout the audit period, the Collector-Treasurer had no procedure in place to reconcile the collector bank account balance to existing liabilities at month-end.

The Recorder of Deeds does not provide sufficient details in the accounting records to facilitate a reconciliation of daily deposits to the receipts records. Some discrepancies were noted between the abstract of fees and the deposits, and documented explanations were not provided in the records.

The Senate Bill 40 Board's budgetary procedures and documentation related to closed meetings need improvement.

The report has other audit findings related to the board of prisoner contracts and billings, and the County Commission's procedures for documenting closed meetings.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

LIVINGSTON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-18
<u>Number</u>	<u>Description</u>
1.	Enhanced 911 Fund.....5
2.	Capital Assets.....7
3.	Board of Prisoner Contracts and Billings8
4.	County Commission Closed Meeting Minutes9
5.	Monitoring of Accrued Costs.....10
6.	Sheriff's Inmate Bank Account Controls and Procedures12
7.	Prosecuting Attorney's Accounting Controls and Procedures13
8.	Collector-Treasurer's Reconciliation Procedures.....15
9.	Recorder of Deeds' Accounting Controls and Procedures16
10.	Senate Bill 40 Board17
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	19-21

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Livingston County

We have audited certain operations of Livingston County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Livingston County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Livingston County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	Eartha Taylor, MBA, CPA
	Brian S. Huff

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

LIVINGSTON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Enhanced 911 Fund
-----------	--------------------------

As discussed in our prior audit report, the Enhanced 911 Fund is in poor financial condition. The county is providing substantial assistance to this operation from other county funds. In addition, the county does not have written contracts with the various political subdivisions in the county for which it provides dispatching services, has not performed a cost analysis of providing such dispatching services, and currently provides these services at no charge.

In April 1997, Livingston County voters approved an emergency telephone tax establishing a 15 percent tax added to the base phone line rate charged by the telephone companies. These tax monies are deposited into the county's Enhanced 911 Fund and used to operate the 911 Center which provides dispatching services to all political subdivisions in the county. The following table reflects the financial activity of the Enhanced 911 Fund.

		Budgeted			
		2008	2007	Actual 2006	2005
Beginning cash, January 1	\$	35,572	8,293	26,090	16,993
Receipts		157,100	178,723	166,248	172,545
Disbursements		165,991	151,444	184,045	163,448
Ending cash, December 31	\$	26,681	35,572	8,293	26,090

The disbursement amounts presented above do not represent all costs of operating the 911 Center. A coordinator and two dispatchers are paid from the Enhanced 911 Fund, while several additional dispatchers are paid from the county's General Revenue (GR) and Law Enforcement Sales Tax (LEST) Funds. Dispatching salaries paid from the GR and LEST Funds totaled approximately \$119,500, \$114,000, and \$70,000 for 2007, 2006, and 2005, respectively. The county budgeted a combined total of approximately \$123,200 for dispatcher salaries from these funds for 2008. These dispatchers provide both emergency and non-emergency dispatching services, and at least the portion of their salaries related to emergency dispatching should be paid from the Enhanced 911 Fund. The telephone charge assessed is the maximum rate authorized, so without an alternative funding source it is unlikely the county has the ability to increase revenues generated for the 911 operation. As a result, the Enhanced 911 Fund does not have sufficient revenues to support ongoing operating expenses of the 911 Center and will not be able to build any reserves for future equipment upgrades and replacement, unforeseen expenses, etc.

The 911 Center currently provides dispatching services to all political subdivisions in the county at no charge and without the benefit of written contracts. The county does not

track the number of calls handled for the various political subdivisions or the volume of emergency and nonemergency dispatching services. Such information is necessary to determine the costs associated with dispatching services provided for the various entities and the appropriate funding levels from the Enhanced 911 Fund as compared to other county funds.

The County Commission is aware of the 911 funding situation and monitors the various county fund balances through review of quarterly budget reports. To date the use of GR Fund and LEST Fund monies to subsidize the 911 operations has not created a financial burden for either of those funds or resulted in the reduction of any services provided by those funds. However, should operational costs increase significantly or unforeseen expenses arise either for the 911 Center or operations financed with other county funds, the county may not have sufficient monies to continue subsidizing the 911 functions and may need to seek other funding options. It is clear revenues generated by the current telephone tax are not sufficient to fund all 911 services.

At a minimum, the county should enter into written contracts with other entities for non-emergency dispatching services and perform a cost analysis to determine the amounts, if any, that should be charged for providing these services. The cost analysis should also address the current and long-term impact on other county funds of subsidizing the 911 operation and whether additional cost allocations (for other than non-emergency dispatching) to other entities may be appropriate.

WE RECOMMEND the County Commission enter into contracts for non-emergency dispatching services, perform and document a periodic cost analysis of providing overall dispatching services to other entities, and consider charging for these services. Also, the County Commission should consider other possible funding alternatives.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The first step to improve the financial condition of the 911 fund is to consolidate the Public Service Answering Points (PSAPs). We had two emergency dispatching centers - one at the Sheriff's Department and one at the Police Department. These have been consolidated into one emergency dispatch center located at the Sheriff's Department. New equipment was purchased and renovations to the dispatch area including bullet proof glass and additional security were made to accommodate the handling of all 9-1-1 calls. We went on-line February 19, 2009.

We realize that additional funding is needed to support the 911 fund, but charging other entities for non-emergency dispatching services is not the direction that we wish to proceed. Many of these entities are barely able to operate with their current funding. We believe that the added support should come at the state level with a cell phone tax. Statistics show that 80 percent of the emergency calls received in 911 centers are made from cell phones.

2.**Capital Assets**

Changes were made to county procedures to address problems discussed in our prior report; however, some significant purchases were not promptly recorded in the county's records and procedures related to capital assets still need some improvement.

The County Clerk maintains an overall inventory record of county capital assets. Each department is expected to prepare an inventory action request form for any acquisition, disposition, or transfer of a capital asset at the time these transactions occur and submit the form to the County Clerk's office. Each year the County Clerk sends a memorandum and current inventory list to all county departments requesting they perform inspections and physical inventories, and then return the listing with either a signature to denote its accuracy or accompanying documents to support changes needed to the inventory listing. As a result, updates to the overall inventory record may occur throughout the year when inventory action request forms are submitted or during the annual inventory process.

Some problems were noted with the county's process. The County Clerk does not have an ongoing procedure to track property purchases throughout the year and compare to annual inventory reports and/or inventory action request forms submitted by the various departments. Also, according to the County Clerk, the road and bridge supervisor verbally communicates additions and/or dispositions annually in October rather than submitting inventory action request forms throughout the year.

Our review identified some significant items were omitted from the county's overall capital asset listing as of February 2008.

<u>Item purchased</u>	<u>Date of purchase</u>	<u>Amount</u>	<u>Department</u>
Vehicle	September 2006	\$ 21,807	Sheriff
Flatbed trailer	July 2007	13,649	Road and Bridge
Backhoe	November 2007	43,185	Road and Bridge

It appears the annual reporting by the road and bridge supervisor, failure to submit action request forms, and oversights which occurred during the 2006 and 2007 annual inventory processes resulted in these omissions. Because the County Clerk does not have an ongoing tracking process, these omissions were not detected.

The lack of complete property records and proper monitoring increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage. The County Clerk should develop procedures to track capital asset purchases and use this information to monitor the accuracy of inventory request forms and annual inventory reports, and ensure capital assets are promptly added to the overall inventory listing.

WE RECOMMEND the County Clerk ensure complete and accurate inventory records are maintained and implement a procedure for tracking capital asset purchases throughout the year.

AUDITEE'S RESPONSE

The County Clerk provided the following written response:

We feel that one of the main purposes of the county inventory is for insurance purposes. All of the items omitted from the capital asset listing were included on the county's insurance. A change has been made to ensure that all purchases over \$1,000 are included on the county's capital assets listing. The responsibility of preparing bills for payment and keeping the inventory records are divided among two individuals. There will be two reviews done for items purchased over \$1,000: one by the person preparing the bill for payment - if the bill is over \$1,000 a copy of the invoice will be made and one by the person maintaining the capital asset listing.

3. Board of Prisoner Contracts and Billings
--

There are no current written agreements in effect for board of prisoner services provided to the city of Chillicothe and Linn County. In addition, board of prisoner rates charged to other political subdivisions are inconsistent and the county does not have documentation to show that rates cover the actual costs. Board of prisoner revenues collected from other counties and cities totaled approximately \$101,855 and \$122,500 for the years ended December 31, 2007 and 2006, respectively.

The county holds inmates for various surrounding counties and cities; however, the majority of the inmate billings pertain to Linn County and the city of Chillicothe. There were contracts with the city of Chillicothe and Linn County in the past; however, there are no current contracts in place. The county entered into a contract with Linn County in 2007; however, no contract was in place for 2006 and 2008. In addition, there has not been a contract with the city of Chillicothe since 2004. Because the county provides ongoing prisoner boarding services to the city of Chillicothe and Linn County, it is important that contracts be current and provisions be re-evaluated annually.

In addition, a review of billings showed that the county charges rates varying from \$30 to \$35 per day for boarding prisoners. Reasons given for the inconsistent rates included volume of prisoners held and verbal agreements with other political subdivisions. However, the county has not documented its analysis of these factors or actual costs when determining billing rates. To ensure costs are covered, the county should set a daily compensation rate based on the actual cost of providing the service, re-evaluate the rate periodically, and consider using the same rate for all billings to other political subdivisions.

The county should enter into contractual agreements with political subdivisions for which it provides ongoing board of prisoner services and consider establishing a consistent billing rate for all entities unless circumstances vary and reasons for differences are documented. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Our prior report discussed concerns regarding the county's board of prisoner contracts with the city of Chillicothe and Linn County and those recommendations should also be considered when developing new contracts.

WE RECOMMEND the County Commission and Sheriff enter into contractual agreements as appropriate and establish a consistent billing rate based on the cost of providing board of prisoner services.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The contract for boarding of prisoners with Linn County has been executed.

The County and City of Chillicothe are currently in negotiations for a contract for boarding of prisoner services. A meeting is scheduled for March 5th to further review the draft contract.

The County Sheriff provided the following response:

Contracting authority lies with the county commissioners and I/we stand behind their decisions past and present. We agree the county commissioners should continue to permit and receive input from the Sheriff and staff regarding practices and requirements needed for any specific contract related to the Sheriff's office and/or jail.

In 2008, the Livingston County Commission voted to charge all non-contracted agencies \$40 per inmate day for non-special needs inmate housing. The county's rate has not been changed in over 12 years and the newly established rate is not out of line. Related expenditures, such as employee salaries and benefits, utilities, fuel, insurance, equipment and food costs, have all increased. Other Missouri counties charge prisoner board rates which vary from \$30 to \$65 dollars per inmate day.

4. County Commission Closed Meeting Minutes
--

The County Commission's procedures for documenting closed meetings need improvement to demonstrate compliance with statutory provisions. Reasons for closing meetings and votes regarding both meeting closure and return to open session are

documented within the county's regular meeting minutes. However, details regarding discussions held and actions taken, if any, are not generally provided in the closed meeting minutes. Such documentation is important to both demonstrate compliance with statutory provisions and provide information for future reference to the county should concerns or questions be raised regarding topics addressed in closed meetings. The Sunshine Law, Chapter 610, RSMo, provides guidance regarding closure of meetings and documentation requirements.

WE RECOMMEND the County Commission provide additional details in closed meeting minutes regarding discussions held and actions taken, if any.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

We have discussed this recommendation with our attorney. He has reviewed our procedure for closed meetings and has found it to be in compliance with the state statutes.

5. Monitoring of Accrued Costs

The Circuit Court is not fully utilizing the capabilities of the Justice Information System (JIS), the Missouri courts automated case management system, to monitor accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) and maintain a complete record of all court actions and transactions related to each case. As of April 2008, the JIS showed an accrued costs balance of approximately \$608,500 for the Circuit Court. A significant portion of this total relates to board bills for which the county has received reimbursement from the state; however, the amounts continue to represent receivables due from defendants. In addition, court-ordered restitution which does not relate to juvenile cases is collected by the Prosecuting Attorney's office, and these financial transactions are not effectively monitored by the court or entered into the JIS.

- A. Because the court uses the JIS, it is eligible to participate in the state's automated tax offset and collection programs. However, the Circuit Court does not participate in these programs. Section 488.5028, RSMo, authorizes courts to report debts in excess of \$25 to the Office of the State Courts Administrator (OSCA) to seek an offset of an income tax refund. Effective July 1, 2006, Missouri Court Operating Rule 21.06 requires courts utilizing the JIS to participate in the tax offset program. Section 488.5030, RSMo, authorizes courts to contract with a collection agency to pursue past-due court-ordered penalties, fines, restitution, sanctions, and court costs. It also allows fees or costs associated with such collection efforts be added to the amount due, but such fees and costs cannot exceed 20 percent of the amount collected.

While the Circuit Clerk's office maintains a manual record and works with probation officers to ensure individuals are making payments to the court as

required prior to the expiration of their probationary period, and utilizes show cause orders and warrants as appropriate, the failure to utilize all available options to collect unpaid monies may result in lost revenues to the county.

- B. Monitoring efforts by the court over court-ordered restitution collected by the Prosecuting Attorney's office need improvement. There are no regular communications between the court and Prosecuting Attorney's office regarding the status of cases for which court-ordered restitution is due. Also, some case actions and financial transactions are not recorded in the JIS.

The process of collecting court-ordered restitution, except for restitution pertaining to juvenile cases, is handled by the Prosecuting Attorney's office. Once restitution is ordered by the Circuit Judge, the Prosecuting Attorney's office is responsible for collecting payments and maintaining receivable records. Although the Circuit Clerk's office refers the cases on which restitution is ordered to the Prosecuting Attorney, information regarding the restitution amount ordered and corresponding receipts and disbursements are not entered into the JIS, and a summary record of restitution cases referred to the Prosecuting Attorney is not maintained by the court. The Circuit Clerk indicated these procedures are not performed since collecting the restitution is not the responsibility of the court. In addition, there is no periodic reporting to the court by the Prosecuting Attorney's office regarding the status of the various cases or when restitution has been collected in full.

While it is a common practice for other offices to collect restitution and incarceration costs, tracking these receivable amounts in the JIS would provide a method for better collection efforts, allow the court to better monitor the effectiveness of the collection efforts, and provide more accountability over case transactions. Entering such information into the JIS would provide a complete centralized record of all court actions and financial transactions related to each case.

WE RECOMMEND the Circuit Clerk:

- A. Participate in automated collections programs made available by the state.
- B. Work with the Prosecuting Attorney to ensure receivable amounts and collections are properly monitored and tracked in the JIS to enhance collection efforts.

AUDITEE'S RESPONSE

The Circuit Judge and Circuit Clerk provided the following responses:

- A. *This recommendation will be implemented.*
- B. *This recommendation will be taken under consideration.*

The Prosecuting Attorney providing the following response:

- B. *Weekly information regarding court-ordered restitution collections and amounts still due will be provided to the court.*

6. Sheriff's Inmate Bank Account Controls and Procedures

The inmate bank account balance is not reconciled to related liabilities. In addition, the numerical sequence of receipts slips is not accounted for properly. The Sheriff's department maintains a separate inmate bank account and software system to handle personal inmate monies and operate a commissary. For the years ended December 31, 2007 and 2006, receipts of this account totaled approximately \$60,600 and \$63,600, respectively.

- A. As noted in prior reports, the inmate bank account balance is not reconciled to the individual inmate account balances and various liabilities. The Sheriff's department uses a computer program to maintain records of inmate monies received, commissary purchases made, account deductions related to personal expenses such as haircuts or medical costs, and available cash balances. Any remaining personal monies are paid to the inmate upon release.

At our request, the Sheriff's department generated an inmate account balance status report as of April 2008, and attempted to reconcile the listing to the reconciled bank balance. However, the bank balance was \$4,920 and exceeded the total of the inmate account balances (\$967) by \$3,953. Reasons for the difference were not determined. A proper reconciliation would require consideration of various liabilities (i.e., commissary commissions due to the county and any unpaid commissary vendor or medical provider invoices) in addition to individual inmate amounts.

In addition, our review of some individual inmate accounts showed the computer system records were not always properly updated for refunds made upon release of the inmates. These and other discrepancies could be detected if proper reconciliations between liabilities and the bank account balance were performed.

To ensure proper accountability over inmate and commissary monies, and improve the likelihood of identifying and correcting errors timely, the individual inmate account balances and other liabilities should be compared to the reconciled bank balance monthly. Any discrepancies should be investigated and resolved.

- B. While prenumbered receipt slips are issued for inmate monies received, the numerical sequence is not accounted for properly. For example, receipt slip numbers used during 2006 ranged from number 141 to number 600 (for a total of 460 receipts slips); however, receipt records show that only 237 receipts slips

were actually issued. Large gaps existed in the records and blocks of receipt slips were issued out of sequence.

To adequately account for all monies received, prenumbered receipt slips should be issued in numerical sequence and accounted for properly.

WE RECOMMEND the Sheriff:

- A. Compare individual inmate account balances and various liabilities to the reconciled bank account balance monthly and resolve any discrepancies.
- B. Ensure receipt slips are issued in numerical sequence and accounted for properly.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We will perform a monthly comparison of inmate account balances and liabilities to the reconciled bank account balance, and will follow up on discrepancies as time and staffing permit. After appropriate efforts have been made to resolve any unidentified or unclaimed amounts, these will be disposed of as allowed by law.*
- B. *The officer(s) during the reported time frame mistakenly used the incorrect receipt book(s) when the previous book was full. Efforts are made, and will continue, to follow up on receipt number gaps and officers are reminded periodically of the importance of using the books in sequence.*

7. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not properly segregated. Bad check restitution and fee monies are not posted to the accounting system timely, and an adequate system to account for all bad checks handled has not been established. The Prosecuting Attorney's office processed bad check restitution and fees totaling approximately \$80,000 annually during 2007 and 2006. In addition, court-ordered restitution monies collected by the Prosecuting Attorney's office totaled approximately \$21,500 and \$17,000 during 2007 and 2006, respectively.

- A. As noted in our prior report, accounting duties are not adequately segregated. One secretary is primarily responsible for handling court-ordered restitution and another secretary is primarily responsible for handling bad check restitution. Their responsibilities include receiving and recording monies, preparing deposits, preparing checks, and performing month-end reconciliations. There is no independent review of the accounting records and reconciliations.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and recording monies from the duties of depositing and disbursing monies. If duties cannot be adequately segregated, at a minimum, there should be supervisory or independent reviews of reconciliations between receipts and deposits and bank reconciliations.

- B. Bad check restitution and fee monies received are not posted to the computer system in a timely manner. Rather, transactions are recorded at the time that transmittals to the victim and County Treasurer are prepared. As a result, receipt records do not accurately present the actual date of receipt and timeliness of transmittals cannot be determined.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted to the accounting records promptly, and transmittals made timely.

- C. An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of the bad checks, has not been established. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system and the complaint form and information regarding the handling of the case is maintained in the individual case file. Although the bad check computer system assigns a complaint number in numerical sequence, the system is not maintained in a manner to account for the sequential order of all bad check complaints entered. Without a tracking procedure, there is no assurance all bad check information is entered into the computer file. The Bad Check Clerk indicated that newer versions of the computer system have the capability to assign and account for a sequential number for each complaint entered; however, the office has not updated its system to utilize these capabilities.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by updating and utilizing the computer system's features.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or ensure periodic independent reviews of the accounting records are performed and documented.
- B. Ensure receipts are promptly recorded on the computer system and transmitted to the County Treasurer and the victim on a timely basis.

- C. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A&B. These recommendations will be implemented.

- C. Merchants will be required to come to my office to submit their complaint forms in person. A tracking number will be assigned immediately and used to track the status of the bad check.*

8. Collector-Treasurer's Reconciliation Procedures

The Collector-Treasurer does not perform month-end reconciliation procedures to ensure the collector bank account balances are in agreement with identified liabilities. Property taxes, fees, and commissions processed by the Collector-Treasurer's office during the years ended February 28(29), 2008 and 2007, totaled approximately \$8.9 and \$8.4 million, respectively.

As similarly discussed in prior audit reports, throughout the audit period there was no procedure in place to reconcile the collector bank account balance to existing liabilities at month-end. At our request, the Collector-Treasurer performed such a reconciliation as of March 31, 2008, and determined the reconciled cash balance of approximately \$118,000 exceeded total liabilities by \$8.

Monthly reconciliations of liabilities to reconciled cash balances are necessary to ensure sufficient cash is available for the payment of all liabilities and provide assurance that cash receipts and disbursements are properly handled and accounted for. Any discrepancies should be promptly investigated and resolved.

WE RECOMMEND the Collector-Treasurer perform monthly reconciliations of liabilities to reconciled cash balances for the collector bank account and promptly investigate and resolve any discrepancies.

AUDITEE'S RESPONSE

The Collector-Treasurer provided the following response:

This procedure was suggested to my office during audit fieldwork and since that time it has been performed monthly and filed with the bank reconciliation. It is presumed that the newly elected Collector-Treasurer will continue this procedure.

9.**Recorder of Deeds' Accounting Controls and Procedures**

Discrepancies were noted between the abstract of fees and deposits. Receipts are not always deposited intact, all collections received are not promptly recorded, and the composition of receipts is not always recorded and is not reconciled to deposits.

The Recorder of Deeds' procedure is to deposit each day's receipts on the subsequent day. However, there is no procedure to reconcile daily deposits to the abstract of fees, and a review of selected bank deposits identified some discrepancies in amounts, composition, and other details. The discrepancies appear to relate to the Recorder of Deeds' procedures for handling over and under payments, and a lack of sufficient details in the accounting records to document the handling of these transactions. The Recorder of Deeds explained that when the office receives an overpayment, the document and corresponding required fees are entered on the abstract of fees, rather than recording the actual amount paid. Excess payments are handled differently depending on the amount of the overpayment. Overpayments of \$10 or less are generally retained and recorded on the abstract of fees as copy monies for transmittal to the county along with actual copy monies, while overpayments exceeding \$10 are resolved with the payor. In addition, underpayments are not recorded until sufficient monies are received to cover the required fees and the payment is not deposited until the underpayment is resolved. These monies are on hand and not recorded in any type of receipt record. We noted the December 18, 2007, deposit was \$86 short while the December 20, 2007, deposit was \$86 long. The Recorder provided an explanation of these differences and how the two related; however, the explanation was not supported by adequate documentation in the abstract of fees or elsewhere. Insufficient details in the records and retaining unrecorded monies on hand results in less assurance of proper handling.

To ensure all receipts are properly accounted for and deposited, the composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of daily deposits to the abstract of fees and clearly demonstrate the handling of over and under payments and refunds.

WE RECOMMEND the Recorder of Deeds ensure all monies are promptly recorded on the abstract of fees and develop a procedure to reconcile daily deposits to the abstract of fees to ensure amounts, composition, and other details are in agreement. In addition, the Recorder should ensure the records clearly identify overpayments and their disposition (refund or transmittal to the county) and make the public aware of this policy.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following response:

We are making strides to correct and carry out the accounting procedures as recommended.

Budgetary procedures need improvement and procedures related to board meeting minutes were not adequate and did not always comply with state law.

- A. The Senate Bill 40 Board's budgets do not include a beginning or estimated ending cash balance, and therefore do not adequately project the fund's financial condition. In addition, the budgets do not include the prior 2 year's actual receipts and disbursements and were not submitted to the State Auditor's office as required.

It is unclear if the documents provided to us during fieldwork were the final approved budget documents since the words "draft" and "proposed" were contained in the heading and there was no evidence of board approval. In addition, estimated amounts and line item classifications according to these budget documents differed from periodic budgeted income statements compiled by a Certified Public Accountant with which the board contracts. As a result, there is uncertainty regarding the budgeted amounts, and the board's ability to review for compliance and monitor the fund's financial condition is less effective.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and actual receipts and disbursements of the prior 2 years. Section 50.590, RSMo, requires budgets to include the amounts for the last 2 completed fiscal years to provide a comparison with the estimates for the current fiscal year, and Section 50.740, RSMo, requires budgets to be submitted to the State Auditor's office.

- B. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. While reasons for closing meetings are documented, the corresponding vote to close the meeting is not always documented. In addition, closed meeting minutes do not provide sufficient details regarding discussions and decisions made; and votes or final actions, if any, taken by the board during closed meetings are not always documented. Minutes were not available for one closed meeting.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. Finally, certain votes or final actions taken in closed session are required to be disclosed to the public.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure annual budgets are filed with the county and State Auditor's office as required. In addition, the board should ensure annual budgets contain all required information, including the beginning and projected ending cash balances and a comparative statement of actual receipts and disbursements for the 2 previous years.
- B. Ensure the vote to close a meeting is documented in open minutes, and minutes are retained for all closed meetings. In addition, the board should ensure sufficient details are provided in closed meeting minutes and that votes or final actions taken in a closed meeting are documented in the open meeting minutes.

AUDITEE'S RESPONSE

The Senate Bill 40 Board Treasurer and Executive Director provided the following response:

These recommendations will be implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

LIVINGSTON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Livingston County is a township-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe.

Livingston County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 14,558 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 105,509,262
Personal property	42,556,852
Railroad and utilities	10,240,960
Total	<u>\$ 158,307,074</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Livingston County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ 0050	None	50	%
Law enforcement	.0025	None	None	
Use tax	.0075	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Eva Danner, Presiding Commissioner		30,465
Ken Lauhoff, Associate Commissioner		28,465
Kenneth Warren, Associate Commissioner		28,465
Gordon Smith, Recorder of Deeds		43,129
Kelly Christopher, County Clerk		43,129
Michael P. Koenig, Prosecuting Attorney		50,677
Steve Cox, Sheriff		47,442
J. Scott Lindley, County Coroner		12,939
Sherry Parks, Public Administrator (1)		43,129
Deanna Kepner, County Collector-Treasurer, year ended March 31,	43,487	
Steve Ripley, County Assessor (2), year ended August 31,		42,711

(1) Includes fees received from probate cases.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Brenda Wright, Circuit Clerk	51,197
James Valbracht, Associate Circuit Judge	101,090

In 2006, the county entered into a lease purchase agreement with United Missouri Bank to finance the purchase and installation of a new heating and cooling system. Principal and interest payments extend over a 15-year period and total \$656,000 and \$263,828, respectively. In August 2006, county voters approved a 3/4-cent county use tax and the county intends to use revenues generated from this tax to make the principal and interest payments.



Susan Montee, JD, CPA
Missouri State Auditor

Wright County



April 2009

Report No. 2009-31

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

The following findings were included in our audit report on Wright County:

Although prior audit reports have addressed the inadequacy of the Sheriff's accounting controls and procedures, significant weaknesses still exist. Monthly reconciliations between the accounting records and bank statements for the Sheriff's 2 accounts have not been adequately performed for several years. Procedures to account for monies received need improvement. Additionally, accounting duties are not adequately segregated, fees are not disbursed timely to the County Treasurer, and errors were identified on monthly reports. Further, procedures to account for seized property are not adequate. Due to the poor records in the Sheriff's department, we were unable to determine if all monies were properly accounted for and distributed.

Several weaknesses were identified in the Prosecuting Attorney's office. Reconciliations are not properly performed on the Prosecuting Attorney's 2 bank accounts. At September 30, 2008, the bad check bank account and the restitution bank account had unidentified funds of approximately \$19,000 and \$3,000, respectively. Additionally, accounting duties are not adequately segregated. Monies received, blank checks, and receipt slips are not stored in a secure location, and a system to account for the disposition of all bad checks submitted to the office for collection has not been established. Due to inadequate accounting procedures and controls we were unable to determine if all monies were properly accounted for and distributed.

The procedures to account for fuel used by the Assessor and the Sheriff's department are lacking and mileage logs are not maintained for some county vehicles. Fuel usage logs are not reconciled to bulk fuel purchases. Additionally, one sheriff deputy lives outside of the county and drives his patrol vehicle home, which may not comply with department policy.

Changes to the tax books are not reviewed and approved by the County Commission. Additionally, the composition of tax receipts is not reconciled to the composition of deposits. Refunds issued in cash are not properly documented and some refunds are not made in a timely manner.

Also included in the report are recommendations related to budgets and financial reports, disbursement records and procedures, capital asset records and procedures, and the Public Administrator, Circuit Clerk and Ex Officio Recorder of Deeds, Associate Circuit Court, Juvenile Detention Center and Juvenile Office, and Senate Bill 40 Board.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

WRIGHT COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-28
<u>Number</u>	<u>Description</u>
1.	Sheriff's Controls and Procedures5
2.	Prosecuting Attorney's Controls and Procedures10
3.	County Disbursements12
4.	Budgets, Planning, and Published Financial Statements16
5.	Property Tax Controls and Procedures18
6.	Capital Assets.....20
7.	Public Administrator's Controls and Procedures21
8.	Circuit Clerk and Ex Officio Recorder of Deeds22
9.	Associate Circuit Court.....23
10.	Juvenile Detention Center and Juvenile Office24
11.	Senate Bill 40 Board27
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	29-31

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wright County

We have audited certain operations of Wright County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan, CPA, PC, Certified Public Accountants, has been engaged to audit the financial statements of Wright County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Wright County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	Connie James
	Michelle Crawford, MS
	Wayne Kauffman
	Ashley LeCuru

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

WRIGHT COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1. Sheriff's Controls and Procedures

Prior audit reports have addressed the inadequacy of the Sheriff's accounting controls and procedures. Improvements have not been made and significant weaknesses still exist.

Reconciliation procedures and controls over cash receipts need significant improvement. Additionally, accounting duties are not adequately segregated, fees are not disbursed timely to the County Treasurer, errors were identified on monthly reports, and procedures to account for seized property are not adequate. Further, partition sale commissions have not been disbursed to the County Treasurer. The Sheriff's department processed approximately \$300,000 in total receipts during the 2 years ended December 31, 2007.

A. Monthly bank reconciliations are not performed, and an open items list is not prepared and agreed to a reconciled bank balance.

- Monthly reconciliations between the accounting records and bank statements for the Sheriff's 2 accounts have not been adequately performed for several years. During 2007 and 2006, the outstanding check and deposit in transit amounts on some monthly bank reconciliations were incorrect and appeared to be just an amount included on the reconciliations so the bank statement balance would appear to reconcile with the accounting records. We made adjustments to correct the bank reconciliations, and at December 31, 2007, the reconciled bank balances for the civil and criminal bank accounts were higher than the bookkeeper's recorded book balances on the check stubs by approximately \$3,400 and \$4,900, respectively. Calculation and posting errors were identified on check stubs resulting in some of the differences noted.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. Without the preparation of such reconciliations, there is little assurance receipts and disbursements have been properly handled and recorded.

- Open items lists are not prepared and reconciled to the account balances monthly. At December 31, 2007, the reconciled bank balance for the civil account was \$9,026, fees identified as due to the County Treasurer were \$5,924, leaving \$3,102 remaining in the account that could not be identified by the Sheriff's bookkeeper. Additionally, unidentified monies in the criminal bank account totaled approximately \$2,800 at December 31, 2007.

Complete and accurate lists of open items should be prepared monthly for the civil fee and criminal fee accounts and reconciled to the cash balances to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Sheriff's department should attempt to determine the reasons for the differences, and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

B. Procedures used to account for monies received need improvement.

- Several bond receipt books could not be located when we requested them. Accounting records are not filed in an organized manner for easy accessibility by the Sheriff's bookkeeper. These records are stored in various locations in the Sheriff's department and in an outside storage facility in no particular order. For example, the Sheriff's bookkeeper was able to locate receipt books from 1994, but unable to easily locate some receipt books from 2006 and 2007. Although most receipt books were eventually found several weeks or months after we requested them, one receipt book containing approximately 100 receipt slips issued in 2006 had not been located as of November 2008.
- Bond forms, prepared at the time bond monies are received, are not prenumbered to ensure all forms are accounted for properly. Since bond forms are not prenumbered and, as noted above, a bond receipt book cannot be located, we cannot be sure all bond monies have been accounted for properly.
- Some civil fees are not recorded or deposited until the civil papers are served. A cash count on August 25, 2008, identified 2 checks for civil fees totaling \$60 that were dated in October 2007. These checks are held until the corresponding civil papers can be served.
- Deposits are not made timely. In December 2007, only 2 deposits, totaling approximately \$2,800, were made into the civil bank account and only 2 deposits, totaling approximately \$5,200, were made into the criminal account.
- Receipt slips are not issued at the time of payment for payments made in person unless requested. When these monies are received, the Sheriff's bookkeeper stores the payment on her desk until she has time to write a receipt slip.
- Blank receipt slips, blank checks, and the Sheriff's signature stamp are not stored in a secure location where access is limited.
- The numerical sequence of receipt slips is not accounted for properly. We noted receipt slip books with pages of blank receipt slips that were not voided, and instances where all copies of the receipt slip were missing.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be written immediately upon receipt for all monies received, bond forms should be prenumbered, the numerical sequence of receipt slips and bond forms should be accounted for properly, and receipts should be deposited timely. Additionally, blank receipt slips, checks, and the Sheriff's signature stamp should be stored in a secure location, and all accounting records should be retained and filed in an organized manner.

- C. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper is responsible for receipting, recording, and depositing monies received; performing bank reconciliations; and preparing checks. Additionally, there is no indication an independent review of the accounting records is performed by the Sheriff or another employee independent of the accounting duties. The bookkeeper is also an authorized signature on the bank account.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Sheriff.

- D. Fees are not always turned over to the County Treasurer monthly, and the Sheriff's monthly report of fees contained calculation errors.

Fees for April 2007, totaling \$7,388, were not turned over until July 2007, and fees for August 2007, totaling \$3,091, were not disbursed to the County Treasurer until November 2007. Additionally, several instances were identified where totals were not properly calculated on the monthly reports filed by the Sheriff. For example, calculation errors on the August 2007 monthly report understated the amount of civil fees received by approximately \$3,000 and understated the amount of fees disbursed by approximately \$1,300. Some of the calculation errors resulted in incorrect amounts being turned over to the County Treasurer, and may represent some of the unidentified differences noted in part A above.

Timely disbursement of fees collected is necessary to provide adequate controls over account balances and increase the likelihood discrepancies are promptly detected. Further, the Sheriff's monthly report of fees should be reviewed for accuracy and reconciled to amounts deposited to ensure receipts and disbursements are calculated correctly. Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

- E. Procedures to account for seized property are not adequate. The inventory list for seized property is not complete, some seized property item tags do not properly identify the property to a specific case, and property tags are not prenumbered.

Additionally, some seized property records are stored at a deputy's residence, and some records were not retained. For example, seized monies totaling \$8,708 were not included on the inventory list. Also, according to the Sheriff, \$3,680 in cash was returned to the owner, but documentation authorizing the return could not be located.

Adequate seized property inventory records are necessary to deter and identify loss, misuse, or theft of such items. An inventory record should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, all items should be tagged with prenumbered tags and identified to a specific case. Further, documentation should be retained to support all distributions of property and records should be securely stored at the Sheriff's department.

- F. Commissions received by the Sheriff on partition sales were not properly disbursed. Commissions totaling \$1,085 from partition sales held in March 2007 and August 2006, were not turned over to the County Treasurer until we brought it to the Sheriff's attention in September 2008.

Commissions from partition sales represent accountable fees and should be turned over to the County Treasurer and deposited into the County's General Revenue Fund.

Due to the poor records in the Sheriff's department, we were unable to determine if all monies were properly accounted for and distributed.

Similar conditions to A, B, C, and E were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are performed and open items lists are prepared and reconciled to the account balances monthly. Additionally, the Sheriff should follow up on the differences between the book balance, the open items balance, and the reconciled bank balance and correct any errors identified. Monies remaining in the accounts that cannot be identified should be disposed of in accordance with state law.
- B. Issue receipt slips immediately upon receipt for all monies received, obtain prenumbered bond forms, and account for the numerical sequence of receipt slips and bond forms. Additionally, deposits should be made timely; blank checks, receipt slips, and the Sheriff's signature stamp should be stored in a secure location; and all accounting records should be retained and filed in an organized manner.

- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Disburse fees to the County Treasurer monthly, review monthly reports of fees for accuracy, and reconcile reported amounts to deposits to ensure disbursements are calculated correctly.
- E. Mark all seized property with prenumbered property tags and identify the property to specific cases. In addition, a complete inventory list of all seized property should be maintained, seized property records should be securely stored at the Sheriff's department, and all records should be retained.
- F. Disburse all partition sale commissions timely to the County Treasurer.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We are in the process of trying to reconcile the two bank accounts to the respective book balances. We will also prepare open item lists and ensure they agree to the respective reconciled bank balances.*
- B. *I will ensure receipt slips are issued for all monies received immediately upon receipt and account for the numerical sequence of all receipt slips and bond forms. I will ensure all deposits are made in a timely manner and blank receipt slips, blank checks, my signature stamp, and all undeposited monies are stored in a locked secure location. I will also try to locate all Sheriff's department records and ensure they are maintained in an organized manner.*
- C. *I will review the monthly bank reconciliations and document my review.*
- D. *I will review all monthly reports for accuracy and ensure all fees are turned over to the County Treasurer on a monthly basis.*
- E. *We now take photographs of the individual along with their property at the time seized property items are released. I will also ensure seized property records are accurately maintained and stored at the Sheriff's department.*
- F. *All partition sale commissions have now been turned over to the County Treasurer for deposit into the General Revenue Fund. I will also ensure any future partition sale commissions are properly turned over to the County Treasurer in a timely manner.*

Bank reconciliations are not performed, open items lists are not prepared, and accounting duties are not adequately segregated. In addition, monies collected, blank checks, and receipt slips are not stored in a secure location, and the Prosecuting Attorney's signature stamp has been misplaced. Further, an adequate system to account for the receipt and eventual disposition of bad checks is not in place.

The Prosecuting Attorney's office collected and processed court ordered restitution, bad check restitution and fees, and delinquent sales taxes totaling approximately \$143,500 and \$243,000 during the years ended December 31, 2007 and 2006, respectively. The office maintains 2 bank accounts, one for bad check restitution and fees and the other for court ordered restitution.

- A. Bank reconciliations have not been properly performed for the Prosecuting Attorney's bad check account. At our request, a reconciliation was prepared for September 30, 2008, and the reconciled bank balance was approximately \$3,200 more than the book balance in the computer accounting system utilized by the office. Prosecuting Attorney's office personnel could not explain the difference.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, correct any identified book or bank errors, and allow prompt follow up on outstanding or returned checks.

- B. Monthly lists of open items are not prepared and reconciled to the cash balances for the bad check and restitution accounts. At our request, the Prosecuting Attorney's office prepared an open items list for the bad check account, and based upon this list, the account has approximately \$19,000 in unidentified funds at September 30, 2008. However, this open items list was not accurate and was adjusted for one case with a balance of \$2,141 that had been paid out and should not have been included on the list. The restitution bank account also has approximately \$3,000 in unidentified funds when compared to the open items list prepared at our request.

Complete and accurate lists of open items should be prepared monthly for the bad check and restitution accounts and reconciled to the cash balances to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Prosecuting Attorney should attempt to determine the reasons for the differences and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

- C. One clerk primarily performs all duties of receiving, recording, and depositing monies. Although another clerk is assigned the responsibility of reconciling the bank accounts, reconciliations have not been performed resulting in inadequate

segregation of duties. Additionally, there is no indication an independent review of the accounting records is performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting duties among available employees or if proper segregation of duties cannot be achieved, at a minimum, periodic documented supervisory reviews of the records should be performed.

- D. Monies received, blank checks, and receipt slips are not stored in a secure location. Additionally, the Prosecuting Attorney's signature stamp has been misplaced.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies received, receipt slips, blank checks, and signature stamps should be stored in a secure location.

- E. A system to account for the disposition of all bad checks submitted to the office for collection has not been established. While the Prosecuting Attorney's office has a computerized bad check system capable of tracking the receipt and disposition of each bad check complaint, the system is not fully utilized. According to office personnel, bad checks are entered into the computer system only to generate a 10-day letter to be sent to the bad check writer. The Prosecuting Attorney's staff has not generated and used reports available from the system to account for the numerical sequence of all cases or to ensure cases are appropriately collected or prosecuted as applicable.

To ensure all bad checks submitted to the Prosecuting Attorney are accounted for properly, periodic reports of the complaints entered on the computer system should be generated and reviewed for completeness. This review should ensure the numerical sequence of each case is accounted for and the status or disposition of each case in the computer system is appropriate.

Due to inadequate accounting procedures and controls in the Prosecuting Attorney's office, we were unable to determine if all monies were properly accounted for and distributed.

Similar conditions to B, C, and E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure bank reconciliations are performed monthly and differences between the reconciled bank balance and book balance are investigated and corrected.
- B. Prepare complete and accurate lists of open items for the bad check and restitution accounts. These lists should be reconciled to the cash balances monthly. An

attempt should be made to investigate the unidentified monies, and any monies remaining unidentified should be disbursed in accordance with state law.

- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Ensure monies received, blank checks, receipt slips, and signature stamps are stored in a secured area to limit access.
- E. Ensure the ultimate disposition of all bad check complaints is adequately accounted for by generating and reviewing reports accounting for the completeness and handling of all bad check complaints from the bad check computer system.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

I will ensure bank reconciliations are performed, open item listings will be prepared, and accounting duties will be adequately segregated. I will implement all accounting procedures recommended.

As for the signature stamp, the reason it was misplaced is because it did not even remotely resemble my signature and therefore I never used it. My signature is extremely unique and there is no danger than an impression or mark made with that signature stamp could be mistaken for my signature. A signature stamp will not be used or obtained in the future.

Regarding the reconciliations, we took over a system that had been in place for many years and utilized the same banking accounts. It is my position that any irregularities are due to improper collection and distribution of funds in the past (prior to my tenure). Prior audits will show problems in the previous administration. I will correct the problems identified in the past as well as the procedures you've identified that are currently in place.

3. County Disbursements

The county does not have adequate procedures to account for fuel and mileage for some county vehicles. Additionally, some county disbursements are not supported by adequate documentation or do not appear to be necessary uses of county funds, and the County Commission should establish controls and restrictions over the use of gift cards purchased with the county's credit card.

- A. The county's procedures to account for fuel used by the Assessor and the Sheriff's department are lacking and mileage logs are not maintained for some county vehicles. Additionally, a county patrol vehicle driven home by a deputy living outside of the county may be in conflict with county policy. During the 2 years

ended December 31, 2007, the county disbursed approximately \$55,000 on bulk fuel for the Assessor and Sheriff's department.

- Fuel usage logs are not reconciled to bulk fuel purchased for fuel tanks used by the Assessor and Sheriff's department. Such reconciliations are necessary to fully account for all fuel disbursements and identify significant loss or theft of fuel. The county maintains 5 bulk fuel tanks in several locations throughout the county for use in county owned vehicles and equipment. While fuel usage logs are reconciled to fuel purchases for the 2 road and bridge fuel tanks, fuel purchased and used from the other 3 tanks is not adequately monitored.

In May 2008, the Assessor filed a report with the Sheriff's department indicating fuel had been stolen from her bulk fuel tank; however, according to the Assessor's fuel usage records, it appears fuel was unaccounted for in 2007 also. If timely fuel reconciliations had been properly performed, the fuel shortage may have been identified sooner.

The Sheriff's department does not maintain adequate records to properly reconcile fuel used to fuel purchased, and as a result, we could not determine if fuel costs incurred by the Sheriff's department were reasonable. The Sheriff's department uses 2 fuel tanks to fill the department's 7 patrol vehicles. While fuel pumped is documented on some vehicle logs, these logs are not compared to the number of gallons of fuel purchased to ensure all fuel is accounted for properly. A similar condition was noted in our prior report.

- Mileage records are not maintained for 2 Sheriff's department vehicles and the Assessor's vehicle. Additionally, the mileage logs maintained on the other 5 Sheriff's department vehicles do not list destinations traveled and some gaps existed between beginning and ending mileage reported on the logs. Mileage records should be maintained for all county vehicles to document the vehicle was used for official county business only. A similar condition was noted in our prior report.
- One Sheriff's deputy lives outside of the county and drives his patrol vehicle home. According to the Sheriff, this deputy lives within 45 minutes of the jail which is required by the department's policy; however, the department policy also indicates department vehicles are prohibited from leaving the county jurisdiction unless on official business, in pursuit, or for emergency situations. The Sheriff's department should review its current policy and the current practice of employees to ensure compliance with department policy.

To ensure the reasonableness of fuel disbursements, the Sheriff and Assessor should reconcile fuel used to fuel purchases and investigate any differences in a timely manner. Additionally, mileage logs should be maintained on all county vehicles and compared to fuel usage for reasonableness and significant

differences should be investigated. The failure to account for fuel purchases could result in loss, theft, or misuse. Further, vehicle mileage logs are necessary to document appropriate use of county vehicles. The logs should include the date, vehicle operator, purpose and destination of each trip, daily beginning and ending odometer readings, and operation and maintenance costs. These logs should be reviewed to ensure all mileage is recorded and the vehicles are properly utilized. Finally, the Sheriff should ensure compliance with department policies.

- B. Supporting documentation related to some county disbursements was insufficient. Documentation to support some lodging disbursements paid for county official and employee trainings was not retained. Lodging costs ranged from \$200 to \$550 per training event. Additionally, a \$150 payment was made from the Local Emergency Planning Commission Fund (LEPC) to a local business. The Sheriff indicated this payment was for providing a room and food for an LEPC meeting; however, no supporting documentation was provided to support this statement.

Without obtaining and properly reviewing adequate documentation from vendors and other officials, the County Commission cannot determine the validity and propriety of disbursements. The lack of adequate documentation for some disbursements was noted in our prior report.

- C. Some disbursements did not appear to be prudent uses of taxpayer monies. Christmas cards with music compact discs costing a total of \$345 were purchased with monies from the Circuit Clerk Interest Fund during 2006, 2007, and 2008. Additionally, approximately \$1,200 was disbursed from the Collector Tax Maintenance Fund for personalized pens and calendars given to taxpayers.

The monies in these funds represent public funds and county officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable and supported with adequate documentation.

- D. The Sheriff's department uses the county's Wal-Mart credit card to purchase gift cards which are used to purchase fuel. While these gift cards may allow county employees to purchase fuel at lower prices, the County Commission does not obtain documentation from the Sheriff to support how these gift cards are used, and has not established controls and restrictions over the use of the cards. Such restrictions should include limiting the amount of gift cards purchased and controls should include requiring the Sheriff to submit documentation to the County Commission to support the use of the gift cards.

WE RECOMMEND:

- A. The Sheriff and Assessor maintain detailed mileage logs for all county vehicles and reconcile fuel purchases to fuel usage and investigate any differences timely. In addition, the Sheriff should ensure personnel comply with department policies.

- B. The County Commission and various county officials maintain adequate supporting documentation for all disbursements.
- C. The various county officials ensure all disbursements are proper and prudent uses of taxpayer monies.
- D. The County Commission develop and implement controls and restrictions over the use of gift cards.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have installed security cameras with a security system at the Road and Bridge department to monitor the Road and Bridge department and Assessor's bulk fuel storage tanks. We will also have discussions with the Sheriff about the Sheriff's department vehicle policies and procedures. We have implemented a fuel log and will reconcile it monthly.*
- B. *We will draft a letter to all county officials to ensure proper documentation for all disbursements is retained and turned over to the County Clerk.*
- D. *We will meet with the Sheriff and discuss the possibility of obtaining a fuel credit card. We will also develop a credit card policy.*

The Assessor provided the following response:

- A. *The bulk fuel tank was checked and the correct amount of fuel on hand was recorded at the end of December 2008. I will ensure reconciliations of fuel used to fuel purchases are performed on a monthly basis, and mileage logs will be maintained and compared to fuel used.*

The Circuit Clerk and Ex Officio Recorder of Deeds provided the following written response:

- C. *By Statute, the Interest Fund can be used to purchase various things for the Circuit Clerk's office. The cards were mailed to banks, title companies, and attorneys in various counties who do business with the Circuit Clerk and Records office on a regular or daily basis.*

The County Collector provided the following response:

- C. *I will not purchase these type of items in the future.*

The Sheriff provided the following responses:

- A. *I now have a new computer system database to track vehicle mileage, gallons of fuel pumped, and fuel purchases. On a monthly basis, deputies will be required to maintain detailed mileage logs and enter their mileage information and gallons pumped from the 2 bulk fuel tanks into the system, and fuel usage will be compared to the monthly statements for fuel purchases. I will review the policy that addresses out-of-county travel and make any necessary changes and ensure the policy is followed.*
- D. *I will ensure all fuel receipts purchased with the gift cards are obtained and submitted to the County Commission for review.*

4. Budgets, Planning, and Published Financial Statements

A formal budget was not prepared for the Prosecuting Attorney Bad Check Fund. Actual disbursements exceeded budgeted amounts for 2 county funds, an annual maintenance plan for county roads and bridges has not been prepared, and the county's annual published financial statements did not clearly identify the disbursements applicable to each county fund.

- A. A formal budget was not prepared for the Prosecuting Attorney Bad Check Fund for the years ended December 31, 2008 and 2007. The Bad Check Fund received and expended approximately \$140,000 annually.

Chapter 50, RSMo, requires the preparation of annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. Because a budget was not provided as required, the County Commission's ability to monitor overall county financial resources and make effective budgetary decisions was hindered.

- B. Approved disbursements exceeded budgeted amounts during the year ended December 31, 2007, for the Recorder Technology Fund and the Collector's Tax Maintenance Fund by approximately \$19,900 and \$1,500, respectively. Disbursements are monitored and compared to budgeted amounts by the Circuit Clerk and Ex Officio Recorder of Deeds and County Collector for their respective funds; however, budget amendments were not prepared when budgeted amounts were exceeded.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e. emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison

reports need to be reviewed and used when making spending decisions throughout the year.

- C. An annual maintenance plan for county roads and bridges has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and approved by the County Commission. In addition, a public hearing should be held to obtain input from the county residents.
- D. The county's annual published financial statements did not include adequate detail for some county funds. The county's annual published financial statements correctly listed all major funds; however, smaller discretionary funds were lumped together in a category titled, "Other Funds." The "Other Funds" category did not adequately identify disbursements paid from each fund.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND:

- A. The Prosecuting Attorney ensure a budget is prepared for the Prosecuting Attorney Bad Check Fund.
- B. The Circuit Clerk and Ex Officio Recorder of Deeds and County Collector ensure disbursements are kept within the amounts budgeted and implement procedures to ensure budgets are properly amended if necessary, budget amendments are properly made prior to incurring the actual disbursements, and valid reasons for excess disbursements are documented.
- C. The County Commission establish a formal annual maintenance plan for county roads and bridges.
- D. The County Commission ensure all required information is presented in the county's annual published financial statements.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

- A. *I will ensure a budget is prepared for the Prosecuting Attorney Bad Check Fund.*

The Circuit Clerk and Ex Officio Recorder of Deeds provided the following written response:

- B. *Over budget in the Technology Fund was due to an unforeseen breakdown of the computers. Four computers, other hardware, and three new programs were purchased. There was sufficient funds to cover the emergency situation. In the future an amended budget will be prepared.*

The County Collector provided the following response:

- B. *I will review disbursements and compare to the budget to ensure budgeted disbursements are not exceeded, and I will amend the budget when necessary.*

The County Commission provided the following responses:

- C. *We will prepare a maintenance plan for county roads and bridges for 2009, and continue to prepare one when preparing the county budget in the future.*
- D. *We will look into different ways to compile the financial information to ensure the county's published financial statements are in compliance with state law.*

5. Property Tax Controls and Procedures
--

The County Commission does not review and approve all changes to the tax books. In addition, the County Collector did not adequately account for the numerical sequence of tax receipts and reconcile the composition of tax receipts to deposits. Further, refunds issued in cash are not properly documented by the County Collector and some refunds are not made in a timely manner.

- A. The County Commission does not approve property tax additions and abatements, or personal property taxes that are outlawed each year by the County Collector. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Taxes totaling approximately \$120,000 were added to the tax books and taxes totaling approximately \$98,000 were removed from the tax books during the year ended February 29, 2008. Section 137.260, RSMo, requires tax books only be changed by the County Clerk under order of the County Commission.

- B. The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the 2 years ended February 29, 2008, the County Collector collected and distributed approximately \$11.5 million.

The composition of tax receipts is not always properly reconciled to the composition of deposits when small cash refunds are given to taxpayers. Additionally, refunds are not always adequately documented or issued timely, and the numerical sequence of tax receipts is not accounted for properly.

The County Collector issues cash refunds for some small overpayments of taxes and licenses which were originally paid by check; however, the refunds are not always documented on the tax receipts, and the composition of receipts is not always compared to deposits when cash refunds are given.

Further, some refunds made by check are not disbursed in a timely manner. For example, an overpayment made in January 2008 was not refunded by the County Collector until June 2008. Finally, the receipt numbers assigned by the property tax system are not reviewed to ensure the numerical sequence is accounted for properly.

To ensure all monies received are properly accounted for, recorded, and deposited, the composition of tax receipts should be reconciled to the composition of deposits, refunds should be made by check in a timely manner, and the numerical sequence of tax receipts should be accounted for properly.

WE RECOMMEND:

- A. The County Commission establish proper controls over property tax additions and abatements and personal property taxes outlawed each year.
- B. The County Collector reconcile the composition of tax receipts to the composition of deposits, pay refunds by check in a timely manner, and ensure the numerical sequence of tax receipts is accounted for properly.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We have already implemented a work sheet to assist us in reviewing and approving all real and personal property tax additions, abatements, and outlawed property taxes.*

The County Collector provided the following response:

- B. *I will reconcile the composition of tax receipts to the composition of deposits, disburse all refunds in a timely manner, document the small cash refunds on the tax receipts, and properly account for the numerical sequence of all tax receipts.*

6. Capital Assets

Procedures and records to account for county property are not adequate, and inventory reports prepared by county officials are not always complete and accurate.

Currently, each county official prepares and submits an inventory list of capital assets to the County Clerk annually, and the County Clerk maintains a capital asset list for all other assets owned by the county. The property records maintained do not include all county assets and do not always include some necessary information such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal even though the county has an official asset addition and disposition form. In addition, the property records were sometimes incorrect because assets transferred from one county office to another were not recorded. For example, a computer voice stress analyzer included on the Sheriff's department inventory listing for \$7,300 was located at the Juvenile Office, and a printer listed on the County Collector's inventory listing for \$2,400 was located in the Assessor's office. Additionally, office furniture purchased by the Circuit Clerk costing \$2,700 was not listed on his capital asset list.

Section 49.093, RSMo, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Clerk work with other county departments to ensure physical inventories are conducted, complete and accurate reports are submitted, and capital asset records are properly updated.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will work with all county officials to ensure the county's capital asset records are current and accurate, and asset addition and disposition forms are properly utilized.

The Public Administrator does not petition the court to approve fees from the accounts of some wards. The Public Administrator is the court appointed personal representative for wards of the court and is responsible for receiving, disbursing, and accounting for the assets of those individuals. During the 2 years ended December 31, 2007, the Public Administrator had responsibilities for approximately 30 wards with one ward having assets valued at approximately \$800,000 and the remaining wards having assets valued from \$5 to \$100,000.

The Public Administrator receives a salary from the county, and state law allows for fees and expenses requested by the Public Administrator and approved by the Probate Court to be paid to the county's General Revenue Fund. Fees totaling \$8,600 from 22 wards were paid to the county in 2006, but fees totaling only \$3,100 from 8 wards were paid in 2007.

There appears to be no consistency for when fees are requested by the Public Administrator. The Public Administrator indicated if a ward did not have adequate funds at the time the annual settlement was filed with the Probate Court, then he would not request the court to approve fees for his services or request a reimbursement of his expenses. However, the annual settlement of one ward showed a negative balance in the bank account after the payment of fees was made. For other settlements, the Public Administrator did not petition the court for fees when it appeared adequate funds were available. In addition, the Public Administrator does not maintain any listing of fees and expenses that have not been petitioned from the court. The Associate Circuit Judge indicated fees and expenses for the Public Administrator are not approved by the court unless requested by the Public Administrator.

To ensure all fees are properly assessed and transmitted to the county, the Public Administrator should work with the Associate Circuit Judge to ensure fees are petitioned from the court, approved, properly monitored, and collected to the extent possible.

WE RECOMMEND the Public Administrator work with the Associate Circuit Judge to ensure fees are petitioned from the court, approved, properly monitored, and collected to the extent possible.

AUDITEE'S RESPONSE

The Public Administrator provided the following response:

I concur with the auditor's recommendation and will work with the court to petition for fees and properly monitor all fees due to the county. In the past, settlements for the wards were prepared by an attorney, and petitions were filed and approved for attorney fees. Petitions for Public Administrator fees were not completed and submitted to the court; however, I am now preparing more of the settlements myself and will ensure to petition for all fees.

8.**Circuit Clerk and Ex Officio Recorder of Deed**

The Circuit Clerk and Ex Officio Recorder of Deeds does not actively monitor or pursue collection of accrued case costs in a timely manner. In addition, the Recorder User Fee Fund has accumulated a balance of approximately \$117,000 at December 31, 2008, and there is no detailed plan to utilize the funds.

- A. The Circuit Clerk and Ex Officio Recorder of Deeds does not actively monitor or pursue collection of accrued case costs in a timely manner. As of September 15, 2008, approximately \$750,000 was due to the court. While a listing of accrued costs is maintained through the court's computer system (JIS), the Circuit Clerk does not have procedures to monitor the amounts due to the court. Additionally, the Circuit Clerk and Ex Officio Recorder of Deeds does not participate in the state's debt collection and tax offset programs to aid in collecting amounts due to the court.

Our review of four cases with accrued costs identified one case with a balance due of approximately \$40,000; however, the defendant was released from probation in February 2007 without paying the amount due. Subsequent court attempts to collect the amount owed were unsuccessful resulting in the court ruling the amount as uncollectible.

The Circuit Clerk and Ex Officio Recorder of Deeds should develop procedures to monitor amounts due to the court and take appropriate steps to ensure amounts owed are collected, including participating in the state's debt collection and tax offset programs.

- B. The cash balance in the Recorder User Fee Fund has accumulated from approximately \$92,500 in 2003 to over \$117,000 at December 31, 2008. While, past budgets have reflected a significant amount of the balance will be utilized, the cash balance continues to increase. The Circuit Clerk and Ex Officio Recorder of Deeds should work with the County Commission to review the fund balance and develop a plan to utilize the funds as allowed by Section 59.319, RSMo.

A similar condition was noted in our prior report.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Develop procedures to monitor amounts due to the court and take appropriate steps to ensure amounts owed are collected, including participating in the state's debt collection and tax offset programs.
- B. Review the balance of the Recorder User Fee Fund and prepare a formal plan to utilize the funds.

AUDITEE'S RESPONSE

The Circuit Clerk and Ex Officio Recorder of Deeds provided the following written responses:

- A. *It is not the responsibility of the Circuit Clerk to enforce the Court's ruling or to monitor monies owed and collected to the court. We collect and disburse the monies received. However, we are now participating in the Tax Offset program.*
- B. *A plan to utilize the funds will be made.*

9.

Associate Circuit Court

Accounting duties are not adequately segregated. The Associate Circuit Division Clerk receives, records, and deposits money, prepares bank reconciliations, and writes checks. Neither the Associate Circuit Judge nor other personnel independent of the cash custody and recordkeeping functions provide adequate supervision or review of the work performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

WE RECOMMEND the Associate Circuit Judge ensure accounting duties are segregated to the extent possible or ensure periodic reviews are performed and documented.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following written response:

The Associate Court employs four clerks. It is necessary for the proper functioning of the Associate Court that each clerk have authority to receive money for matters pending in the Associate Court. Therefore, complete segregation of duties is not feasible.

Prior to February 2006, the Associate Judge reviewed and approved bank reconciliations monthly. In February 2006, all accounting functions in the Associate Court were computerized through the implementation of the JIS statewide court automation system. It was the Court's understanding that proper accounting controls were incorporated into the JIS system.

The Associate Judge will readopt the practice of reviewing and approving bank reconciliations monthly.

Several areas of the Juvenile Detention Center (JDC) and the Juvenile Office (JO) need improvement including bidding procedures, disbursement controls, receipt procedures, fuel accountability, vehicle usage, and cellular phone policies.

The JDC houses juveniles and collects incarceration costs from the state, counties, and parents. The JDC also receives reimbursement of operating expenses from counties within the Forty-Fourth, Thirty-Eighth, and Thirty-Seventh Judicial Circuits. The JDC collected and processed monies totaling approximately \$400,000 annually during the years ended December 31, 2007 and 2006. The JO receives operating expense reimbursements from counties within the Forty-Fourth Judicial Circuit. The JO collected and processed approximately \$40,000 annually during the years ended December 31, 2007 and 2006.

A. Procedures and controls over disbursements need improvement.

- Bids were not solicited for various purchases made by the JDC, including a vehicle (\$15,500), building insurance (\$8,116), and a copier (\$6,935). Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm or corporation during any period of 90 days. Advertising for bids is required for purchases exceeding \$6,000. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the JDC has made every effort to receive the best and lowest price, and all interested parties are given an equal opportunity to participate in JDC business. Documentation of the various proposals received, and the JDC's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. Additionally, sole source procurement situations should be properly documented.
- While the Chief Juvenile Officer signs checks, there is not always documentation that corresponding invoices and other supporting documentation have been reviewed and approved. To ensure disbursements are proper, all invoices and supporting documentation should be properly approved.
- Checks are sometimes signed in advance by the Chief Juvenile Officer and the bookkeeper. Signing checks in advance does not allow for proper review of documentation to support disbursements and diminishes the control intended by dual signatures.
- Some capital assets were not recorded on the JDC's inventory listing, and several items were not tagged as JDC property. For example, a copier totaling approximately \$6,900 purchased in April 2006 was not added to the JDC's

inventory listing until we brought this issue to the attention of personnel in August 2008. To ensure all disbursements for capital asset purchases are accounted for properly and deter and detect theft, all assets should be added to the capital asset inventory records and tagged as owned by the JDC.

A similar condition was noted in our prior report.

- B. Receipt slips are not written by the JDC bookkeeper until a deposit is prepared, receipt slips do not always indicate the method of payment received, and the composition of receipts is not reconciled to the composition of deposits. Additionally, some checks and money orders are not restrictively endorsed when received. For example, checks and money orders received from guardians by JDC personnel are not endorsed until they are transmitted to the JDC bookkeeper approximately weekly.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be written immediately upon receipt for all monies received, and the composition of receipts should be documented on the receipt slips and reconciled to the composition of deposits. Additionally, all checks and money orders should be restrictively endorsed immediately upon receipt.

- C. Fuel purchases are not compared to vehicle usage logs and logs do not account for all miles driven in the vehicles. The JDC has 2 credit cards used by employees to purchase fuel for the 2 JDC vehicles. While fuel purchases are recorded on vehicle usage logs, a reconciliation of fuel billed to fuel purchased is not performed. Additionally, vehicle usage logs do not account for all miles driven in the JDC vehicles. The odometer readings recorded did not always agree from one day to the next because mileage commuting to and from work by the Juvenile Officers is not recorded. To ensure fuel billed and vehicle usage is appropriate, all mileage should be recorded on the vehicle usage logs, and fuel purchases should be reconciled to fuel billed.
- D. The JDC and JO do not have a written cellular phone reimbursement policy and do not maintain adequate documentation to support reimbursement to employees for cellular phone expenses. Seven employees are reimbursed \$45 per month for use of their personal cellular phones for business for a total of approximately \$3,800 per year; however, supporting documentation is not obtained or requested to justify the reimbursement.

The JDC Administrator and Juvenile Officer should review the propriety of the use of cellular phones to determine whether they are receiving sufficient benefit for the cost. If the cellular phones are deemed necessary, a written policy should be established that addresses the reimbursement amount and required documentation.

WE RECOMMEND the Juvenile Detention Center Administrator and the Chief Juvenile Officer:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids, document approval of disbursements, discontinue the practice of signing checks in advance, and record the purchase of capital assets on the inventory listing.
- B. Record monies immediately upon receipt, ensure the method of payment is noted on the receipt slip, and ensure the composition of receipts is reconciled to the composition of deposits. In addition, the JDC and JO should ensure checks are restrictively endorsed immediately upon receipt.
- C. Ensure vehicle usage logs account for all miles driven and reconcile fuel billed to fuel purchased.
- D. Evaluate the cost/benefit of reimbursing employees for use of their personal cellular phones for work and create a written policy establishing the amount of the reimbursement and documentation to be maintained.

AUDITEE'S RESPONSE

The Juvenile Detention Center Administrator and the Chief Juvenile Officer provided the following responses:

- A. *We did solicit bids in the past; however, we will better document the solicitation process in the future. We will also ensure documentation of all disbursements is retained and returned to the bookkeeper to be stapled to the check stubs. In addition, we will ensure property tags are affixed to all capital assets and all assets are properly recorded on the capital asset listing.*
- B. *We will ensure receipt slips are issued when monies are received and the method of payment is indicated. The composition of the receipts will be reconciled to the composition of the deposits.*
- C. *We will ensure all miles driven in JDC vehicles are properly documented and begin reconciling fuel usage to fuel purchased.*
- D. *We will develop a cellular telephone reimbursement policy for employee cellular phones and obtain documentation from the employee to support this reimbursement.*

The Senate Bill 40 Board disbursed more than was budgeted during 2007 and 2006, and Internal Revenue Service (IRS) Forms 1099 were not issued. During the 2 years ended December 31, 2007, the Senate Bill 40 Board disbursed approximately \$290,000.

- A. Actual disbursements exceeded budgeted amounts for 2007 and 2006 by approximately \$3,200 and \$500, respectively. Monthly budget to actual reports are not prepared for the board to review and monitor disbursements and budget amendments were not prepared when budgeted amounts were exceeded.

Case law provides that strict compliance with budget laws is required. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

A similar condition was noted in our prior report.

- B. IRS Forms 1099 were not prepared for individuals or unincorporated businesses who were paid in excess of \$600 for work performed on a group home constructed by the board.

Section 6041-6051 of the Internal Revenue Code requires an IRS Form 1099-MISC be completed for every payee other than corporations receiving \$600 or more in aggregate during a calendar year for services performed as a trade or business by non-employees.

WE RECOMMEND the Senate Bill 40 Board:

- A. Refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- B. Ensure IRS Forms 1099 are prepared and issued in accordance with IRS rules and regulations.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following written responses:

- A. *Effective immediately, whenever a funding request is approved by the Wright County Board for the Developmentally Disabled, the Treasurer of said Board will review the 2009 estimated budget so as to be sure any and all excess disbursements are not made, as required by Missouri state law. However, should there be a valid reason for*

expenditures over the amount of the approved 2009 estimated budget, the Wright County for the Developmentally Disabled shall formally amend the 2009 estimated budget with a public meeting held to amend said budget. The Wright County Board for the Developmentally Disabled shall then file the amended budget with the Wright County Commission and the Missouri State Auditor's office, as required by Missouri state law.

- B. Effective immediately, the Wright County Board for the Developmentally Disabled shall ensure an IRS Form 1099 is prepared and issued to any and all payees other than corporations receiving \$600 or more during a calendar year for services performed as a trade or business by non-employees, in accordance with IRS rules and regulations.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

WRIGHT COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Wright County is a county-organized, third-class county and is part of the Forty-Fourth Judicial Circuit. The county seat is Hartville.

Wright County's government is composed of a 3-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 17,955 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 106,680,100
Personal property	38,932,522
Railroad and utilities	8,132,749
Total	<u>\$ 153,745,371</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Wright County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and Bridge*	.0050	None	None	

* In November 2001, voters approved this sales tax which eliminated all Road and Bridge property tax levies and allocated 30 percent of the sales tax collections to the Mountain Grove Special Road District. The sales tax became effective in April 2002.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Rex Epperly, Presiding Commissioner		23,648
Tommy Gaddis, Associate Commissioner		20,566
Leon Pendergrass, Associate Commissioner		20,566
Tony Dugger, County Clerk		32,800
Jason McPherson, Prosecuting Attorney		38,540
Glen Adler, Sheriff		34,400
Naomi Gray, County Treasurer		32,800
Ben Hurtt, County Coroner		9,020
John Miller, Public Administrator		31,160
Cindy Cottengim, County Collector, (1) year ended February 28 (29),	35,051	
Brenda Day, County Assessor (2), year ended August 31,		33,488
Robert Shotts, County Surveyor (3)		N/A

(1) Includes commissions received from collecting city taxes.

(2) Includes \$688 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Joe Chadwell, Circuit Clerk and Ex Officio Recorder of Deeds	51,197
Lynette Veenstra, Associate Circuit Judge	101,090



Susan Montee, CPA
Missouri State Auditor

MOSERS

Deferred Compensation Plan



March 2009

Report No. 2009-30

auditor.mo.gov



Changes to the Deferred Compensation Plan Should Benefit Participants

Since September 1, 2007, the Missouri State Employees' Retirement System (MOSERS) Board of Trustees has been responsible for the administration of the state's deferred compensation plan. The plan serves as supplemental retirement savings for Missouri state employees who choose to participate. At April 2008, current and former state employees had approximately \$1.43 billion invested in the plan. Because of the significance of these investments, our audit objectives included evaluating (1) the performance of investment options offered by the deferred compensation plan, (2) how Missouri's plan compared to similar plans in other states, and (3) the expected plan changes.

Investment options often underperformed benchmarks

Our analysis of the current investment options showed a significant number underperformed their investment benchmark. Of the investment options available, 24 had 5 and 10 year established benchmarks to evaluate against. Of those 24 funds, 15 funds (63 percent) underperformed relative to their 5-year benchmark, 13 funds (54 percent) underperformed relative to their 10-year benchmark, and 10 funds (42 percent) underperformed relative to both their 5 and 10-year benchmarks. Participants had invested approximately \$237 million (32 percent of the total plan investments in mutual fund options) in these 10 funds as of April 2008. (See page 9)

The number of similar investment options may have negatively impacted investment diversification

Based on the number of investment options available in other states' plans and discussions with MOSERS officials, the number of investment options currently available in Missouri's plan may have led to overlap in investment strategies and negatively impacted diversification. MOSERS officials said many funds had similar investment styles. Deferred compensation plans in the 8 surrounding states average 18.5 investment options, compared to the 31 available in Missouri's plan. (See page 9)

Changes should significantly reduce participant costs and simplify investment planning

Adding target-date funds as investment options should result in significant cost savings for plan participants. MOSERS officials expect the management costs for the target-date funds to be approximately .25 percent of invested assets (25 basis points). Our analysis showed that would be about 68 percent less than management fees charged on the current mutual fund options. MOSERS officials said the administrative costs for the target-date funds may be impacted depending on how many plan assets do not transfer to the target-date funds.

Target-date funds are designed to be self-adjusting, shifting from a more aggressive investment mix to a more conservative mix as the investor approaches retirement age. The use of target-date funds should simplify investment decisions for plan participants and help them to improve investment returns relative to investment risk. (See page 10)

Contents

State Auditor's Letter		2
Chapter 1		3
Introduction	Plan Administration	3
	Plan Statistics	4
	Other States' Plans	5
	Plan Changes	6
	Scope and Methodology	6
Chapter 2		9
MOSERS Changes Should Benefit Participants	Investment Options Often Underperformed Benchmarks	9
	Changes Should Significantly Reduce Participant Costs and Simplify Investment Planning	10
	Conclusions	11
	Agency Comments	11
Appendix I	Investment Option Analysis	12
Tables	Table 1.1: Surrounding States' Plan Participation, Assets and Investment Options	5
	Table I.1: Investment Option Analysis	12

Abbreviations

MOSERS	Missouri State Employees' Retirement System
TPA	Third Party Administrator
PEBSCO	Public Employee Benefit Services Company
OA	Office of Administration
RSMo	Missouri Revised Statutes



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Missouri State Employees' Retirement System Board of Trustees
and
Gary Findlay, Executive Director
Missouri State Employees' Retirement System
Jefferson City, Missouri

The Missouri State Employees' Retirement System (MOSERS) Board of Trustees is responsible for administration of the Missouri State Public Employees Deferred Compensation plan. The deferred compensation plan serves as supplemental retirement savings for Missouri state employees who choose to participate. At April 2008, current and former state employees had approximately \$1.4 billion invested in the plan. Because of the significance of these investments, our audit objectives included evaluating (1) the performance of investment options offered by the deferred compensation plan, (2) how Missouri's plan compared to similar plans in other states, and (3) the expected plan changes.

We found many investment options currently offered in the state's deferred compensation plan had performance returns that underperformed their investment benchmark for the last 5 years or 10 years and during both periods. Ten of 24 investment options (42 percent) with both 5 and 10-year benchmark histories had underperformed both periods relative to their benchmark. Missouri's deferred compensation plan offered more investment options than other states' plans reviewed; however, the similar style of many of these options may have resulted in overlapping investment strategies. MOSERS planned elimination of the current investment options and replacement with custom target-date funds should benefit participants by reducing fund management costs, while providing more diversified and simplified investment choices for participants.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of Douglas Porting. Key contributors to this report included Jon Halwes, Robert Showers, Travis Owens, and Ed Morgan.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The General Assembly enacted legislation in 1974 creating the Missouri Deferred Compensation Commission, with the deferred compensation plan¹ (the plan) becoming operational in 1978. Under plan provisions, state employees are eligible to contribute to the plan through a reduction of salary. The state matches the first \$35² per month in contributions for each employee. To be eligible to receive the match an employee must have been employed by the state for 12 consecutive months. In accordance with Section 457 of the Internal Revenue Code, employee contributions are limited to 100 percent of compensation, not to exceed \$16,500. Contributions to the plan are deferred for federal and state income tax purposes until benefits are paid. In accordance with plan provisions, participants contributing to the plan or their beneficiaries may begin withdrawal of funds contributed, subject to applicable taxes, upon retirement, death, or termination of employment with the state. Withdrawals may also occur due to an unforeseeable emergency, if documentation of the hardship conforms to federal regulations. Participants may select various payout options, including lump sum payments or installments. Retiring participants have the option to annuitize their account balance as one of the payout options.

Plan Administration

Prior to September 1, 2007, the Missouri Deferred Compensation Commission provided plan oversight. After that date, plan oversight responsibilities transferred to the Missouri State Employees' Retirement System (MOSERS) Board of Trustees.³ Administration of the plan is contracted out to a third-party administrator (TPA), whose responsibilities include general plan administration, record keeping, marketing and providing consulting services to state employees. The state awarded the initial TPA contract to Public Employee Benefit Services Company (PEBSO) in December 1978. PEBSO merged with a subsidiary of Nationwide Financial in 1998 to form Nationwide Retirement Services (Nationwide). The TPA contract remained with Nationwide until June 2006, when the state awarded a new contract to CitiStreet.⁴ ING Group⁵ (ING) acquired CitiStreet in July 2008 and that company continues to provide TPA services.

¹ The deferred compensation plan is comprised of 2 legally separate plans. Participants contribute to the 457 plan and employer match incentives go into the 401a plan. Participants may also roll other retirement plan funds into the 401a plan.

² The state matched \$25 per month prior to fiscal year 2009 for participants deferring \$25 or more in wages.

³ In accordance with Section 105.910, RSMo.

⁴ A joint venture between Citigroup Inc. and State Street Corporation.

⁵ A financial company headquartered in the Netherlands.

The first investments occurred in March 1980. The initial investment options included one fixed annuity and seven variable annuities. Since 1980, based on investment performance and the need for additional investment choices, the commission approved adding and deleting various investments from the investment options. Currently, participants have investment options which include 30 mutual funds (including domestic and international equity funds, and bond funds) and a stable value fund.⁶ The mutual fund options will be replaced with new investment options for new participants and current participants who choose not to remain in the existing funds as discussed on page 6. Participants also have the ability to invest in other stock or bond products available in the marketplace through a self-directed investment option.

Ongoing stable value fund litigation

The state is currently involved in litigation related to the fixed account assets transferred from Nationwide to ING in June 2006. The state bid for a new fixed account contract concurrently with the TPA contract and awarded the contract to ING effective June 2006. When Nationwide transferred the assets to ING for placement in the stable value fund, Nationwide withheld approximately \$18.6 million as a market-value adjustment. The state filed suit seeking, on behalf of the plan, recovery of the \$18.6 million adjustment, claiming Nationwide's contract did not allow for such an adjustment. As of January 2009, this litigation was still pending.

Although Nationwide withheld \$18.6 million when the transfer occurred, ING recognized participant balances of \$505,064,665, despite only receiving \$486,478,285 in assets. To make up for the difference, ING is amortizing the market value adjustment over the life of the company's contract. MOSERS staff is currently tracking the status of these amortization adjustments.

Plan Statistics

The plan had total assets of approximately \$1.43 billion as of April 2008. Participants had invested 47.7 percent of the assets in the stable value fund, 51.8 percent of the assets in the 30 mutual fund options available, and the remaining .5 percent through the self-directed investment option. See Appendix I for details of plan asset amounts and fund performance.

As of April 2008, MOSERS records showed:

- 57,567 participants (current and former employees) with a plan balance

⁶ A stable value fund is a core bond fund whose holdings include high-quality bonds, as well as interest-bearing contracts bought from banks and insurance companies. Those contracts have a guarantee, which is called a wrapper, that protects the net asset value of the fund.

- 38,546 current employees contributing to the plan
- 11,783 of these current employees (30 percent) contributed only \$25 per month - the minimum required to receive the state match limit at that time
- 23,499 eligible employees did not participate in the plan

As of March 31, 2008, documents provided by CitiStreet showed:

- 26,118 participants had all of their plan assets invested in one fund
- 15,560 of those 26,118 participants (60 percent) had all of their plan assets in the stable value fund
- 21,278 participants had investments in 2, 3 or 4 funds

Other States' Plans

Based on conversations with plan representatives of surrounding states, Missouri's plan has significantly higher enrollment than 7 of the surrounding states, and equivalent enrollment to Illinois' plan. The average account balance in Missouri is generally higher than the average balance in the other states contacted. Half of the surrounding states require employees to contribute to the state's pension fund, which may impact participation in deferred compensation plans. The number of investment options available in Missouri's plan (31) was significantly more than the surrounding state average (18.5). Table 1.1 documents information on Missouri's plan and the plans in 8 surrounding states obtained in spring 2008.

Table 1.1: Surrounding States' Plan Participation, Assets and Investment Options

State	Participants	Assets	Investment Options
Missouri	57,567	\$1,427,027,906	31
Illinois	53,000 ¹	3,003,328,043	13
Oklahoma	25,000 ¹	492,728,161	15
Kentucky	17,617	337,851,120	28
Kansas	15,580	456,447,260	20
Nebraska	15,000 ¹	135,000,000 ¹	12
Iowa	14,591	321,002,000	24 ²
Arkansas	10,000 ¹	352,539,360	25
Tennessee	5,000 ¹	160,000,000 ¹	11

¹ Amount estimated based on discussion with plan representative.

² Represents the average options available from the 4 investment providers Iowa offers.

Source: MOSERS and interviews of other states' plan representatives.

Missouri is one of 3 states (including Iowa and Oklahoma) that provide a match incentive to plan participants. Due to differences in TPA duties and plan services provided, administrative fees of the other states' plans could not be easily compared. Missouri's plan has several features not common in other states' plans, including investment advice (3 of 8 states), a self-directed option (4 of 8 states), and a managed account option (1 of 8 states).

Plan Changes

MOSERS officials are making significant changes to the deferred compensation plan. The changes will eliminate the existing mutual fund options as investment options for new participants and current participants who do not elect to remain in the existing funds. The stable value fund will remain an investment option, and a series of target-date funds will also be added to the investment options. Target-date funds are an investment tool that is designed to be self-adjusting, shifting from a more aggressive investment mix to a more conservative mix as the investor approaches retirement age. Instead of adding established target-date funds currently available as investment options, MOSERS officials told us they chose to design custom target-date funds with glide paths⁷ and investment mixes that are expected to be more supplemental and consistent with the investment mix in the defined benefit pension plan. The officials said management of the funds is outsourced. Our review of surrounding state deferred compensation plans showed 6 of the 8 surrounding states' plans had implemented, or had plans to soon implement, some form of target-date fund(s) as investment options.

Current participants, who elect to keep plan assets in the current mutual fund options, will be allowed to transfer plan assets to the stable value fund or new target-date funds at a later date, but once assets are transferred out of the existing mutual fund options the assets cannot be transferred back. MOSERS officials had planned to entirely eliminate the existing mutual fund options as investment choices in April 2009, but based on participant feedback elected in March 2009 to modify the plan and allow current participants to remain in those funds if desired.

A self-directed investment option will remain in place to allow participants to allocate their account to other investments available on the market. The \$50 annual fee to maintain a self-directed account will be eliminated. See Chapter 2 for analysis of MOSERS plan changes.

Scope and Methodology

To gain an understanding of the deferred compensation plan and to discuss plan changes, we conducted interviews with MOSERS officials and current and former officials of the Office of Administration (OA) who assisted the Deferred Compensation Commission in overseeing the plan. We also obtained and reviewed Deferred Compensation Commission minutes, applicable MOSERS Board of Trustees minutes, and available plan documentation.

⁷ The glide path refers to formula that defines the asset allocation mix of a target-date fund, based on the number of years to the target date.

To evaluate the TPA and stable value fund contract selection process, we reviewed OA bid documentation, including bids submitted and OA's bid evaluation summary analysis. We also interviewed OA purchasing officials involved in the process and the consultant hired by OA to help formulate the bid proposal. We did not identify any significant weaknesses in the selection process.

We interviewed an official from the Attorney General's Office to obtain background information and the current status of the pending litigation against Nationwide regarding the market value adjustment occurring when fixed account assets transferred to ING. We also reviewed documents related to the litigation.

To evaluate the performance of the investment options in the plan, we obtained from MOSERS staff mutual fund performance documentation analyzing both actual and benchmark⁸ results. We also obtained and reviewed an analysis done by MOSERS staff that evaluated performance of the 30 mutual fund options currently available in the plan compared to the state's employee retirement defined benefit pension plan.

To assess the impact of MOSERS investment option changes in terms of cost to participants, we obtained expense ratio information for the current mutual fund options from MOSERS documentation, and obtained data on how participants invested their assets among the investment options as of April 2008. We also considered the number of participants in the plan as of April 2008. We used this information to determine the approximate amount of administrative and fund expenses participants are currently paying. To determine potential cost savings that would result from the changes, we took the expense ratio expected by MOSERS and multiplied it by the amount of assets currently invested in the mutual fund options, excluding the assets currently invested in the stable value fund. We attempted to account for participants choosing to use the self-directed investment option by projecting several scenarios. We projected costs assuming 10, 15, and 25 percent of plan assets would be invested through the self-directed window.⁹

⁸ Investment literature defines benchmark as a standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

⁹ It appears reasonable to assume these projections should also be similar to participants that choose to keep their current mutual fund investment options as part of adjustments to the plan changes MOSERS officials announced in March 2009.

We performed our work in late spring and early summer 2008 as MOSERS officials were in the process of finalizing the investment option changes discussed in the report. We updated the report as new information became available and the proposed changes became finalized. The report could not be released until MOSERS staff informed plan participants of the changes.

MOSERS Changes Should Benefit Participants

Many investment options currently offered in the state's deferred compensation plan had returns that underperformed their investment benchmark for the last 5 years or 10 years and during both periods.¹⁰ The plan offered more investment options than other states' plans reviewed; however, the similar style of many of these options may have resulted in overlapping investment strategies. MOSERS planned elimination of these investment options and replacement with custom target-date funds should benefit participants by reducing fund management costs while providing more diversified investment choices.

Investment Options Often Underperformed Benchmarks

The performance of investment options currently available in the plan could have been better. Our analysis of these investment options showed a significant number underperformed their investment benchmark. Of the 30¹¹ investment options available, 24 had 5 and 10 year established benchmarks to evaluate against. Of those 24 funds, 15 funds (63 percent) underperformed relative to their 5-year benchmark, 13 funds (54 percent) underperformed relative to their 10-year benchmark, and 10 funds (42 percent) underperformed relative to both their 5 and 10-year benchmarks. Participants had invested approximately \$237 million (32 percent of the total plan investments in mutual fund options) in these 10 funds as of April 2008.

An analysis performed by MOSERS staff showed 7 of the 30 fund options outperformed the MOSERS portfolio for the defined benefit pension fund from July 2000 to March 2008. However, only 1 of those 7 funds did so while assuming less risk than the defined benefit portfolio. Seven funds underperformed the defined benefit portfolio while assuming a lower or equal risk level and the remaining 16 funds underperformed the defined benefit portfolio while assuming a higher risk level than that portfolio. Appendix I shows the status for each fund.

Funds with similar investment styles impacts diversification

Based on the number of investment options available in other states' plans and discussions with MOSERS officials, the number of investment options currently available in Missouri's plan may have led to overlap in investment strategies and negatively impacted diversification. Deferred compensation plans in the 8 surrounding states average 18.5 investment options, compared to the 31 Missouri's plan offered. MOSERS officials said the current investment options included too many funds, and specifically too many funds in the same investment style, leading to overlap in investment

¹⁰ As of March 31, 2008.

¹¹ Excludes the stable value fund.

strategies that negatively impacted participant investment diversification and choices.

Changes Should Significantly Reduce Participant Costs and Simplify Investment Planning

The changes¹² planned by MOSERS officials to create target-date funds and eliminate the current investment options should result in significant cost savings for plan participants. Overall, participants would pay about the same for TPA annual costs; however, fund management costs would decrease. MOSERS officials expect the management costs for the target-date funds to be approximately .25 percent of invested assets (25 basis points). Our analysis showed that would be about 68 percent less than management fees charged on the current mutual fund options.¹³ Depending on how many participants decide to use the self-directed investment option instead of utilizing the target-date funds, our analysis estimates the MOSERS changes would save participants between approximately \$3.1 and \$3.7 million (between 31 to 36 percent) in fees per year.¹⁴

MOSERS has not determined what level of return plan participants should expect from the target-date fund options. However, MOSERS officials said target-date funds ensure participants receive an adequate return, while assuming a reasonable amount of risk, relative to their age. In other words, a properly designed target-date fund should automatically help participants take on an appropriate level of risk for their age and situation. MOSERS officials said the investment mix that makes up the target-date funds is customized to better diversify the funds and provide an investment mix that supplements the state employees' defined benefit pension plan. The use of target-date funds should, therefore, simplify investment planning for plan participants, reduce the need for investment advice, and change the focus of participant education services.

¹² We performed this analysis before MOSERS officials elected in March 2009 to alter the planned changes and allow current participants to keep their investments in the existing mutual funds. MOSERS officials could not provide an estimate of the amount of plan assets that would not move into the target-date funds in April 2009. We believe our analysis estimating potential assets that would have moved into the self directed brokerage window would be similar to the estimated assets that will remain in the current mutual fund options. MOSERS officials said the administrative costs for the target-date funds may be impacted depending on how many plan assets do not transfer to the target-date funds. That impact cannot be determined until participants make their investment decisions.

¹³ We assumed MOSERS expense ratio to be .25 percent of invested assets, based on discussions with MOSERS officials, while the weighted average expense ratio being paid by participants for the mutual fund investment options is currently .80 percent of invested assets.

¹⁴ Estimate based on 10 and 25 percent of plan assets in mutual fund options at April 2008 being moved to self-directed accounts or remaining in the current mutual fund investment options.

Conclusions

An investment plan with too many investment options, particularly investment options that (1) do not achieve benchmark levels, and (2) take on higher risk and provide lower returns, relative to other safer options, is not in the best interest of plan participants. Many investment options currently available in the deferred compensation plan have overlapping investment strategies which may have negatively impacted diversification, and may have resulted in plan participants making poor investment decisions.

MOSERS changes are projected to significantly decrease overall fund management costs, while simplifying participants' investment planning and allowing them to have a more diversified investment portfolio. The use of target-date funds should also allow participants to improve investment returns relative to investment risk.

Agency Comments

We appreciate the State Auditors Office concurring with our plans to offer the deferred compensation plan participants a streamlined and cost-reducing approach to supplementing their retirement income through this tax favored savings arrangement. The imminent changes you opined on in your audit report were not made without thoroughly vetting the alternatives available. Based on our research, we believe the modifications being made reflect best practices in the industry.

As a result of the changes, the participants can look forward to lower investment management expenses, and a greater probability of maintaining an age appropriate well diversified portfolio. Consequently, we anticipate that participants will experience greater success rates in achieving their retirement nest-egg objectives in a substantially simplified manner.

Investment Option Analysis

Table I.1 lists the current investment options available, the total amount of assets participants had invested in each option at April 2008, whether the option met its 5 and 10 year benchmark, and how the option compared to the MOSERS defined benefit pension plan.

Table I.1: Investment Option Analysis

Investment Option	Assets Invested April 2008	% of Total Assets	5-Year ¹ Benchmark	10-Year ¹ Benchmark	Compared to MOSERS Plan ²
ING Stable Value	\$681,167,614	47.7	NA	NA	NA
Fidelity Contrafund	151,307,662	10.6	Y	Y	D
American Century Ultra	72,445,945	5.1	N	Y	D
SEI Index S&P 500	55,601,922	3.9	N	N	D
Fidelity Equity-Income	54,157,064	3.8	N	N	D
Neuberger Berman Genesis	45,135,581	3.1	Y	Y	B
American Century Equity Income	32,731,458	2.3	N	Y	B
Gartmore Nationwide	27,935,200	2.0	Y	N	D
American Century Growth	27,774,244	2.0	Y	Y	D
Templeton Developing Market	27,311,950	1.9	N	N	B
Vanguard LifeStrategy Growth	24,583,138	1.7	NA	NA	D
T. Rowe Price International Stock	24,274,766	1.7	N	N	D
Vanguard Total Stock Markets	19,534,861	1.4	Y	Y	D
Putnam Investors	19,298,002	1.4	N	N	D
Vanguard LifeStrategy Moderate Growth	18,606,019	1.3	NA	NA	C
AIM Dynamics	17,400,725	1.2	N	N	D
Janus Worldwide	15,756,073	1.1	N	N	D
Goldman Sachs Mid Cap Value	13,149,196	.9	N	Y	B
American Funds Bond Fund	12,681,520	.9	Y	N	C
Jennison Blend	12,338,534	.9	Y	Y	D
Janus Small Cap Value	10,526,262	.7	N	Y	B
Fidelity Asset Manager	10,256,637	.7	N	N	C
Vanguard LifeStrategy Conservative Growth	8,554,015	.6	NA	NA	C
Vanguard Inflation Protected Security	7,090,884	.5	NA	NA	A
Federated US Government 2-5 year	6,965,153	.5	N	N	C
Dreyfus Premier Third Century	6,160,639	.4	N	N	D
Vanguard LifeStrategy Income	5,863,911	.4	NA	NA	C
Dreyfus Small Cap Value	5,400,720	.4	Y	Y	B
Brown Capital Management Small Company	3,054,999	.2	N	Y	D
Dryden Total Return	2,181,830	.15	Y	N	C
AIM Small Cap Growth	681,840	.05	NA	NA	D
Self- directed	7,099,542	.5	NA	NA	NA
Total	\$1,427,027,906	100			

Key: Y - Investment option achieved designated benchmark. N - Investment option did not achieve designated benchmark.

NA - Not Applicable.

A - Investment option outperformed the MOSERS defined benefit pension portfolio, while assuming less risk.

B - Investment option outperformed the MOSERS defined benefit pension portfolio, while assuming more risk.

C - Investment option underperformed the MOSERS defined benefit pension portfolio, while assuming less or equal risk.

D - Investment option underperformed the MOSERS defined benefit pension portfolio, while assuming more risk.

¹ Period ended March 31, 2008.

² Analysis period July 2000 to March 2008.

Source: MOSERS data



Susan Montee, CPA
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2008



March 2009

Report No. 2009-29

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The following report is our audit of the Office of the State Treasurer for the year ended June 30, 2008.

On January 10, 2005, Sarah Steelman was inaugurated as the forty-fourth Treasurer of the State of Missouri. Her term as State Treasurer expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, determine the amount of state monies not needed for current operating expenses, and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

Although no findings are included in this report on the Office of State Treasurer, our report number 2008-32 for the year ended June 30, 2007 included a finding related to fiscal year 2008 transactions.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
State Auditor's Reports:	2-7
Independent Auditor's Report on the Financial Statements.....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	6-7
Management's Discussion and Analysis	8-11
Fund Financial Statements:.....	12-21
Treasurer's General Operations Fund:	13-14
Comparative Balance Sheet	13
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance ...	14
Treasurer's Information Fund:	15-16
Comparative Balance Sheet	15
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance ...	16
Central Check Mailing Service Revolving Fund:.....	17-19
Comparative Statement of Net Assets	17
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets.....	18
Comparative Statement of Cash Flows.....	19
Abandoned Fund Account Fund:	20-21
Comparative Statement of Fiduciary Net Assets	20
Comparative Statement of Changes in Fiduciary Net Assets	21
Notes to the Fund Financial Statements	22-30
Required Supplementary Information:	31-34
Budgetary Comparison Schedule Governmental Funds	32-33
Notes to the Required Supplementary Information	34

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<hr/>	
FINANCIAL SECTION	
Supplementary Information:	35-40
<u>Schedule</u>	
1 Comparative Statement of Appropriations and Expenditures, Two Years Ended June 30, 2008	36
2 Comparative Statement of Expenditures (From Appropriations), Two Years Ended June 30, 2008	37
3 Statement of Changes in General Capital Assets, Year Ended June 30, 2008	38
4 Comparative Statement of Funds in Custody of State Treasurer, June 30, 2008, 2007, 2006, 2005, and 2004	39
5 Comparative Statement of Interest Received on Pooled Investments, Five Years Ended June 30, 2008	40
Notes to the Supplementary Information	41-44
<hr/>	
STATISTICAL SECTION	
History, Organization, and Statistical Information	46-48

FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Sarah Steelman
and
Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting

principles generally accepted in the United States of America. However, the State of Missouri issued its Comprehensive Annual Financial Report for the years ended June 30, 2008 and 2007, and those reports were prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2008 and 2007, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 23, 2009, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

January 23, 2009

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Patrick M. Pullins, M.Acct.
	Joseph Adrian
	Tina Gildehaus, M.Acct.



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Sarah Steelman
and
Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the financial statements of the Office of State Treasurer as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of State Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the office's financial statements that is more than inconsequential will not be prevented or detected by the office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the office's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 23, 2009

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2008.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$876,075. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$397,043. The increase in net assets was caused by an increase in the revenues received in FY 2008 as compared to revenues from FY 2007.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$816,629, an increase of \$375,521 in comparison with the prior year. The total amount is available for spending as of July 1, 2008, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into 3 categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, specifically special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's Information Fund and the State Treasurer's General Operations Fund.

Proprietary Funds. Proprietary Funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting

device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2008, the Treasurer's Office governmental funds reported combined ending fund balances of \$816,629, an increase of \$375,521 over fiscal year 2007. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Unreserved	\$812,521	\$4,108	\$816,629

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2008. At the end of fiscal year 2008, the Treasurer's General Operations Fund reported a total fund balance of \$812,521. The net increase in fund balance during fiscal year 2008 was \$375,975. Revenues of the Treasurer's General Operations Fund totaled \$2,853,867, and expenditures of the Treasurer's General Operations Fund totaled \$2,477,892. Contributing factors follow:

- In fiscal year 2008, the third year of operation, the Treasurer's Office revised the calculations used when depositing a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605 RSMo, and subsequently increased the amount of revenues to the fund to compensate for the prior year fund balance spent down in FY 2007 and to more closely match the expenditure authority from the fund.

The Treasurer's Information Fund was a supplemental operating fund for the Treasurer's Office in fiscal year 2008. At the end of fiscal year 2008, the Treasurer's Information Fund reported a total fund balance of \$4,108. The net decrease in fund balance during fiscal year 2008 was \$454. Revenues of the Treasurer's Information Fund totaled \$1,007. Expenditures of the Treasurer's Information Fund totaled \$292 in fiscal year 2008. Contributing factors follow:

- In fiscal year 2008, the Treasurer's Information Fund had both revenues and expenditures which were less than amounts collected and spent in fiscal year 2007 for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office.

Proprietary Funds:

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets increased by \$21,522. This is primarily due to an increase in fees charged by the fund. The fee increase was implemented in October 2007 after fiscal year 2007 ended with a net operating loss and significantly reduced the fund's cash balance.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2009 continued the same appropriation levels as the fiscal year 2008 budget with two exceptions. The first was a 3 percent increase in salaries and related increases to the associated fringe benefits pursuant to the Governor's recommendations in the state budget. The second was the adjustment to the Treasurer's salary and associated fringe benefits as a result of the recommendations of the State Salary Commission.

Events taking place after the fiscal year end include:

- The contract for the state's Electronic Banking Services was awarded to Central Bank for the period October 1, 2008 through September 3, 2010. The contract contains 2, one-year renewal options.
- The contract for the state's General Depository Services expired on December 31, 2008. The State Treasurer's Office has exercised its final renewal option for the period January 1, 2009 through December 31, 2010.
- Clint Zweifel was elected as Missouri's State Treasurer on November 4, 2008. He took office on January 12, 2009.

Fund Financial Statements

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164**

		June 30,	
		2008	2007
Assets			
Cash and Cash Equivalents	\$	70,600	108,509
Investments		861,268	463,112
Total Assets	\$	931,868	571,621
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$	34,049	30,342
Accrued Payroll		41,822	57,766
Due to Other Funds		43,476	46,967
Total Liabilities		119,347	135,075
Fund Balances:			
Unreserved		812,521	436,546
Total Fund Balances		812,521	436,546
Total Liabilities and Fund Balances	\$	931,868	571,621

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164

	Year Ended June 30,	
	2008	2007
Revenues:		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments \$	2,500	(514)
Interest	2,851,111	1,956,167
Cost Reimbursement/Miscellaneous	256	5,636
Total Revenues	2,853,867	1,961,289
Expenditures:		
Current:		
General Government	2,477,892	2,440,844
Total Expenditures	2,477,892	2,440,844
Excess Revenues (Expenditures)	375,975	(479,555)
Other Financing Sources (Uses):		
Transfers Out	0	(1,819)
Total Other Financing		
Sources (Uses)	0	(1,819)
Excess Expenditures and		
Net Change in Fund Balances	375,975	(481,374)
Fund Balances - Beginning	436,546	917,920
Fund Balances - Ending	\$ 812,521	436,546

:

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255**

		June 30,	
		2008	2007
Assets			
Cash and Cash Equivalents	\$	313	941
Investments		3,821	4,016
Total Assets	\$	4,134	4,957
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$	26	395
Total Liabilities		26	395
Unreserved		4,108	4,562
Total Fund Balances		4,108	4,562
Total Liabilities and Fund Balances	\$	4,134	4,957

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S INFORMATION
FUND 0255

	Year Ended June 30,	
	2008	2007
Revenues:		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments \$	13	37
Cost Reimbursement/Miscellaneous	994	991
Total Revenues	<u>1,007</u>	<u>1,028</u>
Expenditures:		
Current:		
General Government	292	1,257
Total Expenditures	<u>292</u>	<u>1,257</u>
Excess Revenues (Expenditures)	<u>715</u>	<u>(229)</u>
Other Financing Sources (Uses):		
Transfers Out	<u>(1,169)</u>	<u>(5,169)</u>
Total Other Financing Sources (Uses)	<u>(1,169)</u>	<u>(5,169)</u>
Net Change in Fund Balances	(454)	(5,398)
Fund Balances - Beginning	<u>4,562</u>	<u>9,960</u>
Fund Balances - Ending	<u>\$ 4,108</u>	<u>4,562</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2008	2007
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,391	1,968
Investments	29,170	8,399
Accounts Receivable, Net	1,428	1,376
Due from Other Funds	38,783	31,508
Noncurrent Assets:		
Restricted Assets:		
Equipment	42,877	38,054
Less Accumulated Depreciation	(38,134)	(38,054)
Total Capital Assets (Net of Accumulated Depreciation)	4,743	0
Total Assets	76,515	43,251
Liabilities		
Current Liabilities:		
Accounts Payable	15,149	3,062
Accrued Payroll	730	864
Due to Other Funds	661	495
Noncurrent Liabilities:		
Compensated Absences	529	906
Total Liabilities	17,069	5,327
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,743	0
Unrestricted	54,703	37,924
Total Net Assets	\$ 59,446	37,924

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	Year Ended June 30,	
	2008	2007
Operating Revenues		
Charges for Services	\$ 140,251	124,012
Total Operating Revenues	140,251	124,012
Operating Expenses		
Personal Service	33,430	35,155
Operations	83,770	125,635
Inventories	517	773
Depreciation	80	3,492
Total Operating Expenses	117,797	165,055
Operating Income (Loss)	22,454	(41,043)
Non-Operating Revenues (Expenses)		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	77	151
Total Non-Operating Revenues (Expenses)	77	151
Income (Loss) Before Transfers	22,531	(40,892)
Transfers Out	(1,009)	(1,104)
Change in Net Assets	21,522	(41,996)
Total Net Assets - Beginning	37,924	79,920
Total Net Assets - Ending	\$ 59,446	37,924

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2008	2007
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 140,199	124,033
Payments to Suppliers	(72,200)	(126,356)
Payments to Employees	(33,775)	(34,598)
Net Cash Provided (Used) by Operating Activities	<u>34,224</u>	<u>(36,921)</u>
Cash Flows from Noncapital Operating Activities		
Due to (from) Other Funds	(7,275)	4,499
Transfers to (from) Other Funds	(1,009)	(1,104)
Net Cash Provided (Used) by Noncapital Operating Activities	<u>(8,284)</u>	<u>3,395</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(4,823)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,823)</u>	<u>0</u>
Cash Flows from Investing Activities		
Purchase of Investments	(20,694)	20,717
Net Cash Provided (Used) by Investing Activities	<u>(20,694)</u>	<u>20,717</u>
Net Increase (Decrease) in Cash	423	(12,809)
Cash and Cash Equivalents, Beginning of Year	1,968	14,777
Cash and Cash Equivalents, End of Year	<u><u>2,391</u></u>	<u><u>1,968</u></u>
Reconciliation of Operating Income of Net Cash Provided (Used) by Operating Activities		
Operating Income	22,454	(41,043)
Depreciation Expense	80	3,492
Changes in Assets and Liabilities:		
Accounts Receivable	(52)	21
Accounts Payable	12,087	52
Accrued Payroll	(134)	33
Compensated Absences Payable	(377)	525
Due to Other Funds	166	(1)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 34,224</u></u>	<u><u>(36,921)</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	June 30,	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 731,615	2,597,746
Investments at Fair Value	8,925,182	11,087,091
Capital Assets:		
Equipment	50,617	36,537
Less: Accumulated Depreciation	(25,956)	(17,125)
Total Capital Assets, Net	<u>24,661</u>	<u>19,412</u>
 Total Assets	 <u>9,681,458</u>	 <u>13,704,249</u>
Liabilities		
Accounts Payable	11,870	279,826
Accrued Payroll Payable	15,071	19,590
Due to Other Funds	<u>14,849</u>	<u>8,759</u>
 Total Liabilities	 <u>41,790</u>	 <u>308,175</u>
Net Assets		
Net Assets Held in Trust for Other Purposes	\$ <u><u>9,639,668</u></u>	<u><u>13,396,074</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	Year Ended June 30,	
	2008	2007
Additions		
Increase (Decrease) in Appreciation of Assets	\$ 32,890	145,862
Total Investment Earnings	32,890	145,862
Unclaimed Property	(1,352,147)	(27,669,252)
Total Additions	(1,319,257)	(27,523,390)
Deductions		
Administrative Expenses	2,428,317	2,257,937
Depreciation	8,801	5,271
Total Deductions	2,437,118	2,263,208
Change in Net Assets	(3,756,375)	(29,786,598)
Net Assets - Beginning	13,396,074	43,183,476
Prior Period Adjustment	(31)	(804)
Net Assets - Ending	\$ 9,639,668	13,396,074

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, and the changes in financial position and where applicable, cash flows, of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2008, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. All major sources of revenue, including taxes, licenses, fees, permits, and governmental contributions are susceptible to accrual when available within 60 days. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay which are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Central Check Mailing Service Revolving Fund Statement of Cash Flows are also reported under this definition. Cash balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, Treasurer's Information Fund, and Treasurer's General Operations Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statement of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets.

G. Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of 5 years.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents" and "Investments" as reported at June 30, 2008.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2008.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40

percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements. During fiscal year 2008, the State did not have more than 5 percent of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P). The Treasurer does not have any additional policies regarding credit ratings of investments.

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit, however the State Treasurer's Office does not have any deposits or investments in foreign currency.

C. Securities Lending Program

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

3. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Equipment, Governmental Funds	\$ 130,261	\$ 81,161	\$ 0	\$ 211,422
Equipment, Proprietary Funds	<u>38,054</u>	<u>4,823</u>	<u>0</u>	<u>42,877</u>
Total Equipment	<u>168,315</u>	<u>85,984</u>	<u>0</u>	<u>254,299</u>
Less Accumulated Depreciation for:				
Equipment, Governmental Funds	(39,918)	(46,053)	0	(85,971)
Equipment, Proprietary Funds	<u>(38,054)</u>	<u>(80)</u>	<u>0</u>	<u>(38,134)</u>
Total Accumulated Depreciation	<u>(77,972)</u>	<u>(46,133)</u>	<u>0</u>	<u>(124,105)</u>
Governmental Activities Capital Assets, Net	\$ <u>90,343</u>	\$ <u>39,851</u>	\$ <u>0</u>	\$ <u>130,194</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ <u>144,988</u>	\$ <u>156,759</u>	\$ <u>157,561</u>	\$ <u>144,186</u>	\$ <u>144,186</u>
Total Governmental Activities	\$ <u>144,988</u>	\$ <u>156,759</u>	\$ <u>157,561</u>	\$ <u>144,186</u>	\$ <u>144,186</u>

5. Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2008, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2008
Accounts Payable:			
Vendors	\$ 34,075	\$ 15,149	\$ 49,224
Employees	<u>41,822</u>	<u>730</u>	<u>42,552</u>
Total Accounts Payable	\$ <u>75,897</u>	\$ <u>15,879</u>	\$ <u>91,776</u>
Accounts Receivable:			
Customers	\$ <u>0</u>	\$ <u>1,428</u>	\$ <u>1,428</u>
Total Accounts Receivable	\$ <u>0</u>	\$ <u>1,428</u>	\$ <u>1,428</u>

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2008, is shown below:

<u>Due To/From Other Funds</u>			
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
General Government	\$ <u>43,476</u>	\$ <u>661</u>	\$ <u>44,137</u>
Totals	\$ <u>43,476</u>	\$ <u>661</u>	\$ <u>44,137</u>
Due From Other Funds:			
General Government	\$ <u>0</u>	\$ <u>38,783</u>	\$ <u>38,783</u>
Totals	\$ <u>0</u>	\$ <u>38,783</u>	\$ <u>38,783</u>

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer's Office are being presented, not all state funds.

7. Subsequent Events

Events taking place after the fiscal year end include:

The contract for the state's Electronic Banking Services was awarded to Central Bank for the period October 1, 2008 through September 3, 2010. The contract contains two, one-year renewal options.

The contract for the state's General Depository Services expired on December 31, 2008. The State Treasurer's Office has exercised its final renewal option for the period January 1, 2009 through December 31, 2010.

Clint Zweifel was elected as Missouri's State Treasurer on November 4, 2008. He took office on January 12, 2009.

Required Supplementary Information

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 572,134	\$ 572,134	\$ 572,134	\$ 0	\$ 4,961	\$ 4,961	\$ 4,961	\$ 0
Resources (Inflows):								
Interest	2,813,219	2,813,219	2,851,367	38,148	0	0	0	0
Intergovernmental	0	0	0	0	8,200	8,200	994	(7,206)
Total Resources (Inflows)	<u>2,813,219</u>	<u>2,813,219</u>	<u>2,851,367</u>	<u>38,148</u>	<u>8,200</u>	<u>8,200</u>	<u>994</u>	<u>(7,206)</u>
Amount Available for Appropriation	<u>3,385,353</u>	<u>3,385,353</u>	<u>3,423,501</u>	<u>38,148</u>	<u>13,161</u>	<u>13,161</u>	<u>5,955</u>	<u>(7,206)</u>
Charges to Appropriations (Outflows):								
General Government	1,989,821	1,994,127	1,915,929	78,198	8,000	8,000	291	7,709
Transfers Out	648,974	649,319	577,692	71,627	1,555	1,555	1,539	16
Total Charges to Appropriations	<u>2,638,795</u>	<u>2,643,446</u>	<u>2,493,621</u>	<u>149,825</u>	<u>9,555</u>	<u>9,555</u>	<u>1,830</u>	<u>7,725</u>
Ending Budgetary Fund Balance	<u>\$ 746,558</u>	<u>\$ 741,907</u>	<u>\$ 929,880</u>	<u>\$ 187,973</u>	<u>\$ 3,606</u>	<u>\$ 3,606</u>	<u>\$ 4,125</u>	<u>\$ 519</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(859,280)				(3,812)	
Investments at Fair Value			861,268				3,821	
Accounts Payable			(34,049)				(26)	
Accrued Payroll			(41,822)				0	
Due to Other Funds			(43,476)				0	
Fund Balance - GAAP Basis			<u>\$ 812,521</u>				<u>\$ 4,108</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,012,106	\$ 1,012,106	\$ 1,012,106	\$ 0	\$ 11,208	\$ 11,208	\$ 11,208	\$ 0
Resources (Inflows):								
Interest	2,369,000	2,369,000	1,958,344	(410,656)	0	0	0	0
Intergovernmental	0	0	3,459	3,459	3,200	3,200	991	(2,209)
Total Resources (Inflows)	<u>2,369,000</u>	<u>2,369,000</u>	<u>1,961,803</u>	<u>(407,197)</u>	<u>3,200</u>	<u>3,200</u>	<u>991</u>	<u>(2,209)</u>
Amount Available for Appropriation	<u>3,381,106</u>	<u>3,381,106</u>	<u>2,973,909</u>	<u>(407,197)</u>	<u>14,408</u>	<u>14,408</u>	<u>12,199</u>	<u>(2,209)</u>
Charges to Appropriations (Outflows):								
General Government	1,905,865	1,918,865	1,831,902	86,963	8,000	8,000	2,454	5,546
Transfers Out	641,393	642,554	569,873	72,681	4,799	4,799	4,784	15
Total Charges to Appropriations	<u>2,547,258</u>	<u>2,561,419</u>	<u>2,401,775</u>	<u>159,644</u>	<u>12,799</u>	<u>12,799</u>	<u>7,238</u>	<u>5,561</u>
Ending Budgetary Fund Balance	\$ <u>833,848</u>	\$ <u>819,687</u>	\$ <u>572,134</u>	\$ <u>(247,553)</u>	\$ <u>1,609</u>	\$ <u>1,609</u>	\$ <u>4,961</u>	\$ <u>3,352</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(463,625)				(4,020)	
Investments at Fair Value			463,112				4,016	
Accounts Payable			(30,342)				(395)	
Accrued Payroll			(57,766)				0	
Due to Other Funds			<u>(46,967)</u>				<u>0</u>	
Fund Balance - GAAP Basis			\$ <u>436,546</u>				\$ <u>4,562</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2008, has been presented at the bottom of the Budgetary Comparison Schedule shown on the previous page of RSI and includes data presented, on this basis, for the fiscal year, and for adjustments made in the one-month lapse period, July 1 through July 31.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information

Schedule 1

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2008			2007		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 1,000,000	962,285	37,715	1,000,000	866,674	133,326
Refunds of excess interest from the linked deposit program	363	363	0	100	0	100
Total General Revenue Fund	1,000,363	962,648	37,715	1,000,100	866,674	133,426
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,508,122	1,447,667	60,455	1,459,089	1,404,599	54,490
Expense and equipment	270,655	253,261	17,394	270,655	251,182	19,473
Treasurer state owned building	215,350	215,001	349	176,121	176,121	0
Total Treasurer's General Operations Fund	1,994,127	1,915,929	78,198	1,905,865	1,831,902	73,963
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	291	7,709	8,000	2,454	5,546
Total Treasurer's Information Fund	8,000	291	7,709	8,000	2,454	5,546
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	22,309	22,019	290	21,659	21,659	0
Expense and equipment	225,000	76,687	148,313	225,000	126,437	98,563
Total Central Check Mailing Service Revolving Fund	247,309	98,706	148,603	246,659	148,096	98,563
SECOND INJURY FUND						
Personal service	40,572	40,572	0	39,390	39,390	0
Expense and equipment	3,280	3,271	9	3,280	3,280	0
Total Second Injury Fund	43,852	43,843	9	42,670	42,670	0
ABANDONED FUND ACCOUNT FUND						
Personal service	502,331	489,225	13,106	487,700	477,783	9,917
Expense and equipment	98,600	60,348	38,252	98,600	76,145	22,455
Advertising and auctions	870,000	862,065	7,935	561,000	551,691	9,309
Payment of claims for abandoned property	35,000,000	30,642,979	4,357,021	23,200,000	21,635,424	1,564,576
Total Abandoned Fund Account Fund	36,470,931	32,054,617	4,416,314	24,347,300	22,741,043	1,606,257
Total All Funds	\$ 39,764,582	35,076,034	4,688,548	27,550,594	25,632,839	1,917,755

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2008	2007
Personal service	\$ 1,999,482	1,943,431
Travel	6,010	14,752
Expense and equipment	419,947	403,642
Communications expense	43,245	39,305
Professional services	773,208	518,410
Equipment repairs and maintenance	67,481	63,620
Equipment and software purchases	161,034	147,581
Abandoned fund claim payments	30,642,979	21,635,424
Replacement of outlawed checks	962,285	866,674
Refunds of excess interest from the linked deposit program	363	0
Total Expenditures	\$ <u>35,076,034</u>	<u>25,632,839</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
YEAR ENDED JUNE 30, 2008

	Furniture and Equipment	Motor Vehicles	Total General Fixed Assets
Balance, June 30, 2007	\$ 821,096	16,582	837,678
Additions	100,064	0	100,064
Dispositions	(62,003)	0	(62,003)
Balance, June 30, 2008	<u>\$ 859,157</u>	<u>16,582</u>	<u>875,739</u>

Fund of Acquisition	Balance June 30, 2008
General Revenue Fund	\$ 568,730
Treasurer's General Operations Fund	209,723
Central Check Mailing Service Revolving Fund	42,877
Second Injury Fund	2,093
Abandoned Fund Account Fund	50,617
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 875,739</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2008	2007	2006	2005	2004
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 3,254,861	1,260,314	200,000	372,704	12,247,705
Central Bank	2,906,607	(17,643,721)	(124,548,876)	(130,664,664)	(58,532,570)
Premier Bank	23,933	28,400	26,350	70,273	58,705
Commerce Bank	1,003,059	46,689	330,495	0	0
Collection bank accounts	3,200,125	5,100,011	4,417,807	5,570,434	3,953,086
Bank of New York Midwest	35,371	63,555	27,739	(153,823)	0
UMB Bank	(104,051,423)	(157,866,914)	0	0	0
Total Demand Deposits	(93,627,467)	(169,011,666)	(119,546,485)	(124,805,076)	(42,273,074)
Pooled Investments:					
Time deposits	794,573,654	725,919,659	550,500,850	410,099,652	373,397,355
U.S. government securities	3,060,593,602	1,881,814,564	1,332,339,487	1,517,146,443	1,678,892,718
Commercial paper and banker acceptances	255,421,715	1,083,140,450	927,024,030	511,579,780	516,179,983
Repurchase agreements	336,856,001	142,474,000	306,261,001	256,490,000	356,298,000
Total Pooled Investments	4,447,444,972	3,833,348,673	3,116,125,368	2,695,315,875	2,924,768,056
Total Demand Deposits and Pooled Investments	4,353,817,505	3,664,337,007	2,996,578,883	2,570,510,799	2,882,494,982
Special Fund Dedicated Investments:					
U.S. government securities	31,847,311	31,849,243	23,582,012	22,490,817	22,307,523
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	31,852,441	31,854,373	23,587,142	22,495,947	22,312,653
Total Appropriated Funds	4,385,669,946	3,696,191,380	3,020,166,025	2,593,006,746	2,904,807,635
NONAPPROPRIATED FUNDS					
Demand deposits	0	20,328	3,880	12,690,878	12,326,160
Repurchase agreements	26,585,259	21,996,084	2,911,106	5,694,294	8,329,000
US government securities	0	4,910,938	0	0	15,105,450
Commercial paper and banker acceptances	2,500,000	24,977,950	0	0	0
Time deposits	0	50,000,000	0	0	0
Total Nonappropriated Funds	29,085,259	101,905,300	2,914,986	18,385,172	35,760,610
Total Cash and Investments	\$ 4,414,755,205	3,798,096,680	3,023,081,011	2,611,391,918	2,940,568,245

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

		Year Ended June 30,				
		2008	2007	2006	2005	2004
INTEREST RECEIPTS						
General and special funds	\$	178,680,683	146,727,651	97,587,051	38,422,115	31,319,021
Debt retirement funds		22,937,142	15,978,846	12,820,914	1,828,999	1,684,923
Total Appropriated Funds		201,617,825	162,706,497	110,407,965	40,251,114	33,003,944
Trust funds		2,678,192	4,025,495	187,649	273,652	754,646
Total Interest Receipts	\$	204,296,017	166,731,992	110,595,614	40,524,766	33,758,590

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Notes to the Supplementary Information

OFFICE OF STATE TREASURER
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of five years. Accumulated depreciation on general capital assets at June 30, 2008, was \$717,863.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper, issued by domestic corporations, which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than ninety days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 1400 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

Except for \$30,397, the State Treasurer's deposits at June 30, 2008, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2008, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Repurchase agreements	\$ 363,441,260	363,441,260
U.S. government securities	3,060,593,602	3,067,835,258
Commercial paper	257,921,715	257,901,075
Other investments	31,852,441	31,945,763
Total Investments	\$ 3,713,809,018	3,721,123,356

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of one central demand account at June 30, 2008 and 2007, two at June 30, 2006, four at June 30, 2005, and twenty-three at June 30, 2004. The demand deposits with Central Bank consist of thirty-one central demand accounts at June 30, 2008 and 2007, thirty-four at June 30, 2006, thirty-three at June 30, 2005, and fourteen at June 30, 2004. The demand deposits with Premier Bank consist of two central demand accounts at June 30, 2008, 2007, 2006, 2005, and 2004. The demand

deposits with Bank of New York consist of one central demand account at June 30, 2008, two at June 30, 2007, eight at June 30, 2006, and two at June 30, 2005. The demand deposits with Commerce Bank consist of six central demand accounts at June 30, 2008, and five at 2007 and 2006. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2008 and 2007. Demand deposit bank balances were \$58,220, \$17,418, \$200,000, \$418,917, and \$20,388,987 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for US Bank; and \$2,638,669, \$13,586,834, \$16,490,088, \$11,720,611, and \$77,114,881 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for Central Bank; and \$24,705, \$29,362, \$26,347, \$71,568, and \$58,800 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for Premier Bank; and \$253 at June 30, 2008 and 2007 and \$0 at June 30, 2006 and 2005 for Bank of New York; and \$103,883 and \$10,974 at June 30, 2008 and 2007, respectively, for UMB Bank; and \$1,136,296, \$163,448 and \$408,003 at June 30, 2008, 2007 and 2006, respectively, for Commerce Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts at various banks throughout the state. The General Concentration and Conservation Concentration Accounts were at Central Bank at June 30, 2008, 2007, 2006, 2005, and 2004. The Lottery Concentration Account was at Central Bank at June 30, 2008, 2007, 2006, and 2005 and at US Bank at June 30, 2004. Collection account bank balances were \$3,219,655, \$5,107,667, \$4,448,114, \$6,038,641, and \$4,889,141 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

5. Special Fund Dedicated Investments

Due to a change in the state's accounting system, as of July 1, 1999, the State Treasurer was assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

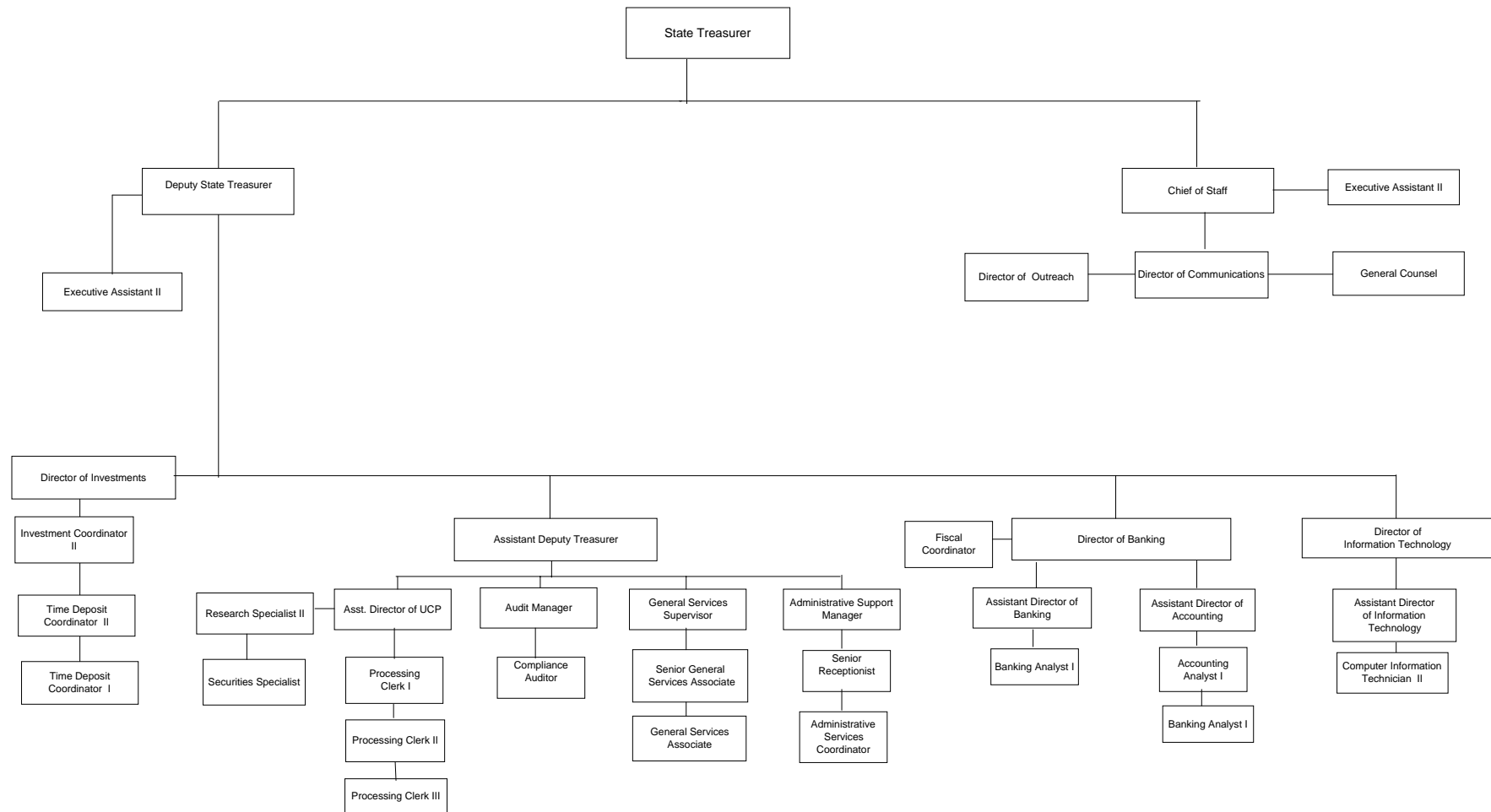
The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

Sarah Steelman became Missouri's forty-fourth State Treasurer when she took the oath of office on January 10, 2005. Her term expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

As of June 30, 2008, the office had 43 full-time positions and 6 part-time positions to assist in the accomplishment of its mission. An organization chart follows.

OFFICE OF STATE TREASURER
ORGANIZATION CHART
JUNE 30, 2008





Susan Montee, CPA
Missouri State Auditor

Office of State Treasurer

Period July 1, 2008
Through
January 12, 2009



March 2009

Report No. 2009-28

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The following report is our audit of the Office of the State Treasurer.

On January 10, 2005, Sarah Steelman was inaugurated as the forty-fourth Treasurer of the State of Missouri. Her term as State Treasurer expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, determine the amount of state monies not needed for current operating expenses, and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

We had no findings on the Office of State Treasurer.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	4-7
<u>Appendix</u>	
A Statement of Appropriations and Expenditures	6
B Statement of Changes in General Capital Assets.....	7

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Sarah Steelman
and
Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the Office of State Treasurer. The scope of our audit included, but was not necessarily limited to, the period of July 1, 2008 through January 12, 2009. The objectives of our audit were to:

1. Determine if the office has adequate internal controls over significant management and financial functions.
2. Determine if the office has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such

an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

No findings resulted from our audit of the Office of State Treasurer.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Patrick M. Pullins, M.Acct.
	Joseph Adrian
	Tina Gildehaus, M.Acct.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

Sarah Steelman became Missouri's forty-fourth State Treasurer when she took the oath of office on January 10, 2005. Her term expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

As of January 12, 2009, the office had 40 full-time positions and 6 part-time positions to assist in the accomplishment of its mission.

Appendix A

OFFICE OF STATE TREASURER
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2008 THROUGH JANUARY 12, 2009

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Uncommitted Appropriations</u>
GENERAL REVENUE FUND				
Issuing duplicate/outlawed checks	\$ 1,500,000	1,222,054	0	277,946
Refunds of excess interest from the linked deposit program	750	352	0	398
Total General Revenue Fund	<u>1,500,750</u>	<u>1,222,406</u>	<u>0</u>	<u>278,344</u>
TREASURER'S GENERAL OPERATIONS FUND				
Personal service	1,553,365	811,247	22,097	720,021
Expense and equipment	270,655	97,062	34,506	139,087
Treasurer state owned building	231,699	113,563	113,562	4,574
Total Treasurer's General Operations Fund	<u>2,055,719</u>	<u>1,021,872</u>	<u>170,165</u>	<u>863,682</u>
TREASURER'S INFORMATION FUND				
Expense and equipment	8,000	720	10	7,270
Total Treasurer's Information Fund	<u>8,000</u>	<u>720</u>	<u>10</u>	<u>7,270</u>
CENTRAL CHECK MAILING SERVICE REVOLVING FUND				
Personal service	22,978	12,201	0	10,777
Expense and equipment	225,000	55,862	0	169,138
Total Central Check Mailing Service Revolving Fund	<u>247,978</u>	<u>68,063</u>	<u>0</u>	<u>179,915</u>
SECOND INJURY FUND				
Personal service	41,789	30,229	2,725	8,835
Expense and equipment	3,280	1,178	118	1,984
Total Second Injury Fund	<u>45,069</u>	<u>31,407</u>	<u>2,843</u>	<u>10,819</u>
ABANDONED FUND ACCOUNT FUND				
Personal service	517,401	287,483	0	229,918
Expense and equipment	98,600	26,522	5,556	66,522
Advertising and auctions	225,000	57,663	8,853	158,484
Payment of claims for abandoned property	22,500,000	14,397,054	0	8,102,946
Total Abandoned Fund Account Fund	<u>23,341,001</u>	<u>14,768,722</u>	<u>14,409</u>	<u>8,557,870</u>
Total All Funds	<u>\$ 27,198,517</u>	<u>17,113,190</u>	<u>187,427</u>	<u>9,897,900</u>

Appendix B

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
PERIOD JULY 1, 2008 THROUGH JANUARY 12, 2009

	Furniture and Equipment	Motor Vehicles	Total General Capital Assets
Balance, June 30, 2008	\$ 859,157	16,582	875,739
Additions	38,777	0	38,777
Dispositions	0	0	0
Balance, January 12, 2009	\$ 897,934	16,582	914,516

Fund of Acquisition	Balance January 12, 2009
General Revenue Fund	\$ 568,730
Treasurer's General Operations Fund	248,500
Central Check Mailing Service Revolving Fund	42,877
Second Injury Fund	2,093
Abandoned Fund Account Fund	50,617
Treasurer's Information Fund	1,699
Total All Funds	\$ 914,516



Susan Montee, CPA
Missouri State Auditor

Mountain Grove Special Road District



March 2009

Report No. 2009-27

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The following findings were included in our audit report on the Mountain Grove Special Road District.

A number of transactions, which gave the appearance of a conflict of interest, were noted and the district did not retain documentation to show how these purchases had been bid or price comparisons had been completed.

The district does not have formal bidding policies, and bids were not solicited for various purchases. Vendor invoices or other supporting documentation was not retained for 11 of the 40 disbursements reviewed totaling \$89,223. District checks were not always signed by the president or vice president and the secretary/treasurer of the board as required by state law, and checks are regularly signed in advance by the special road district commissioners. The district loaned an employee \$2,002 to purchase a used dump truck from the district, in apparent violation of the Missouri Constitution.

The district considers the secretary/treasurer and assistant secretary to be independent contractors; however, it appears these individuals should be treated as employees. Employee paychecks are not kept in a secure location prior to distribution. The district has not established a personnel policy to address various personnel issues.

The district's 2008 and 2007 budgets were not accurate and complete, and the 2008 budget was not approved by the board until March 2008. The road district does not furnish disbursement information to Wright County for publication of the road district's financial statement. An annual maintenance plan has not been prepared to document expected work on the district's roads and bridges, and the district has accumulated a significant cash balance without any specific documented plans for its use. The district does not maintain a listing or map of public roads under its legal authority, and as a result, it is unclear which roads the district is responsible for maintaining. In addition, the district performed maintenance on two private roads.

The district does not have formal written policies regarding the sale and installation of culverts, and it has not evaluated whether the price charged to district residents is sufficient to cover the cost of installation. Records are not maintained to document culverts sold to ensure amounts are billed to applicable residents, and inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district.

Also included in the report are additional recommendations related to disbursements and payroll, and recommendations related to accounting controls and procedures, oaths of office and candidate filing for elections, Sunshine Law compliance, and property procedures and records.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MOUNTAIN GROVE SPECIAL ROAD DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-23
<u>Number</u>	<u>Description</u>
1.	Potential Conflicts of Interest5
2.	Disbursements and Written Agreements6
3.	Payroll Controls and Procedures.....11
4.	Accounting Controls and Procedures13
5	Budgets, Published Financial Statements, and Road Maintenance15
6.	Minutes and Public Access Policy18
7.	Oaths of Office and Candidate Filing for Elections20
8.	Property Procedures and Records21
9.	Culvert Sales and Inventory Procedures and Records22
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	24-26

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Board of Commissioners
Mountain Grove Special Road District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Mountain Grove Special Road District. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the district has adequate internal controls over significant management and financial functions.
3. Determine if the district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Mountain Grove Special Road District.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish
Staff:	Ashley LeCuru

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MOUNTAIN GROVE SPECIAL ROAD DISTRICT
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Potential Conflicts of Interest

A number of transactions were noted between the district and special road district commissioners, employees, and relatives of appointed personnel for purchases of goods, services, and sales of equipment.

- The district purchased a 120 gallon fuel tank from an employee for \$450 in March 2006.
- The district purchased a cabinet and 89 pounds of welding rod from the secretary/treasurer in November 2006 for \$221.
- The district purchased a set of forks for a fork lift from a commissioner in January 2007 for \$200. The forks were adapted by the district to be used on a district owned loader.
- The district disbursed approximately \$400 during the year ended December 31, 2007, for legal fees to a firm in which the secretary/treasurer's son is a partner. The secretary/treasurer indicated the district has used this firm since the district formed in 1993 when the secretary/treasurer's husband was president of the board.

The district did not retain any documentation to show these purchases had been bid or price comparisons had been completed. In addition, district minutes did not document the board's approval to purchase the forks from the commissioner.

- The district sold a tractor and a backhoe to employees for \$50 and \$1,850, respectively, in April 2006.
- The district sold an oil tanker truck to an employee in March 2007 for \$500.

Meeting minutes prior to these sales indicate the district advertised for bids, but no bids were received. However, the district did not document any price comparisons to ensure the amounts received were fair and reasonable.

- A bid received from an employee for the purchase of a dump truck owned by the district had been altered. In April and May 2007, the district advertised for sealed bids for the dump truck, and three bids were subsequently received. The board awarded the high bid to an employee for \$2,002; however, the employee's original bid of \$2,000 was written over in a different style of handwriting and changed to \$2,002. The second highest bidder submitted a bid of \$2,001. It was not clear

who altered the original bid document. Altering sealed bid documents circumvents the sealed bid process and equitable treatment of bidders.

Officers and employees of a special road district serve in a fiduciary capacity. Personal interests in business matters of the district could create the appearance of conflicts of interest. The Missouri Supreme Court has stated "A public officer owes an undivided loyalty to the public whom he serves and he should not place himself in a position which will subject him to conflicting duties or expose him to the temptation of acting other than in the best interests of the public..." State vs. Cumpton, 240 S.W. 2d 877, 886 (Mo banc. 1951).

In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the district and elected or appointed officials or employees which involve more than \$500 unless there has been public notice to solicit proposals and competitive bidding.

To reduce the appearance of conflict of interest and to ensure full compliance with state law, the board should obtain bids in situations where products or services are bought or sold by elected or appointed officials or employees. In addition, road district officials should abstain from any type of involvement in district decisions which relate to themselves, employees, or relatives. Discussions and decisions concerning transactions where a potential conflict of interest exists should be completely documented to provide assurance no district official, employee, or relative has profited improperly. The board should also consider establishing a policy which addresses these types of situations and provides a code of conduct for district officials and employees.

WE RECOMMEND the Board of Commissioners more closely examine district transactions to identify and avoid apparent and actual conflicts of interests. District officials and employees who have a conflict which is unavoidable should fully disclose their interests. Such matters and transactions should be completely documented so the public has assurance no commissioner or employee has profited improperly. The board should ensure strict compliance with the law when conducting district business and establish a policy that addresses these issues. In addition, the board should ensure bid documents are not altered.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following response:

Steps have been taken to avoid these situations in the future.

2. Disbursements and Written Agreements
--

The district does not have formal bidding policies, and bids were not solicited for various purchases. Documentation of the board's review of invoices is not maintained, and

adequate supporting documentation is not available for some disbursements. The district did not retain a copy of a warranty agreement for a recently purchased road grader and did not adequately track costs covered by the warranty. Several concerns were noted regarding the signing of checks. Fuel usage logs are not maintained for the district's equipment and vehicles. The district has not established policies for mileage reimbursements paid to special road district commissioners and employees. The district did not always enter into written contracts, loaned an employee \$2,002 in May 2007 in an apparent violation of the Missouri Constitution, and has not periodically solicited proposals from banking institutions for the deposit of district monies.

- A. The district does not have formal bidding policies. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were not solicited or bid documentation was not retained for the following purchases during the 2 years ended December 31, 2008:

Items Purchased	Cost
Fuel (2007)	\$ 16,732
Used dump truck	9,500
Tractor and brush cutter	8,800
Property insurance	5,693
Culverts	5,292
Diesel engine repairs	5,180
Used roller	5,000
Workman's compensation insurance	3,950
3/8 inch rock	3,038
Equipment repairs	1,267
Roller parts	851
Radiator repairs	688
Radios	627

In addition, the district solicited bids for asphalt mix and pea gravel, but did not document why the lowest bidder was not selected. As a result of not using the lowest bidders, the district spent \$928 more than the lowest bid for asphalt mix in June 2008 and \$600 more than the lowest bid for pea gravel in September 2008.

Also, the district did not always ensure it paid the bid price for road oil. For example, the district ordered road oil on August 2, 2007, and paid \$645 more than the bid price. The district later ordered road oil on August 16, 2007, and paid the bid price.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the district receives a fair value by contracting with the lowest or best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Various approaches are appropriate, based on dollar

amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected. In addition, the district should ensure it is not billed for more than the bid price agreed upon.

- B. The board indicated invoices are reviewed at each board meeting; however, documentation of this review is not maintained and a listing of invoices is not prepared for the board's review. To adequately document the board's review and approval of all disbursements, a complete and detailed listing of invoices should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes.
- C. Vendor invoices or other supporting documentation was not retained for 11 of the 40 disbursements reviewed totaling \$89,223. These disbursements included purchases of equipment and gravel. In addition, an employee was reimbursed \$100 for the repair/replacement of a trailer tire without being required to submit a paid receipt verifying the amount disbursed. All disbursements should be supported by a vendor invoice or other related supporting documentation to ensure the obligation was actually incurred.
- D. The district did not retain a copy of a warranty agreement for a recently purchased road grader and did not adequately track costs covered by the warranty. As a result, the district paid \$30,247 in August 2007 for repairs to a grader that should have been primarily covered by the warranty agreement. Subsequently in October 2007, the equipment company identified the error and issued the district a refund of \$29,687 for repairs covered under the warranty. Warranty agreements should be retained and tracked by the district to ensure unnecessary costs are not incurred.
- E. Controls over district checks need improvement.
 - 1) Many checks were not signed by the president or vice president and the secretary/treasurer, and a special road district commissioner, who was not the president or vice president of the board and did not have authority to sign checks, signed several checks. Section 233.335.5, RSMo, requires all checks to be signed by the president or the vice president and the secretary (2 signatures required). -
 - 2) The district sometimes issued (and the district's bank processed) checks with only one signature although dual signatures are required. The district issued 6 checks totaling \$5,186 in September 2008 with only one commissioner's signature (the commissioner who does not have signature authority). Dual signatures help provide assurance that checks represent payment for legitimate district disbursements.

- 3) Checks are regularly signed in advance by the special road district commissioners. Signing checks in advance is a serious control weakness and significantly increases the risk of improper disbursements or loss due to misappropriation. In addition, disbursements should not be approved for payment and the applicable checks signed prior to a review of the supporting documentation.
- F. Fuel and usage logs are not maintained for the district's equipment and vehicles. As a result, fuel usage is not reconciled to fuel purchases. The district has a metered diesel tank and an unleaded fuel tank at the maintenance facility. During the year ended December 31, 2007, the district spent \$16,732 for fuel.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to also support fuel charges. The logs should include the date, driver, purpose, and destination of each trip; daily beginning and ending odometer or hour readings for vehicles and equipment; maintenance and safety inspections performed; and amount of fuel pumped. The logs should then be reconciled to fuel purchases. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

- G. The district has not established policies for mileage reimbursements paid to special road district commissioners. Special road district commissioners are reimbursed for mileage traveled; however, they are not required to maintain mileage logs showing the purpose, date, beginning and ending odometer reading, and destination. The special road district commissioners only document the number of miles traveled on a piece of paper or verbally request an amount to be reimbursed from the district secretary/treasurer. Documentation of the verbal request is not maintained by the secretary/treasurer.

Internal Revenue Service (IRS) Regulations require expenses not accounted for to the employer be considered gross income and payroll taxes be withheld from the undocumented payments. Therefore, these reimbursements should be considered gross income to the commissioners.

In addition, the district has not established a standard mileage reimbursement rate, and as a result, the mileage rate paid varied between reimbursements. One road commissioner was reimbursed at the rate of 55 cents per mile while another commissioner was reimbursed at 44.5 cents per mile.

To ensure reimbursement requests are reasonable and represent valid disbursements, a written policy should be adopted to require specific information be included on mileage reimbursement requests, such as dates, total miles driven, destinations, and purpose of official district business. The policy should also establish mileage rates to be reimbursed.

- H. The district did not enter into written contracts with a law firm for legal services and two individuals providing accounting services. The district paid \$423 and \$6,083 for legal and accounting services, respectively, during the year ended December 31, 2007.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Also, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- I. The district loaned an employee \$2,002 in May 2007 to purchase a used dump truck from the district in an apparent violation of the Missouri Constitution. In addition, the district did not enter into a written agreement with the employee. The employee issued a \$1,000 check to the district in May 2007, as a deposit (which was held by the district and never cashed and appears to have not been a valid check). The district returned the check to the employee when the balance of the dump truck was paid in full in October 2007. The employee made payments ranging from \$110 to \$1,592 from June through October 2007.

This employee loan appears to violate Article VI, Section 23 and 25, of the Missouri Constitution, which prohibits the loaning or granting of public funds to any private individual. In addition, it is unclear why the district did not deposit the employee's \$1,000 deposit, and refund the deposit when the balance due was paid in full.

- J. The district has not periodically solicited proposals from banking institutions for the deposit of district monies. A periodic evaluation of proposals from various banking institutions would provide the board with current information for making sound banking decisions.

WE RECOMMEND the Board of Commissioners:

- A. Establish a formal bidding policy and related procedures. Complete documentation of the bidding process should be maintained, including all bids received and justification for selecting and rejecting bids.
- B. Ensure the approval of disbursements is adequately documented by including a signed listing of all approved disbursements in the board minutes.
- C. Require adequate supporting documentation for all disbursements.
- D. Ensure warranty agreements are retained and adequately tracked.
- E. Ensure the board president or vice president and secretary sign all checks and prohibit the practice of signing checks in advance.

- F. Require usage logs be maintained for all district owned vehicles and equipment, and fuel logs be reconciled to fuel purchases. A periodic review should be performed to ensure the reasonableness of the fuel purchases and usage. In addition, all reviews and reconciliations should be documented.
- G. Develop and enforce a mileage reimbursement policy.
- H. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- I. Discontinue the practice of making employee loans.
- J. Solicit proposals from various banking institutions on a periodic basis.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will establish a bid policy and document justification for emergency purchases in the future.*
- B,F
&J. *We have implemented these recommendations.*
- C. *We will try to keep all documentation in the future.*
- D. *This is the only warranty we have. We will request a copy for our records.*
- E. *We will ensure checks are properly signed and establish a policy for emergency situations.*
- G. *We will establish a standard rate and will provide adequate documentation.*
- H. *We will obtain a written agreement for legal services. Our accounting services will be considered employees in the future.*
- I. *We will not provide employee loans in the future.*

3.	Payroll Controls and Procedures
-----------	--

The district considers the secretary/treasurer and assistant secretary to be independent contractors; however, it appears these individuals should be treated as employees, timecards should be prepared, and payroll taxes withheld. Employee paychecks are not kept in a secure location prior to distribution. The district has not established a personnel policy to address various personnel issues. Personnel files and employee withholding

forms are not maintained for district employees, and timecards are not signed by the employee and their supervisor.

- A. The district considers the secretary/treasurer and her assistant to be independent contractors; however, these individuals appear to be employees as the district controls and directs their work. In addition, written contracts were not entered into with these individuals, and IRS Forms 1099 were not issued. Also, the secretary/treasurer does not submit a bill for payment, and the assistant submits a timecard for payment. Timecards should be prepared for these employees and payroll taxes withheld. In addition, prior years W-2 Forms should be filed as applicable. The district paid the secretary/treasurer and assistant secretary \$5,525 and \$558, respectively, during the year ended December 31, 2007.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act and failure to properly withhold and submit payroll taxes.

- B. Employee paychecks are not kept in a secure location prior to distribution. The secretary/treasurer places each employee paycheck in an envelope marked with the employee name. These envelopes are placed in a folder (which is taped to the secretary/treasurer's front door the evening before pay day) and left unsecured overnight. To ensure paychecks are not lost or stolen, paychecks should be kept in a secure location until distributed to employees.
- C. The district has not established a personnel policy to address various personnel issues. As a result, employees were not always treated equitably. For example, new employees of the district are required to prepare an application for employment and pass a pre-employment drug screening before they are hired; however, an employee who began working for the district in October 2007, did not complete an application for employment or a pre-employment drug screening test. A drug screening test was not conducted until four months after his employment date.

Additionally, an employee was permitted to rent a district owned grader to use on personal property for a fee of \$75; however, another employee was terminated for using a grader on personal property.

The secretary/treasurer indicated the district refers to Wright County's personnel manual for guidance on some personnel matters; however, it has not formally adopted any of those policies.

A written personnel policy for all employees is necessary to ensure equitable treatment among employees and the avoidance of misunderstandings.

- D. Personnel files and employee withholding forms are not maintained for district employees. Personnel files should be maintained for all employees to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate. In addition, the IRS requires employers to ensure a Form W-4 is completed by each employee to support payroll withholdings and taxes.
- E. Timecards are not signed by employees and their supervisors. To document hours actually worked and substantiate payroll disbursements, timecards should be prepared and signed by all district employees and include documentation of supervisory approval.

WE RECOMMEND to the Board of Commissioners:

- A. Ensure individuals working for the district are treated as employees. The board should ensure timecards are prepared and payroll taxes are properly withheld. In addition, prior years' W-2 Forms should be filed as applicable.
- B. Ensure payroll checks are kept in a secure location until distributed to employees.
- C. Establish a written personnel policy and treat all employees equitably.
- D. Ensure personnel files are maintained for all district employees and all employees prepare a W-4 Form.
- E. Ensure timecards are signed by both the employee and the employee's supervisor.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will consider the Secretary/Treasurer and her assistant employees in the future.*
- B-E. *We have implemented these recommendations.*

4. Accounting Controls and Procedures
--

Accounting duties are not adequately segregated, and the secretary/treasurer is not adequately bonded. Several problems were identified regarding controls over receipts and monies received were not always deposited timely.

- A. Accounting duties are not adequately segregated. The district secretary/treasurer is responsible for all record keeping duties for the district including receiving and

depositing monies, preparing and distributing checks, recording receipts and disbursements, signing checks, and reconciling bank accounts. The secretary/treasurer has a paid assistant who records all meeting minutes and occasionally pays bills.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and disbursing monies from reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of bank reconciliations, a reconciliation of receipts and deposits, and a comparison of invoices and disbursements.

- B. The district secretary/treasurer is not adequately bonded. Section 233.335.2 RSMo, requires the treasurer to submit a bond of double the amount of all monies likely to come into her hands by virtue of her office. The secretary/treasurer is bonded for \$250,000. District revenues were approximately \$288,000 and \$274,000 during the years ended December 31, 2007 and 2006, respectively, which would require a bond of at least \$548,000. Failure to properly bond all persons with access to assets exposes the district to risk of loss.
- C. Receipt slips are not issued for most monies received, and receipt slips are not always issued in numerical order or accounted for properly. In addition, the method of payment is not indicated on all receipt slips and the composition of receipt slips is not reconciled to the composition of deposits. Only 7 receipt slips were issued for district business during the period January 1, 2006 through September 2008. Also, 52 receipt slips had been torn out of the receipt book and discarded. Further, the secretary/treasurer uses the same receipt book for her personal business.

Without issuing and accounting for official prenumbered receipt slips for all monies collected and reconciling the composition of receipts to the composition of deposits, the district cannot ensure all monies collected are ultimately deposited. In addition, all copies of voided or blank receipt slips should be properly mutilated and retained.

- D. Monies received are not always deposited in a timely manner. For example, a bill of sale for a truck sold to an employee for \$500 was completed on March 2, 2007; however, the monies were not deposited until March 21, 2007, 19 days later. To adequately account for receipts and reduce the risk of loss or misuse of funds, monies should be deposited in a timely manner.

WE RECOMMEND the Board of Commissioners:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Require the secretary/treasurer to submit a bond in compliance with state law.
- C. Properly account for the numerical sequence of official receipt slips issued, ensure the method of payment is indicated on all receipt slips, reconcile the composition of receipts to the composition of amounts deposited, maintain original copies of all receipt slips, and discontinue using district receipt slips for personal use.
- D. Ensure all receipts are deposited on a timely basis.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

A&B. We have implemented these recommendations.

C&D. We will implement these recommendations.

5. Budgets, Published Financial Statements, and Road Maintenance

The district's budgets were not always accurate and complete, and the 2008 budget was not approved by the board until March 2008. The road district does not furnish disbursement information to Wright County for publication of the road district's financial statement. An annual maintenance plan has not been prepared to document expected work on the district's roads and bridges, and the district has accumulated a significant cash balance without any specific documented plans for its use. The district does not maintain a listing or map of public roads under its legal authority, and as a result, it is unclear which roads the district is responsible for maintaining. In addition, the district performed maintenance on two private roads.

- A. The district's 2008 and 2007 budgets were not accurate and complete. For example:
 - Actual disbursements in 2007 were understated by \$4,048 on the 2008 budget.
 - The 2008 and 2007 budgets did not contain a budget message.
 - Documentation of a public hearing for the adoption of the district's 2008 and 2007 budgets was not maintained.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of road district operations and provides a means to effectively monitor actual costs and revenues. The budget should contain a budget message describing the important features of the budget and any major changes from the preceding year. A public hearing should be held on the adoption of a budget to obtain input from district residents.

- B. The 2008 budget was not approved by the board until March 2008. Section 67.070, RSMo, requires if a new budget is not adopted by the beginning of the new year then the board should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the district, the budget should be adopted in a timely manner.
- C. The road district does not furnish disbursement information to Wright County for publication of the road district's financial statement. Wright County publishes the county treasurer's receipts from the county collector and distributions to the road district; however, detailed information regarding actual road district disbursements is not provided. Identifying disbursements by vendor and purpose for inclusion in the published financial statements would provide taxpayers more relevant information.
- D. An annual maintenance plan has not been prepared to document expected work on the district's roads and bridges. In addition, the district has accumulated a significant cash balance without any specific documented plans for its use. At December 31, 2007, the district had a balance of \$189,797 and approximately \$95,000 in disbursements were processed through the district during the year ended December 31, 2007. The district's budget document presents proposed activities in general categories which contain significant dollar amounts; however, it does not provide details regarding specific projects or plans. Specific projects are also not documented in district minutes or made available to the public.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the road and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. Further, the district should review the balance of funds, consider future needs, and document a plan for disbursing monies. The plan should be referred to in the budget message and approved by the board. In addition, the board should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate repair and maintenance projects throughout the year.

- E. The district does not maintain a listing or map of public roads under its legal authority, and as a result, it is unclear which roads the district is responsible for maintaining.

In addition, the district performed maintenance on two private roads (Oak Way Drive and a portion of Countryside Lane, which is also called Gasperson Road). Chapter 228, RSMo, details the petition process that is required to make a private road a public road. This process includes a requirement that the petition application be filed with the County Commission. However, neither the district nor the county had any documentation available to support the petition process had been performed for Oakway Drive and the portion of Countryside Lane/Gasperson Road.

Special road districts do not have the authority to maintain private roads. Chapter 233.340.3, RSMo, states the special road district commissioners shall have sole, exclusive, and entire control and jurisdiction over all public highways, bridges, and culverts, other than those controlled by the highways and transportation commission, within the district, to construct, improve, and repair such highways, bridges, and culverts.

A listing and map of all public roads within the district should be established to ensure public funds are not disbursed to maintain private roads.

WE RECOMMEND the Board of Commissioners:

- A. Prepare complete and accurate budget documents and ensure budget hearings are held to obtain input from road district citizens.
- B. Ensure budgets are prepared timely and in compliance with state law.
- C. Furnish Wright County disbursement totals by vendor and purpose for publication of the annual financial statement.
- D. Establish a formal annual maintenance plan for district roads and bridges, and review the cash balance, consider the district's future needs, and document plans for disbursing the monies in the budget message and maintenance plan.
- E. Establish a listing and map of all public roads within the district and ensure maintenance is performed only on public roads.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. We will hold a public hearing in the future. We have added a budget message for our 2009 budget, and we will take steps to ensure actual numbers recorded on the budget are correct.*
- B&D. These recommendations have been implemented.*
- C. We will work with Wright County to do this in the future.*
- E. We have established a map of roads and will seek legal counsel regarding obtaining legal authority for the maintenance of roads already being maintained by the district.*

6. Minutes and Public Access Policy
--

The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law, and there was no evidence a roll call vote was taken during open meetings to close any of the meetings. Meeting minutes did not always include sufficient detail of matters discussed, and district business was sometimes conducted outside of regular open meetings. Board minutes were not signed by the assistant secretary as preparer, and the district does not have a formal policy regarding public access to district records.

- A. The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the October 8, 2007, closed session meeting, the board discussed employee compensation. In addition, there was no evidence a roll call vote was taken during open meetings to close any of the meetings.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session. In addition, Section 610.022, RSMo, requires the board to vote in open session to close a meeting and to announce publicly the reasons for going into closed session.

- B. Meeting minutes did not always include sufficient detail of matters discussed. There were several instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against. In addition, the minutes sometimes indicated citizens addressed concerns regarding district roads; however, no specifics such as the name of the road were included. Also, district minutes indicated bids were received for various purchases of equipment and supplies; however, the minutes did not document the final decision and reasons to award the bids. Further, emergency meetings were held on June 30, 2008, and

September 25, 2007, and meeting minutes did not document justification for the emergency or any discussion or decisions made.

Complete and accurate minutes provide an official record of the board's actions and decisions. Care should be taken to ensure the minutes are complete and document discussions or reasons for board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the board's intentions, possible incorrect interpretation of the board's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions. In addition, Chapter 610.020.7, RSMo, requires minutes to at least include the date, time, place, members present, members absent, and a record of any votes taken.

- C. District business was sometimes conducted outside of regular open meetings. For example, the secretary/treasurer indicated two of the three special road district commissioners met and approved hiring a district employee in October 2007; however, public notice of the meeting was not made, and an agenda and minutes were not prepared to document this decision.

The governing bodies of all political subdivisions are required to conduct business in regular open meetings. Any time a quorum of board members meet in person or by phone and transact public business, they are subject to the Sunshine Law.

- D. Board minutes are prepared by the assistant secretary; however, she does not sign the minutes. Board minutes are signed by members of the board. The board minutes should be signed by the preparer, in addition to the board members, to provide an attestation the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- E. The district does not have a formal policy regarding public access to district records. A formal policy regarding access to district records would establish guidelines for the district to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making district records available to the public.

WE RECOMMEND the Board of Commissioners:

- A. Ensure only allowable topics are discussed in closed meetings and a roll call vote is taken during open meetings to close any meetings.
- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.
- C. Ensure compliance with the Sunshine Law.

- D. Ensure minutes are signed by the preparer.
- E. Establish a records policy to ensure compliance with the Sunshine Law. This policy should include the records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will try to do better in the future.*
- B,D
&E. *We have implemented these recommendations.*
- C. *We will implement this in the future.*

7. Oaths of Office and Candidate Filing for Elections
--

The district secretary/treasurer indicated she has always administered the oaths of office for elected special road district commissioners. Section 233.330.2, RSMo, states all special road district commissioners shall qualify for office by taking, subscribing, and filing with the Wright County Clerk the oath prescribed by the constitution of this state.

In addition, candidates were allowed to file for the April 2008 election at two different locations (the district secretary/treasurer's home and a commissioner's home), while the public notice issued by the district indicated filings for office were to be accepted by a commissioner (at his home address) only. Section 115.124.2, RSMo, states the political subdivision shall clearly designate where candidates shall form a line to effectuate such filings for office and determine the order of such filings.

WE RECOMMEND the Board of Commissioners ensure oaths of office are administered to the special road district commissioners by the Wright County Clerk and accept candidacy filings at only one location in accordance with the district's public notice.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following response:

We will have the Wright County Clerk administer the oaths of office for future elected Commissioners, and all fillings for candidacy will be completed at the Wright County Clerk's office in the future.

The district does not maintain complete and current records for its capital assets including land, buildings, equipment, and other property. The district sold several vehicles and pieces of equipment, but did not always retain documentation of advertisements published and bids received.

- A. The district does not maintain complete and current records for its capital assets including land, buildings, equipment, and other property. The district's only listing of capital assets was the listing prepared by the Mountain Grove Township Board showing all assets transferred to the district upon its creation in December 1993. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including name, make, and model numbers; asset identification numbers; physical location of the assets; and date and method of disposition of the assets. These property records should then be compared to the district's insurance coverage and titles. In addition, all property items should be inventoried with a tag or other similar device, and the district should conduct annual inventories.

Adequate general capital asset records are necessary to secure better internal controls and safeguard district assets which are susceptible to loss, theft, or misuse, and to provide a basis for determining proper insurance coverage.

- B. District officials indicated several vehicles and pieces of equipment sold by the district were advertised and bids were received, but the district did not retain documentation of the advertisements published and bids received. In addition, a formal written policy has not been established for the sale of district property. To ensure the best price is obtained for property sold, a formal written policy should be established. The policy should address the authorization required for sale, establishment of a reserve price, advertisement for bids, the bid review and selection process, and notification requirements for bidders (acceptance or rejection).

WE RECOMMEND the Board of Commissioners:

- A. Ensure property records are maintained which include all pertinent information for each asset such as a tag number, description, cost, acquisition date, location, and subsequent disposition. These property records should be compared to the district's insurance coverage. The district should also properly tag, number, or otherwise identify all applicable district property and conduct an annual inventory.

- B. Retain documentation of advertisements published and bids received for property sold and establish a formal policy for the sale of district property.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We have started an inventory listing for items of value. We will complete an annual inventory in the future.*
- B. *We will implement this recommendation.*

9. Culvert Sales and Inventory Procedures and Records
--

The district does not have formal written policies regarding the sale and installation of culverts, and it has not evaluated whether the price charged to district residents is sufficient to cover the cost of installation. Records are not maintained to document culverts sold to ensure all amounts are billed to applicable residents, and inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district. In addition, access to the district maintenance grounds is not adequately controlled.

- A. The district sells and installs culverts to district residents at the district's cost of the culvert plus 10 percent. The district secretary/treasurer prepares the billings and receives payments from the residents. Our review of this area noted the following concerns:

- 1) The district does not have formal written policies regarding the sale and installation of culverts. In addition, the district has not evaluated whether the price charged to district residents is sufficient to cover the cost of installation.

The board should evaluate its current policies and procedures regarding performing these services. In addition, installing private culverts may compete with private businesses which perform this service. Formal written policies should be developed to document the district-related purpose, ensure all district residents are treated equally, and prevent misunderstandings.

- 2) Records are not maintained to document culverts sold to ensure all amounts are billed to applicable residents. For example, in May 2008, district minutes indicated the road district foreman had informed the board a culvert extension had been installed for a citizen and needed to be billed. The secretary/treasurer indicated she was unaware of the culvert

installation and had not billed the citizen. As a result, the citizen did not pay for the culvert extension until after our inquiry in December 2008.

To ensure all culverts sold are properly charged, billed, and collected, a log should be maintained by the district of culverts sold. The secretary/treasurer should prepare billings based upon the information on the log and should reconcile payments received to the billings issued.

- B. Inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district. The district typically stockpiles asphalt mix, gravel, culverts, and other supplies at the district maintenance facility. In addition, access to the district maintenance grounds is not adequately controlled. While the maintenance buildings and fuel tanks are locked, the grounds are not secured by a perimeter fence and locking gate. In July 2008, approximately 50 gallons of unleaded fuel and 300 gallons of diesel fuel were stolen from the district.

Without inventory records, the commission cannot effectively evaluate the reasonableness of purchases and usage of supplies and materials, and theft and improper usage may go undetected. In addition, to reduce the risk of loss, theft, or misuse of road district assets, the board should ensure the grounds of the maintenance facility are secured.

WE RECOMMEND the Board of Commissioners:

- A. Evaluate the practice of selling culverts to district residents. If the district continues to provide this service, establish a formal written policy and ensure the price established covers all costs incurred. In addition, the Board of Commissioners should maintain a log of culverts installed and reconcile all billings to receipts on a periodic basis to ensure outstanding receivables are collected.
- B. Maintain adequate inventory controls and records to account for district supplies and materials.

AUDITEE'S RESPONSE

The Board of Commissioners provided the following responses:

- A. *We will review this recommendation further to establish a written policy and ensure documentation and records are adequately maintained.*
- B. *We have established inventory records to account for district supplies. The city of Mountain Grove owns the land and buildings, and the city will not allow us to lock these premises.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MOUNTAIN GROVE SPECIAL ROAD DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Mountain Grove Special Road District covers 60 miles in southern Wright County, Missouri. The Board of Commissioners consists of 3 commissioners who serve three-year terms. The commissioners receive no compensation and elect a President and Vice President of the board.

Board of Commissioners	Dates of Service During the Year Ended December 31, 2007	
David Splain (1)	January–December	
Delmar Hicks (2)	January-December	
Charles Dean (3)	January-September	
Bruce Kaylor (4)	October-December	
Other Officials	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Fay Housely, Secretary/Treasurer	January through December	\$ 5,525
Tonya Lancaster, Assistant Secretary	January through December	558

- (1) David Splain served as Vice President from January through September and President from October through December.
- (2) Delmar Hicks served as Vice President from October through December.
- (3) Charles Dean served as President from January through October, and resigned from the board in October 2007.
- (4) Bruce Kaylor was appointed in October 2007 to fill the remainder of Charles Dean's term.

In addition to the officials identified above, the district employed 2 full-time employees on December 31, 2007.

Assessed valuations for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 38,496,649
Personal property	13,641,604
Total	<u>\$ 52,138,253</u>

In November 2001, Wright County voters approved a ½ cent road and bridge sales tax that allocated 30 percent of the sales tax collections to the Mountain Grove Special Road District. The sales tax became effective in April 2002.

A summary of the district's financial activity for the year ended December 31, 2007, is presented below:

RECEIPTS	
Wright County road and bridge sales tax	\$ 240,687
Wright County CART distribution	27,500
Charges for services	698
Interest	12,108
Other	7,154
Total Receipts	<u>288,147</u>
DISBURSEMENTS	
Salaries	75,331
Office supplies	7,360
Insurance	12,130
Operating expense	19,219
Equipment purchases	70,862
Equipment repair	25,108
Road maintenance	95,284
Other	4,048
Total Disbursements	<u>309,342</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(21,195)</u>
CASH, JANUARY 1	<u>210,992</u>
CASH, DECEMBER 31	\$ <u><u>189,797</u></u>



Susan Montee, CPA
Missouri State Auditor

SOCIAL SERVICES

MO HealthNet Division

Program Integrity Unit

March 2009

Report No. 2009-26



auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The following findings were included in our audit report on the Missouri Department of Social Services, MO Healthnet Division, Program Integrity Unit.

The State Auditor is required by state law to conduct an audit of the Department of Social Services (DSS), MO HealthNet Division (MHD), Program Integrity Unit (PIU) "...to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office." The PIU needs to ensure all information required by state law is included and accurately reported in its annual report submitted to the General Assembly and Governor. In fiscal year 2007, the PIU reported recoveries in excess of \$5.3 million.

The report did not include some participant investigations completed during the reporting period. In addition, the age and type of provider/participant investigations were not reported. Some overpayments, identified as a result of completed investigations, reviews, or audits, are not reported. Although the report includes overpayments identified by the Welfare Investigations Unit (WIU), the overpayments identified by the PIU and Cost Recovery Unit (CRU) are not reported. The PIU records indicated overpayments identified totaled almost \$4.7 million for the year ended June 30, 2007.

The amount of fines and restitution ordered to be reimbursed, and other required information on provider investigations closed by the Office of Attorney General, Medicaid Fraud Control Unit (MFCU), are not reported. Some monetary recoveries (collections) resulting from completed investigations, reviews or audits are not reported. Although the report lists the total amount of recoveries for the PIU and CRU, the monetary recoveries for the WIU are not reported.

The annual report amounts were not always complete and accurate. The report identified overpayments, collections, and costs; however, these amounts were incomplete and/or misclassified. In addition, the amounts identified as cost recovery for the MO HealthNet Investigations Unit (MHIU) and the WIU were actually the overpayment amounts and the actual cost recovery amounts were not reported.

The DSS has not established adequate procedures to ensure the accuracy of amounts included in the annual report and some amounts were not accurately reported. Also, some amounts reported were not always calculated in the same manner from year to year. In March 2007, the PIU began including paper denials when calculating cost avoidance; however, this change in calculating the cost avoidance amount was not disclosed in the annual report. Additionally, the DSS does not disclose that some amounts included in the cost avoidance total were estimates. Finally, the DSS has not established procedures to retain supporting documentation for the report in a centralized location.

YELLOW SHEET

The PIU does not have adequate procedures in place to ensure referrals submitted to the MFCU are received and addressed timely. We noted delays between the date the PIU indicated a referral was sent to the MFCU and the date the MFCU indicated the referral was received. In addition, adjustments to the overpayment amounts identified and reported are not tracked and reported in the annual report. Adjustments to overpayment amounts may occur due to the conclusion of an appeal process, or due to a mathematical error in the original overpayment calculation.

The DSS does not deposit monies recovered by the MFCU in the proper funds as provided by state law. According to Section 191.905.11, RSMo, restitution should be deposited in the MO HealthNet Fraud Reimbursement Fund and reimbursements of investigation/prosecution costs should be deposited in the MO HealthNet Fraud Prosecution Revolving Fund. These funds have not had receipt or disbursement activity since (at least) fiscal year 2000.

All reports are available on our Web site: www.auditor.mo.gov

DEPARTMENT OF SOCIAL SERVICES
MO HEALTHNET DIVISION
PROGRAM INTEGRITY UNIT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-13
<u>Number</u>	<u>Description</u>
1.	Annual Report
2.	Internal Controls, Procedures, and Records
3.	Accounting Policies and Procedures
HISTORY AND ORGANIZATION	14-15

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Ronald J. Levy, Director
Department of Social Services
and
Dr. Ian McCaslin, Director
MO HealthNet Division
Jefferson City, Missouri

We have audited the Department of Social Services, MO HealthNet Division, Program Integrity Unit, as required by Section 191.909.2, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Determine the amount of money recovered by the unit.
2. Determine the amount of money invested in the unit.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of grant agreement or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the Program Integrity Unit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Social Services, MO HealthNet Division, Program Integrity Unit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Heather Stiles, CPA, MBA
Audit Staff:	Ashley Lee
	Sarah Schulte

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF SOCIAL SERVICES
MO HEALTHNET DIVISION
PROGRAM INTEGRITY UNIT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Annual Report
-----------	----------------------

The Department of Social Services (DSS), MO HealthNet Division (MHD), Program Integrity Unit's (PIU) annual report did not include some information required by state law. We compared the information included in this report to the statutory requirements. In addition, we reviewed the supporting documentation to ensure the report information was complete and accurate.

Starting in 2008, pursuant to Section 191.909.2, RSMo, the DSS is to report annually, by January 1 of each year, the following activities:

- "(1) The number of MO HealthNet provider and participant investigations and audits relating to allegations of violations under sections 191.900 to 191.910 completed within the reporting year, including the age and type of cases;
- (2) The number of MO HealthNet long-term care facility reviews;
- (3) The number of MO HealthNet provider and participant utilization reviews;
- (4) The number of referrals sent by the department to the attorney general's office;
- (5) The total amount of overpayments identified as the result of completed investigations, reviews, or audits;
- (6) The amount of fines and restitutions ordered to be reimbursed, with a delineation between amounts the provider has been ordered to repay, including whether or not such repayment will be completed in a lump sum payment or installment payments, and any adjustments or deductions ordered to future provider payments;
- (7) The total amount of monetary recovery as the result of completed investigation, reviews, or audits;
- (8) The number of administrative sanctions against MO HealthNet providers, including the number of providers excluded from the program."

Additionally, the state auditor is required to conduct an audit of the PIU "... to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office."

The DSS's interpretation of Section 191.909.2, RSMo, required all recovery activity of the MHD be reported, including PIU recoveries. In addition, although not required, the DSS also reported 1) cost avoidance amounts for various MHD units for the current year, 2) cost recovery and cost avoidance amounts for three previous years for the PIU and various other MHD units, and 3) recoveries of MHD monies by DSS's Division of Legal Services.

For the year ended June 30, 2007, the PIU reported recovering the following funds:

Collections	\$	1,539,593	
Adjustments		2,155,380	(1)
Recoupments		1,666,271	(2)
Total	\$	<u>5,361,244</u>	

(1) Reduction in payments based on specific claims.

(2) Reduction in payments not based on specific claims.

For the year ended June 30, 2007, the costs incurred to operate the PIU were:

Salaries and wages	\$	889,538	
Fringe benefits		376,796	
Travel, in-state		6	
Travel, out-of-state		119	
Supplies		832	
Professional development		90	
Professional services		188,767	
Maintenance and repair services		1,034,439	
Miscellaneous expenses		2,716	
Building lease payments		20,926	
Total	\$	<u>2,514,229</u>	(1)

(1) Some office expenses (computer equipment, office equipment, and office supplies such as paper products) related to the MHD are not allocated to individual units within the division. Thus, there are additional expenditures related to the PIU not included above.

The following concerns were noted:

A. Some provider and participant investigations were not included in the report.

- 1) The report did not include some participant investigations completed during the reporting period. Although the report included the 280 investigations completed by the Welfare Investigations Unit (WIU), the

investigations completed by the MO HealthNet Investigations Unit (MHIU) were not reported. In addition, the age and type of provider/participant investigations were not reported.

Both the MHIU and WIU are units within DSS's Division of Legal Services. The MHIU investigates fraud and abuse committed by recipients against MO HealthNet providers, such as use of multiple physicians and pharmacies, forged prescriptions, or the payment of covered medication with cash. The WIU investigates fraud and abuse committed by public assistance recipients based on eligibility issues, such as inaccurately reporting income or household composition.

The DSS should report the MHIU investigations and the age and type of all investigations.

- 2) The number of provider investigations, with the applicable age and type of case, conducted by the Attorney General's Medicaid Fraud Control Unit (MFCU) based on DSS referrals, is not reported.

The MFCU, not the DSS, is responsible for provider investigations related to fraud and abuse. However, the MFCU notifies the PIU of the outcome of all investigations completed on referrals from the DSS.

The DSS should consider reporting information regarding investigations completed by the MFCU on the DSS referrals.

- B. Some overpayments, identified as a result of completed investigations, reviews, or audits, are not reported. Although the report includes overpayments identified by the WIU, the overpayments identified by the PIU and Cost Recovery Unit (CRU) are not reported. PIU records indicated overpayments identified totaled almost \$4.7 million for the year ended June 30, 2007.

The DSS should ensure all overpayments identified are reported.

- C. The amount of fines and restitution ordered to be reimbursed, and other required information on provider investigations closed by the MFCU, are not reported. The MFCU provides the PIU documentation regarding damages and restitution ordered to be reimbursed on cases referred to the MFCU by the DSS.

The DSS should consider reporting the information regarding damages and restitution on cases referred to the MFCU and closed by the MFCU during the reporting period.

- D. Some monetary recoveries (collections) resulting from completed investigations, reviews, or audits are not reported. Although the report lists the total amount of recoveries for the PIU and CRU, the monetary recoveries for the WIU are not reported. According to WIU records, recoveries totaled over \$143,000 for the year ended June 30, 2007.

The DSS should include the WIU's monetary recoveries in the report.

The DSS needs to ensure all information required by Section 191.909.2, RSMo, is included and accurately reported in its annual report submitted to the General Assembly and Governor.

WE RECOMMEND the DSS through the PIU:

- A. Include the number of all participant and provider investigations completed by DSS units and MFCU in the annual report. Additionally, information about the age and type of completed investigations should be included.
- B. Include the total amount of overpayments identified by all DSS units in the annual report.
- C. Include damages, restitution ordered, and other required information resulting from DSS referrals to the MFCU in the annual report.
- D. Include the total amount of monetary recoveries received as a result of completed investigations, reviews, or audits by all DSS units in the annual report.

AUDITEE'S RESPONSE

- A. *We partially agree with this recommendation. We do not agree that DSS should report provider investigations completed by the Attorney General's Medicaid Fraud Control Unit (MFCU). That data is reported by the MFCU as prescribed in Section 191.909.1 RSMo. We agree with the recommendation to ensure all cases, including the MO HealthNet Investigation Unit (MHIU), are shown in the report for state fiscal year 2009.*
- B. *We partially agree with this recommendation. The Cost Recovery Unit (CRU) does not currently have a database necessary to report identified overpayments. With the reengineering of the Medicaid Management Information System (MMIS), system enhancements will allow CRU to systematically report out the total identified overpayments. The enhancement is scheduled to be implemented in state fiscal year 2010. For the annual report for state fiscal year 2009, DSS will include the overpayment amounts identified separately from the recovery amounts for PIU and MHIU.*
- C. *We disagree with this recommendation. As noted in our response to A, MFCU reports its performance separately.*

- D. *We agree with this recommendation. DSS will ensure that the total amount of monetary recoveries by all DSS units will be included in the annual report for state fiscal year 2009.*

2. Internal Controls, Procedures, and Records
--

The DSS needs to improve its internal controls, procedures, and records. The annual report amounts were not always complete and accurate and procedures to follow-up on referrals made to the MFCU need to be improved. Additionally, subsequent adjustments made to overpayment amounts identified and reported are not tracked and reported.

- A. Some amounts in the annual report were either incomplete and/or mislabeled. Also, there are no procedures to ensure the accuracy of the amounts reported, some amounts reported were not calculated in the same manner from year to year, and the use of estimates for cost avoidance is not disclosed. Additionally, supporting documentation is not retained in a centralized location.

- 1) The annual report identified overpayments, collections, and costs; however, these amounts were incomplete and/or misclassified.

For each year from fiscal years 2004 to 2007, a table presented the combined cost avoidance and cost recovery (actual collections) amounts for the PIU/CRU, the number of investigations and cost recovery amounts for the MHIU/WIU, the cost avoidance amount for any reinvestigations, and a grand total for each year. However, the amounts identified as cost recovery for the MHIU/WIU were actually the overpayment amounts. Thus, the actual cost recovery amounts for the MHIU/WIU were not reported.

The DSS should ensure overpayment, collection, and cost information reported is complete, accurate and properly classified. In this regard, the DSS should consider reporting the overpayments, cost recoveries and cost avoidances separately for the PIU, CRU, MHIU and WIU, as applicable.

- 2) The DSS has not established adequate procedures to ensure the accuracy of amounts included in the annual report and some amounts were not accurately reported.

Each month, from various supporting documentation, amounts for the annual report are recorded on a spreadsheet. The spreadsheet is then used to prepare the annual report. However, a reconciliation of the documentation to the spreadsheet is not performed. We tested supporting documentation for one monthly spreadsheet and found 12 participant cases reviewed by the PIU were not included on the spreadsheet or annual report.

The failure to develop procedures to ensure amounts reported are complete and accurate reduces the reliability of the report. If the amounts recorded on monthly spreadsheets were periodically reconciled to supporting documentation, the DSS would have more assurance the annual report was complete and accurate.

- 3) Some amounts reported were not always calculated in the same manner from year to year.

In March 2007, the PIU began including paper denials when calculating cost avoidance; however, this change in calculating the cost avoidance amount was not disclosed in the annual report. Paper denials are claims submitted on a paper form rejected by the PIU. Also, the third party liability calculation did not consistently include the same categories in fiscal years 2004 to 2007. To effectively evaluate performance from year to year, amounts reported should be consistently calculated.

- 4) The DSS does not disclose in the annual report that some amounts included in the cost avoidance total were estimates. When the PIU identifies an amount as an overpayment to a provider, this overpayment is used to estimate a projected cost avoidance for the next 12 months for that provider. For the year ended June 30, 2007, the estimated cost avoidance for providers totaled approximately \$11.5 million.

For greater accountability and full disclosure, the DSS should consider disclosing when cost avoidance estimates are utilized.

- 5) The DSS has not established procedures to retain supporting documentation for the report in a centralized location.

In some instances, when we requested supporting documentation, the documentation had to be recreated or requested from various units within the MHD.

It would be more efficient, for reconciliation and audit purposes, for supporting documentation to be retained in a centralized location.

- B. The PIU does not have adequate procedures in place to ensure referrals submitted to the MFCU are received and addressed timely.

We noted delays between the date the PIU indicated a referral was sent to the MFCU and the date the MFCU indicated the referral was received. For 4 of 26 (15 percent) referrals submitted to the MFCU, the date the referral was stamped as received by the MFCU was more than four months after the date PIU indicated the referral was sent. Additionally, we reviewed 7 referral files and noted 2 did

not contain a copy of the referral form. As a result, the PIU has less assurance that cases referred to the MFCU are properly investigated.

To ensure all referrals submitted to the MFCU are received and addressed timely, the PIU should establish procedures to follow-up on referrals made to the MFCU and maintain a copy of each referral in the case file.

- C. Adjustments to the overpayment amounts identified and reported are not tracked and reported in the annual report.

Adjustments to overpayment amounts may occur due to the conclusion of an appeal process, or due to a mathematical error in the original overpayment calculation. By not accounting for these adjustments, overpayments may be reported incorrectly. To help ensure overpayment amounts are correctly reported, the DSS should establish procedures to include subsequent adjustments in the annual report.

WE RECOMMEND the DSS through the PIU:

- A.1. Ensure the amounts for overpayments, collections and cost recovery are accurately reported and properly identified. The DSS should also consider reporting these amounts separately for the PIU, CRU, MHIU, and WIU as applicable.
2. Establish procedures to reconcile supporting documentation to monthly spreadsheets and the annual report.
3. Ensure amounts reported are calculated consistently from year-to-year, or disclose any changes to calculation methodologies.
4. Disclose the use of cost avoidance estimates in the annual report. The DSS should also report the total estimates calculated.
5. Retain supporting documentation in a centralized location.
- B. Establish procedures to follow-up referrals made to the MFCU and maintain a copy of each referral in the applicable case file.
- C. Establish procedures to track and report subsequent adjustments to overpayment amounts initially identified.

AUDITEE'S RESPONSE

- A.1. *We partially agree with this recommendation. The MHIU investigations generally result in administrative actions with no associated cost recovery amounts but potential*

costs avoidances. An example of an administrative action is to restrict a participant to a specified pharmacy or primary care provider to prevent over utilization of services, resulting in cost avoidance of future expenditures. However, DSS will separately report overpayments, collections and cost recovery amounts for each of the other DSS units in the annual report for state fiscal year 2009.

- 2. We agree with this recommendation. DSS has developed a process to reconcile the monthly report with supporting documentation to ensure the annual report also reconciles to the supporting documentation.*
- 3. We agree with this recommendation. DSS will include footnotes to disclose if variations occurred in the cost avoidance or recovery calculations from year to year. The footnotes will be included in the annual report for state fiscal year 2009.*
- 4. We agree with this recommendation. DSS will disclose when cost avoidance estimates are utilized and report the estimated amounts. This information will be included in the annual report for state fiscal year 2009.*
- 5. We agree with this recommendation. DSS has implemented a procedure to maintain supporting documentation for the state fiscal year 2008 annual report in a centralized location.*
- B. We agree with this recommendation. DSS records the date of referrals to MFCU and has implemented a process to follow-up with MFCU on a monthly basis if confirmation of receipt has not been accepted. DSS has also implemented procedures to ensure that a copy of the referral is maintained in the provider file.*
- C. We agree with this recommendation. DSS has implemented procedures to separately identify subsequent adjustments in the annual report. The adjustments will be separately identified in the annual report for state fiscal year 2009.*

3. Accounting Policies and Procedures
--

The DSS does not deposit monies recovered by the MFCU in the proper funds as provided by state law. According to Section 191.905.11, RSMo, restitution should be deposited in the MO HealthNet Fraud Reimbursement Fund and reimbursements of investigation/prosecution costs should be deposited in the MO HealthNet Fraud Prosecution Revolving Fund. Monies in the reimbursement fund are to be used to refund the federal government and state agency(s) for amounts overpaid. Monies in the revolving fund are to be used to refund the Attorney General's and prosecuting and circuit attorneys' costs of prosecution and investigation. However, these funds have not had receipt or disbursement activity since at least fiscal year 2000.

Restitution and investigation/prosecution costs recovered by the MFCU are transmitted to the DSS, Division of Finance and Administrative Services (DFAS) for depositing and recording in the state's accounting system (SAM II). The DFAS deposits these monies to the General Revenue Fund, or Title XIX-Federal and Other Fund, even though the MFCU instructs the DSS to deposit the monies in the MO HealthNet Fraud Reimbursement and Fraud Prosecution Revolving Funds. According to DSS personnel, the monies are deposited in this manner because payments were originally made from these funds.

The DSS should ensure monies recovered by the MFCU are deposited in the appropriate funds as prescribed by law.

WE RECOMMEND the DSS deposit and record monies received by the MFCU for restitution and investigation/prosecution costs reimbursements in accordance with state law.

AUDITEE'S RESPONSE

We partially agree with this recommendation. The Division of Finance and Administrative Services (DFAS) will deposit monies into the MO HealthNet Fraud Prosecution Revolving Fund as reported by MFCU. DFAS will work with MFCU on protocols for identification and deposit of funds to the MO HealthNet Fraud Reimbursement Fund.

HISTORY AND ORGANIZATION

DEPARTMENT OF SOCIAL SERVICES
MO HEALTHNET DIVISION
PROGRAM INTEGRITY UNIT
HISTORY AND ORGANIZATION

The Department of Social Services (DSS) is officially designated as the single state agency charged with the administration of the Missouri Medicaid program. The Division of Medical Services was established within the DSS in February 1985 by a Governor's executive order. Pursuant to Senate Bill 577, The Missouri Health Improvement Act of 2007, effective September 1, 2007, the division's name changed to the MO HealthNet Division (MHD). The Program Integrity Unit (PIU), organizationally located within the MHD, is responsible for monitoring compliance by providers and participants as described in federal regulations by conducting post payment reviews to determine the propriety of claims reimbursed by the Medicaid program. The Family Support Division within DSS determines participant eligibility for the Medicaid program. The Code of Federal Regulations, at 42 CFR 455.13, requires a state Medicaid agency to have "... 1) methods and criteria for identifying suspected fraud cases; 2) methods for investigating these cases; and 3) procedures, developed in cooperation with state legal authorities, for referring suspected fraud cases to law enforcement officials."

A post-payment review of Medicaid claims reimbursed is performed on selected providers or projects in order to determine program compliance. Providers are selected to be reviewed from referrals, exception reports and/or other system generated reports. Referrals concerning possible misutilization may be received from providers, recipients, consultants, and division employees, as well as staff from other agencies. Exception reports are produced on providers that have unusual patterns of utilization, or that deviate from established norms. This review is completed by either a desk or field review. Programs are evaluated for adequate documentation and the appropriateness and quality of service. Reviews of allegations of participant fraud or abuse are completed for all referrals received. Participants committing fraud or abuse may be limited to using one provider, or referred to local authorities for legal action, or both.

Based on a preliminary review of reports and referrals, the PIU makes the determination on what enforcement activities to pursue. These enforcement activities may include one or more of the following administrative actions or sanctions: 1) provider education, 2) demand of repayment, 3) suspension or termination of the provider's Medicaid participation agreement, 4) transfer to closed-end agreement, 5) placed on prepayment review status, 6) participant lock-in, and 7) referral to another state agency.

If a question of potential fraud exists regarding a provider, the case is referred to the Attorney General, Medicaid Fraud Control Unit (MFCU). The PIU meets regularly with the MFCU to discuss providers suspected of fraud. In fiscal year 2007, the PIU referred 26 cases to the MFCU.

At June 30, 2007, the PIU consisted of 23 employees.



Susan Montee, CPA
Missouri State Auditor

State of Missouri

Single Audit

Year Ended
June 30, 2008



March 2009

Report No. 2009-25

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The Single Audit report includes the federal awards expended by all state agencies, except for the public universities and various financing authorities that provide financial information directly to the federal government. The state expended \$9.41 billion in federal awards through 290 different programs during the year ended June 30, 2008. State expenditures of federal awards have increased over \$1.1 billion over the past five years.

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards.

Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent). These six departments are Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Public Safety. The state received federal awards from 20 different federal agencies. Most of the federal awards (95 percent) came from five federal agencies.

The audit found the Department of Social Services, Family Support Division did not maintain adequate documentation to support some personnel costs charged to the Rehabilitation Services – Vocational Rehabilitation Grants to States Program and the Children's Division charged some costs to the Foster Care Title IV-E program that were not allowable or not adequately supported. The Department of Public Safety, Adjutant General did not submit closeout reports timely for the National Guard Military Operations and Maintenance Projects Program. Also in the report are other findings related to federal programs administered by the Department of Higher Education; Department of Public Safety, Adjutant General and State Emergency Management Agency; and the Department of Social Services, Division of Finance and Administrative Services, Children's Division, Family Support Division, and MO HealthNet Division.

This public report is intended for the information and use of the management of the State of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION AND SUMMARY	1-8
Summary information, charts, and graphs of Expenditures of Federal Awards	2-8
STATE AUDITOR'S REPORTS.....	9-17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10-12
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	13-15
Independent Auditor's Report on the Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133	16-17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	18-29
Notes to the Schedule of Expenditures of Federal Awards	28-29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, YEAR ENDED JUNE 30, 2008	30-55
Section I - Summary of Auditor's Results	31
Section II- Financial Statement Findings.....	32
Section III - Federal Award Findings and Questioned Costs	32
<u>Number</u>	<u>Description</u>
2008-1.	<u>Department of Higher Education</u>
Untimely Reinsurance Payment Requests	32
2008-2.	<u>Department of Public Safety</u>
Capital Assets	34
2008-3.	Reporting
Subrecipient Monitoring	35
2008-4.	Subrecipient Monitoring
	36

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

	<u>Page</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	30-55
 <u>Department of Social Services</u>	
2008-5. Subrecipients	37
2008-6. Foster Care – Court Contracts	39
2008-7. Foster Care – Residential Facilities	42
2008-8. Foster Care – Eligibility and Assistance Payments	46
2008-9. Vocational Rehabilitation Program	48
2008-10. Medical Assistance Program	51
 FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
	56-57
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133	
	58-112

INTRODUCTION AND SUMMARY

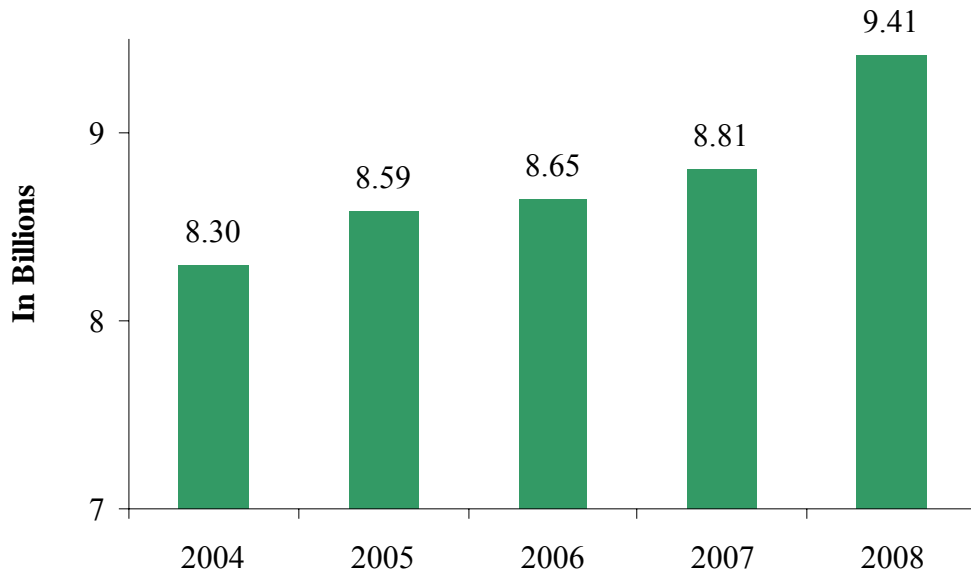
INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

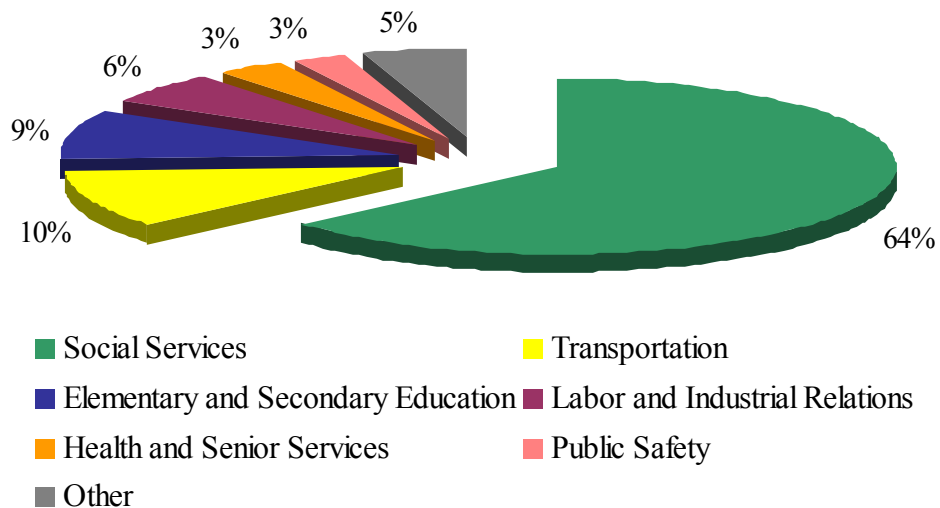
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$9.41 billion in federal awards during the year ended June 30, 2008. Expenditures of federal awards have increased over the past five years.

Total Expenditures of Federal Awards Five Year Comparison



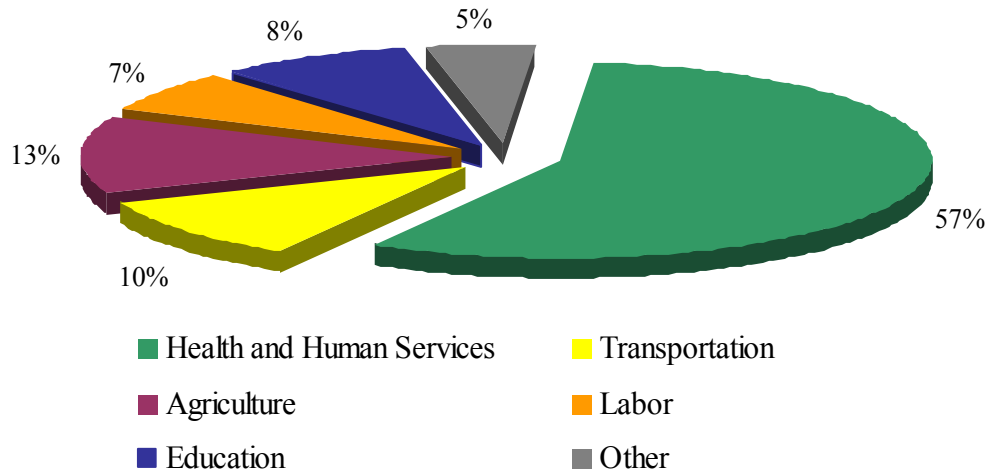
Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 20 different federal agencies. Most of the federal awards (95 percent) came from five federal agencies.

Expenditures of Federal Awards by Federal Department



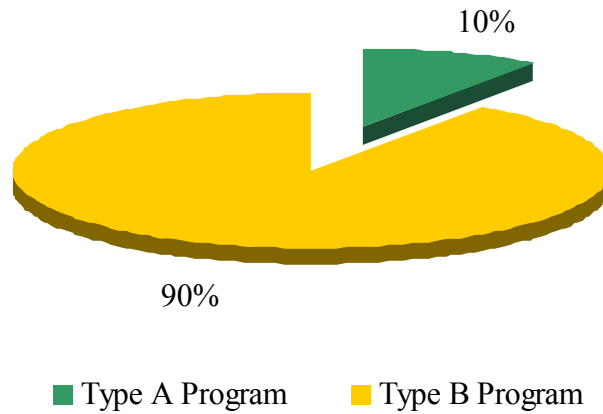
Overall, the state expended federal awards in 290 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

Determination of Type A Programs

Total expenditures of federal awards	\$ 9,411,607,647
Three-tenths of one percent	.003
Dollar Threshold	\$ 28,234,823

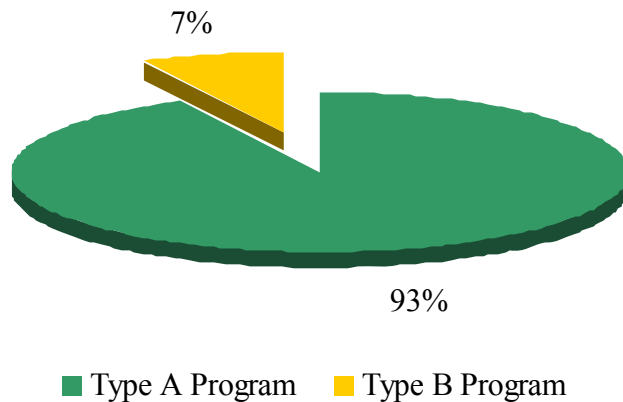
Programs with federal expenditures over \$28,234,823 are Type A programs and the programs under \$28,234,823 are Type B programs. Of the 290 different federal award programs, 28 were Type A programs and 262 were Type B programs.

**Type A and Type B Programs
Number of Programs**



The 28 Type A programs had expenditures of federal awards totaling \$8.7 billion, which was 93 percent of the total expenditures for all programs. The 262 Type B programs had expenditures of federal awards totaling \$673 million, which was only 7 percent of the total expenditures for all programs.

**Type A and Type B Programs
Expenditures of Federal Awards**



OMB Circular A-133 requires the auditor to use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 16 of the 28 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs that are not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended (\$9.41 billion times .0003 = \$2,823,482). We performed risk assessments on the 54 larger Type B programs that were over \$2,823,482 and determined that 6 of them were high risk. In accordance with OMB Circular A-133, we audited 3 (one-half) of these 6 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 12 Type A programs and 3 Type B programs as major.

Audit Coverage by Type of Program	Major and Non-major Programs		Percentage of Expenditures
	Number of Programs	Expenditures	
Type A major programs	12	\$ 5,936,993,834	
Type B major programs	3	68,982,936	
Total major programs	15	\$ 6,005,976,770	64%
Type A non-major programs	16	2,801,497,558	
Type B non-major programs	259	604,133,319	
Total non-major programs	275	3,405,630,877	36%
Total all programs	290	\$ 9,411,607,647	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	\$ 786,822,841
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	48,053,965
	Total Food Stamp Cluster		<u>834,876,806</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	44,271,291
10.555	National School Lunch Program	Agriculture	142,705,492
10.556	Special Milk Program for Children	Agriculture	494,520
10.559	Summer Food Service Program for Children	Agriculture	7,227,163
	Total Child Nutrition Cluster		<u>194,698,466</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	83,891,193
10.558	Child and Adult Care Food Program	Agriculture	40,443,825
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	31,919,209
17.225	Unemployment Insurance	Labor	529,654,095
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	18,703,774
17.259	Workforce Investment Act - Youth Activities	Labor	20,311,074
17.260	Workforce Investment Act - Dislocated Workers	Labor	26,364,104
	Total Workforce Investment Act Cluster		<u>65,378,952</u>
20.205	Highway Planning and Construction	Transportation	905,845,563
64.015	Veterans State Nursing Home Care	Veterans Affairs	32,964,590
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	42,341,072
84.010	Title I Grants to Local Educational Agencies	Education	193,726,970
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	222,627,677
84.173	Special Education - Preschool Grants	Education	6,013,301
	Total Special Education Cluster		<u>228,640,978</u>
84.032	Federal Family Education Loans	Education	125,847,139
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	58,733,523
84.367	Improving Teacher Quality State Grants	Education	47,579,970
93.268	Immunization Grants	Health and Human Services	48,708,015
93.558	Temporary Assistance for Needy Families	Health and Human Services	188,457,393
93.563	Child Support Enforcement	Health and Human Services	33,443,236
93.568	Low-Income Home Energy Assistance	Health and Human Services	69,376,776
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	61,697,376
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	52,426,081
	Total Child Care and Development Fund Cluster		<u>114,123,457</u>
93.658	Foster Care - Title IV-E	Health and Human Services	61,031,819
93.659	Adoption Assistance	Health and Human Services	33,327,828
93.667	Social Services Block Grant	Health and Human Services	54,717,956
93.767	State's Children's Insurance Program	Health and Human Services	77,734,327
	Medicaid Cluster:		

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,385,534
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	14,436,682
93.778	Medical Assistance Program	Health and Human Services	4,465,917,980
	Total Medicaid Cluster		<u>4,481,740,196</u>
96.001	Social Security - Disability Insurance	Social Security Administration	28,756,859
	Homeland Security Cluster:		
16.007	Homeland Security Grant Program	Department of Justice	131,453
97.004	State Domestic Preparedness Equipment Support Program	Department of Homeland Security	2,019,998
97.067	Homeland Security Grant Program	Department of Homeland Security	28,383,605
	Total Homeland Security Cluster		<u>30,535,056</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Department of Homeland Security	99,996,123
	Total Type A Programs (expenditures greater than \$28,234,823)		8,738,491,392
	Total Type B Programs (expenditures less than \$28,234,823)		673,116,255
	Total Expenditures of Federal Awards		\$ <u><u>9,411,607,647</u></u>

STATE AUDITOR'S REPORTS



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2008, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 9, 2009. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 32 percent and 58 percent of the assets and revenues, respectively, of the business-type activities.

3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 95 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, and the Conservation Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and Statement No. 50, *Pension Disclosures*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the state's financial statements that is more than inconsequential will not be prevented or detected by the state's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the state's internal control.

Our consideration of internal control over financial reporting was for the limited purpose

described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 9, 2009, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 9, 2009



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that expended federal financial assistance during the year ended June 30, 2008, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the state's compliance with those requirements.

As described in finding numbers 2008-3 and 2008-9 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with reporting requirements that are applicable to the National Guard Military Operations and Maintenance Projects Program or with requirements regarding activities allowed or allowable costs and cost principles that are applicable to the Rehabilitation Services – Vocational Rehabilitation Grants to States Program. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2008-6 through 2008-8 and 2008-10.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A control deficiency in the state's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the state's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2008-2 and 2008-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the state's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider finding numbers 2008-2 and 2008-9 to be material weaknesses.

The responses of the state of Missouri to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

February 25, 2009



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2008, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 9, 2009. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 32 percent and 58 percent of the assets and revenues, respectively, of the business-type activities.

3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 95 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, and the Conservation Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Susan Montee, CPA
State Auditor

January 9, 2009

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.	HIDTA	\$ 2,931,446	2,103,260
	Total Office of National Drug Control Policy	<u>2,931,446</u>	<u>2,103,260</u>
Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	1,096,341	39,299
10.066	Livestock Assistance Program	40,351	0
10.069	Conservation Reserve Program	19,714	0
10.072	Wetlands Reserve Program	778,787	0
10.153	Market News	13,078	0
10.156	Federal-State Marketing Improvement Program	26,121	0
10.163	Market Protection and Promotion	12,867	0
10.169	Specialty Crop Block Grant Program	135,662	131,375
10.435	State Mediation Grants	22,996	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	585,492	0
10.477	Meat, Poultry, and Egg Products Inspection	3,319	0
10.550	Food Donation	19,545,520	19,462,294
	Food Stamp Cluster:		
10.551	Supplemental Nutrition Assistance Program	786,822,841	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	48,053,965	2,764,819
	Total Food Stamp Cluster	<u>834,876,806</u>	<u>2,764,819</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	44,271,291	44,271,291
10.555	National School Lunch Program	142,705,492	141,497,191
10.556	Special Milk Program for Children	494,520	494,520
10.559	Summer Food Service Program for Children	7,227,163	6,918,173
	Total Child Nutrition Cluster	<u>194,698,466</u>	<u>193,181,175</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	83,891,193	16,846,433
10.558	Child and Adult Care Food Program	40,443,825	39,947,932
10.560	State Administrative Expenses for Child Nutrition	2,772,702	1,021,259
10.565	Commodity Supplemental Food Program	601,996	546,722
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,136,998	1,081,569
10.569	Emergency Food Assistance Program (Food Commodities)	4,191,402	4,191,402
	Total Emergency Food Assistance Cluster	<u>5,328,400</u>	<u>5,272,971</u>
10.572	WIC Farmers' Market Nutrition Program (FMNP)	85,562	75,694
10.574	Team Nutrition Grants	165,983	90,792
10.664	Cooperative Forestry Assistance	1,603,547	281,073
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	7,782,224	7,782,224
	Total Schools and Roads Cluster	<u>7,782,224</u>	<u>7,782,224</u>
10.769	Rural Business Enterprise Grants	3,588	3,588
10.912	Environmental Quality Incentives Program	75,688	0
	Total Department of Agriculture	<u>1,194,610,228</u>	<u>287,447,650</u>

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	164,184	164,184
12.	Troops to Teachers	65,292	56,738
12.112	Payments to States in Lieu of Real Estate Taxes	1,382,309	1,382,309
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	950,674	43,042
12.401	National Guard Military Operations and Maintenance (O&M) Projects	31,919,209	0
Total Department of Defense		34,481,668	1,646,273
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	24,772,591	23,420,885
14.231	Emergency Shelter Grants Program	1,179,480	1,179,480
14.238	Shelter Plus Care	7,204,195	7,204,195
14.241	Housing Opportunities for Persons with AIDS	488,012	488,012
14.401	Fair Housing Assistance Program - State and Local	513,049	0
Total Department of Housing and Urban Development		34,157,327	32,292,572
Department of the Interior			
15.FFB	Webless Migratory Game Bird Research Program	61,370	0
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	240,431	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	1,584,061	836,849
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	6,428,952	0
15.611	Wildlife Restoration	7,413,543	0
Total Fish and Wildlife Cluster		13,842,495	0
15.615	Cooperative Endangered Species Conservation Fund	498,692	0
15.616	Clean Vessel Act	22,614	22,614
15.622	Sportfishing and Boating Safety Act	74,309	74,309
15.623	North American Wetlands Conservation Fund	229,050	0
15.633	Landowner Incentive Program	357,844	0
15.634	State Wildlife Grants	1,282,480	0
15.807	Earthquake Hazards Reduction Program	49,139	0
15.808	U.S. Geological Survey - Research and Data Collection	18,139	0
15.810	National Cooperative Geologic Mapping Program	129,629	0
15.904	Historic Preservation Fund Grants-In-Aid	747,733	41,468
15.916	Outdoor Recreation - Acquisition, Development and Planning	1,071,358	539,248
15.921	Rivers, Trails and Conservation Assistance	8,092	0
15.922	Native American Graves Protection and Repatriation Act	17,082	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	424,439	0
Total Department of the Interior		20,658,957	1,514,488
Department of Justice			
16.	Domestic Cannabis Eradication	86,505	0
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	469,812	0
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	955	0
16.307	Combined DNA Index System	250,941	0
16.523	Juvenile Accountability Block Grants	335,087	301,931
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	692,260	521,140
16.542	Part D - Research, Evaluation, Technical Assistance and Training	171,404	0
16.548	Title V - Delinquency Prevention Program	75,704	75,704
16.550	State Justice Statistics Program for Statistical Analysis Centers	71,764	0
16.554	National Criminal History Improvement Program (NCHIP)	591,513	0
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	417,351	417,351

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
16.575	Crime Victim Assistance	7,344,824	7,205,499
16.576	Crime Victim Compensation	3,361,457	0
16.579	Edward Byrne Memorial Formula Grant Program	498,157	368,212
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	412,637	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	15,343,993	0
16.588	Violence Against Women Formula Grants	2,320,697	2,207,184
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	648,015	314,061
16.593	Residential Substance Abuse Treatment for State Prisoners	104,946	104,946
16.601	Corrections - Training and Staff Development	11,862	0
16.606	State Criminal Alien Assistance Program	151,531	0
16.607	Bulletproof Vest Partnership Program	8,500	0
16.610	Regional Information Sharing Systems	5,478,585	5,478,585
16.710	Public Safety Partnership and Community Policing Grants	2,063,033	931
16.726	Juvenile Mentoring Program	226,499	218,708
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	117,785	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,749,552	4,355,077
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	181,814	0
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	27,611	0
Total Department of Justice		46,214,794	21,569,329
Department of Labor			
17.002	Labor Force Statistics	1,774,207	0
17.005	Compensation and Working Conditions	188,071	0
Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities	13,607,807	1,210,325
17.801	Disabled Veterans' Outreach Program (DVOP)	1,008,548	0
17.804	Local Veterans' Employment Representative Program	2,218,989	0
Total Employment Service Cluster		16,835,344	1,210,325
17.225	Unemployment Insurance	529,654,095	0
17.235	Senior Community Service Employment Program	2,215,021	2,176,949
17.245	Trade Adjustment Assistance	20,382,903	0
Workforce Investment Act Cluster:			
17.258	Workforce Investment Act - Adult Program	18,703,774	16,616,952
17.259	Workforce Investment Act - Youth Activities	20,311,074	17,643,930
17.260	Workforce Investment Act - Dislocated Workers	26,364,104	22,352,982
Total Workforce Investment Act Cluster		65,378,952	56,613,864
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	38	0
17.266	Work Incentive Grants	844,440	776,669
17.267	Incentive Grants - WIA Section 503	677,861	677,861
17.268	H-1B Job Training Grants	2,194,416	2,166,796
17.271	Work Opportunity Tax Credit Program (WOTC)	468,947	0
17.273	Temporary Labor Certification for Foreign Workers	96,102	0
17.504	Consultation Agreements	1,001,468	0
17.505	OSHA Data Initiative	46,319	0
17.600	Mine Health and Safety Grants	339,326	0
Total Department of Labor		642,097,510	63,622,464

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Transportation			
20.	Federal Highway Administration	11,191	0
20.106	Airport Improvement Program	21,183,572	21,075,638
Highway Planning and Construction Cluster:			
20.205	Highway Planning and Construction	905,845,563	105,198,485
	Total Highway Planning and Construction Cluster	905,845,563	105,198,485
20.217	Motor Carrier Safety	3,789,516	695,553
20.218	National Motor Carrier Safety	3,309,907	1,336,911
20.219	Recreational Trails Program	578,058	456,761
Federal Transit Cluster:			
20.500	Federal Transit - Capital Investment Grants	6,167,220	6,167,220
	Total Federal Transit Cluster	6,167,220	6,167,220
20.505	Federal Transit - Metropolitan Planning Grants	5,322,022	5,127,677
20.509	Formula Grants for Other Than Urbanized Areas	12,308,486	11,511,643
Transit Services Programs Cluster:			
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	781,354	642,939
20.516	Job Access - Reverse Commute	565,763	565,763
20.521	New Freedom Program	111,961	111,961
	Total Transit Services Programs Cluster	1,459,078	1,320,663
Highway Safety Cluster:			
20.600	State and Community Highway Safety	9,665,348	3,911,541
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	2,233,692	2,021,309
20.602	Occupant Protection	357	0
20.604	Safety Incentive Grants for Use of Seatbelts	276,005	276,005
20.610	State Traffic Safety Information System Improvement Grants	707,509	651,916
20.611	Incentive Grant Program to Prohibit Racial Profiling	444,643	444,643
20.612	Incentive Grant Program to Increase Motorcyclist Safety	78,416	0
20.613	Child Safety and Child Booster Seats Incentive Grants	352,258	15,501
	Total Highway Safety Cluster	13,758,228	7,320,915
20.607	Alcohol Open Container Requirements	5,217,306	4,098,787
20.700	Pipeline Safety Program Base Grants	295,704	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	269,345	250,489
	Total Department of Transportation	979,515,196	164,560,742
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	682,735	0
	Total Equal Employment Opportunity Commission	682,735	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,862,105	2,209,363
39.011	Election Reform Payments	6,666	2,181
	Total General Services Administration	2,868,771	2,211,544
National Foundation on the Arts and the Humanities			
45.024	Promotion of the Arts - Grants to Organizations and Individuals	9,624	9,624
45.025	Promotion of the Arts - Partnership Agreements	601,800	283,958
45.149	Promotion of the Humanities - Division of Preservation and Access	166,854	0
45.310	Grants to States	3,177,282	1,718,323
	Total National Foundation on the Arts and the Humanities	3,955,560	2,011,905

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	127,907	0
64.015	Veterans State Nursing Home Care	32,964,590	0
64.123	Vocational Training for Certain Veterans Receiving VA Pension	560,392	0
Total Department of Veterans Affairs		33,652,889	0
Environmental Protection Agency			
66.032	State Indoor Radon Grants	118,949	848
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	666,534	142,552
66.040	State Clean Diesel Grant Program	6,978	0
66.202	Congressionally Mandated Projects	587,114	444,213
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	33,178	0
66.433	State Underground Water Source Protection	127,062	0
66.454	Water Quality Management Planning	555,416	414,429
66.458	Capitalization Grants for Clean Water State Revolving Funds	42,341,072	42,341,072
66.460	Nonpoint Source Implementation Grants	3,715,622	1,158,294
66.461	Regional Wetland Program Development Grants	132,059	68,837
66.463	Water Quality Cooperative Agreements	5,114	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	11,685,819	8,053,470
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	302,181	234,989
66.474	Water Protection Grants to the States	108,402	0
66.605	Performance Partnership Grants	12,373,795	704,257
66.606	Survey, Studies, Investigations and Special Purpose Grants	14,454	0
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	420,227	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	357,899	79
66.709	Multi-Media Capacity Building Grants for States and Tribes	163,606	0
66.714	Pesticide Environmental Stewardship Regional Grants	26,616	24,992
66.802	Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	1,427,402	136,503
66.805	Leaking Underground Storage Tank Trust Fund Program	1,164,670	267
66.817	State and Tribal Response Program Grants	1,198,366	157,350
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	131,733	127,905
Total Environmental Protection Agency		77,664,268	54,010,057
Department of Energy			
81.039	National Energy Information Center	5,413	0
81.041	State Energy Program	769,974	53,220
81.042	Weatherization Assistance for Low-Income Persons	5,823,384	5,444,250
81.079	Regional Biomass Energy Programs	43,973	34,245
81.089	Fossil Energy Research and Development	12,384	0
81.092	Weldon Springs Site Remedial Action Project	331,727	6,202
81.104	Office of Environmental Waste Processing	119,485	3,010
81.119	State Energy Program Special Projects	127,987	43,094
81.902	State Environmental Oversight and Monitoring	64,043	235
Total Department of Energy		7,298,370	5,584,256

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Education			
84.002	Adult Education - Basic Grants to States	6,374,434	5,904,045
84.010	Title I Grants to Local Educational Agencies	193,726,970	191,128,405
84.011	Migrant Education - State Grant Program	1,432,991	1,430,863
84.013	Title I Program for Neglected and Delinquent Children	1,481,038	1,467,401
	Special Education Cluster:		
84.027	Special Education - Grants to States	222,627,677	219,179,005
84.173	Special Education - Preschool Grants	6,013,301	6,013,301
	Total Special Education Cluster	228,640,978	225,192,306
84.032	Federal Family Education Loans	125,847,139	575,589
84.048	Career and Technical Education - Basic Grants to States	23,852,096	22,421,360
84.069	Leveraging Educational Assistance Partnership	1,285,103	1,285,103
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	58,733,523	62,056
84.169	Independent Living - State Grants	316,824	275,420
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	516,692	0
84.181	Special Education - Grants for Infants and Families	6,815,714	6,815,714
84.185	Byrd Honors Scholarships	740,250	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	5,954,885	5,861,737
84.187	Supported Employment Services for Individuals with Significant Disabilities	430,866	0
84.196	Education for Homeless Children and Youth	806,549	804,478
84.213	Even Start - State Educational Agencies	1,145,959	1,109,703
84.215	Fund for the Improvement of Education	114,796	114,796
84.224	Assistive Technology	655,402	476,387
84.243	Tech-Prep Education	2,148,158	2,146,824
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	124,514	0
84.287	Twenty-First Century Community Learning Centers	13,852,718	13,570,765
84.298	State Grants for Innovative Programs	1,887,567	1,421,472
84.318	Education Technology State Grants	3,927,709	3,927,299
84.323	Special Education - State Personnel Development	1,367,831	1,367,831
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	217,517	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	31,880	31,880
84.331	Grants to States for Incarcerated Youth Offenders	524,461	0
84.332	Comprehensive School Reform Demonstration	174,248	174,248
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	522,174	489,075
84.357	Reading First State Grants	21,090,098	20,806,428
84.358	Rural Education	2,633,202	2,483,472
84.365	English Language Acquisition Grants	3,713,883	3,713,883
84.366	Mathematics and Science Partnerships	2,361,191	2,358,304
84.367	Improving Teacher Quality State Grants	47,579,970	46,528,669
84.369	Grants for State Assessments and Related Activities	10,311,460	753,607
84.902	National Assessment of Educational Programs	88,089	0
84.938	Hurricane Education Recovery	22,799	0
	Total Department of Education	771,451,678	564,699,120
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	2,496,073	891,159
	Total Elections Assistance Commission	2,496,073	891,159

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	86,609	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	90,597	90,597
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	278,525	37,900
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	191,641	191,641
Aging Cluster:			
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,926,562	7,040,019
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,032,427	11,032,427
93.053	Nutrition Services Incentive Program	4,312,279	4,312,279
	Total Aging Cluster	23,271,268	22,384,725
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	4,888	4,888
93.051	Alzheimer's Disease Demonstration Grants to States	304,401	283,817
93.052	National Family Caregiver Support, Title III, Part E	3,052,255	3,052,255
93.103	Food and Drug Administration - Research	221,008	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	3,928,567	3,788,814
93.110	Maternal and Child Health Federal Consolidated Programs	353,271	93,838
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	542,621	168,414
93.127	Emergency Medical Services for Children	88,424	0
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	215,214	30,000
93.134	Grants to Increase Organ Donations	2,307	0
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	64,140	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	921,615	737,052
93.150	Projects for Assistance in Transition from Homelessness (PATH)	765,166	737,794
93.165	Grants to States for Loan Repayment Program	142,800	142,800
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	503,371	245,464
93.230	Consolidated Knowledge Development and Application (KD&A) Program	146,430	80,215
93.234	Traumatic Brain Injury State Demonstration Grant Program	79,204	0
93.235	Abstinence Education Program	704,170	307,013
93.240	State Capacity Building	355,453	38,549
93.241	State Rural Hospital Flexibility Program	439,433	218,991
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	13,095,084	11,433,142
93.251	Universal Newborn Hearing Screening	140,270	0
93.256	State Planning Grants Health Care Access for the Uninsured	83,727	11,912
93.260	Family Planning - Personnel Training	7,308	0
93.268	Immunization Grants	48,708,015	45,794,238
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	27,037,839	13,689,520
93.301	Small Rural Hospital Improvement Grant Program	8,498	8,498
93.556	Promoting Safe and Stable Families	12,353,753	0
93.558	Temporary Assistance for Needy Families	188,457,393	0
93.563	Child Support Enforcement	33,443,236	20,475,507
93.566	Refugee and Entrant Assistance - State Administered Programs	2,212,931	0
93.568	Low-Income Home Energy Assistance	69,376,776	33,587,265

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.569	Community Services Block Grant	19,313,144	19,082,913
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	61,697,376	0
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	52,426,081	0
	Total Child Care and Development Fund Cluster	114,123,457	0
93.576	Refugee and Entrant Assistance - Discretionary Grants	449,141	254,615
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	937,791	0
93.586	State Court Improvement Program	690,010	0
93.590	Community-Based Child Abuse Prevention Grants	387,855	386,107
93.597	Grants to States for Access and Visitation Programs	344,092	0
93.599	Chafee Education and Training Vouchers Program (ETV)	1,073,653	0
93.600	Head Start	549,035	193,856
93.617	Voting Access for Individuals with Disabilities - Grants to States	86,294	86,294
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,382,880	569,202
93.643	Children's Justice Grants to States	415,026	0
93.645	Child Welfare Services - State Grants	5,677,368	0
93.658	Foster Care - Title IV-E	61,031,819	0
93.659	Adoption Assistance	33,327,828	0
93.667	Social Services Block Grant	54,717,956	0
93.669	Child Abuse and Neglect State Grants	515,488	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,682,452	0
93.674	Chafee Foster Care Independence Program	2,810,479	0
93.767	State Children's Insurance Program	77,734,327	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,385,534	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	14,436,682	48
93.778	Medical Assistance Program	4,465,917,980	0
	Total Medicaid Cluster	4,481,740,196	48
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,812,098	179,714
93.889	National Bioterrorism Hospital Preparedness Program	9,164,405	8,350,129
93.913	Grants to States for Operation of Offices of Rural Health	140,887	0
93.917	HIV Care Formula Grants	13,715,889	13,207,273
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	207,474	133,181
93.940	HIV Prevention Activities - Health Department Based	3,769,589	2,160,565
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	1,300,083	719,935
93.945	Assistance Programs for Chronic Disease Prevention and Control	276,135	212,836
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	153,488	18,878
93.958	Block Grants for Community Mental Health Services	6,782,257	6,486,363
93.959	Block Grants for Prevention and Treatment of Substance Abuse	24,897,201	22,245,586
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,074,332	289,878
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	376,206	41,792
93.991	Preventive Health and Health Services Block Grant	2,786,970	598,117
93.994	Maternal and Child Health Services Block Grant to the States	12,899,864	6,808,262
	Total Department of Health and Human Services	5,371,025,377	239,660,393

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Corporation for National and Community Service			
94.003	State Commissions	229,724	0
94.004	Learn and Serve America - School and Community Based Programs	290,700	212,817
94.006	AmeriCorps	2,181,358	2,181,358
94.007	Planning and Program Development Grants	47,639	47,639
94.009	Training and Technical Assistance	98,029	30,813
Total Corporation for National and Community Service		2,847,450	2,472,627
Social Security Administration			
96.001	Social Security - Disability Insurance	28,756,859	0
Total Social Security Administration		28,756,859	0
Department of Homeland Security			
Homeland Security Cluster:			
16.007	Homeland Security Grant Program	131,453	0
97.004	State Domestic Preparedness Equipment Support Program	2,019,998	741,845
97.067	Homeland Security Grant Program	28,383,605	23,776,327
Total Homeland Security Cluster		30,535,056	24,518,172
97.008	Urban Areas Security Initiative	1,769,951	1,769,951
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	12,947,793	12,308,490
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	170,198	0
97.029	Flood Mitigation Assistance	29,506	29,506
97.034	Disaster Unemployment Assistance	50,820	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	99,996,123	99,691,049
97.039	Hazard Mitigation Grant	223,117	213,082
97.041	National Dam Safety Program	46,511	0
97.042	Emergency Management Performance Grants	3,304,573	3,304,593
97.045	Cooperating Technical Partners	2,856,864	0
97.070	Map Modernization Management Support	121,204	0
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	37,371	0
97.075	Rail and Transit Security Program	615,502	576,262
97.078	Buffer Zone Protection Program (BZPP)	1,228,563	747,297
97.091	Homeland Security Biowatch Program	307,339	234,221
Total Department of Homeland Security		154,240,491	143,392,623
Total Expenditures of Federal Awards		\$ 9,411,607,647	1,589,690,462

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2008, Type A programs are those which exceed \$28,234,823 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$36,503,060, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$489,905,677. Reimbursements to other states from the State Unemployment Fund for benefits paid by those states, totaling \$25,942,133, have been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling \$6,806,063, have been excluded from total expenditures.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$45,371,075.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled \$12,283,712 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost (\$2,862,105), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program (CFDA No. 12.AAG). Property distributions totaled \$704,650 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost (\$164,184), which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major program(s): Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

The following programs were audited as major programs:

CFDA

Number Name of Federal Program or Cluster

	Food Stamp Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program

12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
	Workforce Investment Act Cluster:
17.258	Workforce Investment Act – Adult Program
17.259	Workforce investment Act – Youth Activities
17.260	Workforce Investment Act – Dislocated Workers
84.032	Federal Family Education Loans
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.569	Community Services Block Grant
93.658	Foster Care – Title IV-E
93.767	State's Children's Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security – Disability Insurance
	Homeland Security Cluster:
16.007	Homeland Security Grant Program
97.004	State Domestic Preparedness Equipment Support Program
97.067	Homeland Security Grant Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:

\$28,234,823

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

2008-1.

Untimely Reinsurance Payment Requests

Federal Agency:	Department of Education
Federal Program:	84.032 Federal Family Education Loans – Guaranty Agencies
State Agency:	Department of Higher Education

The Missouri Department of Higher Education (MDHE) did not appear to request payment for reinsurance of some claims within the 30 day limit as required by the program regulations.

The MDHE is the guarantor agency in the state of Missouri for student loans generated under the requirements of the Federal Family Education Loan Program (FFEL). As a guarantor agency, MDHE receives applications from lenders to guaranty student loans against borrower default. If borrowers subsequently default on guaranteed student loans, lenders submit claims to MDHE in the amount of the borrowers' loan balances. After verifying the loans have been maintained in accordance with FFEL requirements, MDHE pays the lender for the claim in amounts specified by program requirements. The MDHE then submits information for the claims paid to the U.S. Department of Education (USDE) and requests a reinsurance payment. The USDE reinsures claims at the reinsurance percentage applicable to the characteristics of each loan (the average reinsurance percentage during the year ending June 30, 2008, was 96 percent). The MDHE paid claims totaling \$109,131,763 during the fiscal year ended June 30, 2008, and received reinsurance payments from the USDE related to those claims.

FFEL program regulation 34 CFR 682 requires that various conditions be met before the federal agency will allow reinsurance payments. One of those conditions, established in 34 CFR 682.406(a)(9), requires a guaranty agency to submit a request for reinsurance payment no later than 30 days following payment of a default claim to the lender.

The MDHE did not appear to request payment for reinsurance of some claims within the 30 day limit. We reviewed the timeliness of reinsurance payment requests for three months during the fiscal year ended June 30, 2008 (September 2007, December 2007, and March 2008), and determined that \$2,561,020 of \$26,292,102 in total reinsurance payment requests during those three months were not filed timely. The untimely payment requests were filed between 32 and 33 days after the claim payments. For purposes of our analysis, we considered the issuance (mailing) date of the check as the payment date to the lender. It is likely we would have found similar problems if we had reviewed payment requests made during the other nine months of fiscal year 2008.

This apparent noncompliance occurred because the MDHE used an "estimated" claim payment date recorded in its loan servicer's data base to monitor the 30 day requirement. The estimated claim payment date represents the date MDHE expects lenders to receive the payments by mail. Program regulations provide no clear definition of the claim payment date; however, it appears the date the MDHE mails the checks to the lenders (approximately three days before the estimated claim payment date) is the most reasonable date to determine compliance with the 30 day requirement because that is the date MDHE relinquishes control of the payments.

WE RECOMMEND the MDHE communicate with the USDE for clarification of which date constitutes the payment date of default claims to lenders. Depending on the information received from the federal agency, the MDHE should make appropriate

changes to its procedures to ensure reinsurance payment requests are filed with the USDE within the 30 day filing deadline.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2008-2.

Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2007 – DAHA23-07-2-1000 and 2008 – DAHA23-08-2-1000
State Agency: Department of Public Safety – Adjutant General (AG)

The AG did not maintain proper records for equipment acquired through the above referenced program or adequately perform periodic inventories to ensure this equipment is accounted for properly. The cooperative agreement between the AG and the Department of Defense, National Guard Bureau requires the state to account for and manage equipment acquired under this program. According to the Statewide Advantage for Missouri (SAM II) System, of the approximately \$32,000,000 of program expenditures in fiscal year 2008, about \$650,000 related to capital assets (excluding land and improvements) for various facilities statewide.

- A. Some assets purchased during fiscal year 2008 have not been properly accounted for in the AG's capital asset tracking system and have not been assigned a property tag or capital asset number. The staff position responsible for entering assets into the internal capital asset tracking system and assigning property tag numbers was vacated in July 2007. This responsibility was reassigned to another staff person, but AG personnel indicated this employee has not been able to keep up with the high workload. We noted numerous assets had not been entered in the internal capital asset tracking system. At least 1 of these assets was purchased a year before our review. In addition, the AG has not performed adequate periodic inventories to ensure capital assets are retained and used appropriately. Yearly physical inventories of assets are performed; however, these inventories are performed by the individuals with physical control of the assets. There is no independent review to ensure the accuracy of these inventories.

To ensure capital assets are accounted for properly, the AG should develop procedures to ensure assets are entered into the capital asset tracking system timely and property tags are properly assigned. In addition, the yearly physical inventories should be completed by a person independent of the custodial function

of the assets. If this not feasible, the results of the inventories should be reviewed by an independent person.

- B. AG personnel have not completed a reconciliation between the expenditure and capital asset records in the SAM II system. This reconciliation ensures all acquisitions of capital assets have been identified and properly recorded. While a reconciliation is in progress, as of January 2009, approximately \$600,000 of the \$3,300,000 capital asset expenditures from fiscal year 2002 through fiscal year 2008 have not been reconciled. Without completing this reconciliation, the AG has less assurance all capital assets are included in the capital asset records.

WE RECOMMEND the AG:

- A. Ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number. In addition, develop and implement a process to ensure capital assets are appropriately accounted for on the annual physical inventories. The inventories should be completed by someone without physical custody of the assets, or at a minimum, reviewed by someone independent.
- B. Ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2008-3.	Reporting
----------------	------------------

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance
Projects
2007 – DAHA23-07-2-1000 and 2008 – DAHA23-08-2-
1000
State Agency: Department of Public Safety – Adjutant General (AG)

While the AG has a system in place to track fiscal year closeout reports related to the above referenced program, AG personnel are not using it to ensure the reports are submitted to the federal government by the dates due. As a result, a number of closeout reports were not submitted timely. This program works through a cooperative agreement in which the awarding federal agency has ongoing direct involvement in the program. The cooperative agreement does not change from year to year; however, new appendixes to this agreement, which fund various operations and maintenance projects, are approved each year.

Article III, Section 306 of the cooperative agreement between the AG and the Department of Defense, National Guard Bureau requires the state to submit a closeout report for each appendix within 90 days after the end of the federal fiscal year. If obligations related to the agreement still exist, the cooperative agreement indicates the state must request an extension for the closeout due date and the National Guard Bureau's United States Property and Fiscal Officer may set a new deadline for submission of the reports.

We reviewed all 12 appendixes for which closeout reports were submitted during fiscal year 2008 and found 7 closeout reports were submitted after the date due. The closeout reports ranged from approximately 1 month to 20 months late. One appendix had an extension due date of August 31, 2006, but the closeout report was not submitted until April 23, 2008. While the appendixes may need extensions past the original due date as a result of outstanding obligations, AG personnel stated report submission is also delayed due to high staff workloads. However, extensions should be requested for all closeout reports that cannot be submitted by the dates due.

WE RECOMMEND the AG ensure closeout reports are submitted by the date due or when necessary, deadline extensions are obtained and complied with.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2008-4.	Subrecipient Monitoring
----------------	--------------------------------

Federal Agency:	Department of Homeland Security
Federal Program:	16.007 State Homeland Security Grant Program 2003 – MU-T3-0003 97.004 State Domestic Preparedness Equipment Support Grant Program 2004 – GE-T4-0049 97.067 State Homeland Security Grant Program 2007 – GE-T7-0034, 2006 – GE-T6-0067, and 2005 – GE-T5-0022
State Agency:	Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)

The SEMA has not adequately monitored subrecipients related to the above referenced programs to ensure an audit in accordance with Office of Management and Budget (OMB) Circular A-133 has been performed and submitted to the SEMA on a timely basis, as required. During our prior audit (year ended June 30, 2007), the SEMA had a tracking system to help identify which subrecipients were required to submit an A-133 audit (based on information provided to the SEMA from the subrecipients). This tracking

system also identified the audits that had been received from subrecipients and which audits had been reviewed by SEMA personnel. However, the SEMA now only uses this tracking system to identify which audits have been received and reviewed and no longer maintains information in the system related to which subrecipients are required to submit an audit. Therefore, currently, the SEMA does not know which of its approximately 350 subrecipients are required to have an audit and which ones have not submitted their required audits.

We reviewed the files of 34 subrecipients with grant expenditures exceeding \$500,000, including the 25 subrecipients with the largest grant payments from SEMA, and noted that 1 subrecipient had not submitted an A-133 audit to the SEMA, as required. According to SEMA personnel, the SEMA is in the process of developing a better way to track which subrecipients need A-133 audits. However, currently, the SEMA is not tracking which subrecipients are required to submit these audits and/or subrecipients who have not submitted their required audits.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within nine months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to make a management decision on audit findings within six months after receipt of a subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the SEMA ensure it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring all subrecipients submit an A-133 audit on a timely basis, as required.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2008-5.	Subrecipients
---------	---------------

Federal Agency:	Department of Agriculture Department of Health and Human Services
Federal Program:	10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 2007 – IS251443, IE251843, and IS252043 2008 – IS251443, IS802643, and IS803643 93.556 Promoting Safe and Stable Families 2007 – G0701MO00FP and 2008 – G0801MOFPSS 93.558 Temporary Assistance for Needy Families 2007 – G0701MOTANF and 2008 – G0802MOTANF

93.566 Refugee and Entrant Assistance – State Administered Programs
 2007 – G07AAMO7100 and G07AAMO7110
 2008 – G08AAMO7100 and G08AAMO7110

93.568 Low-Income Home Energy Assistance
 2007 – G07B1MOLIEA and 2008 – G08B1MOLIEA

93.575 Child Care and Development Block Grant
 2007 – G0701MOCCDF and 2008 – G0801MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
 2007 – G0701MOCCDF and 2008 – G0801MOCCDF

93.658 Foster Care – Title IV-E
 2007 – G0701MO1401 and 2008 – G0801MO1401

93.659 Adoption Assistance
 2007 – G0701MO1407 and 2008 – G0801MO1407

93.667 Social Services Block Grant
 2007 – G0701MOSOSR and 2008 – G0801MOSOSR

93.674 Chafee Foster Care Independence Program
 2007 – G0701MO1420 and 2008 – G0801MO1420

93.778 Medical Assistance Program
 2007 – 0705MO5028 and 0705MO5048
 2008 – 0805MO5028 and 0805MO5048

State Agency: Department of Social Services (DSS) – Division of Finance and Administrative Services (DFAS)

As noted in previous reports, the DSS does not consider certain entities to be subrecipients. Our review of expenditures from the above referenced programs noted payments to several entities which appear to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DFAS reported the payments to these entities for these programs as payments to vendors, rather than "amounts provided to subrecipients;" and these entities were not furnished applicable federal regulations and were not required to obtain A-133 audits, when needed.

For example, the DSS does not identify local community partnerships receiving funding from various federal programs (listed above) as subrecipients. The DSS provides funding to local community partnerships, for the state's Caring Communities Program, through various federal grants in coordination with other state agencies. The DSS paid these partnerships approximately \$24.6 million during the year ended June 30, 2008. The partnership contracts explicitly state the partnerships are not considered subrecipients within the meaning of the Office of Management and Budget (OMB) Circular A-133. The DSS believes the partnerships do not meet the definition of a subrecipient under OMB Circular A-133.

However, we believe, based upon the substance of the arrangements, the arrangements with the partnerships represent a subrecipient relationship. OMB Circular A-133, section .210 provides guidance in determining whether an entity is a subrecipient or a vendor.

We believe the partnerships should be considered subrecipients because: 1) the partnerships have their performance (core results) measured against contract objectives, and some of these objectives directly relate to the federal program objectives, 2) the partnerships make programmatic decisions related to their core results, 3) the allowable costs under the contracts are evaluated by the DSS based upon allowable costs under the federal grants, 4) the partnerships administer a large portion of some of the state's various federal grants, and 5) the DSS establishes the expectations, terms, and conditions of the arrangement with the partnerships.

In addition, it appears the DSS monitors these partnerships as if they were subrecipients. The DSS has developed a written monitoring program to evaluate the partnerships' activities and requires financial statement audits of the partnerships be submitted to the DSS, for review. However, the DSS does not require audits of federal funds under OMB Circular A-133. Section .210 also states that when evaluating whether a subrecipient relationship exists, the "substance of the relationship is more important than the form of the agreement."

To meet the DSS's responsibilities under OMB Circular A-133, section .400, the DSS should identify and classify appropriate entities as subrecipients and provide all required information to the entities including the requirement that subrecipients obtain A-133 audits, when applicable.

A similar condition was also noted in prior reports. The DSS communicated with the Department of Health and Human Services regarding this finding; however, there has been no formal resolution.

WE RECOMMEND the DSS through the DFAS, classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2008-6.	Foster Care – Court Contracts
----------------	--------------------------------------

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.658 Foster Care – Title IV-E 2007 – G0701MO1401 and 2008 – G0801MO1401
State Agency:	Department of Social Services (DSS) – Children's Division (CD)
Questioned Costs:	\$216,178

The DSS received federal reimbursement for administrative costs associated with services provided by juvenile officers and guardians ad litem, although such costs do not appear allowable in the Foster Care program.

Various public agencies assist the DSS in carrying out the Foster Care program. Federal Foster Care program regulations provide for reimbursement of the costs of these other agencies only if the agency is responsible for the placement and care of children. The DSS claimed federal reimbursement for a portion of payments totaling approximately \$652,000 to 11 courts for services of juvenile officers and guardians ad litem; however, the courts do not have the responsibility for the placement and care of children. In addition, the DSS did not maintain sufficient documentation supporting that these reimbursements are allowable.

The courts provide juvenile officers and guardians ad litem to serve the Family Centered Out of Home Care Pilot Project (FCOOHC) in partnership with the CD. The desired project outcomes are to prevent placements in out-of-home care, reduce the time in out-of-home care, and reduce re-entry into out-of-home care. Under the contracts, the court is responsible for providing immediate involvement in all potential and actual out-of-home placements. The contracts also require that juvenile officers and guardians ad litem be familiar with children in care, take part in home visits with case managers, be involved with court proceedings, and attend various meetings and trainings. According to DSS personnel, the juvenile officers' primary involvement includes removal of children from their homes, termination of parental rights procedures, and other actions filed with the court. Additionally, the guardians ad litem are to provide legal representation to support the best interest of each child in out-of-home care and expedite permanency.

The FCOOHC juvenile officers are employed by Missouri's courts and the guardians ad litem are appointed by the courts, and both serve under the direction of the courts. DSS personnel stated caseloads of the FCOOHC juvenile officers and guardians ad litem are comprised only of children in CD custody. However, neither the contracts nor other related documentation support that these personnel worked solely with Foster Care children, or specific services provided by the juvenile officers and guardians ad litem were allowable Foster Care activities.

The courts are reimbursed for salary, benefits, and expenses of the juvenile officers; and are either reimbursed for the guardians ad litem salary expenses or a set rate per hearing or meeting attended. While these costs could have been claimed under other DSS grants, the costs do not appear allowable in the Foster Care program. During fiscal year 2008, the DSS claimed reimbursement of such costs totaling \$432,356. We question the federal share of \$216,178.

According to 42 USC 672(a)(2)(B), to be eligible for federal funding for Title IV-E expenditures, the foster child's placement and care are the responsibility of the state agency administering the state plan, or any other public agency with which the state administering agency has made an agreement. Federal regulation 45 CFR 1356.60 provides that funds may only be expended for costs directly related to the administration

of the program, including referral to services, preparation for and participation in judicial determinations, and placement of the child. The costs of counseling or treatment are specifically prohibited.

Section 8.1B of the Administration for Children and Families' (ACF) Child Welfare Policy Manual provides that referral costs are limited to the activities of the caseworker and the caseworker's supervisor and the costs of services related to the prevention of placement are not reimbursable. Additionally, the manual provides the preparation for and participation in judicial determinations involves the state agency's representation, but not the provision of legal services to a child or parent.

In November 2003, a DHHS Departmental Appeals Board decision sustained disallowed Foster Care program costs associated with similar services provided by all Missouri juvenile officers. The DSS previously contracted with the Office of State Courts Administrator (OSCA) to reimburse the costs (allocated based on a time study) of services provided by juvenile officers across the state. The Departmental Appeals Board concluded that Missouri was not entitled to claim the costs of the activities of the juvenile officers "because the juvenile officers were not engaged in the placement and care of children, and their activities were not under the supervision of DSS, Missouri's state IV-E agency." The DSS discontinued claiming the previously questioned contract.

DSS officials indicated the FCOOHC juvenile officer contracts are different from the disallowed contract because these juvenile officers work solely with children in the CD's custody, rather than the general population of juvenile officers covered by the disallowed contract. However, the Departmental Appeals Board did not address the issue of the method the DSS used to allocate the juvenile officers' time to the Foster Care program because the primary reason the costs were unallowable was, "Missouri failed to establish that either OSCA or the juvenile officers in fact had the responsibility for the placement and care of IV-E children in Missouri in lieu of DSS, and the evidence instead indicated that IV-E children in Missouri are placed by the courts into the care and custody of DSS." Because the FCOOHC contracts appear very similar in nature to the disallowed contract and some of the services provided by the juvenile officers and guardians ad litem do not appear to be allowable Foster Care activities per the criteria above, we have questioned the associated costs.

The failure to clearly define the relationship of contracted services to federal requirements increases the risk that federal reimbursements are claimed for unallowable expenditures.

WE RECOMMEND the DSS through the CD, ensure Foster Care costs claimed for federal reimbursement are allowable Foster Care expenses. In addition, the DSS should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2008-7.	Foster Care – Residential Facilities
----------------	---

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.658 Foster Care – Title IV-E 2007 – G0701MO1401 and 2008 – G0801MO1401
State Agency:	Department of Social Services (DSS) – Children's Division (CD)
Questioned Costs:	\$9,511

Reimbursements to residential facilities for training expenses were not always supported by sufficient documentation that the expenditures were allowable, and some training costs reimbursed appeared unallowable. In addition, non-accredited residential facility licensing files lacked sufficient documentation supporting compliance with licensing requirements.

Residential facilities provide specialized care for children that need more structure and intervention than a foster home can provide. As of October 2008, there were 135 residential facilities located throughout the state.

- A. The DSS has contracts with 24 residential facilities to reimburse part of the costs of training facility staff. Contracts with these facilities outline specific allowable and unallowable training activities as provided by federal regulations and guidelines. The DSS reimbursed the residential facilities a percentage of their training costs claimed, based on an allocation methodology outlined in the contracts. For fiscal year 2008, this percentage was approximately 47 percent. During fiscal year 2008, the DSS paid the 24 facilities approximately \$509,000 for training. Our review of training reimbursements to the facilities noted reimbursements were not always supported by sufficient documentation to show the training costs were allowable, and some training costs reimbursed appeared unallowable.

Facilities are required to submit a training report for each training activity performed. Beginning in fiscal year 2009, facilities are required to submit invoices or other documentation supporting the training costs. DSS personnel review the training reports and supporting documentation for compliance with the contracts prior to payment processing. Prior to fiscal year 2009, the DSS did not require documentation supporting the training reports, and did not review the training activities for compliance with the contracts. According to DSS personnel, changes to the review process were prompted by a 2005 DHHS review which questioned some residential facility training costs claimed.

We reviewed selected training reports and supporting documentation for reimbursements made to 9 residential facilities during fiscal year 2008, totaling \$34,100. Numerous training reports and supporting documentation were not sufficient to show the training and related costs were for allowable Foster Care administrative activities and some training activities reimbursed appeared unallowable.

Examples of costs claimed for training activities that were not adequately supported include:

- The full cost (i.e. registration and travel costs) of conferences that covered various social services topics in addition to Foster Care.
- Food, equipment, and supplies.
- A claim for outside training costs totaling \$660.

Examples of costs claimed for training activities that appear unallowable include:

- Costs of training on employment policies and procedures and personal enrichment (i.e. weight loss and stress management), and trainee salaries were reimbursed; all of which are prohibited by the residential facility training contracts.
- Costs of training on treatment and medical certifications were reimbursed, which are prohibited by federal policy and regulation. Section 8.1h of the ACF Child Welfare Policy Manual indicates training topics must be closely related to one of the examples cited in 45 CFR 1356.60. That regulation prohibits reimbursement for treatment.
- Supervisor salaries for day-to-day supervision were reimbursed. Federal regulation 45 CFR 235.65(a) prohibits the reimbursement of salaries of supervisors, including day-to-day supervision of staff.

DSS personnel indicated these expenditures were not identified or questioned by the DSS because they occurred prior to implementation of the new documentation and reimbursement review procedures. DSS personnel indicated through their current review procedures, they would have questioned and/or requested additional supporting documentation for certain training activities questioned above prior to making payment.

Of the \$34,100 in reimbursements reviewed, payments totaling \$12,875 were unallowable and/or unsupported, of which we question \$9,511 claimed as the federal share.

Without requiring adequate documentation supporting training costs, and reviewing that documentation, the CD cannot ensure federal costs claimed are for allowable Foster Care activities. The CD should ensure training topics are closely related to allowable activities outlined in this guidance and supported by sufficient documentation.

- B. The CD Residential Program Unit (RPU) is responsible for issuing biennial licenses to residential facilities. Non-accredited facilities must submit an application and various documentation to support compliance with licensing requirements as part of the initial approval and subsequent renewal processes. The RPU reviews the application documents and performs an on-site licensing visit to ensure compliance with licensing requirements. Any deficiencies in the application documents are to be resolved prior to license issuance. In addition to the licensing visit, the RPU conducts on-site reviews of non-accredited facilities biannually. During these visits, a random sample of employee files is reviewed for evidence of Family Care Safety Registry (FCSR) background checks.

Our review of 14 non-accredited residential facility licensing files found that 13 lacked sufficient documentation to support compliance with licensing requirements.

- 1) For 13 of 14 non-accredited residential facilities reviewed, the licensing files lacked documentation that annual FCSR checks had been performed for all staff. Facilities are required to submit personnel reports to the DSS listing each employee's name, title, salary, education and experience; date of their last FCSR check; date of their last physical exam; and number of hours of staff training. However, some personnel reports did not list the date of the last FCSR check for some or all employees and some personnel reports indicated that FCSR checks had been performed more than 12 months prior to the application date for some or all employees. Also, while state regulations require facilities report the actual results of FCSR checks, the RPU only requires facilities report the date of the last check.

DSS personnel acknowledged that personnel reports submitted by the facilities often lack sufficient documentation of current FCSR checks. They stated that, as a result, during the licensing visit RPU supervisors are expected to ensure facilities have current FCSR checks when application documentation submitted by the facility is unclear, outdated, or incomplete. However, the licensing files did not contain sufficient documentation that these procedures were performed. Documentation of reviews of FCSR checks was generally limited to the number of employee files sampled and overall conclusions regarding the facility's compliance. As a result, it was unclear whether annual FCSR checks had been conducted for each employee as required.

The DSS does not require RPU supervisors to update the licensing documentation when deficiencies are resolved, nor does it require residential facilities to revise incomplete or inaccurate licensing reports submitted. DSS personnel also stated RPU supervisors do not document individual employee files reviewed to avoid listing specific employee names and personal information in the licensing files. For each of the 13 licensing files, the licensing review report concluded the facility was in compliance.

- 2) One non-accredited residential facility file lacked documentation of a current approved fire inspection. Both fire inspections conducted in January 2008 indicated the facility did not receive approval and a re-inspection was required. A subsequent inspection had not been provided as of January 2009.

Federal regulation 45 CFR 1355.20(a)(2) provides that all Foster Care providers must meet all state licensing regulations and be fully licensed by the state Foster Care licensing authority to meet federal Foster Care eligibility requirements. State regulation 13 CSR 35-71.020 requires residential facilities to submit to the DSS documentation supporting compliance with state licensing requirements as part of the initial and renewal processes. Two of the required documents are 1) the annual results of a check of the FCSR for all staff, students, volunteers, and contractors who have direct contact with children, and 2) evidence of current compliance with fire and safety requirements of the state Fire Marshal. In addition, 45 CFR 1356.30(f) provides that the licensing file for the child-care institution must contain documentation that verifies safety considerations with respect to the staff of the institution have been addressed.

Without ensuring complete application documentation is received, requiring necessary corrections to the application files, and documenting complete follow-up actions taken in licensing review files, the DSS cannot demonstrate compliance with state and federal licensing requirements.

WE RECOMMEND the DSS through the CD:

- A. Continue to ensure training activities reimbursed are for allowable activities outlined in federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.
- B. Ensure non-accredited residential facilities submit complete documentation of compliance with licensing requirements. In addition, sufficient documentation of the licensing review process, including deficiencies identified, follow-up procedures performed, and subsequent corrective action taken, should be maintained in the licensing files.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2008-8. Foster Care – Eligibility and Assistance Payments
--

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care – Title IV-E 2007 – G0701MO1401 and 2008 – G0801MO1401
State Agency:	Department of Social Services (DSS) – Children's Division (CD)
Questioned Costs:	\$4,877

Eligibility and payment documentation could not be located and/or was insufficient for some cases reviewed, and payments were made on behalf of ineligible children for some cases. During fiscal year 2008, the CD claimed Foster Care benefits totaling over \$20.7 million to children in CD custody. Benefits were provided to an average of 3,489 children each month. Benefits can include subsidies for items such as maintenance, professional foster parents, transportation, and clothing.

The Foster Care Program provides safe 24-hour substitute care for children under the jurisdiction of the state that need temporary placement and care outside their homes. To be eligible for benefits under the program, eligibility requirements outlined in 42 USC 672 must be met. The child must be removed from his or her home by means of a judicial determination or pursuant to a voluntary placement agreement, as required by 45 CFR 1356.21 and 45 CFR 1356.22(b), respectively. Federal regulation 45 CFR 1356.21 provides the first court order removing the child from the home as a result of a judicial determination must contain an explicit statement that removal would be in the child's best interest or that continuation in the home would be contrary to the child's welfare. In addition, 45 CFR 1356.21(i) provides the state must either join or file a petition for termination of parental rights (TPR) of parents whose child has been in Foster Care under the state's responsibility for 15 of the most recent 22 months, unless the child is being cared for by a relative or the state has documented a compelling reason that terminating parental rights would not be in the child's best interest. When the state joins or files a petition for TPR, it must concurrently begin to identify, recruit, process, and approve a qualified adoptive family for the child.

To test compliance with these requirements, we sampled eligibility and expenditure documentation for 60 Foster Care children. While payments made on behalf of 3 of the children were later recouped or re-coded as ineligible, assistance payments totaling \$179,870 were made on behalf of the other 57 children during fiscal year 2008. Our review noted the following:

- A. The DSS did not maintain sufficient documentation to support eligibility or did not comply with federal requirements for 4 cases. For 1 of 57 (2 percent) cases, the DSS could not locate a court order indicating that removal from the home was in the child's best interest. The earliest court order in the case file did not contain this language. Payments relating to this case, totaling \$4,484, were charged to the Foster Care program from November 2007 to June 2008. We question the federal share of \$2,790 (62.22 percent).

In addition, for 3 of 43 (7 percent) cases reviewed where TPR was required, the DSS either did not file or join a petition for TPR or document compelling reasons for not pursuing termination; or TPR was not initiated within the required timeframe.

- B. Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments on 8 of 49 (16 percent) cases where payment documentation was required. Invoices or other supporting documentation are required for certain payments, such as clothing and transportation. For some cases, documentation was not received to support payments and/or documentation received was incomplete, inadequate, or unclear how the costs were allowable Foster Care expenses.

In addition, for 2 more cases the benefit payments exceeded the annual clothing allowance, and for another case the maintenance payments were incorrectly calculated. In these 11 cases, payments totaling \$2,807 were unallowable and/or unsupported by adequate documentation. We question the federal share of \$1,747 (62.22 percent).

- C. For 3 of 57 (5 percent) cases sampled, payments were made on behalf of children ineligible for reimbursement of Foster Care benefits. For these cases, the DSS had performed an eligibility re-determination, determined the child was not eligible for benefits during specified months, and re-coded the related payments to another program. However, the DSS failed to re-code some payments for these cases. According to DSS personnel, when the eligibility status changes, all payments made during the period of ineligibility are to be recouped or re-coded to another program or funding source; however, the DSS failed to make the necessary adjustments for these payments.

In these 3 cases, payments totaling \$546 were made on behalf of ineligible children. We question the federal share of \$340 (62.22 percent).

The failure to ensure Foster Care judicial determinations include required language, petitions for TPR are filed or reasons a petition was not filed are documented, payments are allowable and adequately supported, and proper adjustments are made as a result of eligibility re-determinations can result in federal reimbursements for ineligible children and/or unallowable costs. Payments associated with known questioned costs represented

approximately 4 percent of payments reviewed. If similar errors were made on the remaining population of assistance payments, questioned costs could be significant.

WE RECOMMEND the DSS through the CD resolve the questioned costs with the grantor agency, and:

- A. Ensure Foster Care judicial determinations contain specific language required by federal regulations, and that petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented.
- B. Ensure Foster Care payments are allowable and supported by adequate documentation.
- C. Strengthen controls over eligibility re-determination to ensure all applicable payments are recouped or re-coded, and payments are made on behalf of children eligible for reimbursement.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2008-9.

Vocational Rehabilitation Program

Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
	2007 – H126A0700372 and 2008 – H126A080037B
State Agency:	Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)
Questioned Costs:	\$3,444,779

The FSD has not established procedures to ensure adequate supporting documentation is prepared for personnel costs charged to the Vocational Rehabilitation (VR) grant. The FSD-RSB also does not adequately document annual reviews of Individualized Plans for Employment (IPE).

- A. Adequate supporting documentation is not prepared for personnel costs, which consists of salaries and related fringe benefits and indirect costs, charged to the VR grant for approximately 150 employees. Certifications are not prepared for many RSB employees whose personnel costs are charged solely to the VR grant, certifications prepared are not specific to the VR grant, and personnel costs are

charged solely to the VR grant for many employees who perform duties related to other programs.

Personnel costs charged to the VR grant during state fiscal year 2008 for which the supporting documentation was inadequate or not prepared totaled \$4,377,102 of which we question the federal share of costs totaling \$3,444,779 (78.7 percent).

The established FSD procedures, though not written, are to use certifications to support personnel costs for employees charged solely to the grant and personnel activity reports to support personnel costs of employees who work on multiple programs.

- The FSD did not prepare certifications or personnel activity reports for approximately 45 RSB employees whose personnel costs were charged 100 percent to the VR grant. Personnel costs for these employees were charged as if certifications would be prepared but the FSD did not reconcile the lists of employees charged 100 percent to the VR grant to the lists of certified employees. As a result, the lack of certifications was not identified. In addition, RSB officials indicated that many of these employees actually worked on multiple programs but personnel activity reports were not prepared. During the year ended June 30, 2008, personnel costs for these employees totaled \$2,360,352 of which we question the federal share of \$1,857,597.
- While certifications for approximately 35 employees were prepared semi-annually, the certifications were signed by an FSD official rather than the employee and/or supervisor that had first hand knowledge of the employee's duties and responsibilities during the period. The certifications were not specific to the VR grant; instead the certification indicated the listed employees worked solely on RSB programs which include activities related to two other federal grant programs and at least two state-only programs. RSB officials indicated that many employees whose personnel costs were charged 100 percent to the VR grant were also performing duties for the other programs. For example, RSB officials indicated that teachers charged 100 percent to the VR grant primarily worked in the independent living program and supervisory and clerical staff charged 100 percent to the VR grant also performed duties related to the other federal and state-only programs. For employees who work on multiple programs, personnel activity reports should have been prepared and used to allocate related costs to the various programs. The use of certifications as support for many of these employees did not comply with established FSD procedures or federal requirements. The FSD did not have written policies and procedures for certification of employees and established procedures were not adequate to ensure the federal requirements were met.

Because certifications were not specific to the VR program and management indicated many certified employees worked on multiple programs, it is unclear which employees, if any, worked solely on the VR grant. Therefore, we question all of the personnel costs for these employees. During the year ended June 30, 2008, personnel costs for this employee group totaled \$1,635,146 of which we question the federal share of \$1,286,860.

- From July 2007 to March 2008, personnel costs for approximately 70 full and part time employees were appropriately charged to the VR and other grants based on personnel activity reports. Beginning in April 2008, these employees were charged 100 percent to the VR program although there was no significant change in these employees' duties. The FSD also began charging personnel costs of 3 employees to the VR grant that had previously been charged to another federal grant; however, there was no significant change in their duties. By no longer preparing payroll activity reports or certifications, the FSD did not follow established procedures for substantiating personnel costs. During the quarter ended June 30, 2008, personnel costs for these employees totaled \$381,604 of which we question the federal share of \$300,322.

The Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 8 requires certifications or personnel activity reports to support personnel costs charged to federal grants. If certifications are used, they must be prepared semi-annually for employees who worked solely on a single federal program and are to be signed by the employee or a supervisor with first hand knowledge of the work performed by the employee. When employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation.

- B. The FSD-RSB does not adequately document annual reviews of Individualized Plans for Employment (IPE). Without adequate documentation, it is unclear whether the reviews were performed as required. During the year ended June 30, 2008, purchased services and products for VR clients totaled approximately \$4.3 million.

An IPE is developed for each individual determined to be eligible for vocational rehabilitation services. The IPE is designed to achieve a specific employment outcome for each individual based on their strengths, resources, priorities, and capabilities. The IPE generally outlines the services authorized to achieve the set goals and employment outcome. An annual review of the IPE is required by federal regulation to assess the progress of each individual and to determine the continued need for services outlined in the IPE.

We noted documentation of the annual review was not included on the IPE form in the individual's case file for 11 of 49 (22 percent) cases tested. According to

FSD-RSB policy, the annual review is to be documented on the IPE form. RSB officials consider communications between the counselors and recipients documented in the case narratives as being acceptable evidence that the annual reviews took place. However, when no review was documented on the IPE form for the above mentioned cases, we found the case narratives were not clear about whether the annual review was completed or whether any modifications were needed based on the recipients' current status in meeting their program goals. The files we reviewed included documentation indicating that cases were being actively managed and case counselors were regularly approving payments for VR services authorized in the individual's IPE.

Federal regulation 34 CFR 361.45(d)(5) requires the IPE to be reviewed at least annually by a qualified vocational rehabilitation counselor to assess the eligible individual's progress in achieving the identified employment outcome. Additionally, Chapter 12, Section A.9 of the RSB manual requires the annual review to be documented on the IPE form.

Without adequate documentation of the annual reviews, the FSD cannot ensure the reviews took place as required by federal regulation and clients receiving services are making adequate progress toward stated goals and employment outcomes.

WE RECOMMEND the FSD:

- A. Resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.
- B. Document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2008-10.	Medical Assistance Program
-----------------	-----------------------------------

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program
	2007 – 0705MO5028 and 0705MO5048
	2008 – 0805MO5028 and 0805MO5048

State Agency: Department of Social Services – Family Support Division (FSD)
and MO HealthNet Division (MHD)
Questioned Costs: \$2,048

Various documentation detailing eligibility of recipients, payments to providers, and payment overrides could not be located related to the above referenced program.

The Medical Assistance Program, also known as Medicaid, is administered by the MHD, while the FSD is charged with determining the eligibility of Medicaid recipients. During the year ended June 30, 2008, Medicaid payments totaled approximately \$7.2 billion, of which approximately \$4.4 billion was claimed as federal expenditures.

When reviewing various compliance areas associated with the Medicaid program, the following documentation issues were found:

- A. Eligibility documentation could not be located by FSD for 1 of 60 Medicaid case files reviewed (2 percent). As a result, eligibility requirements could not be tested for that case. The 60 case files tested were randomly chosen from a total of 1,031,814 Medicaid cases active for part or all of the year ended June 30, 2008.

Federal regulations 42 USC 1320b-7(d) and 42 CFR sections 435.907 and 435.913 require a written application signed under penalty of perjury to ensure individuals meet the financial and categorical requirements for Medicaid. The application must also include facts to support the agency's decision when determining an individual's eligibility.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the Medicaid program. The payments related to the above mentioned error, which were medical payments made on behalf of the client during the year ended June 30, 2008, totaled \$3,297. We question the federal share of the total payments or \$2,048 (62.12 percent). For the other 59 cases tested, the FSD's determination of eligibility appeared proper.

- B. Medicaid Eligibility Quality Control System (MEQC) documentation could not be located and/or was not adequate for some cases reviewed.

States are required to operate a MEQC system in accordance with requirements established by the Centers for Medicare and Medicaid Services, to re-determine beneficiary eligibility for individual sampled cases. Most states, including Missouri, have been given a waiver from the traditional MEQC program in order to perform special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration. This system is discussed in Federal regulations 42 USC 1396b and 42 CFR sections 431.800 through 431.865.

Missouri has chosen to perform targeted reviews, which allow the FSD to review specific sections of the Medicaid population in order to more specifically target problem areas. Of the populations chosen each year, the FSD does two reviews on active cases and one review on cases which have been closed by the agency. Examples of the types of reviews performed include determining if FSD Eligibility Specialists were properly applying policies regarding Medicaid program requirements; clients were reporting all accountable income, resources, and property in regard to the programs for which they applied; and the annual reinvestigation performed by FSD Eligibility Specialists was performed in accordance with current policy and procedures

To test compliance with these regulations, we analyzed the most recent three targeted reviews performed by the FSD. We selected 25 cases from each targeted review, for a total of 75 cases. The FSD could not locate 2 of 75 case files selected (3 percent), and documentation could not be located and/or was not adequate for 5 of 75 cases selected (7 percent). Missing and/or inadequate documentation included support of eligibility determination, documentation of citizenship, and adequate notice and basis given for discontinuing assistance, if applicable. For the other 68 cases tested, we noted no problems with FSD's MEQC reviews.

- C. Medicaid payment override documentation could not be located by the MHD for 1 of 13 case files reviewed (8 percent).

Federal regulations 42 CFR sections 435.10, 440.210, 440.220, and 440.180 state that funds can only be used for Medicaid benefit payments, expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units. Funds specific to Medicaid are processed through the Medicaid Management Information System (MMIS), which is the benefit claims processing and information retrieval system used by the MHD. There are numerous edit checks set up in this system to flag and/or refuse payment on suspicious or unusual claims. A formally approved override, with specific documentation to explain the override, is required to authorize the payment of claims that have been flagged by the system.

To ensure Medicaid benefits payments were limited to authorized allowable Medicaid expenditures, authorizations of claim payment overrides were reviewed. However, override documentation could not be located for 1 of the cases reviewed. The documentation of overrides appeared adequate for the other 12 case files reviewed.

- D. Medicaid payment documentation could not be located by MHD for 1 of 60 case files reviewed (2 percent).

Federal regulations 42 CFR parts 455, 456, and 1002 require the agency to have procedures for the ongoing post-payment review, on a sample basis, of the need for

and the quality and timeliness of Medicaid services. In Missouri, the MHD Program Integrity Unit performs this post-payment review by using a State Audit Sample (SAS), which includes paid claims for MO HealthNet Managed Care capitation payments. For the most recent review performed by the MHD, 217 cases were included in the SAS sample for post-payment review, of which we systematically selected 60 to review.

For 1 case included in our sample, the MHD did not maintain the review file. The information contained in these files is payment information provided to the MHD from the providers, and not originals. However, this information should be maintained in order to document the post-payment review. As a result, not all cases the MHD sampled for the post-payment review could be evaluated to ensure the MHD had properly performed the required review. Our review of the other 59 case files noted no problems.

Because the FSD and MHD did not maintain proper documentation and/or documentation was not adequate, the FSD and MHD could not fully document they were in compliance with applicable federal requirements related to the Medicaid program.

WE RECOMMEND the DSS through the FSD and MHD ensure complete case files are maintained and/or documentation is adequate to ensure compliance with applicable federal requirements related to the Medicaid program. In addition, the FSD should resolve questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

Additional State Auditor's Reports:

The State Auditor's Office regularly issues management reports on various programs, agencies, divisions, and departments of the state of Missouri. Some of these management reports include issues relating to the administration of federal programs. The following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

<u>Report Number</u>	<u>Report Name</u>
2008-14	SAM II Vendor File and Related Processes
2008-25	Analysis of State Energy Assistance Programs
2008-36	Analysis of School Bus Driver Compliance Requirements
2008-52	Safe Schools Initiatives
2008-69	School Children Immunization Compliance Requirements
2008-70	Influenza Vaccine Compliance Requirements
2008-88	Timeliness of Child Support Administrative Hearings
2008-94	Food Safety Inspection Program
2008-100	Medicaid Fraud Control Unit

All reports are available on the Missouri State Auditor's Office website: www.auditor.mo.gov.

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

STATE OF MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Our prior audit report issued for the year ended June 30, 2007, included no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2007, and the findings from the prior audits for the years ended June 30, 2006 and 2005, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2006 is as follows:

Findings numbered 1, 2, 3, 4, 6B, 9D, 10, 11, and 12A were corrected.

Findings numbered 5, 6A, 7, 8, 9A, 9B, 9C, 9E, 12B, 13, and 14 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2005, all of the findings were corrected, no longer valid, or did not warrant further action.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2006-5. Earmarking – Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
 2005 – G0501MOSOSR and 2006 – G0601MOSOSR
State Agency: Department of Social Services (DSS)
Questioned Costs: \$21,705,174

The DSS had not established procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) were being used for programs and services to eligible individuals. As a result, TANF transferred to the SSBG could be used for programs and services that are not allowed. We questioned the amount transferred, totaling \$21,705,174.

Recommendation:

The DSS resolve the questioned costs with the grantor agency and implement procedures to ensure that TANF funds transferred to the SSBG are used for programs and services to children or their families whose income meets program guidelines.

Status of Finding:

The DSS disagreed with the finding because the audit failed to consider the Department's analysis of the income resources for populations served with SSBG funding. The Department has resolved this finding with the grantor agency by agreeing to amend reporting on an ongoing basis.

Status of Questioned Costs:

The grantor agency has not sustained the questioned costs.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2006-6A. Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
 2005 – G0501MOCCDF and 2006 – G0601MOCCDF
 93.596 Child Care Mandatory and Matching Funds of the Child Care
 and Development Fund
 2005 – G0501MOCCDF and 2006 – G0601MOCCDF
State Agency: Department of Social Services (DSS) – Children's Division (CD), Family
 Support Division (FSD), and Division of Budget and Finance (DBF)
Questioned Costs: \$31,683

Eligibility payment documentation could not be located for some child care cases reviewed. The total child care payments made on behalf of these children during the year ended June 30, 2006, totaled \$33,868. We questioned the federal share of \$27,189 (80.28 percent). In addition, some child care payments were not supported by adequate documentation. Attendance records were not always signed, some provider invoices did not agree to corresponding attendance records, some provider invoices could not be located, some attendance records did not include all applicable children and service dates, and a provider agreement could not be located. Also, overpayments were made because DSS sometimes authorized incorrect child care services and was inconsistent in the maximum number of monthly child care days authorized. The payments related to the inadequate documentation and overpayments totaled \$5,598. We questioned the federal share of \$4,494 (80.28 percent).

Recommendation:

The DSS through the CD, FSD, and DBF resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, and appropriate child care services are authorized.

Status of Finding:

As referenced in the Corrective Action Plan previously submitted to the State Auditor's Office, the DSS continues to disagree with the finding that the FSD and CD should "review and strengthen policies and procedures regarding child care case record documentation and retention of records". Because the Family Assistance Management Information System (FAMIS) is designed to replace paper records, the DSS maintains paper documentation is not necessary as long as documentation is noted in the FAMIS automated record.

The DSS is developing formal processes to expand case record reviews by independent reviewers based on recommendations and mandates set forth by the federal government to address program integrity. Procedures will include a process to randomly sample eligibility records for formal review. Processes are still under development with a target date of June 2009 to begin the formal sampling for case reviews. The first report to the grantor agency is to be completed by July 2010.

The DSS continues to train Eligibility Specialists and Children Service Workers on the policy of maintaining adequate documentation and record keeping. Supervisory reviews include proper documentation was obtained at the point in which eligibility was established. Any deficiencies are documented at the worker's annual performance review.

The DSS is pursuing the development of a system that will eliminate the current attendance and invoicing system. Through the use of a biometric method of electronically recording children's attendance in child care, children's attendance will be automatically time stamped each day as they enter and leave care. This time stamp will be transmitted to the FAMIS eligibility system to validate attendance and produce an

electronic payment at the end of the month of services. Based on the child's finger image capture each day, this system will provide a more secure, accurate, and accountable process to record daily attendance.

The DSS anticipates this system to be developed and implemented by 2010.

Status of Questioned Costs:

The DSS has not received a response from the grantor agency on the questioned costs. The DSS will defer to the recommendations of the grantor agency when they are received.

Contact Person: Becky Houf
Phone Number: (573) 522-1267

2006-7. Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2005 – G0504MO4004 and 2006 – G0604MO4004
93.575 Child Care and Development Block Grant
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.667 Social Services Block Grant
2005 – G0501MOSOSR and 2006 – G0601MOSOSR
State Agency: Department of Social Services (DSS)

The DSS did not ensure all entities paid more than \$25,000 were not suspended or debarred, or otherwise excluded from receiving federal funds as required by federal regulation.

Recommendation:

The DSS implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:

The Division of Finance and Administrative Services (formerly Division of Budget and Finance) has implemented procedures to ensure all contractors receiving over \$25,000 are not suspended or debarred. DSS has changed its procedures to notify the Office of Administration to include suspension and debarment language in all contracts exceeding \$25,000, regardless of the fund source.

Contact Person: Theresa McDonald
Phone Number: (573) 751-7533

2006-8. Salary Certifications

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
 2005 – G0504MO4004 and 2006 – G0604MO4004
 93.658 Foster Care – Title IV-E
 2005 – G0501MO1401 and 2006 – G0601MO1401
 93.674 Chafee Foster Care Independent Living
 2004 – G0401MO1420 and 2005 – G0501MO1420
State Agency: Department of Social Services (DSS) – Family Support Division (FSD)
 and Children's Division (CD)
Questioned Costs: \$63,887

Salary certifications were only prepared for those employees working solely on a single program in the last pay period of the reporting period. As a result, employees who worked on a single program for periods other than the last payroll of the reporting period were not certified. We questioned the federal share of the salaries and fringe benefits, totaling \$56,673, for employees working during the period April to June 2006. In addition, certifications were not always prepared for two FSD employees working on the Child Support Enforcement program. We questioned the federal share of their salaries and fringe benefits, totaling \$7,214, for these employees during the period July to September 2005.

Recommendation:

The DSS resolve the questioned costs with the grantor agency and ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

Status of Finding:

Our Corrective Action Plan remains unchanged. DSS disagrees with this finding. The DSS prepares periodic salary certifications in compliance with OMB Circular A-87 for employees that are expected to work solely on a single federal award. The periodic certifications are completed at least semiannually and signed by a supervisory staff having first hand knowledge of the work performed by the employee. The periodic certification does not require a certification statement for an employee that has terminated or moved to a position where the more stringent after-the-fact personnel activity reports are required. The DSS received notice in August 2007 from the grantor agency that if DSS has other means of documenting time for those terminated/transferred employees, the questioned costs will not be sustained. An official audit resolution letter has not been received.

Status of Questioned Costs:

The questioned costs have not been officially resolved with the grantor agency.

Contact Person: Roger Backes

Phone Number: (573) 751-2170

2006-9A. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services

Federal Program: 93.556 Promoting Safe and Stable Families

2005 – G0501MO00FP and 2006 – G0601MO00FP

93.558 Temporary Assistance for Needy Families

2005 – G0501MOTANF and 2006 – G0601MOTANF

93.575 Child Care and Development Block Grant

2005 – G0501MOCCDF and 2006 – G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2005 – G0501MOCCDF and 2006 – G0601MOCCDF

93.658 Foster Care – Title IV-E

2005 – G0501MO1401 and 2006 – G0601MO1401

93.667 Social Services Block Grant

2005 – G0501MOSOSR and 2006 – G0601MOSOSR

93.778 Medical Assistance Program

2005 – 05-0505MO5028 and 2006 – 05-0605MO5028

State Agency: Department of Social Services (DSS) and Office of Administration – Information Technology Services Division (ITSD)

The Children's Services Integrated Payment System (CSIPS) did not record or track the exact calendar days services were provided. In fiscal year 2005, the DSS overpaid vendors at least \$31,898 due to exact service dates not being recorded on the payment transactions. In addition, other potential overpayments were identified.

Recommendation:

The DSS recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD include the capability to document exact service dates instead of only the service month and year for children services payment transactions in the CSIPS and/or include this functionality in the design and development of the new system.

Status of Finding:

1. The State Auditor identified \$31,898 in overpayments for children that potentially received multiple services concurrently. The DSS agrees that \$23,502 should be recouped. As of May 2008, all \$23,502 has been recouped. The DSS is not seeking recoupment of \$8,396. Youth in the Independent Living Arrangement program receive payments to help them transition from foster care to self-sufficiency. The \$8,396 referenced above was caused when the system was not updated timely and payments

were generated to youth while in residential care. Recouping these overpayments made to the youth in Children's Division (CD) custody would likely cause a hardship for them and adversely affect any efforts to help make them self sufficient. Therefore, collecting the money back would not be in line with the CD's mission. Over the past two years, the CD's Quality Assurance Unit has worked extensively with staff emphasizing the importance of timely and accurate data entry.

2. The DSS is including this functionality in the new payment system, which is estimated to be operational in the summer of 2010. To avoid delays, most available resources are being used to develop the new system so limited revisions are being judiciously incorporated into the existing system.

Contact Person: Stacy Wright
Phone Number: (573) 751-3714

2006-9B. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
2005 – G0501MO00FP and 2006 – G0601MO00FP
93.558 Temporary Assistance for Needy Families
2005 – G0501MOTANF and 2006 – G0601MOTANF
93.575 Child Care and Development Block Grant
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.658 Foster Care – Title IV-E
2005 – G0501MO1401 and 2006 – G0601MO1401
93.667 Social Services Block Grant
2005 – G0501MOSOSR and 2006 – G0601MOSOSR
93.778 Medical Assistance Program
2005 – 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration – Information Technology Services Division (ITSD)

Established data validation and edit controls were not working effectively and some edit controls had not been included in the Children's Services Integrated Payment System (CSIPS). In fiscal year 2005, the DSS overpaid vendors \$19,730 due to weaknesses in controls over payments. Other potential overpayments were also identified.

Recommendation:

The DSS recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD establish procedures to ensure all payment data is checked for accuracy, propriety, and completeness by proper data validation and edit controls before and during processing. Specifically, the DSS should review the following edits to consider adding them to the CSIPS and/or to the design and development of the new system:

- a. Require service units and service rates on all payment transactions with the appropriate minimum and maximum units and rates.
- b. Place data validation rules on service codes to ensure payment data is compliant with the service code restrictions and to ensure the appropriate rate is used.
- c. Limit the payments for clothing to ensure compliance with the Child Welfare Manual.
- d. Revise the duplicate payment edit to review the entire payment history instead of just the pending payment file.
- e. Revise the child care edit to review payment history to ensure only 23 days are allowed in a month.
- f. Establish edits limiting absences and holidays for child care payments.
- g. Differentiate between weekend and evening child care payments and establish appropriate edits limiting the days allowed

Status of Finding:

The DSS is currently in the final phase of development of a new child welfare system, the Family and Children Electronic System (FACES). Resources are being used to develop the new system so limited revisions are being judiciously incorporated into the existing system. Recommendations a, b, e, f and g will be addressed in the new payment system which is scheduled to be in operation in the summer of 2010. The DSS has updated the existing system for recommendation c. For recommendation d, the DSS has reviewed the existing system logic and has determined the duplicate payment edit is working appropriately, per policy. The following summarizes the status of overpayments identified in this recommendation, plus additional overpayments identified by the DSS:

- The DSS is not seeking recoupment for the \$8,651 clothing allowance overpayments. Payments were made to vendors such as Wal-Mart and Target. The clothing cannot be returned so recoupment would not be appropriate. The DSS has instituted an edit in the system in accordance with policy. Edit overrides are now controlled by the Children's Division Central Office.
- The DSS agrees the \$14,706 in duplicate payments should be recouped. The DSS has recouped all \$14,706.
- The DSS is seeking recoupment of \$2,950 of the \$5,024 identified in overpayments for child care issues. As of September 2008, \$1,795 has been recouped. Direct repayment from the vendors is being sought for the remaining \$1,155 because the DSS no longer does business with these vendors. The remaining \$2,074 of the \$5,024 is not an overpayment. It represents agreed-upon payments to a child care facility for the special needs of a child.

Contact Person: Stacy Wright
Phone Number: (573) 751-3714

2006-9C. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
2005 – G0501MO00FP and 2006 – G0601MO00FP
93.558 Temporary Assistance for Needy Families
2005 – G0501MOTANF and 2006 – G0601MOTANF
93.575 Child Care and Development Block Grant
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and
Development Fund
2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.658 Foster Care – Title IV-E
2005 – G0501MO1401 and 2006 – G0601MO1401
93.667 Social Services Block Grant
2005 – G0501MOSOSR and 2006 – G0601MOSOSR
93.778 Medical Assistance Program
2005 – 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
Information Technology Services Division (ITSD)

The DSS did not perform post-payment reviews or authorize payment source documents electronically after input into the Children's Services Integrated Payment System to ensure the amount approved on the source document equaled the amount input on the payment transaction.

Recommendation:

The DSS through the ITSD establish procedures for reviewing payments to ensure the amount input agrees to the amount approved. The DSS should consider adding a workflow requirement to apply electronic signatures to authorize or approve source documents before the system will allow payments to process and/or include this functionality in the design and development of the new system.

Status of Finding:

The DSS is currently in the final phase of development of a new child welfare system, the Family and Children Electronic System. Resources are being used to develop the new system so limited revisions are being judiciously incorporated into the existing system. The DSS is including this functionality in the new payment system which is scheduled to be operational in the summer of 2010.

Contact Person: Stacy Wright
Phone Number: (573) 751-3714

2006-9E. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
 2005 – G0501MO00FP and 2006 – G0601MO00FP
93.558 Temporary Assistance for Needy Families
 2005 – G0501MOTANF and 2006 – G0601MOTANF
93.575 Child Care and Development Block Grant
 2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and
 Development Fund
 2005 – G0501MOCCDF and 2006 – G0601MOCCDF
93.658 Foster Care – Title IV-E
 2005 – G0501MO1401 and 2006 – G0601MO1401
93.667 Social Services Block Grant
 2005 – G0501MOSOSR and 2006 – G0601MOSOSR
93.778 Medical Assistance Program
 2005 – 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
 Information Technology Services Division (ITSD)

The DSS had not formally documented procedures for tracking overpayments and processing deductions, processing transaction errors, or for the retention of payment source documents for transactions processed on the Children's Services Integrated Payment System (CSIPS).

Recommendation:

The DSS through the ITSD:

1. Develop procedures for tracking child service overpayments to ensure monies are recouped from future vendor payments or are repaid by the vendors. DSS and ITSD officials should evaluate the cost of modifying the current child welfare payment system or including specifications in the future system to adequately track vendor overpayments and deductions with automated procedures.
2. Establish documented policies and procedures for handling source document errors and the resubmission of corrected data. In addition, develop error logs so officials can monitor and follow-up on the correction and resubmission of payment transaction errors.
3. Revise the source documentation retention policy to include how documents are retained and stored for all CSIPS payments.

Status of Finding:

The DSS is currently in the final phase of development of a new child welfare system, the Family and Children Electronic System. Resources are being used to develop the new

system so limited revisions are being judiciously incorporated into the existing system. The new system is scheduled to be operational in the summer of 2010.

1. The Children's Division (CD) is including this functionality in the new payment system. The \$13,017 in overpayments identified in this recommendation is part of the \$23,502 recoupment identified in audit finding 2006-9A. The \$13,017 has been recouped.
2. CD's Payment Unit staff has developed policies and procedures in the CSIPS Payment Handbook for handling source document errors and the resubmission of corrected data.
3. CD's Payment Unit staff has developed policies and procedures in the CSIPS Payment Handbook for source documentation retention.

Contact Person: Stacy Wright
Phone Number: (573) 751-3714

2006-12B. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Agriculture, Department of Education, Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for Food Stamp Program
2005 and 2006 – IE251843, IS251443, and IS252043

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
2005 and 2006 – H126A040037

93.556 Promoting Safe and Stable Families
2005 – G0501MO00FP and 2006 – G0601MO00FP

93.558 Temporary Assistance for Needy Families
2005 – G0501MOTANF and 2006 – G0601MOTANF

93.566 Refugee and Entrant Assistance – State Administered Programs
2003 – G03AAMO7110, 2004 – G03AAMO7110, 2005 –
G05AAMO7100, and 2006 – G06AAMO7100

93.568 Low-Income Energy Assistance
2005 – G05B1MOLIEA and 2006 – G0561MOLIEA

93.575 Child Care and Development Block Grant
2005 – G0501MOCCDF and 2006 – G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 – G0501MOCCDF and 2006 – G0601MOCCDF

93.658 Foster Care – Title IV-E
2005 – G0501MO1401 and 2006 – G0601MO1401

93.659 Adoption Assistance

2005 – G0501MO1407 and 2006 – G0601MO1407
93.667 Social Services Block Grant
2005 – G0501MOSOSR and 2006 – G0601MOSOSR
93.778 Medical Assistance Program
2005 – 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF), Family Support Division, and Children's Division

The DSS made payments to several entities which appeared to be subrecipients; however, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs. As a result, these entities were not furnished applicable federal regulations and were not required to obtain A-133 audits, when needed. While DSS maintained these entities were not subrecipients, the DSS had developed a written monitoring program and monitored these partnerships as if they were subrecipients.

Recommendation:

The DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

Status of Finding:

Our Corrective Action Plan remains unchanged. The DSS disagrees with this finding because we believe we have properly classified entities as subrecipients on the SEFA. Substantial documentation has been provided to the federal government regarding the substance of the agreements and basis for classification as vendors providing a specific set of services. No resolution has been received from the federal agency.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2006-13. Temporary Assistance For Needy Families Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2005 – G0501MOTANF and 2006 – G0601MOTANF
State Agency: Department of Social Services (DSS) – Family Support Division (FSD)
Questioned Costs: \$13,451

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. Because the DSS did not maintain the required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. The payments related to specific errors and client payments totaled \$2,757 and \$24,075, respectively. We questioned the federal share of the total payments, or \$13,451 (55.87 percent).

Recommendation:

The FSD improve internal controls to ensure complete case files are maintained to adequately support applications, eligibility determinations, case decisions, and expenditures. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:

FSD supervisory staff continues to read TANF cases as a regular practice of case reading. Supervisors note when signed applications are missing from the record and require eligibility specialists file the signed applications in the record. FSD continues to request wage and unemployment compensation information through the Income Eligibility Verification System (IEVS). FSD continues to require case-maintaining staff to verify income for TANF cases and document the verification used in the Family Assistance Management Information System (FAMIS) record.

Status of Questioned Costs:

The Department of Health & Human Services (HHS) completed an initial review of the audit report. FSD has not been notified that a final determination has been made by HHS.

Contact Person: Sharon Denney

Phone Number: (573) 751-3216

2006-14. Child Support Allowable Costs

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2005 – G0504MO4004 and 2006 – G0604MO4004

State Agency: Department of Social Services – Family Support Division (FSD)

Questioned Costs: \$12,811

We identified various expenditures totaling \$12,811 (federal share) charged to the child support grant that were either unallowable or unnecessary. These costs included attorney fees, judgments, interest claimed for reimbursement, a charitable donation, retirement plaques, state sales tax, and overpayments.

Recommendation:

The FSD resolve the questioned costs with the grantor agency. In addition, the division should establish procedures to ensure costs charged to the grant are allowable and necessary to administer the child support program.

Status of Finding:

As an enhancement to our prior response, to ensure that (retirement plaques) are not charged to the IV-D program, the FSD notes that coding was changed July 2007.

Also, coding sheets were updated in July 2007 so that attorney fees paid for lawsuit settlements will not, in the future, be charged against the IV-D program, pending a federal decision. It is to be noted the FSD has not yet received a federal decision on whether this is an allowable practice.

Status of Questioned Costs:

The FSD/CSE has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: D. Wayne Osgoode

Phone Number: (573) 526-0967

2007-1. State Mediation Grant

Federal Agency: Department of Agriculture

Federal Program: 10.435 State Mediation Grants
 2007 – 300120753029020

State Agency: Department of Agriculture

Questioned Costs: \$14,046

The Missouri Department of Agriculture (MDA) did not have a cost identification and allocation methodology in place to track allowable costs chargeable to the state mediation grant. We questioned \$13,494 in salary and benefit costs charged to the grant and another \$552 incorrectly charged to the grant for a total of \$14,046 in questioned costs.

Recommendation:

The MDA implement the use of labor distribution profile records for the direct personnel costs of the state mediation grant and develop a cost allocation methodology for other allowable costs of this program. In addition, the MDA should resolve the questioned costs with the grantor agency.

Status of Finding:

Corrective action has been taken. MDA has implemented labor profile distribution records for direct personnel costs and developed allocation methodology for other costs charged to the mediation grant.

Status of Questioned Costs:

As noted in the Corrective Action Plan, the MDA disagrees with the amount of costs questioned by the audit.

USDA has not followed up with MDA about the audit finding and amount of questioned costs.

The \$552 incorrect charge noted in the audit was corrected.

Contact Person: Richard Kaiser
Phone Number: (573) 751-5515

2007-2. Procurement and Suspension and Debarment

Federal Agency: Department of Education
Federal Program: 84.126 Vocational Rehabilitation – Basic Grants to States
2007 – H126A070036, 2006 – H126A060036, 2005 –
H126A050036, and 2004 – H126A040036
State Agency: Department of Elementary and Secondary Education (DESE) –
Division of Vocational Rehabilitation (DVR)

The DVR did not ensure all entities paid more than \$25,000 were not suspended or debarred, or otherwise excluded from receiving federal funds. The DVR had not established procedures to ensure certifications were obtained from the vendor and/or that contracts contained a clause regarding suspension and debarment. Further, the DVR had not established procedures to check vendors and subrecipients on the Excluded Parties List System maintained by the General Services Administration for suspension or debarment before payments were approved.

Recommendation:

The DVR implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:

Implemented

Contact Person: Andrea Beck
Phone Number: (573) 751-4681

2007-3A. Bioterrorism Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.283 Centers for Disease Control and Prevention Investigations and
Technical Assistance
2007 – 07PANFLU
2006 – 06PANFLU
2007 – CCU716971-07
2006 – CCU716971-06
93.889 National Bioterrorism Hospital Preparedness Program
2007 – 1U3R07584-01
2006 – 3RHS05937-01
State Agency: Department of Health and Senior Services (DHSS)

The department had not established adequate tracking procedures to monitor improvements made by local health entities to address problems/weaknesses identified during bioterrorism exercises. As a result, there was less assurance the benefits of the exercises were fully realized or improvements were made on a timely basis.

Recommendation:

The DHSS establish and maintain tracking procedures to actively monitor the status of problems/weaknesses identified during exercises to help ensure corrective action is taken on a timely basis.

Status of Finding:

DHSS has worked to develop a system to monitor post exercise improvements. During contract monitoring of 26 Local Public Health Agencies during the 2007-2008 contract monitoring process, DHSS requested information from Local Public Health Agencies on the progress of their improvement actions based on observations and recommendations in exercise After Action Reports. DHSS also developed a new monitoring tool to ensure follow-up. This process was developed to coincide with the annual DHSS effort to monitor at least 25 percent of the contracted jurisdictions in the state. These requests were also made in accordance with the Homeland Security Exercise Evaluation Program process. Beginning December 1, 2008 DHSS will monitor 100 percent of the local public health agencies in the state using this monitoring tool to track post-exercise improvement actions.

Contact Person: Paula Woodsmall

Phone Number: (573) 526-4256

2007-3B. Bioterrorism Program

Federal Agency: Department of Health and Human Services

Federal Program: 93.283 Centers for Disease Control and Prevention Investigations and
 Technical Assistance
 2007 – 07PANFLU
 2006 – 06PANFLU
 2007 – CCU716971-07
 2006 – CCU716971-06
 93.889 National Bioterrorism Hospital Preparedness Program
 2007 – 1U3R07584-01
 2006 – 3RHS05937-01

State Agency: Department of Health and Senior Services (DHSS)

The annual assessments of Missouri's Strategic National Stockpile (SNS) Program, as conducted by the federal Centers for Disease Control and Prevention (CDC), reflected the current status and identification of additional improvements needed related to its plan to stockpile and distribute medical material and other supplies in case of a terrorist attack.

Missouri's latest assessment rating for its SNS Program was a Green minus, indicating the plan was in relatively good shape with some improvement needed.

Recommendation:

The DHSS continue to work to ensure the implementation of the various CDC recommendations related to Missouri's SNS Program.

Status of Finding:

CDC utilizes a numeric system (Total Points 100) rather than the color-coded indicator for assessments previously used. The SNS Program assessment conducted by the CDC during 2006 scored 85. As a result of developing an Action Improvement Plan for areas identified, the score for the CDC assessment during October 2007 was 96 points, showing improvements in major categories. The SNS Program Manager has shared feedback and written narrative from the October 2007 assessment with all areas included in SNS planning and maintains updates on an ongoing basis.

Contact Person: Sue Heisler
Phone Number: (573) 526-0232

2007-3C. Bioterrorism Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.283 Centers for Disease Control and Prevention Investigations and
 Technical Assistance
 2007 – 07PANFLU
 2006 – 06PANFLU
 2007 – CCU716971-07
 2006 – CCU716971-06
 93.889 National Bioterrorism Hospital Preparedness Program
 2007 – 1U3R07584-01
 2006 – 3RHS05937-01
State Agency: Department of Health and Senior Services (DHSS)

The DHSS had some responsibility for conducting annual assessments of the local Cities Readiness Initiative (CRI) programs in Missouri and working with local CRI staff to aid and help direct their efforts. Assessments conducted of the plans of local entities in the state's two largest metropolitan areas reflected some progress, but much improvement was still needed.

Recommendation:

The DHSS continue to work with the applicable local entities to improve the CRI plans in those metropolitan areas.

Status of Finding:

Together with the CDC, the Missouri SNS Program performed full assessments of the 19 CRI local jurisdictions, using the standardized assessment tool recommended by CDC, “Local Technical Assistance Review” tool. Not only did each jurisdiction receive a summary score from the tool, but they were also provided with a written narrative that outlined strengths and areas/opportunities for improvement. Overall assessment showed improvement in most critical planning elements. The SNS Program has created a trend analysis of scoring areas to identify elements that scored the lowest so that additional focus can be given. An example of using this data was that DHSS sponsored a workshop/training on Mass Antibiotic Dispensing for all local public health planners. The CRI areas continue to work on regional planning, and during 2008-2009 will perform an exercise on a regional level that includes all local jurisdictions.

Contact Person: Sue Heisler

Phone Number: (573) 526-0232

2007-4A.1. Protecting Children at Child Care Providers

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Health and Senior Services (DHSS)

The DHSS, Division of Regulation and Licensure, Section of Child Care Regulation (SCCR) did not count related children in the number of children cared for in family day care or group day care homes because state regulations exempt related children from licensing rules when cared for by licensed providers.

Recommendation:

The DHSS change state regulations to include related children when counting the number of children receiving care by a licensed provider, and include related children in all provider licensing rules.

Status of Finding:

The SCCR is in the process of revising the Licensing Rules for Group Child Care Homes and Child Care Centers (last promulgation of rules was in 1991). In June 2007, the SCCR conducted public focus group meetings in five areas of the state. The purpose of these meetings was to obtain public input on the existing rules and the upcoming rule revision process. The SCCR formed a workgroup of thirty key stakeholders and licensed child care providers. This group met from September 2008 through December 2008 to develop recommendations for a revised set of rules. The SCCR will review the recommendations of the workgroup and develop a final draft of the proposed rules. The

The SCCR will address the family child care home rules after completion of the promulgation of the licensing rules for group child care homes and child care centers. In the family child care home rules, the issue of related children will also be addressed and will result in more of an impact on these providers.

-77-

In April 2007, SCCR began completing inspections using laptops. Within the next year, SCCR will post these inspections to the SCCR website. The child care supervisors in the district offices will have the ability to track all providers that are in pending status. Providers that are in pending status have received at least one inspection from SCCR but have not yet received an active license. Once a license becomes active, the supervisors will move their inspections into the active state and will post them on the website. This tracking mechanism for pending inspections will assist SCCR with monitoring those providers who do not follow through and obtain an active license. SCCR will use this information to enact policies and procedures to address the recommendation made in the audit. SCCR will continue to review and refine procedures related to unlicensed care.

2007-4A.3. Protecting Children at Child Care Providers

The DHSS, Division of Regulation and Licensure, Section of Child Care Regulation (SCCR) had not established criteria or a specific plan or timetable for evaluating the effectiveness of the complaint follow-up procedures modified in May 2007.

The DHSS establish specific procedures, criteria, and timing for evaluating the effectiveness of modified unlicensed caregiver investigation procedures.

SCCR engaged in a quality review of its modified unlicensed caregiver investigation procedures as data related to unlicensed caregivers became available from May 2007 to August 2008. SCCR made two separate modifications to its procedures for handling unlicensed care based on the review findings and feedback from front line staff.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Health and Senior Services (DHSS)

For a number of cases referred to a prosecuting attorney, the prosecutor chose not to prosecute. In January 2007, the DHSS, Division of Regulation and Licensure, Section of Child Care Regulation staff initiated enhanced efforts to determine why prosecutors decline to prosecute referred cases.

Recommendation:

The DHSS work with prosecutors to determine improved methods to facilitate prosecutors pursuing legal action against unlicensed providers.

Status of Finding:

DHSS is sending local prosecutors a referral letter pursuant to section 210.245 RSMo, and it is the department's intent to coordinate with the Missouri Office of Prosecution Services to resolve the issue.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

2007-4B.1. Protecting Children at Child Care Providers

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency: Department of Health and Senior Services (DHSS)

The DHSS had not ensured complete and accurate information had been maintained in its complaint tracking system.

Recommendation:

The DHSS establish procedures to monitor completeness and accuracy of complaint data entered on the department's complaint system.

Status of Finding:

In April 2008, the Section for Child Care Regulation implemented a new procedure requiring supervisors to review the reports of all complaint data entered on the department's complaint system. Supervisors review these reports by the tenth of each month. Each supervisor submits a report to his/her Central Office supervisor advising of any complaint that has not been completed within 45 days by the 15th of each month.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2006 – G0601MOCCDF and 2007 – G0701MOCCDF
	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency:	Department of Health and Senior Services (DHSS)

Periodic management reports using complaint system data were limited. Such reports are needed to identify trends and address other management issues related to complaint processing.

Recommendation:

The DHSS monitor complaint investigations and other complaint data by developing and preparing periodic management reports.

Status of Finding:

In April 2008, the Section for Child Care Regulation implemented a new procedure requiring supervisors to review the reports of all complaint data entered on the department's complaint system. Supervisors review these reports by the tenth of each month. Each supervisor submits a report to his/her Central Office supervisor advising of any complaint that has not been completed within 45 days by the 15th of each month. The report includes the reason for any delay in resolving the complaint. The Central Office supervisor reviews the report and works with district staff to address any delays in complaint resolution. The Central Office supervisor submits a report by the last day of the month to the Section Administrator noting complaints that have been in progress more than 45 days. This process has greatly reduced the length of time a complaint is in pending status. In addition, it allows all levels of supervisors to identify complaints that are not completed according to policy and procedure, address this concern, and ensure the complaint is completed and not left in pending status for an extended period of time.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

2007-4B.3. Protecting Children at Child Care Providers

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency: Department of Health and Senior Services (DHSS)

Complaint investigations were not completed in a timely manner as required by department procedures.

Recommendation:

The DHSS ensure enhanced timeliness of complaint resolutions by ensuring complaint monitoring procedures are followed.

Status of Finding:

In April 2008, the Section for Child Care Regulation implemented a new procedure requiring supervisors to review the reports of all complaint data entered on the department's complaint system. Supervisors review these reports by the tenth of each month. Each supervisor submits a report to his/her Central Office supervisor advising of any complaint that has not been completed within 45 days by the 15th of each month. The report includes the reason for any delay in resolving the complaint. The Central Office supervisor reviews the report and works with district staff to address any delays in complaint resolution. The Central Office supervisor submits a report by the last day of the month to the Section Administrator noting complaints that have been in progress more than 45 days.

The procedure described in the previous paragraph has greatly reduced the number of complaints in pending status more than 45 days. The Eastern District, the largest district, receives the greatest number of complaints. It also has had the largest number of complaints in pending status for more than 45 days. In May 2008, there were 15 complaints in pending status for more than 45 days. With the implementation of the new procedure, that number has dropped dramatically. In November, the Eastern District did not have any complaints that had remained in pending status for more than 45 days. Similar results have been realized throughout the state. Over the past three months, a review of the Independence office, Macon office, and Columbia office demonstrated that complaints are typically being resolved within 30 days.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

2007-4B.4. Protecting Children at Child Care Providers

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency: Department of Health and Senior Services (DHSS)

The department's legal office did not resolve some cases referred to it in a timely manner, in part because goals were not established in the procedures manual for the timeliness of each step of the administrative penalty process.

Recommendation:

The DHSS establish guidance for timeliness of penalty assessment cases and ensure that these cases are completed in a timely manner.

Status of Finding:

DHSS trained Section for Child Care Regulation (SCCR) management staff on a continuous quality improvement process in April 2008. The goals were to review the current disciplinary process, make enhancements to improve timeliness of penalty assessments, and ensure that legal referrals are processed in a timely manner. DHSS formed a continuous quality improvement team, consisting of staff at all levels of the SCCR. The team reviewed the current process and developed recommendations for improvements that will be presented to division staff in December 2008. DHSS will review those recommendations and plans to implement new procedures for the legal referral process in early 2009. The continuous quality improvement team will continue to meet to review the newly implemented procedures and make adjustments as necessary to ensure the SCCR's method for administering discipline is fair, expeditious and consistent.

Contact Person: Cindy Schmutzler
Phone Number: (573) 526-9747

2007-5. Personal Service Costs

Federal Agency:	Department of Health and Human Services
Federal Program:	93.959 Block Grants for Prevention and Treatment of Substance Abuse (SAPT) 2006 – 06B1 MO SAPT and 2007 – 07B1 MO SAPT
State Agency:	Department of Mental Health (DMH) – Division of Alcohol and Drug Abuse (ADA)

The DMH did not maintain adequate documentation to support the employee salary and fringe benefit costs charged to the SAPT Program for administration or program services. Similarly, there was not adequate documentation maintained to support how personal service costs were allocated between the SAPT Program and other categorical grants for those employees whose personal service costs were charged to more than one grant program.

Recommendation:

The DMH and ADA Division ensure adequate documentation is maintained to support the allocation of employee personal service costs to the SAPT Program and other funding sources.

Status of Finding:

The Division of ADA has completed the Corrective Action Plan. Effective March 1, 2008, the Division of ADA requires all staff to maintain timesheets for all categorical grants. In addition, a database has been developed to maintain the time charged and report development for analysis purposes is in progress. Personal service costs for the SAPT Block Grant continues to be allocated based on reasonableness of federal administration cost to total cost.

The Substance Abuse and Mental Health Services Administration/Center for Substance Abuse Treatment (SAMHSA/CSAT) Technical Review team recently provided a draft report on their completed review. Regarding this SAO finding, the draft report states, "The Technical Review team and the CSAT State Project Officer concurred that it is the State's responsibility to develop the needed allocation process. The CSAT SPO will monitor the State's resolution of this issue."

Contact Person: Janet Gordon
Phone Number: (573) 751-8067

2007-6A.1. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683
State Agency: Department of Natural Resources (DNR)

Energy Center personnel did not have a tracking process to ensure subrecipient audit reports were received timely.

Recommendation:

The DNR establish procedures to ensure audit reports are received within federal compliance requirements.

Status of Finding:

Recommendation has been implemented – December 2007.

The Energy Center has developed new procedures and created an electronic A-133 Single Audit Report Tracking system for subgrantees. Specific staff members have been assigned the responsibility of maintaining the tracking system for each subgrantee, and, in accord with the new procedures, the grant manager notifies the subgrantee agency shortly after the audit due date if the Energy Center has not received the subgrantee's audit. In addition, internal procedures have been adopted that require the grant manager to ensure that the audit includes a detailed review of the required financial schedules. Internal procedures require the grant manager to perform an independent reconciliation of the audit's financial and reconciliation schedules with the monthly, quarterly and annual reports submitted by the subgrantee.

Contact Person: Marcy Oerly

Phone Number: (573) 751-8386

2007-6A.2. Subrecipient Monitoring

Federal Agency: Department of Energy

Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683

State Agency: Department of Natural Resources (DNR)

The DNR did not adequately ensure that subrecipients took corrective action on findings that reported non-compliance or weaknesses.

Recommendation:

The DNR request and obtain timely corrective action for audit findings related to the WAP and overall subrecipient internal control and billing weaknesses.

Status of Finding:

Recommendation has been implemented – December 2007.

A thorough review of the fiscal year 2006 and fiscal year 2007 (depending upon the subgrantee's fiscal year) A-133 single audits has been completed. Corrected audits, reconciliations, and corrective action plans for audit findings and weaknesses have been received. Internal procedures have been adopted that ensure that Energy Center staff is tracking due dates for subgrantee submission of annual audits, fully evaluating audits for findings and weaknesses, requesting corrective action plans in a timely manner, and reviewing the plans for compliance and completeness once received.

Contact Person: Marcy Oerly
Phone Number: (573) 751-8386

2007-6A.3. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683
State Agency: Department of Natural Resources (DNR)

Energy Center (EC) personnel did not follow-up with subrecipients when audit report WAP financial information differed from DNR records. In addition, EC personnel limited their review to only comparing expenditure amounts reported to DNR expenditure records and did not report differences in revenues shown, or beginning and ending fund balances.

Recommendation:

The DNR improve analysis of the audit reports by:

- Ensuring differences between audited WAP financial information and DNR records are reconciled by the auditor or subrecipient staff, and those reconciliations are reviewed by EC personnel.
- Evaluating other financial information besides expenditures, such as revenues, and beginning and ending fund balances.

Status of Finding:

Recommendation has been implemented – December 2007.

Energy Center staff has completed a thorough review of the annual audits most recently due to the department from subgrantees. Staff has communicated in writing with 15 subgrantees for the fiscal year 2006 auditing cycle and 12 subgrantees for the fiscal year 2007 auditing cycle to inform them that the audits have not been accepted and to require that differences between audited Weatherization Assistance Program financial information and DNR records be reconciled, that the required schedules be supplied to the department or that corrective action plans be submitted to the department for audit-identified findings and weaknesses, as appropriate.

Contact Person: Marcy Oerly
Phone Number: (573) 751-8386

2007-6A.4. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683
State Agency: Department of Natural Resources (DNR)

Subrecipient audit reports did not always include the required WAP financial schedule, and Energy Center personnel did not send reports back for correction. No sanctions or penalties were imposed for non-compliant agencies.

Recommendation:

The DNR improve subrecipient compliance by:

- Ensuring financial information is submitted on the required schedule and sending audits back that do not meet reporting requirements.
- Enforcing penalties for subrecipients that are non-compliant with grant reporting requirements.

Status of Finding:

Recommendation has been implemented – December 2007/January 2008.

Energy Center staff has completed a thorough review of the annual audits most recently due to the department from subgrantees. Staff has communicated in writing with 15 subgrantees for the fiscal year 2006 auditing cycle and 12 subgrantees for the fiscal year 2007 auditing cycle to inform them that the audits have not been accepted and to require that differences between audited Weatherization Assistance Program financial information and DNR records be reconciled, that the required schedules be supplied to the department or that corrective action plans be submitted to the department for audit-identified findings and weaknesses, as appropriate.

In January 2008, Energy Center staff met with Weatherization Program subgrantees, as well as corresponded by letter to all subgrantee agency executive directors, to inform them of new Energy Center policies and procedures. One of the policies discussed concerned timely submittal of financial reports. If reports are not received in a timely manner, Energy Center staff notifies subgrantee agency directors, in writing, of any reports not received. The department has existing remedies for subgrantee noncompliance with the terms of the sub-award. The Energy Center will enforce these remedies.

Contact Person: Marcy Oerly
Phone Number: (573) 751-8386

2007-6B.1. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683
State Agency: Department of Natural Resources (DNR)
Questioned Costs: \$49,247

The DNR did not adequately monitor subrecipient activities to ensure expenditures by subrecipients were allowable. Energy Center (EC) personnel limited on-site reviews to only a few client files and housing inspections and gave advance notice to subrecipients of files to be reviewed. In addition, two on-site visits failed to find problems at one subrecipient, including overbillings and missing documentation. After the subrecipient reported billing problems to EC personnel, DNR internal audit staff identified \$49,247 in improper billings. Also, housing inspection procedures did not ensure deficiencies were corrected and on-site monitoring did not include analysis of bidding requirements.

Recommendation:

The DNR resolve the questioned costs with the grantor agency and establish on-site monitoring procedures that include:

- Reviewing a sample of weatherization client files and homes to inspect annually based on a risk assessment of each subrecipient.
- Selecting at least some client files for review while on-site.
- Performing follow-up procedures on projects requiring repairs or corrections, including requesting additional information or performing additional inspection work on a sample of projects.
- Evaluating bidding compliance.

Status of Finding:

Recommendation has been implemented – January 2008.

A risk assessment of all subgrantees for fiscal years 2006 and 2007 was completed based on numerous factors including the existence of findings or fiscal discrepancies in the annual audit, variances in budgeted versus actual expenditures, carry-over amounts, timeliness of monthly reporting, production rates, and technical monitoring findings. Based on a ranking system of these items, subgrantees were placed in low, medium, and high risk categories. The number of files to be reviewed at each agency is dictated by the risk category in which the subgrantee fell. The risk assessment will be updated every fiscal year. Subgrantees are unaware of the files that are to be reviewed until Energy Center staff arrives at their office for the monitoring visit. Energy Center technical staff

conducts a monitoring review consisting of 10 percent of homes completed by the subgrantee for the fiscal years being monitored. Technical staff also inspects all homes that previously required re-work or corrections. Bid compliance is evaluated during the monitoring visit.

Status of Questioned Costs:

Recovery of funds has been implemented – December 2007.

The recovery of funds from the agency in question has been implemented and will be complete during the current fiscal year. One-half of the funds were recovered during fiscal year 2008 and the remaining half will be recovered during the current fiscal year. The fiscal year 2008 subgrant agreement for the agency was reduced by half of the amount of questioned costs and the fiscal year 2009 subgrant was reduced by the remainder of the amount of questioned costs. In order to ensure recovery of the funds, the agency's production goals (number of homes weatherized) for fiscal years 2008 and 2009 remained unchanged from the original number of homes, even though the subgrant amount was reduced. The Energy Center has implemented additional monitoring of the agency to ensure that the agency uses other sources of funds (not to include federal or utility company funds) to maintain its fiscal year 2008 and fiscal year 2009 production goals.

Contact Person: Marcy Oerly

Phone Number: (573) 751-8386

2007-6B.2. Subrecipient Monitoring

Federal Agency: Department of Energy

Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)
 2006 – DE-FG-45-04R530683
 2007 – DE-FG-26-04R530683

State Agency: Department of Natural Resources (DNR)

Energy Center (EC) personnel did not request or receive supporting documentation for expenditures billed to the program or review a sample of the documentation during on-site visits. EC personnel also occasionally changed monthly billing amounts reported by subrecipients when entering data into the WAP database without documenting the reason. In addition, EC personnel did not use training and technical assistance reports to evaluate claimed expenditures.

Recommendation:

The DNR improve the review of expenditure documentation by:

- Developing procedures to review on a sample basis supporting documentation for subrecipient expenditures. This review can be done as part of on-site monitoring visits.
- Obtaining documentation from subrecipients supporting changes made to submitted financial data.
- Requiring agencies to include dates of and dollar amounts charged for training, meetings, and conferences on training and technical assistance quarterly reports. This information should be used to verify training and technical assistance expenditures claimed by the subrecipient.

Status of Finding:

Recommendations have been implemented beginning November 2007

Input from senior management, review of the risk assessment, and assessment of the subgrantee's internal controls, aid in determining the appropriate number of client files to be monitored. At a minimum, one month from each fiscal year being monitored or a percentage of total homes completed, based on risk assessment and whichever is greater, determine the number of subgrantee files that are to be reviewed. For the months being tested, payments made to the agency from the Energy Center are traced to the agency's general ledger. Administrative, training and technical assistance, leveraging, and other special-item expenditures appearing on the monthly reports for the months being tested are traced to agency invoices.

The Energy Center has adopted a policy in which revised financial information, without backup documentation from the subgrantees, will not be accepted. All documentation for revised and corrected financial data is included and kept with the subgrantee's reports.

The Energy Center has revised the Training and Technical Assistance Quarterly Report form that provides greater detail concerning the dates of training-related events, who attended the events, dollar amounts expended, and information about the content of the training. Energy Center staff reviews and verifies the expenses reported on the quarterly report form to the expenses reported on the monthly reports.

Contact Person: Marcy Oerly

Phone Number: (573) 751-8386

2007-6C. Subrecipient Monitoring

Federal Agency: Department of Energy

Federal Program: 81.042 Weatherization Assistance Program for Low-Income
 Persons (WAP)

 2006 – DE-FG-45-04R530683

 2007 – DE-FG-26-04R530683

State Agency: Department of Natural Resources (DNR)

The DNR did not adequately monitor subrecipients to ensure compliance with cash management requirements relating to interest earned on advanced funding. In addition, the Energy Center personnel advanced WAP funding to some subrecipients without considering funding needs or whether they met requirements for advances, and did not determine whether subrecipients had policies and procedures in place to properly manage advance payments and ensure they minimized time elapsing between receipt and disbursement.

Recommendation:

The DNR develop procedures to ensure compliance with federal cash management rules that include:

- Ensuring the subrecipients have established policies and procedures to manage advanced funding in compliance with federal regulations, including distribution of interest earned.

- Limiting advance funding to subgrantees.

Status of Finding:

Recommendation has been implemented – September 2007.

In September 2007, the Energy Center revised its procedure regarding advance funding for subgrantees. Advance funding was limited to one month's funding. In addition, before any advance funding was approved, subgrantees were required to submit detailed justification for a request for advance funding, including the names and addresses of homes the agency planned to weatherize in the period for which advance funding was requested, the date upon which weatherization was scheduled to begin, the estimated cost of completing the weatherization work on each home, and the terms of payment if subcontractors were to be used to accomplish weatherization work. The new policy also stated that any cash balance will be deducted from the amount of advance funding approved. As part of the procedural monitoring protocol Energy Center staff obtains the subgrantee's end of calendar year bank statement. These statements will typically report the interest earnings for the account for the entire calendar year. If the subgrantee has not performed an analysis of interest earned on advanced funding, this is included as a finding during the Energy Center subgrantee monitoring visit and corrective action is requested.

Contact Person: Marcy Oerly
Phone Number: (573) 751-8386

2007-7. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 16.007 State Homeland Security Grant Program
2004 – GE-T4-0049, 2003 – TE-TX-0159, and
2003 – MU-T3-0003
16.011 Urban Areas Security Initiative
2003 – EU-T3-0030
97.004 State Domestic Preparedness Equipment Support Grant
Program
2004 – GE-T4-0049
97.008 Urban Areas Security Initiative
2004 – TU-T4-0007
97.067 State Homeland Security Grant Programs
2006 – GE-T6-0067 and 2005 – GE-T5-0022
State Agency: Department of Public Safety – State Emergency Management
Agency (SEMA)

The SEMA did not adequately monitor all subrecipients to ensure an audit in accordance with OMB Circular A-133 had been performed and submitted to the SEMA on a timely basis or that problems reported in previous audits had been addressed.

Recommendation:

The SEMA ensures it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring that all subrecipients submit an OMB Circular A-133 audit on a timely basis, as required, issuing a management decision on audit findings within six months after receipt of a subrecipient audit report, and ensuring subrecipients take appropriate and timely corrective action related to any problems reported.

Status of Finding:

The SEMA continues to implement the corrective action plan to implement this recommendation. The SEMA has included this audit requirement in all applicant briefing material, has maintained a log of audits received, and created written procedures for monitoring visits to verify compliance of grant guidance. We continue to identify missing audits and mechanisms to identify subrecipients receiving more than \$500,000 in federal funds from SEMA. However, SEMA has not identified any audit issues recently; therefore, our plan is to receive corrective actions plans on any future subrecipient audit findings within six months. We anticipate completion of our procedures by December 31, 2008. The review of subrecipients' audits will be an ongoing project.

Contact Person: Tom Mohr/Tracy Farris
Phone Number: (573) 526-9106

2007-8. Procurement and Suspension and Debarment

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

2007 – FEMA-DR-1673-MO

FEMA-DR-1676-MO

2006 – DR-MO-1631-60

FEMA-EM-3267-MO

DR-MO-1635

FEMA-DR-1667-MO

2005 – FEMA-3232-EM-MO

2003 – DR-MO-1463-60

2002 – DR-MO-1412-60

DR-MO-1403-60

State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

The SEMA did not adequately monitor all subrecipients to ensure compliance with federal procurement and suspension and debarment requirements. The SEMA did not adequately ensure subrecipients performed and documented proper procurement procedures or verified that vendors paid more than \$25,000 were not suspended or debarred.

Recommendation:

The SEMA ensure prior to authorizing payments to subrecipients that adequate documentation exists to support compliance with procurement and suspension and debarment requirements.

Status of Finding:

The SEMA has completed implementation of this recommendation by including in the Subrecipient (Applicant) Close-Out Certification Form a checklist statement that the subrecipient must certify that they have not contracted with any entity identified on the General Services Administration Excluded Parties List (Debarred List) or the Missouri State Attorney General's Know MO web link. Additionally, SEMA has adopted procedures for subrecipient procurement to follow the Federal Emergency Management Agency's (FEMA) guidelines and approval. Therefore, if FEMA approves a subrecipient's project worksheet, which includes non-standard procurement methods, SEMA concludes that FEMA's approval authorizes the subrecipient's procurement procedures as acceptable – as outlined in FEMA's Public Assistance Guide, page 52. SEMA also accepts FEMA's approval as a substitute form of cost analysis. However, for

large public assistance projects, SEMA will continue to perform final reviews to identify any errors or unreasonable costs.

Contact Person: Chuck May
Phone Number: (573) 526-9112

2007-9. Adoption Assistance Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
 2006 – G0601MO1407 and 2007 – G0701MO1407
State Agency: Department of Social Services (DSS) – Children's Division (CD)
Questioned Costs: \$10,267

Adoption decrees and eligibility and payment documentation could not be located and/or were not adequate for some cases reviewed, and payments were made on behalf of ineligible children in one case. As a result of our review, we questioned \$10,267, the federal share of payments that were unallowed and/or unsupported.

Recommendation:

The DSS through the CD resolve the questioned costs with the grantor agency. Also, the CD should ensure all adoption decrees are retained, subsidy agreements are signed prior to the adoption, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement for the overpayment.

Status of Finding:

The CD partially agrees with the recommendation. The CD does not agree with the finding' statement "The DSS needs to review and strengthen its policies and procedures regarding case record documentation and retention of records." The CD's policies and procedures appropriately address documentation and records retention. In some instances, consistent application of the policies and procedures was the issue.

To address this, a notice was issued (electronically) to CD staff on March 4, 2008, to reiterate two practice requirements in adoption subsidy cases: 1) adoption decrees must be kept in the adoption subsidy record (as required by the Child Welfare Policy Manual section 5.1.1.14) and 2) adoption subsidy agreements must be signed by the adoptive parents, approved by the Division Director and entered into the contracting system prior to an adoption finalization (section 4.30.4 of the Child Welfare Policy Manual). Staff was reminded that attention to these two points is important in determining eligibility for crucial federal funding in adoption subsidy cases.

Status of Questioned Costs:

The CD has not received final determination from the granting agency on questioned costs. However, the CD has adjusted federal claims to report questioned costs as state only expenditures.

Contact Person: D. Wayne Osgoode
Phone Number: (573) 526-0967

2007-10. Child Care Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2006 – G0601MOCCDF and 2007 – G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency:	Department of Social Services (DSS) – Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$25,621

Eligibility and payment documentation could not be located for some child care cases reviewed, and some payments to providers were not in accordance with authorizations and/or DSS policy. In addition, management of the case records was poor. We questioned \$25,621, the federal share of payments related to inadequate documentation and noncompliance with DSS policies.

Recommendation:

The DSS through the CD and FSD, resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, attendance sheets are complete and signed by the parent/caregiver, payments are in accordance with authorizations and department policy, appropriate child care services are authorized, and that payments are only made to licensed or registered providers. Finally, the DSS should require providers use the standard attendance forms or ensure all required information is documented on the provider generated forms.

Status of Finding:

As referenced in the Corrective Action Plan previously submitted to the State Auditor's Office, the DSS continues to disagree with the finding that the FSD and CD should "review and strengthen policies and procedures regarding child care case record documentation and retention of records". Because the Family Assistance Management Information System (FAMIS) is designed to replace paper records, the agency maintains paper documentation is not necessary as long as documentation is noted in the FAMIS automated record.

The DSS is developing formal processes to expand case record reviews by independent reviewers based on recommendations and mandates set forth by the federal government to address program integrity. Procedures will include a process to randomly sample eligibility records for formal review. Processes are still under development with a target

date of June 2009 to begin the formal sampling for case reviews. The first report to the grantor agency is to be completed by July 2010.

The DSS continues to train Eligibility Specialists and Children Service Workers on the policy of maintaining adequate documentation and record keeping. Supervisory reviews include a check that proper documentation was obtained. Any deficiencies are documented at the worker's annual performance review.

The DSS continues to conduct random reviews of child care providers' records through the DSS Contract Compliance Review Team. These reviews examine attendance records and payment agreement documentation. The findings of these reviews are forwarded to the CD for appropriate remedial action, including additional training or technical assistance, intense monitoring, or recommendation to close the provider's payment agreement with the agency.

The DSS is pursuing the development of a system that will eliminate the current attendance and invoicing system. Through the use of a biometric method of electronically recording children's attendance in child care, children's attendance will be automatically time stamped each day as they enter and leave care. This time stamp will be transmitted to the FAMIS eligibility system to validate attendance and produce an electronic payment at the end of the month of services. Based on the child's finger image capture each day, this system will provide a more secure, accurate, and accountable process to record daily attendance.

The DSS anticipates this system to be developed and implemented by 2010.

Status of Questioned Costs:

The DSS has not received a response from the grantor agency on the questioned costs. The DSS will defer to the recommendations of the grantor agency when they are received.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-11. Earmarking - Child Care Development Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division (CD) and Division of Budget and Finance (DBF)

The DSS had not established procedures to ensure the Child Care Development Fund federal earmarking requirements were met. While our review found the department spent at least the minimum requirement for each earmark during federal fiscal year 2007, the DSS did not have a suitable internal control system to properly track and account for expenditures applicable to each of the specific earmarks.

Recommendation:

The DSS, through the CD and DBF, implement procedures to adequately track and document actual expenditures for applicable federal earmark requirements.

Status of Finding:

A spreadsheet of programs and program codes was developed and shared with the Division of Finance and Administrative Services (DFAS - formerly the DBF) to ensure that actual expenditures are applied to the applicable federal earmarks. DFAS is responsible for ensuring that actual expenditures are reported to the appropriate earmark.

Contact Person: Becky Houf
Phone Number: (573) 522-1267

2007-12.	<u>Subrecipients</u>
Federal Agency:	Department of Agriculture Department of Health and Human Services
Federal Program:	10.561 State Administrative Matching Grants for Food Stamp Program 2005, 2006, and 2007 – IS251443 2006 and 2007 – IE251843 and IS252043 93.556 Promoting Safe and Stable Families 2006 – G0601MO00FP and 2007 – G0701MO00FP 93.558 Temporary Assistance for Needy Families 2006 – G0601MOTANF and 2007 – G0701MOTANF 93.566 Refugee and Entrant Assistance – State Administered Programs 2006 – G06AAMO7100, 2007 – G07AAMO7100, 2006 – G06AAMO7110, and 2007 – G07AAMO7110 93.568 Low-Income Home Energy Assistance 2006 – G06B1MOLIEA and 2007 – G07B1MOLIEA 93.575 Child Care and Development Block Grant 2006 – G0601MOCCDF and 2007 – G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 – G0601MOCCDF and 2007 – G0701MOCCDF 93.658 Foster Care – Title IV-E 2006 – G0601MO1401 and 2007 – G0701MO1401 93.659 Adoption Assistance 2006 – G0601MO1407 and 2007 – G0701MO1407

93.667 Social Services Block Grant
2006 – G0601MOSOSR and 2007 – G0701MOSOSR
93.674 Chafee Foster Care Independent Living
2006 – G0601MO1420 and 2007 – G0701MO1420
93.778 Medical Assistance Program
2006 – 06-05MO5028 and 2007 – 07-05MO5028
2006 – 06-05MO5048 and 2007 – 07-05MO5048

State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF)

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients; however, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs, and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed. Based upon the substance of the arrangements, it appeared the arrangements with the partnerships represented a subrecipient relationship as defined by OMB Circular A-133. In addition, it appeared the DSS monitored the partnerships as if they were subrecipients.

Recommendation:

The DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

Status of Finding:

Our Corrective Action Plan remains unchanged. The DSS disagrees with this finding because we believe we have properly classified entities as subrecipients on the SEFA. Substantial documentation has been provided to the federal government regarding the substance of the agreements and basis for classification as vendors providing a specific set of services. No resolution has been received from the federal agency.

Contact Person: Roger Backes

Phone Number: (573) 751-2170

2007-13. Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2006 – G0604MO4004 and 2007 – G0704MO4004
93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.667 Social Services Block Grant
2006 – G0601MOSOSR and 2007 – G0701MOSOSR
State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF)

The DBF did not ensure all entities paid more than \$25,000 were not suspended or debarred, or otherwise excluded from receiving federal funds. In addition, for contracts the Office of Administration (OA) negotiated on behalf of the DSS, the DBF did not always notify the OA when contracts were funded with federal funds and of the need to ensure that the vendor/subrecipient was not suspended or debarred.

Recommendation:

The DBF implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:

The Division of Finance and Administrative Services (formerly DBF) has implemented procedures to ensure all contractors receiving over \$25,000 are not suspended or debarred. DSS has changed its procedures to notify OA to include suspension and debarment language in all contracts exceeding \$25,000, regardless of the fund source.

Contact Person: Theresa McDonald
Phone Number: (573) 751-7533

2007-14A. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency: Department of Social Services (DSS) – Children's Division

The DSS's failure to adhere to established controls, poorly written contracts with child care facilities, and a lack of adequate communication between the Department of Elementary and Secondary Education (DESE) and DSS resulted in overpayments to child care facilities totaling at least \$969,305.

Recommendation:

The DSS determine the extent and seek reimbursement of overpayments made to noncompliant early childhood contractors.

Status of Finding:

Fiscal errors were identified in only the Start Up/Expansion program of Early Childhood Development, Education, and Care Fund (ECDECF) funding. While this makes up 100% of DESE funding, it amounts to slightly over one quarter of DSS funding. It should be noted there were no fiscal errors noted in the other three DSS ECDECF funded programs which amount to almost three quarters of DSS ECDECF funding. These programs are:

- Early Head Start
- Accreditation
- Stay at Home Parent

Five Start Up/Expansion Child Care programs were identified as noncompliant with the recommendation that DSS seek reimbursement. DSS disagrees with the finding on two of the providers. Two of the providers were in their final contract year and via a corrective action plan have now added the necessary number of children. They are now compliant. Two of the providers added the additional slots, but did not maintain them. The contract language for fiscal year 2009 was strengthened to include language requiring programs to maintain slots added. Because the contract language previously did not specify that these slots must be maintained, no reimbursement is required. One provider did not add the number of proposed slots. A recoupment formula and consistent penalties for failure to meet contract requirements have been incorporated into policy. This formula was applied to this last provider and a request for repayment was made.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-14B. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division

The DSS did not communicate with the Department of Elementary and Secondary Education (DESE) regarding contractual requirements with child care facilities. In addition, the two agencies did not develop a method to share information regarding noncompliant contractors.

Recommendation:

The DSS increase awareness of DESE's contractual requirements with child care facilities when determining contractor compliance regarding increased capacity. In addition, we recommend these agencies share information regarding noncompliant facilities.

Status of Finding:

DSS, DESE, and the Department of Health and Senior Services met and agreed on a formal communication plan. Written policy has been developed. Language regarding these communication plans was included in the 2009 DESE Interagency Agreement.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-14C. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

 2006 – G0601MOCCDF and 2007 – G0701MOCCDF

 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

 2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division

The DSS did not adequately monitor the Early Childhood Development, Education, and Care Fund contractors to ensure monies were spent in accordance with contractual requirements. In addition, DSS on-site monitoring visits did not include adequate procedures to determine whether child care facilities complied with contractual requirements regarding increased capacity.

Recommendation:

The DSS determine the optimal frequency to perform and develop a written policy for on-site monitoring. This policy should specify how often visits are to occur, procedures to be performed including specific procedures to verify increased capacity, and require written documentation of monitoring visits to be maintained.

Status of Finding:

Written policies and procedures are now in place for quality on-site monitoring, including time frames for monitoring with frequency based on the amount of funding received. In 2005, DSS contracted with the University of Missouri – Columbia (UMC) to provide technical assistance to all Start Up/Expansion (SUE) contractors. Staff from UMC visits each contractor monthly giving DSS the ability to now identify problems early and correct them before they manifest in noncompliance.

Funding was provided in the 2006-2007 legislative session to create a DSS Contract and Compliance Review Team (CCRT). This unit is now visiting SUE contractors to verify

compliance. All providers identified with problems either by the CCRT or the Early Childhood and Prevention Services (ECPS) staff have been placed in corrective action plans and are being closely monitored. In addition to ECPS staff that will now be doing regular monitoring visits to all contractors, the CCRT has added questions specific to SUE contractors to their monitoring tool which they use to monitor DSS subsidy providers. The CCRT completed visits for all 2006 (first year) SUE contractors in May 2008. Visits to 30 SUE contractors were completed of which 22 (74%) were fully compliant. The remaining contractors have submitted corrective action plans and are working towards full compliance. The CCRT is currently visiting 2007 and 2008 contractors.

DSS Contract Management Unit now has two auditors that will be monitoring early childhood contracts on an ongoing basis. The ECPS Section is working with these new auditors to develop an audit schedule and continue to strengthen our processes and coordination.

Contact Person: Becky Houf
Phone Number: (573) 522-1267

2007-14D. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
State Agency: Department of Social Services (DSS) – Children's Division

The DSS's contracts with some facilities contained conflicting and inconsistent information regarding the additional licensed slots to be created.

Recommendation:

The DSS amend future contract language to include specific language requiring increased capacity to be maintained during contract renewal periods and new contracts.

Status of Finding:

Fiscal year 2009 contracts include language requiring contracted providers to maintain the additional child care slots created during the three-year contract period and a fourth year.

Contact Person: Becky Houf
Phone Number: (573) 522-1267

Status of Finding:

Early Childhood and Contract Management staff have established procedures to ensure grant applications and contracts contain accurate and consistent information. The language specifically noted by the auditor as causing confusion was corrected in the 2009 application.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-14G. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division

The DSS did not adequately document contract extensions.

Recommendation:

The DSS ensure adequate documentation of contract extensions and amendments is maintained.

Status of Finding:

Written policies and procedures are now in place to ensure that all documentation and contract amendments are on file.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-14H. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division

The DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of the Early

Childhood Development, Education, and Care (ECDEC) Fund programs and ensure program goals were met.

Recommendation:

The DSS develop a system to track program data and produce management reports to allow DSS to assess the effectiveness of ECDEC programs. The system should contain accurate, up-to-date, and complete statistical data for each of the early childhood programs administered by DSS with the option to conduct analyses.

Status of Finding:

The current automated tracking system is cumbersome and not user friendly. As a result, Early Childhood staff were not entering data into the system and instead tracking manually outside of the system. A two-fold plan is now in place to correct the situation. As an interim step, all data for fiscal year 2007 and beyond has been entered into the system. As a permanent solution, the Early Childhood staff are working with Information Technology Services Division staff to either improve the current system or identify and import a better system. One option being considered is the utilization of the Community Enterprise NPASS system, the web-based system currently used by the Caring Communities Partnerships for many of the early childhood programs. It is possible this system can be modified to be used for all programs.

Contact Person: Becky Houf

Phone Number: (573) 522-1267

2007-14I. Early Childhood Development, Education, and Care Fund

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant
2006 – G0601MOCCDF and 2007 – G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 – G0601MOCCDF and 2007 – G0701MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division

The DSS did not maintain a listing of and were unable to readily provide data for contractors that did not fulfill contractual requirements, or track money refunded from noncompliant contractors.

Recommendation:

The DSS maintain a listing of noncompliant contractors that includes the reason for noncompliance and any amounts owed to DSS.

Status of Finding:

DSS has implemented a central tracking system for noncompliant contractors that will be accessible by all Early Childhood and Prevention Services staff. The tracking system

includes details about the status of corrective actions plans as well as information on overpayments.

Contact Person: Becky Houf
Phone Number: (573) 522-1267

2007-15A. Child Support Delinquencies

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
 2006 – G0604MO4004 and 2007 – G0704MO4004
State Agency: Department of Social Services (DSS) – Family Support Division (FSD)

The DSS had not established adequate procedures to verify and ensure the accuracy of unpaid child support balances (arrearages).

Recommendation:

The DSS establish procedures to ensure the accuracy of arrearages balances and compliance with federal regulations and the spirit of division policy.

Status of Finding:

The division agreed with this recommendation. The division has sought and will continue to seek improvement in the accuracy of arrearage balances in the automated system. In January 2007, the FSD implemented an Enforcement Structure and Workflow, in which trained Financial Specialists are conducting financial reviews to ensure accurate balances. As of September 9, 2008, the total number of reviews completed was 135,118. These reviews are initiated during the course of normal business, at the request of an enforcement specialist or through customer inquiries about arrearage balances. The division is committed to ensuring financial reviews are completed on all cases to help ensure accuracy. The division will continue with ongoing reviews.

Factors beyond the control of the division can cause adjustments to arrearage balances. Entry of new or modified court orders, payments not made through the Family Support Payment Center, changes in custody of a child, changes in a child's educational status, arrearage settlements and satisfactions of judgments are just a few examples of factors beyond the control of the division that can cause adjustments to arrearage balances. The division relies on parents and the courts to report these circumstances to help ensure accurate arrearage balances. The division is committed to working with Missouri's courts to improve communications and data sharing in accordance with sections 452.347 and 454.412, RSMo. These sections require the courts to provide the division with a copy of any order establishing or modifying child support within 14 days of issuance and to provide the support order data elements for the automated child support system.

Contact Person: Terri Hinzpeter
Phone Number: (573) 522-3730

2007-15B. Child Support Delinquencies

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
 2006 – G0604MO4004 and 2007 – G0704MO4004

State Agency: Department of Social Services (DSS) – Family Support Division (FSD)

The DSS did not have established procedures to terminate judicial orders and remove the obligation amount from the Missouri Automated Child Support System when support was no longer due, which allowed unpaid child support payments (arrears) to continue accruing. In addition, we found conflicting opinions on whether judicial orders could be terminated by the division or required circuit court action. Also, the FSD chose to disregard a portion of state law which stated that in all cases where the child is 22 years old, unless a court orders support to continue, a current obligations shall not be maintained on the division's automated system.

Recommendation:

1. The DSS amend policy to require division personnel to terminate judicial orders of support when dependents reach age 22, or the statutory age of emancipation, unless the court orders support beyond age 22.
2. The DSS identify courts where judges require court action to end a support obligation. Terminate judicial orders of support originating in all other Missouri courts once dependents have reached age 22, or the statutory age of emancipation, and end further accruals of unpaid support.

Status of Finding:

1. The division disagreed with this recommendation. The General Assembly has not granted the division administrative authority under chapter 454 of the statutes to "terminate" judicial orders. Only a court can terminate its order.

Absent specific authority in section 454.557, RSMo, FSD is not authorized to end judicial child support obligations for children between the ages of 18 and 21* who meet termination of support criteria provided in section 452.340, RSMo. Subdivision 454.557.1(2), RSMo, provides that a current support obligation shall not be recorded in the automated system, "In a IV-D case with a support order entered by a court **when the court that issued the support order terminates such order and notifies the division.**" (emphasis added) Further, inconsistencies between section 452.340 and section 454.557, RSMo, prevent the division from ending support obligations when the child reaches the maximum statutory age of emancipation. (*Senate Bill 25, signed into law on July 13, 2007, changed the

In 1998, after statewide implementation of the automated child support system, the division worked with the Office of State Courts Administrator and circuit clerks to develop agreed upon procedures for circuit clerks and division staff regarding the division of responsibilities for adding and updating data in the automated system. Those procedures, based on the agreed upon interpretation of state law, remain in effect today and clearly state that circuit clerks update the automated system to end judicial obligations for Missouri orders.

- Contact Person:** Terri Hinzpeter
Phone Number: (573) 522-3730

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2006 – G0601MOTANF and 2007 – G0701MOTANF
State Agency:	Department of Social Services (DSS) – Family Support Division (FSD)
Questioned Costs:	\$2,834

Recommendation:

Status of Finding:

-108-

electronic case record that maintains and supports all eligibility decisions; FAMIS is considered the official case record. All cases reviewed by the auditor had an adequate electronic record available in the FAMIS system to support the eligibility determination and benefits paid. An explanation of the eligibility determination process and controls in place to ensure accurate determinations ensues:

The eligibility process begins with an application made in FAMIS through an interactive interview process between an Eligibility Specialist and the applicant. The information received from the client through the interview and subsequently entered into the system by the Eligibility Specialist is used as the starting point to determine eligibility. The FAMIS system also documents eligibility actions taken by the Eligibility Specialist and how the information was verified by the Eligibility Specialist. A supervisor reviews the eligibility determination in the FAMIS system. This review by the supervisor is then noted in a separate case review system. Field staff review the case on-line and update information in the FAMIS system. The FAMIS system also has built in checks to assist with determining eligibility. Additionally, the system is tested on an on-going basis to ensure that it is functioning properly.

As to updates to the procedures manual, the FSD endeavors to maintain an accurate, up-to-date procedures manual pertaining to the FAMIS system and eligibility determination. There is (other) outdated information in the procedures manual that has no affect on eligibility determination. The FSD will remove this outdated information, as staffing resources allow. An example of outdated information is references to the previous legacy system. This information is not used to calculate eligibility and does not affect staff's understanding or performance.

Status of Questioned Costs:

The FSD has not yet received a position of liability from the granting agency.

Contact Person: Sharon Denney
Phone Number: (573) 751-3216

2007-17. Annual Review Documentation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to
 States
 2006 – H126A060037c and 2007 – H126A0700372
State Agency: Department of Social Services – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)

The FSD did not adequately document annual reviews of Individualized Plans for Employment (IPE). Without adequate documentation, it was unclear whether the reviews were performed as required.

Recommendation:

The FSD improve procedures for documenting annual reviews of IPE forms for RSB recipients.

Status of Finding:

The RSB has emphasized the need to more completely document annual reviews of IPE forms to its counselors and supervisors during both training opportunities and case review activities. Additionally, a contract has been awarded and implementation is underway for an electronic case management system which, upon its completion, will end the need for manual tracking of case reviews. Completion of this system is expected to take place by June 30, 2009.

Contact Person: Mark Laird

Phone Number: (417) 895-6385

2007-18A. Subrecipient Monitoring

Federal Agency: Department of Transportation

Federal Program: 20.607 Alcohol Open Container Requirements
 2007 and 2006 – No contract numbers

State Agency: Department of Transportation, Highway Safety Division (HSD)

The HSD did not always adequately document subrecipient monitoring visits for the Alcohol Open Container Requirements program. The HSD did not perform on-site visits for some subrecipients and activities performed in place of on-site visits were not documented.

Recommendation:

The Department of Transportation, HSD ensure subrecipient monitoring is conducted in accordance with its established procedures and is adequately documented. If the monitoring procedures performed are different than those that have been formally established, the circumstances and alternative procedures should be documented.

Status of Finding:

On October 1, 2008 the HSD implemented a revised monitoring plan. The procedure requires that each project be monitored each year either by phone, desktop, or on-site and that a HSD monitoring report be completed. A project that has been funded at \$200,000 or more will require an on-site monitoring; otherwise, a desktop or phone monitoring is allowable. HSD has conducted staff training to ensure each program manager is aware of the requirements. The new monitoring procedures went into effect on October 1, 2008, with the start of the new federal fiscal year.

Contact Person: Scott Turner

Phone Number: (573) 751-4161

2007-18B. Subrecipient Monitoring

Federal Agency: Department of Transportation
Federal Program: 20.607 Alcohol Open Container Requirements
 2007 and 2006 – No contract numbers
State Agency: Department of Transportation, Highway Safety Division (HSD)

The HSD had not established adequate monitoring procedures to ensure equipment purchased by or provided to subrecipients was being used for the purpose intended, or had been procured or disposed of, if applicable, in accordance with federal and state guidelines.

Recommendation:

The Department of Transportation, HSD ensure its monitoring procedures include a means of ensuring its subrecipients are following all requirements related to the usage, procurement, and disposal of equipment purchased with program funds.

Status of Finding:

On October 1, 2008, the Highway Safety Division implemented a procedure ensuring that sub-recipients follow all requirements related to procurement, usage, and disposal of equipment purchased with federal grant funds. Each piece of equipment that sub-recipients purchase has been approved for purchase through the National Highway Traffic Safety Administration. Additionally, HSD has a written procedure that reads, "The program manager will continue to inventory the piece of equipment until it is no longer valued at \$5,000 and the final disposition is determined. Equipment must be inventoried each year by either phone or on-site. An on-site, physical inventory of all equipment may be conducted each year but must be conducted every other year until the final disposition. During an equipment inventory, the program manager will collect at a minimum the following: the name of the agency in possession, make, serial number, and current condition." When the piece of equipment no longer meets the monetary threshold, the equipment is awarded to the agency. The agency may do what they want with the equipment at that time. The Highway Safety program staff has been trained on these procedures. The new inventory procedures went into effect on October 1, 2008, with the start of the new federal fiscal year.

Contact Person: Scott Turner
Phone Number: (573) 751-4161

2007-18C. Subrecipient Monitoring

Federal Agency: Department of Transportation
Federal Program: 20.607 Alcohol Open Container Requirements
 2007 and 2006 – No contract numbers
State Agency: Department of Transportation, Highway Safety Division (HSD)

The HSD did not provide program subrecipients all necessary grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and amount, and the name of the federal agency.

Recommendation:

The Department of Transportation, HSD provide its subrecipients all necessary grant award information, including the CFDA title and number, award name and amount, and name of the federal agency.

Status of Finding:

The HSD has included on each contract the CFDA title and number, award name and amount, and name of federal agency. This can be found within each contract that was issued starting on October 1, 2008. This information has been also verbally told to all sub-recipients that showed up at the five grant award workshops in August 2008.

Contact Person: Scott Turner

Phone Number: (573) 751-4161



Susan Montee, CPA
Missouri State Auditor

Compilation of 2008 Criminal Activity Forfeiture Act Seizures



February 2009
Report No. 2009-24

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

February 2009

As required by state law, the State Auditor's Office compiled the 2008 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to our office by prosecuting attorneys and the Attorney General. This compilation was limited to the presentation of information submitted.

The State Auditor received a total of 113 (97 percent) of the 116 CAFA seizure reports required by Section 513.607, RSMo, from prosecuting attorneys and the Attorney General for property seized in calendar year 2008. Of the 113 reports received, 98 (87 percent) of the reports were received prior to the January 31, 2008 deadline.

To accomplish our objectives, we compiled all seizure information submitted to the State Auditor for calendar year 2008 and reviewed the compiled information previously submitted for calendar years 2007 and 2006 for comparison purposes.

A letter dated December 15, 2008, was mailed to prosecuting attorneys and the Attorney General, notifying them of the deadline for submission of the CAFA seizure and forfeiture reports. This letter listed the information that should be included in the report according to state law, and indicated the report should be submitted to both the State Auditor and to the Director of the Department of Public Safety. The letter also stated that if there were no seizures, a report was still needed indicating that information. In addition, a second reminder letter dated January 26, 2009, was mailed to prosecuting attorneys that had not submitted CAFA seizure and forfeiture reports at that time.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

COMPILATION OF 2008 CRIMINAL ACTIVITY FORFEITURE ACT SEIZURES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR’S REPORT	1-2
EXECUTIVE SUMMARY	3-6
OBJECTIVES, SCOPE, AND METHODOLOGY	7-8
APPENDIXES	9-16
I. 2008 CAFA Seizures Disposition Reported	10
II. 2008 CAFA Seizures Required Information Reported	13
III. Missouri Statute Section 513.607.8-10	16

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, MO 65102

As required by Section 513.607, RSMo, we have compiled the 2008 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to the State Auditor by prosecuting attorneys and the Attorney General. A compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

1. Identify those officials who submitted 2008 CAFA seizure reports to the State Auditor.
2. Summarize the 2008 CAFA seizure information reported.

Section 513.607, RSMo, requires prosecuting attorneys and the Attorney General to report CAFA seizures for the previous calendar year by January 31, to both the Director of the Department of Public Safety and the State Auditor. We received 84 percent of the CAFA seizure reports by the required due date of January 31, 2009.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

The following staff participated in the preparation of this report:

Director:	Alice M. Fast, CPA, CIA, CGFM
In-Charge Auditor:	Becky Webb, CPA
Audit Staff:	Dana Wansing

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

Sections 513.607.8 to 513.653, RSMo, of the state's Criminal Activity Forfeiture Act (CAFA) require the prosecuting attorneys and the Attorney General to submit a copy of the seizure report to the State Auditor at the time the report is submitted to the Director of the Department of Public Safety (DPS). The CAFA also requires the State Auditor to make an annual report compiling the data received regarding the seizures.

Compliance with Submitting Criminal Activity Forfeiture Act (CAFA) Seizures Reports

The State Auditor received a total of 113 (97 percent) of the 116 CAFA seizure reports required by Section 513.607, RSMo, from prosecuting attorneys and the Attorney General for property seized in calendar year 2008. Of the 113 reports received, 98 (87 percent) of the reports were received prior to the January 31, 2008 deadline. Table 1.1 lists the total number of CAFA seizure reports submitted to the State Auditor for 2008, 2007, and 2006.

Table 1.1 includes 2 CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the 2007 report was issued.

Table 1.1: Summary of CAFA Seizure Reports Submitted By Date

Reporting Status	2008		2007		2006	
By January 31	98	84.5%	101	87.1%	92	79.3%
After January 31	15	12.9	15	12.9	15	12.9
Total Reported	113	97.4	116	100.0	107	92.2
Failed to Report	3	2.6	0	0.0	9	7.8
Total Reports Required	116	100.0%	116	100.0%	116	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

Prosecutors that Failed to Report 2008 CAFA Seizures or Submitted Report Late

Table 1.2 lists the prosecuting attorneys that either submitted the 2008 CAFA seizure report after January 31, 2009, or failed to submit a 2008 CAFA seizure report. Section 513.607.10, RSMo, states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor punishable by a fine of up to \$1,000.

**Table 1.2: Summary of Prosecuting Attorneys that
Failed to Report 2008 CAFA Seizures or
Submitted 2008 CAFA Seizure Reports Late**

Prosecuting Attorney	Failed to Report	Submitted Late
Caldwell		X
Camden		X
Carroll		X
Carter		X
Gentry	X	
Greene		X
Grundy		X
Harrison		X
Jackson		X
Madison	X	
Miller		X
Pulaski		X
St. Francois		X
Scott		X
Shannon		X
Stoddard	X	
Stone		X
Wayne		X
Total	3	15

Source: Review of CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

Disposition of the Seizures Reported

The disposition of the CAFA seizures reported was compiled from the reports submitted by the prosecuting attorneys and the Attorney General. Table 1.3 lists the dollar value of the disposition of seizures reported.

Table 1.3: Summary of Required Information Reported

Reported Disposition	2008		2007		2006	
Pending	\$ 1,377,108	20%	\$ 1,464,990	33%	\$ 1,591,228	30%
Returned	179,582	3	674,253	15	664,158	13
Transferred to Federal Agency	5,183,935	75	2,028,673	45	2,810,763	54
Transferred to State	58,532	1	74,461	2	83,038	2
Disposition Not Reported	83,979	1	248,730	5	51,942	1
Other	0	0	13,914	0	14,446	0
Total	\$ 6,883,136	100%	\$ 4,505,021	100%	\$ 5,215,275	100%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

See Appendix I for a listing of the 2008 CAFA seizures disposition reported by each prosecuting attorney and the Attorney General.

Compliance with Reporting the Required Information

Section 513.607.8, RSMo, requires prosecuting attorneys and the Attorney General to report the date, time, and place of the seizure; property seized; estimated value of the property seized; person(s) from whom the property was seized; criminal charges filed; and disposition of the seizure, forfeiture, and criminal actions. Table 1.4 lists the required information for the CAFA

seizure reports received and the number of cases that reported each required item. Some reports did not include all of the required information; therefore, our compilation includes only the information reported.

Table 1.4: Summary of Required Information Reported

Required Information	2008		2007		2006		
Date	1,136	99.6%	1,654	99.9%	633	99.8%	
Time	960	84.1	1,430	86.4	409	64.5	
Place of Seizure	1,131	99.1	1,637	98.9	626	98.7	
Property Seized	1,140	99.9	1,655	99.9	628	99.1	
Estimated Value of Property Seized	1,119	98.1	703	42.5	612	96.5	
Person(s) Property Seized From	1,140	99.9	1,656	100.0	625	98.6	
Criminal Charges Filed	943	82.6	1,450	87.6	346	54.6	
Disposition of Seizure	1,137	99.6	1,656	100.0	634	100.0	
Disposition of Criminal Actions	1,000	87.6	1,344	81.2	443	69.9	
Total Cases Reported	*	1,141	100.0%	1,656	100.0%	634	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

- * The increase in the number of seizures from 2006 to 2007 and subsequent decrease from 2007 to 2008 appears due to the fluctuation in the number of seizures reported by St. Louis City. In 2006, St. Louis City reported only 90 seizures with no vehicles. In 2007, St. Louis City reported 1,150 seizures including 937 vehicles. In 2008, St. Louis City reported 702 seizures including 583 vehicles.

See Appendix II for a listing of the number of 2008 CAFA seizure cases that contained the required information reported for each prosecuting attorney and the Attorney General.

OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this compilation were to (1) identify those officials who submitted 2008 CAFA seizure reports to the State Auditor and (2) summarize the 2008 CAFA seizure information reported.

Scope and Methodology

To accomplish our objectives we:

- Reviewed the compiled seizure information submitted to the State Auditor for calendar years 2007 and 2006 for comparison purposes only.
- Mailed a letter to prosecuting attorneys and to the Attorney General, dated December 15, 2008, reminding them of the deadline for submission of the CAFA seizure and forfeiture reports.
- Mailed a second reminder letter, dated January 26, 2009, to the prosecuting attorneys that had not reported their 2008 CAFA seizures by that date.
- Compiled all seizure information submitted to the State Auditor for calendar year 2008.
- Identified the reports submitted on a timely basis.
- Identified the reports not containing the required information.
- Compiled the dollar value of the disposition of all seizures reported.
- Contacted the Department of Public Safety to identify the 2008 CAFA seizure reports submitted to both the State Auditor and to the Director of the Department of Public Safety or to one office.
- Compiled only seizure reports received by February 19, 2009, due to the February 28, 2009, statutory deadline for the State Auditor to submit this report.

Limitations

The data presented in the appendixes were compiled from information submitted by prosecuting attorneys and the Attorney General and were not verified by us via additional audit procedures. In analyzing these appendixes, some disparity may result due to the different methods used by the various prosecuting attorneys and the Attorney General presenting essentially the same information.

APPENDIXES

2008 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2008			
		Pending	Returned	Transferred to Federal Agency	Transferred to State Not Reported
Adair	\$ 2,300	2,300			
Andrew	0				
Atchison	0				
Attorney General	0				
Audrain	8,668	7,884			784
Barry	2,659	2,659			
Barton	0				
Bates	0				
Benton	0				
Bollinger	0				
Boone	105,074	46,689	21,051	33,779	3,555
Buchanan	39,163	34,379	523		4,261
Butler	0				
Caldwell	17,091	17,091			
Callaway	22,984	22,984			
Camden	0				
Cape Girardeau	12,752	7,626		5,126	
Carroll	44				44
Carter	0				
Cass	8,535	6,535	2,000		
Cedar	110,091	110,091			
Chariton	0				
Christian	17,889	16,953	936		
Clark	0				
Clay	40,628	40,628			
Clinton	3,281	3,281			
Cole	31,705	23,511	7,194		1,000
Cooper	0				
Crawford	548	548			
Dade	7,800	7,800			
Dallas	0				
Daviess	4,504				4,504
Dekalb	0				
Dent	0				
Douglas	0				
Dunklin	0				
Franklin	15,530	15,530			
Gasconade	0				
Gentry	DNF				
Greene	14,110	6,289		7,821	
Grundy	0				
Harrison	10,650	525	10,125		
Henry	1,687	1,687			
Hickory	0				
Holt	2,515			2,515	
Howard	1,400				1,400
Howell	30,191	2,468			27,723

2008 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2008			
		Pending	Returned	Transferred to Federal Agency	Transferred to State Not Reported
Iron	0				
Jackson	287,393	255,493			3,010 28,890
Jasper	30,525	30,525			
Jefferson	520,219	63,831		455,380	1,008
Johhnson	4,727	4,727			
Knox	0				
Laclede	5,032		150		4,882
Lafayette	28,171	9,528			18,643
Lawrence	0				
Lewis	0				
Lincoln	14,172	14,172			
Linn	0				
Livingston	3,000	3,000			
Macon	0				
Madison	DNF				
Maries	0				
Marion	30,355			30,355	
McDonald	0				
Mercer	0				
Miller	0				
Mississippi	57,001			57,001	
Moniteau	0				
Monroe	40,300	40,300			
Montgomery	64,658	64,658			
Morgan	0				
New Madrid	41,051	8,700	3,911	28,440	
Newton	1,105	1,105			
Nodaway	0				
Oregon	0				
Osage	0				
Ozark	0				
Pemiscot	7,075				7,075
Perry	0				
Pettis	18,856	3,463	6,200		2,637 6,556
Phelps	1,430				1,430
Pike	3,057	3,057			
Platte	28,557	28,557			
Polk	0				
Pulaski	0				
Putnam	0				
Ralls	0				
Randolph	5,100	4,700	310		90
Ray	7,143	7,143			
Reynolds	0				
Ripley	0				
Saline	4,427	4,427			
Schuyler	0				

2008 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2008				
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported
Scotland	0					
Scott	11,124	6,410	2,739	1,975		
Shannon	0					
Shelby	0					
St. Charles	3,884,655	18,984	1,310	3,840,361		24,000
St. Clair	0	0				
St. Francois	15,495	15,495				
St. Louis County	274,497	150,253	12,209	111,567	468	
St. Louis City	946,674	226,135	110,924	609,615		
Ste. Genevieve	0			0		
Stoddard	DNF					
Stone	897	897				
Sullivan	0					
Taney	30,841	30,841				
Texas	0					
Vernon	0					
Warren	2,966	2,415			551	
Washington	834	834				
Wayne	0					
Webster	0					
Worth	0					
Wright	0					
	\$ 6,883,136	1,377,108	179,582	5,183,935	58,532	83,979

DNF - Did not file a 2008 CAFA seizure report with the State Auditor's Office

This appendix compiles only the information reported to the State Auditor by prosecuting attorneys and the Attorney General. Not all seizure reports included an estimated value of the property seized and not all reports included the disposition of all seizures reported.

2008 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information								Disposition	
			EstimatedPerson(s)								Criminal	
			Value of Property									
			Date	Time	Place Seized	Property Seized	Property Seized	Seized From	Charges Filed	Seizure	Criminal Actions	
Adair	2	\$ 2,300	2	2	2	2	2	2	2	2	2	
Andrew	0	0										
Atchison	0	0										
Attorney General	0	0										
Audrain	6	8,668	6	6	6	6	6	6	6	6	6	
Barry	3	2,659	3		3	3	3	3	3	3	3	
Barton	0	0										
Bates	0	0										
Benton	0	0										
Bollinger	0	0										
Boone	23	105,074	23	7	23	23	23	23	23	23	10	
Buchanan	13	39,163	13	13	13	13	13	13	13	13	13	
Butler	0	0										
Caldwell	1	17,091	1	1	1	1	1	1	1	1	1	
Callaway	3	22,984	3	3	3	3	3	3	3	3	3	
Camden	0	0										
Cape Girardeau	2	12,752	2		2	2	2	2	2	2	1	
Carroll	1	44	1	1	1	1	1	1	1	1	1	
Carter	0	0										
Cass	3	8,535	3	3	3	3	3	3		3	3	
Cedar	4	110,091	4	4	4	4	4	4	4	4	4	
Chariton	0	0										
Christian	6	17,889	6		6	6	5	6	4	6	1	
Clark	0	0										
Clay	8	40,628	8	6	8	8	8	8	2	8	8	
Clinton	1	3,281	1	1	1	1	1	1	1	1	1	
Cole	19	31,705	19	14	19	19	19	19	16	19	19	
Cooper	0	0										
Crawford	1	548	1	1	1	1	1	1	1	1	1	
Dade	1	7,800	1	1	1	1	1	1	1	1	1	
Dallas	0	0										
Daviess	1	4,504				1	1	1		1	1	
Dekalb	0	0										
Dent	0	0										
Douglas	0	0										
Dunklin	0	0										
Franklin	10	15,530	10	9	10	10	7	10	2	10		
Gasconade	0	0										
Gentry	DNF	DNF										
Greene	3	14,110	2	1	1	3	3	3	2	3	3	
Grundy	0	0										
Harrison	2	10,650	2	2	2	2	2	2	1	2	2	
Henry	2	1,687	2	2	2	2	2	2		2		
Hickory	0	0										
Holt	1	2,515	1	1	1	1	1	1	1	1	1	
Howard	1	1,400	1	1	1	1	1	1	1	1	1	

2008 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information							Disposition	
			Estimated			Person(s)					
			Value of Property			Criminal					
			Date	Time	Place Seized	Property Seized	Property Seized	Seized From	Charges Filed	Seizure	Criminal Actions
Howell	5	30,191	5	4	5	5	5	5	4	5	4
Iron	0	0									
Jackson	79	287,393	76	42	74	79	77	78	7	75	11
Jasper	9	30,525	9		9	9	9	9	9	9	9
Jefferson	21	520,219	21	12	21	21	21	21	9	21	20
Johnson	5	4,727	5		5	5	5	5	3	5	5
Knox	0	0									
Laclede	9	5,032	9	9	9	9	7	9	8	9	9
Lafayette	8	28,171	8	8	8	8	8	8	8	8	8
Lawrence	0	0									
Lewis	0	0									
Lincoln	5	14,172	5		4	5	4	5	5	5	5
Linn	0	0									
Livingston	1	3,000	1	1	1	1	1	1	1	1	1
Macon	0	0									
Madison	DNF	DNF									
Maries	0	0									
Marion	2	30,355	2	2	2	2	2	2	1	2	2
McDonald	0	0									
Mercer	0	0									
Miller	0	0									
Mississippi	2	57,001	2	2	2	2	2	2	1	2	1
Moniteau	0	0									
Monroe	1	40,300	1	1	1	1	1	1	1	1	1
Montgomery	2	64,658	2	2	2	2	2	2	2	2	2
Morgan	0	0									
New Madrid	9	41,051	9		9	9	9	9	9	9	9
Newton	2	1,105	2		2	2	2	2	2	2	2
Nodaway	0	0									
Oregon	0	0									
Osage	0	0									
Ozark	0	0									
Pemiscot	2	7,075	2	2	2	1	2	2	1	2	1
Perry	0	0									
Pettis	8	18,856	8	4	8	8	8	8	7	8	8
Phelps	1	1,430	1	1	1	1	1	1	1	1	1
Pike	3	3,057	3	3	3	3	3	3	3	3	3
Platte	6	28,557	6	6	6	6	6	6	6	6	6
Polk	0	0									
Pulaski	0	0									
Putnam	0	0									
Ralls	0	0									
Randolph	4	5,100	4		4	4	4	4	4	4	4
Ray	1	7,143	1		1	1	1	1	1	1	1
Reynolds	0	0									
Ripley	0	0									

2008 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information								Disposition	
			EstimatedPerson(s)									
			Value of Property Criminal								Criminal	
			Date	Time	Place Seized	Property Seized	Property Seized	Seized From	Charges Filed	Seizure		Actions
Saline	1	4,427	1	1	1	1	1	1	1	1	1	
Schuyler	0	0										
Scotland	0	0										
Scott	7	11,124	7	2	7	7	7	7	7	7	7	
Shannon	0	0										
Shelby	0	0										
St. Charles	34	3,884,655	34	34	34	34	33	34	9	34	8	
St. Clair	4	0	4		4	4		4	4	4	4	
St. Francois	3	15,495	3		3	3	3	3	3	3	3	
St. Louis County	73	274,497	73	67	72	73	69	73	23	73	62	
St. Louis City	702	946,674	702	675	702	702	702	702	700	702	701	
Ste. Genevieve	0	0										
Stoddard	DNF	DNF										
Stone	1	897	1		1	1	1	1	1	1	1	
Sullivan	0	0										
Taney	10	30,841	10		10	10	6	10	8	10	10	
Texas	0	0										
Vernon	0	0										
Warren	3	2,966	3	3	3	3	3	3	3	3	3	
Washington	1	834	1		1	1	1	1	1	1	1	
Wayne	0	0										
Webster	0	0										
Worth	0	0										
Wright	0	0										
	1,141	\$ 6,883,136	1,136	960	1,131	1,140	1,119	1,140	943	1,137	1,000	

DNF - Did not file a 2008 CAFA Seizure report with the State Auditor's Office

This appendix compiles the total number of 2008 CAFA seizure cases, the total estimated value of cases reported, and the number of cases that reported the required information by each prosecuting attorney and the Attorney General.

Missouri Revised Statutes

Chapter 513

Executions and Exemptions

Section 513.607

Property subject to forfeiture--procedure--report required, when, contents--annual state auditor's report, contents--violations, penalty.

513.607. 8. The prosecuting attorney or attorney general to whom the seizure is reported shall report annually by January thirty-first for the previous calendar year all seizures. Such report shall include the date, time, and place of seizure, the property seized, the estimated value of the property seized, the person or persons from whom the property was seized, the criminal charges filed, and the disposition of the seizure, forfeiture and criminal actions. The report shall be made to the director of the Missouri department of public safety and shall be considered an open record. The prosecuting attorney or attorney general shall submit a copy of the report to the state auditor at the time the report is made to the director of the department of public safety.

9. The state auditor shall make an annual report compiling the data received from law enforcement, prosecuting attorneys and the attorney general, and shall submit the report regarding seizures for the previous calendar year to the general assembly annually by February twenty-eighth.

10. Intentional or knowing failure to comply with any reporting requirement contained in this section shall be a class A misdemeanor, punishable by a fine of up to one thousand dollars.



Susan Montee, CPA
Missouri State Auditor

Village of Quitman



February 2009
Report No. 2009-23

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

February 2009

The following findings were included in our audit report on the Village of Quitman, Missouri.

The village's General Fund is in poor financial condition and the board has not adequately monitored the financial position of the village. During the 3 years ended April 30, 2008, General Fund disbursements exceeded receipts by approximately \$1,200 causing the fund balance to decrease from approximately \$2,900 to approximately \$1,700.

A board member, who also serves as the Village Treasurer, performs all accounting functions for the village and there is no documented review of the work performed. Board approval of the monthly financial reports is not documented and the reports are not included with the official minutes.

In 1875, Quitman was incorporated as a third-class city; however, the governing body of Quitman has been operating as a village for many years. Quitman elects a five-member board of trustees in accordance with Chapter 80, RSMo, and levies and collects taxes consistent with laws governing villages. While state law allows voters to elect by a majority vote to become a village, there is no documentation to indicate the classification of Quitman was officially changed from a third-class city to a village.

Board meeting minutes did not include some information required by state law, did not contain sufficient detail of matters discussed and actions taken, and have not been maintained since June 2008. Documentation was not retained to demonstrate that notices of meetings and tentative agendas were prepared and posted as required. There is no evidence that public hearings on the village's proposed tax rates were held in recent years, or that tax rates were formally approved by the board. In addition, a trustee was removed from the board in 2005, but it is unclear under what statutory authority this trustee was removed. Furthermore, a policy regarding absenteeism has not been established, village ordinances are not complete and up-to-date, and the village has not adopted a policy regarding public access to village records.

The village did not prepare a budget for the year ended April 30, 2008, and the budget prepared for fiscal year 2009 lacked some required information. In addition, a significant balance of \$6,400 has accumulated in the Road Fund and the board does not have documented plans for how these monies will be spent.

The audit also includes recommendations related to budgets, financial reporting, and disbursements.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

VILLAGE OF QUITMAN

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2	Accounting Controls and Procedures.....5
3.	Classification7
4.	Meeting Minutes, Ordinances and Access to Records.....7
5.	Budgets and Financial Reporting11
6.	Disbursements.....13
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	15-17

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Trustees
Village of Quitman, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Quitman. The scope of our audit included, but was not necessarily limited to, the year ended April 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the village of Quitman.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA
Audit Manager: Todd M. Schuler, CPA
In-Charge Auditor: Julie A. Moulden, MBA, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF QUITMAN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
-----------	----------------------------

The village's General Fund is in poor financial condition and the board has not adequately monitored the financial position of the village. The board has not adopted budgets in previous years and there is no documentation that financial reports are reviewed by the board. The decision to pay for street lights out of the General Fund, rather than the Road Fund as allowed by state law, has contributed to the problem.

During the 3 years ended April 30, 2008, General Fund disbursements exceeded receipts by approximately \$1,200 causing the fund balance to decrease from approximately \$2,900 to approximately \$1,700.

The board must monitor the financial condition of the village and develop a long range plan which will allow the village to reduce disbursements and/or increase receipts to operate within its available resources. The recommendations contained in the remaining MARs, if implemented, will help the village establish procedures to operate within its available resources.

WE RECOMMEND the Board of Trustees develop a long term plan to operate within its available resources.

AUDITEE'S RESPONSE

The board has reduced discretionary expenses to the extent possible and has already begun paying for street lighting out of the Road Fund. The board will continue to monitor the balance of the General Fund.

2.	Accounting Controls and Procedures
-----------	---

The Board of Trustees has not provided adequate oversight of the accounting functions performed by the Village Treasurer. While the Village Treasurer prepares monthly financial reports, board review and approval is not documented and the reports are not included with the official minutes. Village officials are not bonded and the village's bank accounts are non-interest bearing.

- A. A board member, who also serves as the Village Treasurer, performs all accounting functions for the village and there is no documented review of the work performed. The Village Treasurer's duties include receiving, recording, and depositing receipts; preparing checks; recording disbursements; and reconciling bank accounts. Although the Village Treasurer indicated she presents the bank

statements, check registers, and Treasurer's reports to the board for review each month, there is no evidence to support this claim (see part B).

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monthly financial reports are prepared by the Village Treasurer; however, board approval of the reports is not documented and the reports are not included with the official minutes. While the minutes occasionally mentioned a specific bill to be paid and sometimes documented the cash balance of the two village funds, no other monthly financial review by the board was noted.

The review of complete financial reports, showing receipts, disbursements, and beginning and ending cash balances for each fund would provide the board with critical data necessary to make financial decisions for the city. Due to the various other weaknesses noted, board members need to review detailed financial reports monthly to help improve accountability over funds.

- C. No village officials are bonded. Section 80.250, RSMo, requires bond coverage of at least \$1,000 each for the village collector and treasurer. Failure to properly bond all persons with access to assets exposes the village to risk of loss.
- D. At April 30, 2008, the village had approximately \$8,150 in non-interest bearing checking accounts. To maximize the amount of interest earned, the board should require that all funds be invested in some type of interest-bearing account.

WE RECOMMEND the Board of Trustees:

- A. Develop procedures to provide adequate oversight of the accounting functions performed by the Village Treasurer.
- B. Review, approve, and maintain monthly financial reports summarizing receipts, disbursements, and changes in the cash balance of each fund.
- C. Obtain bond coverage for all officials with access to village assets.
- D. Deposit village monies into interest-bearing accounts.

AUDITEE'S RESPONSE

- A. *The board chairperson will immediately begin documenting her reviews of the monthly bank statements.*

- B. *The board has always reviewed the treasurer's monthly financial reports; however, in the future, we will ensure that our approval is documented in the minutes, and a copy of the report is included with the minutes.*
- C. *The Treasurer has already begun inquiring about securing a bond for herself.*
- D. *The board will inquire at the bank as to whether this is a viable option.*

3.	Classification
-----------	-----------------------

In 1875, Quitman was incorporated as a third-class city; however, the governing body of Quitman has been operating as a village for many years. Quitman elects a five-member board of trustees in accordance with Chapter 80, RSMo, and levies and collects taxes consistent with laws governing villages. In addition, numerous ordinances and official records refer to Quitman as a village.

While Section 72.070, RSMo, allows voters to elect by majority vote to become a village, there is no documentation to indicate the classification of Quitman was ever officially changed from a third-class city to a village.

To alleviate citizen concern on this issue and ensure the village is operating within the appropriate sections of state law, the Board of Trustees should review this situation with legal counsel. If the classification has not been legally changed to a village, the board should consider securing a vote to approve the change to a village.

WE RECOMMEND the Board of Trustees consult legal counsel to determine the proper classification and consider securing a vote to approve the change to a village.

AUDITEE'S RESPONSE

The Treasurer has contacted the Secretary of State to inquire about whether or not any change needs to be made. The board will also discuss the matter with the village's attorney.

4.	Meeting Minutes, Ordinances and Access to Records
-----------	--

Concerns were noted with the board's procedures for conducting and documenting board meetings. Board meeting minutes lacked some information required by state law and did not always contain sufficient detail. Votes to approve meeting minutes were either not taken or not documented and documentation was not retained to demonstrate that notices of meetings and tentative agendas were prepared and posted as required. The meeting minutes contain no documentation of the approval of village tax rates and public hearings on the village's proposed tax rates are not held. Additionally, the village may have improperly removed an elected official, a policy for absenteeism by trustees

needs to be established, village ordinances are not complete and up-to-date, and policies regarding public access to records do not always comply with state law.

- A. Board meeting minutes did not include some information required by state law and did not contain sufficient detail of matters discussed and actions taken. In addition, minutes were not maintained for meetings since June 2008. The location of board meetings and times started and adjourned is not documented. Only first names of trustees present are recorded in the minutes and in some instances everyone present at the meeting including citizens and guests is documented, making it difficult to determine which trustees were present or absent. The meeting minutes generally lack detail of actions taken and discussion held by the board, and votes taken are not always documented. For example, a vote to appoint Gary Wheeler to the board in September 2007 was not documented. The minutes of that meeting simply indicate he was sworn in. Because of the lack of detail, votes and actions taken by the Board of Trustees are not adequately documented and recorded. It is unclear why the board discontinued documenting meeting minutes.

Section 610.020, RSMo, requires minutes of meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

- B. The Board of Trustees has not developed a method of approving meeting minutes. Most minutes indicate they were prepared and approved by the Mayor, but there is no documentation the minutes were reviewed and approved by the board and a vote to document the board's approval of the minutes is not documented.

Board minutes should be reviewed and approved by the board and signed by the preparer and by the mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

- C. The village did not retain documentation to demonstrate it prepared or posted notices of meetings or tentative meeting agendas for meetings held during the year ended April 30, 2008. Section 610.020, RSMo, requires a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The village should ensure copies of agendas and meeting notices are prepared and retained to document compliance with state law.
- D. There is no evidence that public hearings on the village's proposed tax rates were held in recent years or that tax rates were formally approved by the board. While the current Village Clerk indicated public hearings were held, no documentation to support this claim was included in the minutes or elsewhere. In addition, the

minutes do not include any discussion or votes concerning the approval of tax rates for the last several years.

Section 67.110, RSMo, requires each governing body to hold at least one public hearing, at which citizens may be heard, prior to approval of the proposed tax rates.

- E. In May 2005, trustees voted to remove another trustee from the board, but it is unclear under what authority this trustee was removed. It appears there are no statutes stating the procedure for removal of a village trustee. To ensure the village is operating in accordance with state law, the board should consult with legal counsel before taking such actions.
- F. The village does not have a policy regarding absenteeism by trustees. During the 3 years ended April 30, 2008, 13 monthly meetings or 36 percent were cancelled because a quorum of trustees was not present.

A quorum is necessary before decisions can be made. The lack of attendance by trustees can result in the inability to hold meetings and take votes, which disrupts the conduct of village business. To help ensure village business is conducted in a timely manner, the village should establish a policy addressing absenteeism by trustees.

- G. Village ordinances are not complete and up-to-date.
 - Village officials have copies of ordinances, but the ordinances are very old, not filed in an orderly manner, and not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.
 - The village has not adopted ordinances to address all issues required by state law, including tax rates. Sections 94.190.3 and 94.210, RSMo, require the property tax rate be set annually by ordinance.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help track additions and changes made to village ordinances. In addition, new ordinances should be passed as needed.

- H. While the village has adopted a policy regarding public access to village records, both the current policy and the policy it replaced appear to violate the Sunshine Law. The current policy states the custodian must be contacted to view the village's records; however, the policy does not include an address or phone

number for the custodian. The former policy stated that 25 cents was charged for each page copied and a \$25 administration fee was charged for each request and 10 days were needed to fulfill requests. The former policy also did not include the contact information for the custodian of records. It is unclear when either of these policies was adopted as neither is dated and the minutes make no reference to the board passing the policies.

Section 610.026, RSMo, indicates that the fees for copying public records shall not exceed 10 cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. The village does not have any employees and its trustees are not compensated, thus an hourly fee would not be authorized by state law. This ordinance and policy should establish a person to contact and an address to mail requests for access to records.

WE RECOMMEND the Board of Trustees:

- A. Ensure meeting minutes are documented, contain all information required by state law, and have sufficient detail to indicate matters discussed and actions taken by the board.
- B. Ensure meeting minutes are approved by a vote of the board and signed by the preparer and Mayor to attest to their completeness and accuracy. If the minutes are prepared by the Mayor, they should be attested to by another board member.
- C. Ensure notices and tentative agendas of all board meetings are prepared, posted, and retained in accordance with state law.
- D. Hold public hearings to set the annual tax levy as required by state law and ensure the vote approving the tax rate each year is documented in the minutes.
- E. Consult with legal counsel regarding the authority to remove a trustee from the board.
- F. Establish a policy regarding absenteeism by trustees.
- G. Update the village's ordinances and ensure a complete set of ordinances is maintained. New ordinances should be passed as needed. In addition, the board should consider establishing an index of all village ordinances passed and rescinded, and ensure all ordinances are up-to-date and enforced.
- H. Develop a public access policy which complies with state law.

AUDITEE'S RESPONSE

- A. *The board will ensure the minutes contain all information required by law in the future.*

- B. *The board will ensure the minutes are approved.*
- C. *The board has always prepared and posted meeting notices and agendas; however, in the future, we will ensure that they are retained as documentation that the board complied with the law.*
- D. *In the future, the board will ensure the annual tax levy is set in accordance with state law.*
- E. *The board will take the State Auditor's recommendation under advisement.*
- F. *The board will meet to discuss this matter and develop a policy.*
- G. *The board intends to address this matter by the end of fiscal year 2009.*
- H. *The board has already implemented this recommendation, and the policy has been posted at Town Hall.*

5.	Budgets and Financial Reporting
-----------	--

The village budgets do not contain some information required by state law, and there is no evidence the current budget was approved by the board. The village did not maintain evidence that semi-annual financial statements were prepared and properly posted and either did not file annual financial reports with the State Auditor's office as required or did not file them timely. In addition, a formal street maintenance plan for village streets has not been developed.

- A. The village did not prepare a budget for the year ended April 30, 2008, and while budgets were prepared for the year ended April 30, 2009, they lack some information required by state law. Neither the General nor Road Fund budgets included a budget message or comparative statements of receipts or disbursements for the two preceding years as required. The General Fund budget did not include the beginning cash balance or an estimated ending cash balance. Additionally, it is unclear when the current budget was adopted by the board as meeting minutes have not been maintained since June 2008.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and funding expectations for each area of village operations and provide a means to effectively monitor actual receipts and disbursements.

- B. The village did not maintain evidence to demonstrate compliance with state law regarding the preparation and posting of semi-annual financial statements. While

the Village Clerk indicated semi-annual financial statements are posted at the town hall, no documentation to support this claim was included in the minutes or elsewhere. In addition, no financial statements were available for our review.

Section 80.210, RSMo, states, "the chairman of each board of trustees shall, semiannually, make out a correct statement of all moneys received and expended on account of their respective towns during the six months next preceding; and shall cause such statement, within ten days thereafter, to be published, either in some newspaper printed in the same town, or by causing copies of such statement to be put up in six of the most public places in such town."

- C. The village has either not submitted an annual financial report to the State Auditor's office or the report was not submitted on a timely basis. The financial report for the year ended April 30, 2006, was not received by the State Auditor's office until January 2008. A financial report was not filed for the year ended April 30, 2007. Section 105.145, RSMo, requires political subdivisions to file annual reports with the State Auditor's office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for unaudited financial statements and within six months of the end of the fiscal year for audited financial statements).
- D. A significant balance has accumulated in the village's Road Fund and the board has not documented plans for how these monies will be spent. At April 30, 2008, the Road Fund had a cash balance of over \$6,400. The village receives approximately \$1,900 per year from the state, which is restricted for street related purposes, and typically purchases \$1,000 worth of gravel annually. For the past several years, the village has paid for street lighting out of the General Fund, rather than with road monies, and has accumulated the unused portion of the monies received from the state in the Road Fund. Considering the financial condition of the General Fund (see MAR finding number 1), village officials should develop a plan for how these monies will be spent.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees:

- A. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village. In addition, the board should ensure the approval of the budget is formally documented in the minutes.
- B. Maintain documentation to demonstrate semi-annual financial statements are prepared and posted as required by state law.

- C. Submit annual financial reports to the State Auditor's office as required by state law.
- D. Consider paying for street lights from the Road Fund in the future and develop a formal maintenance plan for the village streets.

AUDITEE'S RESPONSE

- A. *The board has prepared a budget for fiscal year 2009 and will ensure the budget for fiscal year 2010 and all future budgets contain all required information.*
- B. *The board has always prepared and posted semi-annual financial statements; however, in the future, we will retain them as documentation that the board complied with the law.*
- C. *The board will ensure annual reports are filed with the State Auditor's office in a timely manner.*
- D. *The board will prepare a plan for fiscal year 2010 and future years and has already begun paying for street lights from the Road Fund.*

6.	Disbursements
-----------	----------------------

Board approval of fund transfers was not adequately documented and a disbursement to two married board members gives the appearance of a conflict of interest.

- A. Transfers are made between the two village funds without adequate support and/or documented board approval. The Village Treasurer transferred approximately \$1,483, \$1,000, and \$1,000 from the Road Fund to the General Fund during fiscal years 2006, 2007, and 2008, respectively. While the purpose of the transfers is clear in fiscal years 2006 and 2007 (reimbursements to the General Fund for buying gravel), the reason given for the transfer in fiscal year 2008 was the poor financial condition of the General Fund. These transfers were not mentioned in the meeting minutes and there is no evidence they were approved by the board. Since the monies in the Road Fund represent restricted funds, transfers to the General Fund should be supported by adequate documentation to ensure the monies are spent in compliance with state law.
- B. The village paid approximately \$440 for a road tube to be installed at the home of two board members during 2007. The minutes provide very little detail regarding this situation, other than it was approved by three members of the board and that the two members affected did not vote on the matter. Village officials indicated the board agreed to install the road tube in exchange for these two board members paying for repairs to the road in front of their home. The village was unable to provide any evidence the road work was performed and paid for by these board members. It is unclear how this disbursement benefited the village and due to the

fact that it involved two board members, this transaction gives the appearance of a conflict of interest.

The village has a fiduciary duty to ensure funds are disbursed in accordance with established policies and procedures and in a manner that provides the greatest benefit to the village. The board should ensure discussions and decisions concerning situations where potential conflicts of interest exist are completely documented so the public has assurance that no city official has benefited improperly.

WE RECOMMEND the Board of Trustees:

- A. Ensure all transfers of monies between funds are in compliance with state law, supported by adequate documentation, and approved by the board.
- B. Consult with legal counsel and determine whether to pursue reimbursement for the road tube. In addition, in the future, the village should avoid situations that represent actual or the appearance of conflicts of interest.

AUDITEE'S RESPONSE

- A. *The board made the transfer in fiscal year 2008 to help pay for street lighting. In the future, the board will ensure the minutes adequately document the reasoning for transfers to avoid any indication of impropriety.*
- B. *The board will discuss the matter and decide on any action to be taken.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF QUITMAN HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The village of Quitman is located in Nodaway County. The village was incorporated in 1875 as a third-class city; however, it has been operating as a village for many years. The population of the village in 2000 was 46.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The Chairman is appointed by the board from the members. The members of the Board of Trustees during the year ended April 30, 2008, are identified below.

Board of Trustees	Dates of Service During the Year Ended April 30, 2008
Carla Stevens, Chairperson and Village Clerk	May 2007 – April 2008
Donna Stover, Board Member and Village Treasurer	May 2007 – April 2008
Jim Stevens, Board Member (1)	May 2007 – April 2008
Robert Cameron, Board Member (2)	May 2007 – June 2007
Gary Wheeler, Board Member (3)	September 2007 – April 2008
Keith Hurst, Board Member (4)	May 2007 – April 2008

- (1) Jim Stevens resigned in September 2008. Vicki Hurst was appointed in October 2008 to fill this position.
- (2) Robert Cameron was elected in April 2007 for a two-year term. He passed away in June 2007. Gary Wheeler was appointed by the board in September 2007 to replace him.
- (3) Gary Wheeler was appointed by the board in September 2007 to replace Robert Cameron. He was elected in April 2008 and resigned in September 2008. Doris Caudell was appointed to this position in October 2008.
- (4) Duane Lester was elected in April 2008 to replace Keith Hurst.

The village did not have any employees during the year ended April 30, 2008.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 40,460
Personal property	54,410
Railroad and utility	32,764
Total	<u>\$ 127,634</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	Rate	
General	\$	1.000

A summary of the village's financial activity for the year ended April 30, 2008, is presented below:

	General Fund	Road Fund
RECEIPTS		
Property taxes	\$ 1,433	0
Motor fuel and vehicle fees	0	1,885
Franchise taxes	1,232	0
Other	31	0
Transfer in	1,000	0
Total Receipts	<u>3,696</u>	<u>1,885</u>
DISBURSEMENTS		
Street lights	2,087	0
Gravel	0	1,000
Election expenses	50	0
Maintenance	100	0
Mowing	45	0
Attorney fees	35	0
Advertisements	70	0
Other	156	0
Transfer out	0	1,000
Total Disbursements	<u>2,543</u>	<u>2,000</u>
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	<u>1,153</u>	<u>(115)</u>
CASH BALANCE , MAY 1, 2007	540	6,573
CASH BALANCE, APRIL 30, 2008	<u>\$ 1,693</u>	<u>6,458</u>



Susan Montee, CPA
Missouri State Auditor

City of St. Joseph



February 2009
Report No. 2009-22

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

February 2009

The following findings were included in our audit report on the city of St. Joseph.

Due to sewer overflow problems, the city will have to spend an estimated \$450 million over the next 120 years to be in compliance with federal and state standards, if the city's plan is approved by regulatory agencies. The cost of this project would mean at least a 200 percent increase in customer sewer bills. During measurable rainfall or significant snow melt, the city's sewer system cannot handle the additional flow and, as a result, runoff containing raw sewage flows into the Missouri River. According to the city's long term control plan, in a typical year, there are 78 overflows and approximately 2.9 billion gallons of untreated water overflowing into the Missouri River, in violation of the federal Clean Water Act. Environmental Protection Agency standards require that the city limit the overflows to no more than 4 times per year.

Over \$300,000 was transferred from the Sewer Fund to the Aviation Fund over the last 5 years as compensation for dumping sewer sludge on airport farmland. Justification for these transfers have not been maintained and whether this is the most cost efficient means of disposing of sludge is unclear.

The city of St. Joseph paid St. Joseph Museums, Inc. (SJMI) more than \$2 million during the 5 years ended June 30, 2007, to manage the municipal museum under a contract that was declared unlawful and void by the courts in April 2007. Although the contract was deemed void, the city allowed SJMI to continue to operate a museum in the city-owned mansion and collect admission fees, without a valid contract. The Museum Oversight Board (MOB) has not complied with all of the requirements stated in the charter nor has the MOB ensured SJMI complied with the requirements. The SJMI Board did not provide invoices to the MOB to support payment of tax monies to SJMI, nor did it provide an annual report to the MOB as required.

Of approximately 650 city employees, more than 230 have city-issued procurement cards (35 percent). During the year ended June 30, 2007, procurement card purchases totaled approximately \$2.4 million. The city has not adequately analyzed the need for the procurement cards based upon employee use, does not have adequate review procedures in place, and excessive spending limits have exposed the city to unnecessary liability. Procurement card and travel expenditures were not always necessary and prudent, some prohibited and unauthorized purchases were made, and adequate documentation was not always submitted.

Some disbursements or contributions of money and property to various entities do not appear to be prudent, reasonable, or necessary uses of city funds and may violate the Missouri Constitution. The city made contributions to various entities totaling at least \$100,000 during the year ended June 30, 2007, that were not supported by contracts. In addition, the city made several donations of city-owned property that had an original cost of over \$273,000.

YELLOW SHEET

At least \$900,000 in interfund transfers and various landfill discounts were made during the year ended June 30, 2007, that appear to be for the purpose of subsidizing other funds. Of this amount, over \$700,000 was from restricted funds. In addition, the indirect cost allocation plan (CAP) and the public works cost allocation plan (PWCP), which are used to determine administrative transfers, are largely based on estimates and no formal time studies have been performed to determine the amounts of some of these transfers. Many of the actual CAP and PWCP administrative transfers differed from the amounts calculated in those plans and some transfers were not approved by the City Council or were not supported by adequate documentation.

The City Council and the Museum Committee did not post agendas or maintain minutes of some meetings. In addition, various "confidential" memos that are not specifically closed according to the Sunshine Law have not been made available to the public.

The city has not sought legal opinions concerning longevity payments to employees. The city has a longevity program whereby any employee attaining 16 years of employment with the city is awarded a one-time net payment of \$1,500. During the 2 years ended June 30, 2008, payments totaling approximately \$54,000 were made to employees. It is unclear whether these payments violate the Missouri Constitution as they grant additional compensation for services already rendered. In addition, the city made vehicle allowance payments totaling \$36,840 to the City Manager, Mayor, and City Council in 2007; however, the payments are not based on actual expenses and the city does not have any documentation to support how these amounts were determined or to show they were reasonable.

The city owns over 520 vehicles with a total acquisition cost to the city of approximately \$14 million and spent over \$1.2 million on fuel during the year ended June 30, 2007. Usage logs for city-owned vehicles are not always maintained. At least 25 city-owned vehicles were assigned as employee take-home vehicles, not including police vehicles, but justification for allowing employees to take vehicles home is not documented and commuting mileage was not always properly reported and taxed. In addition, comparisons of fuel used to the fuel purchases are not performed by the Landfill, Parks and Recreation, and Street Departments and access to fuel tanks is not adequately controlled and limited at the Parks and Recreation Department.

The city provided cellular phones or PDAs to approximately 115 employees and did not adequately monitor personal use of cellular phones and PDAs or require employees to indicate personal use on the phone bills. The city exceeded plan minutes 6 out of 12 months during the year ended June 30, 2007, and no employees were required to reimburse the city for personal usage for the months in which plan minutes were exceeded. The city paid approximately \$75,000 during the year ended June 30, 2007, for cellular phone and PDA services. In addition, the city has not evaluated the cost and distribution of cellular phones and other mobile technology to determine if all devices assigned are necessary.

The audit also includes recommendations related to sewer billing, contracts, budgetary practices, cash controls, and land and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. JOSEPH
TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-38
<u>Number</u>	<u>Description</u>
1.	Sewer System Concerns.....5
2.	Municipal Museum Tax.....9
3.	Procurement Card and Travel Expenditures11
4.	Contributions15
5.	Subsidizing Funds.....17
6.	Interfund Transfers and Cost Allocation Plan20
7.	Minutes, Agendas, and Public Records23
8.	Compensation25
9.	Contracts26
10.	City Vehicles and Fuel.....27
11.	Cellular Phones and Personal Digital Assistants30
12.	Budgetary Practices32
13.	Cash Controls.....33
14.	Land and Capital Asset Controls36
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	39-42
AUDITEE RESPONSE	43-72
Response From City Council And Mayor	44-67
Response From Mayor And Certain Board Members	68-72

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
St. Joseph, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Joseph. The city engaged Cochran Head Vick & Co., P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and its audited financial reports and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of St. Joseph.

An additional report, No. 2008-04, *Fifth Judicial Circuit, City of St. Joseph, Municipal Division*, was issued in January 2008.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA
	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Susan J. Beeler, CPA
Audit Staff:	Julie A. Moulden, MBA, CPA
	Richard G. Stuck

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. JOSEPH
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Sewer System Concerns
-----------	------------------------------

Due to sewer overflow problems, the city's sewer system must be brought up to federal and state standards, which will cost an estimated \$450 million if the city's plan is approved by regulatory agencies. About the same time this plan was being developed, sewer rates outside the city limits were increased 113 percent in one year with little to support how that increase was determined. In addition, justification of how transfers from the Sewer Fund to the Aviation Fund are calculated is not maintained. Also, the city of St. Joseph does not have comprehensive policies and procedures for the recognition, collection, and accounting of overdue customer accounts, and adjustments to customer accounts are not reviewed and approved by supervisors.

Sewer system revenues totaled approximately \$10.2 million during the year ended June 30, 2007, and there were approximately 26,800 residential and commercial customers.

- A. In order to bring the city's sewer overflow problems into compliance with state and federal standards, the city will have to spend an estimated \$450 million over the next 120 years to correct the violations. The cost of this project would mean at least a 200 percent increase in customer sewer bills.

The sewer system in the city of St. Joseph is an aging system with the majority of the 318 miles of sewer lines being combined lines, which means the wastewater and storm runoff both empty into the same lines and are both treated by the wastewater plant. When rain occurs, the city's sewer system cannot handle the additional flow and, as a result, runoff containing raw sewage flows into the Missouri River, in violation of the federal Clean Water Act. Overflows occur whenever there is measurable rainfall or significant snow melt. According to the city's long term control plan, in a typical year there were 78 overflows and approximately 2.9 billion gallons of untreated water overflow into the Missouri River.

Environmental Protection Agency (EPA) standards require the city either 1) demonstrate these overflows have no detrimental effect on the waterways they flow into, or 2) limit the overflows to no more than four times per year. Until recently, the city had chosen option number one and was able to demonstrate no detrimental effects. However, due to recently implemented disinfection requirements, the city can no longer demonstrate no detrimental effect. Therefore, the city must now implement option number two and reduce its overflows to four times per year.

The city's independent engineers presented several alternatives to the city to correct these overflow problems, including a complete separation of the storm water and wastewater sewer pipes, which is estimated to cost approximately \$850 million. Therefore, the city chose a less costly option, alternative four, which includes building detention basins to hold untreated water during rains and then releasing the water back into the sewer system when the system is able to handle it. The EPA has apparently accepted this option, but the proposed plan for implementing this alternative is still pending approval.

This project would require three phases and would cost an estimated \$450 million in today's dollars. The first phase would cost \$150 million over 40 years and would reduce overflows to 12 times per year. The second phase would take place over the subsequent 53 years at a cost of \$200 million and would reduce overflows to 6 times per year. The final phase would bring overflows down to the maximum 4 times per year requirement and would take an additional 27 years to complete at a cost of \$100 million.

This project would require customers' monthly sewer bills to triple, from an average of \$20 a month to \$60. EPA residential sewer rate policy guidelines suggest limiting sewer rates to 2 percent of median household income; therefore, the city cannot increase sewer rates to much more than \$60 per month or the average bill will exceed this suggested limit. Due to these revenue constraints, the city cannot afford to pay for this project in the short-term, and is seeking approval to complete the project in three phases over 120 years, as described above.

The city submitted its plan to the Missouri Department of Natural Resources (DNR) in February 2008 and the proposed plan is still pending. In order to ensure compliance with federal and state guidelines, the city should continue to work with the regulatory agencies to obtain approval of its long-term plan to reduce overflows to an acceptable level.

- B. In 2005, the city increased the base rates charged to customers outside the city limits by 113 percent when its annual independent rate study suggested a 6 percent increase. At the same time, the city increased city resident base rates by the engineer's suggested 6 percent.

City officials stated the city had no cost study or rate formula to support the 113 percent increase in rates to customers outside the city. While Section 250.190, RSMo, allows cities to charge non-residents higher sewer fees than those paid by residents, the city had little support to indicate why the non-resident rate was substantially higher than the resident rate or how this increase was determined.

- C. Over \$300,000 was transferred from the Sewer Fund to the Aviation Fund over the last 5 years as compensation for dumping sewer sludge (bio-solids) at the airport. However, justification for the amount of the transfers is not maintained

and whether this is the most cost efficient means of disposing of sludge is unclear. In addition, the city did not have contracts with landowners for dumping of sewer sludge on private farmland.

- 1) The city could not provide justification to support over \$300,000 transferred from the Sewer Fund to the Aviation Fund over the last 5 years (approximately \$61,560 per year) for dumping sewer sludge (bio-solids) at the airport. According to the Public Works Director, these transfers were made to off-set lost rental revenues the Aviation Fund would have received by leasing the affected airport land to local farmers. However, the city dumped the majority (70 percent) of bio-solids free-of-charge on various private farm lands during the year ended June 30, 2007.

According to the city's bio-solids reports, bio-solids were applied to 179 acres at the airport in 2007. Other farmland at the airport is currently being leased for \$106 per acre per year. Had the Sewer Fund been charged the same as the lease rate, the cost for dumping in 2007 (770 tons) would have been only \$19,044.

- 2) The city could not produce any contracts with landowners for the time period 2002 through 2007 for dumping bio-solids on private farmland.

In addition to dumping bio-solids on airport land, in 2007 the city dumped 306 tons of bio-solids at the city landfill for fees totaling \$12,193 and 2,547 tons of bio-solids on various private farmland free-of-charge. When bio-solids are dumped on farmland, they act as fertilizer for the land; therefore, it is a benefit to the landowners. The Public Works Director stated the city does not attempt to sell its bio-solids due to liability concerns of dumping on private land.

In addition, according to a Public Works employee, the city has not advertised for the dumping on private farmland in recent years.

Section 432.070, RSMo, requires that all contracts entered into by the city be in writing. In addition, if the city advertised for dumping bio-solids, it could potentially sell, or at least dump, all bio-solids on private land free-of-charge without making any transfers from the Sewer Fund.

- D. While the city contracts with the local water company to bill and collect sewer fees for the city, this contract does not contain adequate provisions for the collection of delinquent sewer bills. The contract does not provide the city enforcement authority for collection of its delinquent sewer accounts, which totaled \$958,650 as of December 2007. In addition, the city does not have a written policy in place for sewer bill adjustments.

- 1) The contract with the water company does not contain adequate provisions to allow the city to have control over the collection of delinquent sewer accounts. The city pays the local water company approximately \$250,000 per year for billing services (68 cents per bill). The water company, by contract, agrees to observe the same policies and procedures and use the same diligence in the billing, collecting, and accounting of the city's sewer service accounts as it uses for its own water service accounts. The water company uses a collection agency to collect past due fees (including sewer fees). However, the city does not have a formal contract with the collection agency for collection of delinquent sewer fees.

The city paid collection agency fees of \$994 during the year ended June 30, 2007, for collection of \$5,244 in past due sewer fees. When an account is sent to the collection agency by the water company, it is written off and the city is notified. A total of \$182,968 was written off during the year ended June 30, 2007, and past due accounts totaling \$958,650 were submitted to the collection agency as of December 31, 2007.

In addition, the city's contract with the water company states that any payment on a delinquent account will first be applied to the water portion of the bill. It also states that if only the sewer portion is delinquent, the customer's water service will not be shut off.

To ensure the city has proper control over collections and write-offs of delinquent accounts, the city should consider its options and possibly contract directly with a collection agency or update the contract with the water company to adequately address collection of sewer fees.

- 2) There is no written policy in place for sewer bill adjustments and any adjustments made are not reviewed and approved by supervisors.

If residents believe their sewer bills are incorrect, they can request an adjustment be made by the city. However, there is no formal policy related to sewer bill adjustments. In addition, adjustments to residential customers' bills are performed by one person in the city, with no supervisory approval. During the year ended June 30, 2007, the city made adjustments totaling \$50,760. Formal policies are necessary to ensure fair and consistent treatment for all customers.

WE RECOMMEND the City Council:

- A. Continue to work with regulatory agencies to develop a long-term plan for the sewer system to ensure compliance with the federal and state standards.
- B. Develop support to justify substantial differences between non-resident and resident sewer rates.

- C. Ensure the city uses the most cost-effective means of disposing of bio-solids. Justification should be maintained to support any transfers made from the Sewer Fund related to these disposals. In addition, all city contracts should be in writing as required by state law and all contracts should be properly advertised.
- D. Review the contract with the water company and ensure adequate provisions are included to establish procedures for the collection of delinquent sewer bills. In addition, the city should develop formal policies and procedures related to sewer bill adjustments.

2.

Municipal Museum Tax

The city of St. Joseph paid St. Joseph Museums, Inc. (SJMI), a not-for-profit corporation, more than \$2 million during the 5 years ended June 30, 2007, to manage the municipal museum under a contract that was declared unlawful and void by the courts in April 2007. The city and SJMI signed a new contract in July 2008. However, between April 2007 and July 2008, the city allowed SJMI to manage the museum in a city-owned mansion without a contract. The city's Museum Oversight Board (MOB), which was established by a charter amendment in November 2006, has not complied with all of the requirements stated in the charter nor has the MOB ensured SJMI complied with the requirements stated in the charter.

SJMI was established in 1927 by pro forma decree of incorporation and was originally called the Children's Museum of St. Joseph, Missouri. In 1948, the citizens of the city voted for a museum tax levy of 5 cents on each \$100 assessed valuation. In 1949, SJMI gave a mansion to the city to be used as a municipal museum. According to the contract terms of that gift, if the mansion shall cease to be used for public museum purposes, ownership will revert back to SJMI. Since 1985, the municipal museum has been managed by SJMI. However, the other buildings in the city that house SJMI museums are not owned by the city.

The city made monthly disbursements of all museum tax monies collected (totaling approximately \$400,000 per year) to SJMI. While the city informally required SJMI to provide invoices detailing expenditures before a museum tax disbursement was authorized by the city, the formal contract between the city and SJMI did not require this supporting documentation. In January 2007, a lawsuit was filed by museum members and other plaintiffs that, among other things, sought injunctive relief to end the unlawful payments to SJMI by the city.

Our review of this situation revealed the following concerns:

- A. From July 2002 through April 2007, the city paid the museum over \$2 million on an illegal contract. In addition, once the contract was deemed void, the city allowed SJMI to continue to operate a museum in the city-owned mansion, and collect admission fees, without a valid contract.

The judgment from the 2007 lawsuit found the contract between SJMI and the city to be unlawful and void because it did not formally provide for adequate oversight of tax monies provided to a non-governmental entity.

The judgment also stated that no future payments from the museum tax levy should be disbursed by the city to SJMI under the voided contract. As of March 2008, the city had not paid the museum any tax levy proceeds since April 2007, based on the judge's ruling. However, despite the April 2007 judgment, SJMI has continued to manage the museum in the city-owned mansion without a valid contract and has retained all admission fees collected. Section 432.070, RSMo, requires local government contracts to be in writing.

An interim contract was proposed by the city in June 2007, but was not accepted by SJMI. After over a year of negotiations, a new contract was signed in July 2008.

- B. The city's MOB and the SJMI Board have not complied with various provisions of the charter amendment or the city's administrative procedures.

In November 2006, the citizens voted to amend the city's charter to establish a MOB. The amendment established the various duties and responsibilities of the MOB, as well as the SJMI Board's obligations. It also stated the city council would establish administrative procedures for the MOB. It appears the city, the MOB, and the SJMI Board have not complied with the majority of these provisions.

For example, the SJMI Board did not provide invoices to the MOB to support payment of museum tax monies to SJMI, nor did SJMI provide an annual report to the MOB by the last Monday in July, as required. In addition, the MOB has not been involved in decision making regarding the appropriate purchase, lease, and custody of museum exhibits and supplies specifically funded by the museum tax levy, as required by the charter.

The city, MOB, and SJMI Board should ensure compliance with these requirements. If these requirements are no longer applicable, the city's charter and/or administrative procedures should be amended accordingly.

WE RECOMMEND the City Council:

- A. Ensure any future disbursements of museum tax revenues are supported by a written contract that provides for the adequate oversight of museum expenditures and operations. No disbursements should be made without a contract in place. In addition, SJMI should not operate a museum in the city-owned mansion without a contract in place.

- B. Ensure the city, the MOB, and the SJMI Board are in compliance with the city's charter and the administrative procedures adopted by the city council. If these provisions are no longer applicable, the charter and/or administrative procedures should be amended accordingly.

3. Procurement Card and Travel Expenditures
--

The city has inadequate controls over procurement card and travel expenditures. We identified excessive procurement card spending limits, inadequate oversight of both procurement card and travel expenditures, and numerous violations of procurement card and travel policies, including unauthorized and/or unnecessary purchases, and inadequate supporting documentation.

Costs associated with travel on city business can either be charged to a procurement card or paid by the employee and reimbursed. Two types of logs are required to be maintained by each applicable employee, one for posting all costs incurred for each trip taken and one for posting monthly procurement card transactions.

Of approximately 650 city employees, more than 230 have city-issued procurement cards (35 percent). The procurement card is an official VISA credit card which is designed to provide a more convenient procurement method than the purchase order system. Each procurement card has individual transaction limits of \$500 or \$1,000 and generally, a monthly spending limit of \$10,000. During the year ended June 30, 2007, procurement card purchases totaled approximately \$2.4 million.

- A. The city has not adequately analyzed the need for issuing 230 procurement cards based upon employee use, and excessive spending limits have exposed the city to unnecessary liability. The city has not established criteria related to the number or type of employees who should be issued procurement cards. The decision as to which employee should be issued procurement cards is left to the discretion of each department head. Further, transaction limits assigned to some city employees appear excessive. For example, 64 cardholders each charged less than \$1,000 in total during the year ended June 30, 2007, with 15 of these employees each charging less than \$100 in total. Many of these employees had individual transaction limits of \$1,000 and each of these employees had monthly transaction limits of \$10,000.

The city should develop criteria for determining which employees are eligible to receive a city-issued procurement card to ensure cards are only issued to employees that need them to perform assigned duties. In addition, the city should reevaluate the reasonableness of procurement card limits and provide cards with appropriate transaction and monthly limits.

- B. The city does not have adequate review procedures in place to ensure procurement card expenditures were purchased in accordance with established

policies and procedures. Inadequate internal controls and a lack of oversight over procurement card expenditures allowed the problems noted in parts C through E to occur.

According to the procurement card policy, the procurement cards are designed to make it easier to make small dollar purchases (less than \$1,000) because less time is spent obtaining approval and the cardholder is empowered to make purchasing decisions. Employees receive monthly procurement card logs which they are required to reconcile to their paid receipts. The reconciled logs and corresponding paid receipts must be submitted to the Financial Services Department within five days of the end of the month and the Financial Services Director and his/her staff (currently the Accounting Division) are responsible for reviewing and reconciling all applicable procurement card transactions. However, Accounting Division personnel stated they do not review all the logs as required by the procurement card policy because they do not have the time or the staffing to review 230 statements each month. In addition, no review documentation or listings of the logs reviewed each month is maintained.

Some logs appeared to have been reviewed by the Accounting Division and additional information requested from the card holder (based on notes made on these logs). According to Accounting Division personnel, they spot check all expenditures over \$500 and scan them for unusual items and to ensure that bidding procedures are not circumvented. We noted several instances in which the Accounting Division had to contact an employee or department director due to an error or missing information related to a procurement card log. Accounting Division personnel indicated it is up to the applicable department head to ensure the logs are complete prior to submitting them to the Accounting Division. In addition, the procurement card policy states the department manager or director is responsible for assigning the responsible parties for monthly statement reconciliations and approving the monthly statements for each cardholder.

However, based on the fact that the Accounting Division had to request additional information numerous times from a procurement cardholder, it appears the department managers/directors are not adequately reviewing the logs and supporting documentation.

Considering the large amount of procurement card purchases made by employees, the city should ensure established internal controls and review policies are followed.

- C. Procurement card and travel expenditures were not always necessary and prudent and some prohibited and unauthorized purchases were made. Since most travel expenditures and local purchases are charged to procurement cards, we reviewed a total of 24 monthly billing statements for cards issued to 10 city employees/officials (approximately 2 statements per person). We noted the following concerns:

1) Some procurement card and travel expenses reviewed appeared to be prohibited/unauthorized purchases or violated the procurement card and travel policies and procedures.

- We noted 3 instances in which the allowable daily per diem for meals and incidentals was exceeded. The Community Development Director exceeded the daily per diem over a three day period by \$132 and by \$72 during two separate business trips. The Customer Assistance Director exceeded the daily per diem for one day by \$41. The Community Development Director later refunded \$132.
- We noted 2 instances in which excessive gratuities were paid. The City Manager paid \$50 and \$17 in excessive gratuities; he later refunded \$50. According to the travel policy, the city will not pay for gratuities in excess of 15 percent.
- We noted \$257 in non-allowable expenditures which consisted of \$129 spent on a spouse, \$103 for alcohol, and \$25 for entertainment. According to the procurement card policy, personal or non-business, alcohol, and entertainment purchases are prohibited. All but \$9 of these charges were reimbursed.
- We noted 2 instances in which the City Manager approved his own travel request and expense estimate forms. Employees are required to submit travel request and expense estimate forms for pre-approval by the department head.
- We noted 5 instances in which an employee failed to submit an accurate and complete expense detail and travel reconciliation. Employees are required to submit an expense detail and travel reconciliation upon returning from each trip which lists in detail the expenses incurred and any reimbursement for cash expenditures being requested.
- The Technology Services Director paid \$64 for six meals when there were only five attendees. A refund was requested but not received.

According to the city's policies, certain purchases are prohibited or unauthorized uses of the procurement cards. This includes alcoholic beverages and entertainment expenses. Therefore, even though some of these purchases were reimbursed by employees, they were prohibited expenditures and should not have been charged to the employees' procurement cards.

2) Some procurement card and travel expenditures reviewed did not appear to be prudent and necessary uses of public funds.

- A total of \$11,240 was spent for airfare, meals, hotel charges, and incidentals for five employees, the Mayor, and five council members for a two-day trip to Washington, D.C. to meet with Missouri Congressional members and the city's federal lobbyist. This event was hosted by the local Chamber of Commerce. The number of city employees and officials attending this event (11 total) appears excessive. The City Manager believes the city receives more federal monies than if they would not have attended this event.
- The Community Development Director incurred hotel charges of \$685 and \$500 for conferences attended in Las Vegas, Nevada and Ft. Lauderdale, Florida, which averaged \$228 and \$250 per night, respectively. While the director indicated he searched the conferences' websites for the best rate available, he did not document his efforts. In addition, the city's travel policy does not include procedures for the solicitation of economical lodging.

Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

- D. The city does not have formal policies regarding using city funds for employee meals while not on travel status. Numerous instances were noted where meal expenses were incurred locally, including 12 instances of meals purchased for other than city employees or officials. Additionally, there were several instances where employees failed to provide a list of attendees and their respective meal amounts or a purpose, although this information is required by the travel policy.

The city has not established a separate account within its accounting system to track these types of expenses and was unable to provide us information regarding the extent of such expenses. Currently, the city codes all meal charges at local restaurants as "other services" in its accounting system, but since this account is used for numerous other charges, the city cannot easily determine the extent of local meal charges. For the 24 procurement card statements reviewed, \$1,078 of the total amount charged (\$41,560) was for meals purchased at local restaurants.

The city should establish a separate account to track meal expenses incurred locally to better monitor such expenses. In addition, the city should develop formal policies regarding local meals which should address when they are allowed and the documentation required to support the city-related business purpose of each meal.

- E. Adequate documentation was not always submitted to support procurement card purchases. In some instances, receipt slips were not submitted for items purchased. In other instances, only a credit card charge slip or a statement was submitted, rather than a detailed invoice or receipt slip.

According to the procurement card policy, a reconciliation must be completed to support all procurement card purchases and all expenses must be supported by a detailed receipt and an account code. If receipts are lost, a memo is required to explain the nature of the expenditures and the reasons for no receipts or invoices. While evidence existed to show the Accounting Division requested supporting documentation when lacking, in some instances the support was still not submitted and a memo was not submitted explaining the situation.

In addition to the requirement in the city's procurement card policy, detailed invoices or receipt slips improve the city's ability to review these charges and provide better documentation of the items being purchased.

Without adequate supporting documentation, the city cannot ensure the expenses charged are reasonable, necessary, and in accordance with established policies.

WE RECOMMEND the City Council:

- A. Develop criteria to evaluate the reasonableness of purchasing card limits and provide cards with appropriate transaction and monthly limits to employees. Further, the City Council should identify employees who do not use or infrequently use procurement cards assigned to them and terminate their procurement authority.
- B. Require the City Manager to ensure procurement card expenditures are reviewed in accordance with established policies and procedures.
- C.1. Ensure elected officials and employees follow the procurement card and travel policies and procedures and that procurement cards are not used for prohibited and unauthorized purchases.
- 2. Ensure all expenditures are necessary and prudent uses of public funds.
- D. Develop a comprehensive policy regarding city-provided food purchases and properly account for this type of expense. This policy should establish specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements including the business purpose and individuals in attendance.
- E. Require adequate documentation be submitted and maintained for all procurement card transactions.

4.

Contributions

Some disbursements or contributions of money and property to various entities do not appear to be prudent, reasonable, or necessary uses of city funds and some may violate the

Missouri Constitution. The specific services to be provided to the city for these contributions were generally not defined through a written agreement and it is unclear if some of the services represent a governmental purpose.

A. During the year ended June 30, 2007, the city made contributions and donations of property.

1) The city made contributions to various entities totaling at least \$100,000 during the year ended June 30, 2007, that were not supported by contracts. Each year the city budgets for various community and economic development contributions from the Riverboat Gaming Fund. Various additional unbudgeted contributions from this fund are approved by the council throughout the year. Examples of contributions noted are as follows:

- \$25,000 to the Institute for Industrial and Applied Life Sciences
- \$25,000 to the local chamber of commerce for the Near Perfect campaign
- \$15,000 to a local YMCA for an early learning program
- \$15,000 to the local riverfront corporation for Coleman Hawkins Park
- \$10,000 to a local children's advocacy center
- \$5,000 to the Federation of Fire Chaplains
- \$5,000 to a local community center

2) During the year ended June 30, 2007, the city made several donations of city-owned property that had an original cost of over \$273,000. Some examples are noted as follows:

- Surplused police vehicle to a local state university
- Parking attendant booth to the local Missouri Air National Guard
- Radio tower to a nearby county- and city-run law enforcement center
- Communication equipment to a local county

In addition to not having written contracts to support these payments and donations, no monitoring activities are performed by the city to ensure these contributions were used for the intended purposes by the receiving entities.

Section 25, Article VI, of the Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement that clearly indicates the governmental purpose being provided to the city by these entities, these uses could be considered to be a violation of the constitution. Written agreements are necessary to quantify the services to be performed and the compensation to be paid for the services, provide a means for the city to monitor compliance with the contract terms, and protect the city in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo, requires all contracts to be in writing.

- B. The city-sponsored St. Joseph Idol fundraiser incurred a loss of over \$2,500 during the year ended June 30, 2008, which the city absorbed.

During the years ended June 30, 2007 and 2008, the city sponsored a St. Joseph Idol fundraiser. The city paid for the costs related to this event and received the related revenues. During the year ended June 30, 2007, this event was profitable and the net proceeds were paid to a charitable organization. However, during the year ended June 30, 2008, the expenses charged to the account for this event exceeded the revenues by \$2,113. In addition, a \$426 appreciation dinner was charged to the General Fund (not the fundraiser account). Therefore, the city absorbed costs for this event totaling over \$2,500.

It does not appear that sponsoring fundraising programs falls within the scope of authority of the city; therefore, the city should refrain from such activities. In addition, the city should ensure that city funds and resources are used prudently.

WE RECOMMEND the City Council:

- A. Enter into written contracts detailing the city purpose for all contributions made and monitor these contracts to ensure the recipient entities are using the funds for the intended purpose.
- B. Refrain from sponsoring fundraising programs which do not appear to fall into the scope of the authority of a city.

5.

Subsidizing Funds

At least \$900,000 in interfund transfers and various landfill discounts were made during the year ended June 30, 2007, that appear to be for the purpose of subsidizing other funds. Of this amount, over \$700,000 was from restricted funds.

A. The Landfill Fund has subsidized the General Fund and various non-enterprise city departments. The most recent landfill tipping study performed included some expenditures not actually incurred by the Landfill Fund and this study has not been updated since 2005.

- 1) A \$250,000 transfer was made from the Landfill (enterprise) Fund to the General Fund to support the operations of the Property Maintenance Department. While this appears to be a reasonable function of the landfill, it is unclear how the amount of this transfer was determined. In addition, non-enterprise city funds are allowed to dump at the landfill for the DNR fee of only \$2.11 per ton, instead of \$30 per ton, which is the normal tipping fee. According to the Director of Public Works, the lower fee is charged to help support general government departments. These discounts totaled approximately \$38,400 during the year ended June 30, 2007.

The Property Maintenance Department, funded through the General Fund, collects trash and debris throughout the city and dumps it at the city's landfill at no cost. According to the City Manager, the landfill goes beyond just a landfill and is for community betterment. If the city determines the landfill should cover some or all of the costs of the Property Maintenance Department, justification for the amount of the transfer should be maintained.

- 2) Landfill fees have not been adjusted since 2005 and the calculation included costs not actually incurred by the Landfill. A landfill tipping study was completed in 2005 at a cost of \$19,820. That study calculated the tipping (dumping) fees that should be charged in order for the Landfill Fund to continue to cover its costs. However, the calculation included costs for Public Works Cost Allocation Plan transfers in excess of the planned amounts (see MAR 6), and interfund discounts which are not actually costs to the landfill. These types of non-landfill expenditures should not be included in tipping studies.

In addition, the tipping fee study recommended increasing landfill rates by \$1 per ton in 2007, based on data available at the time. However, this increase was not implemented and the city still appears to have monies available in this fund to subsidize other funds. Even though the 2005 tipping study stated that updating the financial model every two years was necessary to provide on-going evaluation of the tipping fee adjustments, this has not been done. According to the Public Works Director, the city has done some in-house construction to cut costs. In addition, the tonnage dumped at the landfill has increased. However, an updated tipping study is necessary to ensure landfill fees are set appropriately.

The Landfill Fund is a separate accounting entity designed to account for specific city activities. Landfill revenues should be used to fund only the operations of the

landfill services. Landfill tipping fees should be set to cover the costs of landfill services (including administrative costs), repairing and replacing machinery and infrastructure, and costs for closure and post closure services. The landfill services should not generate profits to fund other services provided by the city. The existing landfill rate structures have allowed the city to, in effect, levy additional taxes without a vote of the citizens. Property taxes, sales taxes, and other fees can be established or increased to help fund other services; however, these require a vote of the citizens. In addition, an updated tipping study should be performed to ensure rates are accurately set.

- B. Restricted monies are transferred inappropriately to various funds. Over \$455,000 was transferred from various restricted funds to other financially unstable funds to cover fund deficits or to pay off loans of those funds.

We noted \$130,000 and \$185,000 was transferred from the Street Improvement Maintenance and Repair (SIMR) Fund to the Aviation and Public Parking Funds, respectively, to cover budget deficits. A \$125,480 transfer was also made from the SIMR Fund to the Aviation Fund to pay off an Aviation Fund loan. In addition, \$15,000 was transferred from the Parks and Recreation Fund to the Municipal Golf Fund to cover budget deficits.

The SIMR Fund is funded by state motor vehicle-related receipts and by a council-designated portion of the city's general sales tax. The Parks and Recreation Fund is primarily funded by a parks and recreation property tax and a hotel tax. The uses of certain revenues, such as state motor vehicle-related revenues and specific sales or property taxes are limited by law for specified purposes.

The Aviation, Public Parking, and Municipal Golf Funds are enterprise funds and should be self-supporting. Fees for services provided by these funds should be set to fund all expenditures of these funds.

- C. Over \$173,000 was transferred from the Riverboat Gaming Fund to various other funds for specific projects costing a total of approximately \$51,000. The remaining \$122,000 appears to be subsidies to these funds as follows:

- \$87,000 from the Riverboat Gaming Fund to the Parks and Recreation Fund for the urban trail project with an actual cost of \$8,755
- \$11,670 from the Riverboat Gaming Fund to the Parks and Recreation Fund to provide matching funds of \$395 for the federal grant for the urban trail project
- \$74,525 from the Riverboat Gaming Fund to the Construction in Progress (CIP) Sales Tax Fund for the living history preserve project with an actual cost of \$41,710

In addition, \$100,000 was transferred from the Riverboat Gaming Fund to the General Fund for legal services. However, the total actual cost of these services was \$135,045.

While the use of riverboat gaming revenues is not restricted, it appears these transfers were to subsidize other funds rather than for the specific projects they were intended to fund.

Any transfers between funds should be supported by documentation to adequately reflect the need for and amount of the transfers made. This is especially important for enterprise funds and other restricted funds to demonstrate monies are expended in compliance with applicable laws.

WE RECOMMEND the City Council limit expenditures and transfers from restricted funds to only those which are necessary to finance functions of those specific funds. Supporting documentation should be maintained to reflect the need for and amount of each transfer made. In addition, the City Council should consider alternative funding sources for the various funds that cannot support themselves. The City Council should also obtain a new landfill tipping study to ensure its rates are set appropriately.

6.

Interfund Transfers and Cost Allocation Plan

The indirect cost allocation plan (CAP) and the public works cost allocation plan (PWCP), which are used to determine administrative transfers, are largely based on estimates and no formal time studies have been performed to determine the amounts of some of these transfers. In addition, many of the actual CAP and PWCP administrative transfers differed from the amounts calculated in those plans and some transfers were not approved by the City Council or were not supported by adequate documentation.

During the year ended June 30, 2007, approximately \$6.3 million was transferred between the city's various funds. Most of the city's interfund transfers are determined and budgeted prior to the beginning of the fiscal year and approximately \$2.1 million of these transfers (33 percent) relate to the city's CAP or PWCP. The city's Financial Services Department prepares the CAP and PWCP by determining total services provided by central service departments (such as accounting, payroll, legal, etc.), which are initially charged to the General or the SIMR Funds when incurred. The amount each department benefited from these services is determined after year-end and that year's expenditures are allocated to the benefiting departments. These allocations require transfers from other funds into the General or SIMR Fund. The plans are prepared by the Financial Services Department after the end of each fiscal year and are used in the preparation of the budget for the next year. For example, the plans prepared in fiscal year 2007 were based on expenditures from fiscal year 2006 and were used to establish the administrative transfers for the fiscal year 2008 budget.

- A. The city's Financial Services Department has not conducted a formal analysis of overhead and services to determine the percentage of costs that should be allocated to each fund in the CAP and PWCP. In addition, it has not conducted time studies of payroll costs to show the actual hours worked by function or activity to ensure costs are charged to the appropriate funds. After the close of each fiscal year, the Financial Services Department interviews the head of each central service department to determine how expenses are to be allocated to each function. For example, the City Manager's office consists of the functions of general administration, City Manager, departmental support, council support, marketing/public relations, and special projects.

Some expenses are allocated to the user departments based on the selected allocation basis for each function. The Financial Services Department selects an allocation basis that is cost effective and one it believes best allocates the expense. For example, some payroll administrative costs are allocated based on full time equivalent (FTE) positions in each department, while automobile insurance is allocated by the number of vehicles assigned to each department.

However, certain expenses, including salary and benefits, are allocated to each function based on the time each employee estimates he or she spends working on duties related to each function. Timesheets do not indicate the hours worked by activity for each employee nor has the city performed a time study to serve as a basis for allocating salary and fringe benefits to the appropriate funds. Other expenses are allocated to each function based on estimates. For example, 10 percent of the City Manager's advertising expenses were allocated to general administration and 90 percent were allocated to Departmental Support.

To ensure restricted funds are spent appropriately and expenditures are allocated to the various funds in proportion to the benefits received from the expenditures, the city should conduct a formal analysis of overhead and services.

- B. Some of the city's actual administrative transfers did not agree to the amounts calculated in the CAP or PWCP. According to the CAP and PWCP, \$2.75 million should have been transferred to the General and SMIR Funds from other city funds in 2007. However, actual transfers were only \$2.12 million, a difference of \$630,000.

For example, \$110,250 was transferred from the Parks and Recreation Fund to the General Fund; however, the CAP-calculated transfer should have been \$370,375, a difference of \$260,125. The Financial Services Director explained the amount of the actual transfers was reduced for certain funds because it was decided during the budget hearings these funds could not afford the full CAP or PWCP transfers. The city was unable to provide any documentation to support how actual transfer amounts were determined.

Most of the \$630,000 difference relates to the CAP, which allocates funds to the General Fund, an unrestricted fund. However, \$67,000 of the difference relates to the PWCP, which allocates funds to the SIMR Fund, a restricted fund. As a result, the SIMR Fund was underpaid for administrative costs incurred.

In addition, a total of \$113,000 was transferred from the Landfill Fund to the SIMR Fund in 2007; however, the amount in the PCWP was only calculated to be \$69,000, a difference of \$44,000. The Financial Services Director stated the Landfill Fund is not required by federal law to follow the CAP, and as a result, the amount of this transfer was estimated (see part A).

The city should base administrative transfers on amounts calculated in the CAP and the PWCP to ensure each fund's expenses are accurately reflected in the budgets and financial statements, and to ensure restricted funds are used for allowable purposes.

- C. Some of the city's transfers were not approved by the City Council and there was no support for how another transfer was determined related to the city's compensation plan.
- 1) During fiscal year 2007, interfund transfers totaling \$87,025 were not formally approved by the City Council either by ordinance or as part of the budget. According to City Charter, Section 6.8(c), ". . . upon written request by the Manager, the Council may by ordinance transfer part or all of any unencumbered appropriation balance from one department, office, or agency to another."
 - Transfers totaling \$62,500 were made from the Community Development Block Grant (CDBG) Fund to the Riverboat Gaming Fund in fiscal year 2006 to assist in paying for a study. In fiscal year 2007, it was determined these monies were not needed and they were transferred back to the Riverboat Gaming Fund without council approval.
 - Transfers totaling \$74,525 were made from the Riverboat Gaming Fund to the Capital Improvement Sales Tax Fund to help pay for the living history preserve project (see MAR 5C). Of this amount, only \$50,000 was approved by the City Council through the budget process. The remaining \$24,525 was approved by the Financial Services Director.
 - 2) There is little support for how the compensation plan transfers made during the last several fiscal years from the General Fund to the SIMR Fund were determined. A general sales tax was passed in 2002 to help fund the city's compensation plan. In addition to increasing salaries paid from the General Fund, a portion of this additional tax revenue is

disbursed to other funds to support pay rate increases in those funds. Calculations were prepared in fiscal year 2002 to determine the amounts of the transfers to be made from the General Fund to the various other city funds, but the transfers actually made to the SIMR over the last several years have been reduced from the amount originally calculated.

The full amount of the transfer to be made annually from the General Fund to the SIMR Fund was originally determined to be \$488,577. The actual transfer made in fiscal year 2003 was \$439,070 and the city provided support for how this reduction was determined. From fiscal year 2004 to 2006, the amount of this transfer was reduced to \$404,020 and in fiscal year 2007 it was further reduced to \$295,093. The city was unable to provide justification or support for why these transfers continue to be decreased from the original calculation.

Any transfers between funds should be supported by documentation to adequately reflect the need for and the calculation of the transfers made. This is especially important for enterprise funds and other restricted funds to demonstrate compliance with applicable laws.

WE RECOMMEND the City Council ensure all expenditures are properly allocated to the various funds and that all transfers between funds are adequately documented and properly approved. For the CAP and PWCP, this should include conducting a formal analysis of overhead and services to determine the percentage of costs related to each fund and a formal time study to ensure that payroll costs are charged to the appropriate funds.

7.

Minutes, Agendas, and Public Records

The City Council and the Museum Committee did not post agendas or maintain minutes of some meetings. In addition, various "confidential" memos that are not specifically closed according to the Sunshine Law have not been made available to the public.

- A. Agendas were not posted and minutes were not always prepared for the Museum Committee.

In April 2007, the contract the city had with a local private museum to receive the city's museum tax was declared void by the local court (see MAR 2). During the spring of 2007, a Museum Committee, comprised of the mayor and three council members was created to negotiate a new contract with the local museum. From the time the committee was formed until March 2008, the committee requested the City Clerk post six notices of official meetings; however, no agendas were posted and minutes were only prepared for one meeting.

Section 610.020, RSMo, requires that a tentative agenda be posted at least 24 hours prior to all meetings of a public governmental body. This section further requires minutes of meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of actions and decisions.

- B. During the past few years, various memos between city employees and/or the council and mayor were marked "confidential" and were not made available to the public. Some of these memos clearly qualify as closed records per the Sunshine Law (such as discussions with the city's legal counsel); however, the city could not demonstrate compliance with the Sunshine Law related to all of these records.

We noted memos to SJMI concerning the city-owned mansion, a memo from the city planner to the city manager regarding a proposed tax increment financing plan, minutes for the local Chamber of Commerce meetings, and an invitation to city council members to an awards ceremony hosted by a local not-for-profit entity, all marked as confidential. In addition, we noted a memo from the mayor to the city council and other city officials asking to postpone the proposed sewer rate increase until after the capital improvement sales tax initiative was voted on by citizens.

Without demonstrating how these records are considered closed, it appears the city may have violated Section 610.023, RSMo, which prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public.

- C. No agendas were posted and no minutes were taken for the City Council's annual trip to Washington, D.C. During the trip, which is sponsored by the local Chamber of Commerce, various city council members (six during the year ended June 30, 2007) and city officials, as well as other chamber members, fly to Washington, D.C. to meet with Missouri Congressional members and the city's federal lobbyist. However, agendas are not posted and minutes are not prepared for this annual trip.

The Sunshine Law, Section 610.010, RSMo, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law, which includes the requirement to post the meetings and the preparation of minutes documenting any actions taken or decisions made.

- D. The council minutes are prepared and signed by the City Clerk; however, they are not signed by the Mayor. The minutes should be signed by the Mayor upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council meetings.

WE RECOMMEND the City Council:

- A. Ensure tentative agendas of all committee meetings are posted and retained and detailed minutes of all meetings are prepared and retained.
- B. Ensure all city records are available to the public unless they are specifically closed as allowed by the Sunshine Law.
- C. Ensure meetings are publicly posted and minutes are maintained for all meetings in accordance with the provisions of Chapter 610, RSMo.
- D. Ensure council minutes are properly signed by the preparer and the Mayor or some other official to attest to their accuracy.

8. Compensation

The city has not sought legal opinions regarding the longevity program or a retroactive salary payment to the city manager. In addition, there is no documentation to support how city vehicle allowances were determined.

- A. The city has not sought legal opinions concerning longevity payments to employees or a retroactive pay increase to the City Manager.
 - 1) The city has a longevity program whereby any employee attaining 16 years of employment with the city is awarded a one-time net payment of \$1,500. During the 2 years ended June 30, 2008, payments totaling approximately \$54,000 were made to employees. It is unclear whether these payments violate the Missouri Constitution as they grant additional compensation for services already rendered. This program will operate through 2017 and future payments are estimated to be \$278,000.
 - 2) In October 2007, a retroactive pay increase totaling \$963 was paid to the City Manager. Due to the City Council's decision to postpone the City Manager's annual performance review, the City Manager's current contract was not renegotiated until the summer of 2007 and was signed in October 2007 after contract negotiations were completed. At that time, his new compensation plan was made retroactive to July 1, 2007, and he received a one-time payment of \$963 (\$802 in salary and \$161 in vehicle allowance) for the retroactive compensation. It is unclear whether this payment violates the Missouri Constitution as it grants additional compensation for services already rendered.

Article III, Section 39, of the Missouri Constitution, prohibits granting any extra compensation, fee, or allowance to employees for services already rendered.

- B. The city made vehicle allowance payments totaling \$36,840 to the City Manager, Mayor, and City Council in 2007; however, the payments are not based on actual expenses and the city does not have any documentation to support how these amounts were determined or to show they were reasonable.

The city paid monthly vehicle allowances of \$400 to the City Manager, \$390 to the Mayor, and \$285 to each council member, which are reported as taxable income on the applicable W-2 forms. Using the city's current mileage reimbursement rate of 48.5 cents the monthly allowance paid to these officials represents approximately 825 miles, 805 miles, and 590 miles per month, respectively. The city should review the reasonableness of the mileage allowances paid and set the allowances to reasonably reflect the actual expenses incurred by the officials.

WE RECOMMEND the City Council:

- A. Seek an opinion from legal counsel regarding additional compensation to employees.
- B. Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable officials.

9. Contracts

A private not-for-profit (NFP) entity was allowed to use a city-owned building for 21 months without a contract and owes back rent of over \$20,000. In addition, the contract with a city employee for golf course caretaker services has not been updated since 1997.

- A. The city allowed a NFP to remain in a city-owned building after the related lease expired without paying rent or utilities for a 21-month period. During that time, the unpaid rent and utilities totaled over \$20,000.

In 2000, the city signed a five-year lease with a NFP to run a community center in a city-owned building. The lease terms stated that monthly rent would start at \$700 and would be increased progressively each year until it was \$795 per month in the final year. In addition, the NFP would be responsible for a portion of the utility costs that would also increase progressively each year, from 10 percent in year one to 100 percent in the final year.

When the lease expired in February 2006, a new lease was not signed. In addition, the NFP stopped making monthly rental and utility payments shortly thereafter. According to the City Manager, the NFP lost some of its funding and could no longer afford the rent. He stated that if the city forced the NFP to vacate the building, the large city-owned building would remain unoccupied and

possibly be a target for vandalism. Therefore, the city chose to try to negotiate with the NFP.

A new contract for this lease was subsequently signed in December 2007 with monthly rent payments to start at \$1,667 per month and progressively increase to \$2,417 per month by 2013. However, the \$20,000 receivable for back rent and utilities from the 21-month time period when no contract was in place remained unpaid. In May 2008, the council voted to forgive the outstanding balance.

Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties. Section 432.070, RSMo, requires all contracts to be in writing.

- B. The city's contract with the golf course caretaker has not been updated since 1997.

The city has a contract with a city maintenance technician to provide caretaker services at the golf course. The employee is provided a rent-free residence (including utilities) at the golf course, which is reflected as a \$6,000 non-cash benefit to the employee on his W-2 form. He also receives an additional \$1,200 each year in addition to his normal salary. This contract, which states it is for an indefinite term, was signed in 1997 and has not been reviewed or updated since that time.

City contracts should be periodically reviewed and updated as necessary to ensure the contract terms are reasonable and adequate.

WE RECOMMEND the City Council:

- A. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary. In addition, the city should monitor contracts to ensure compliance with contract terms.
- B. Periodically update city contracts for reasonableness.

10.

City Vehicles and Fuel

Usage logs are not maintained for most city-owned vehicles and verification of commuting mileage was not performed by the Human Resources Department. In addition, some departments do not reconcile fuel usage to fuel purchases.

The city owns over 520 vehicles with a total acquisition cost to the city of approximately \$14 million and spent over \$1.2 million on fuel during the year ended June 30, 2007.

These vehicles are assigned to the various city departments to be used for city business. Each department director or manager is independently authorized to assign city-owned vehicles to employees to commute to and from work daily. The majority of the city's vehicles are operated by the Police, Streets, Parks and Recreation, and Fire Departments. Our review of vehicle and fuel procedures for these four departments noted the following concerns:

- A. Usage logs to account for the use of city-owned vehicles are not always maintained. Mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the Street Department to document the use of city-owned vehicles. While the Parks and Recreation and Fire Departments maintain logs in each vehicle that include the purpose and destination of each trip, the logs do not include odometer readings. In addition, the Streets, Police, and Fire Departments maintain a record of the vehicle mileage each time a vehicle is fueled or has maintenance performed; however, the Parks and Recreation Department does not maintain fuel records.

Complete and detailed mileage and fuel logs for all city owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all city owned vehicles are used efficiently and appropriately.

- B. Justification for allowing employees to take vehicles home is not documented. In addition, commuting mileage is not always properly reported and taxed.
 - 1) City departments are not required to submit listings of employees authorized to use city-owned vehicles for commuting purposes to the Human Resources Department or to submit documentation to justify or evaluate the need for the city vehicle to be used for commuting purposes. Human Resources Department personnel indicated they rely on each city department to submit commuting mileage reports.

During the year ended June 30, 2007, at least 25 city-owned vehicles were assigned as employee take-home vehicles, not including police vehicles. It is the city's policy to authorize each department director or manager to determine which employees need a city-owned vehicle to commute to and from work daily and to assign the related vehicles to those employees.

- 2) Commuting mileage is not always properly reported and taxed.

Internal Revenue Service (IRS) Code reporting guidelines indicate personal commuting mileage is a fringe benefit that should be reported on W-2 forms. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. However, we noted at least one instance in which an employee was assigned a non-exempt vehicle which he used for

commuting purposes, but the value of the vehicle was not added as compensation to his W-2 form.

The Human Resources Department cannot ensure all commuting mileage reports are received and taxable benefits are reported on applicable employee W-2 forms without an adequate system of notification when commuting approval is granted.

C. Controls over fuel usage are not adequate. The city has 13 fuel tanks located at 7 different city departments. The Landfill, Parks and Recreation, Mass Transit, and Street Departments purchased the majority of the fuel during the year ended June 30, 2007. During our review of fuel procedures of these four departments, we noted the following problems:

- Comparisons of fuel used to fuel purchased are not performed by the Landfill, Parks and Recreation, or Street Departments. The Landfill and Street Departments have the data to allow for such a comparison (i.e., each department tracks the gallons pumped into each vehicle and piece of equipment), and while the Parks and Recreation Department records the gallons pumped in a log, these figures are estimates due to the flow meter on its tank being broken. Without a comparison of fuel purchased to fuel used, the city cannot effectively monitor that vehicles are used for official business only and that fuel costs for vehicles are reasonable.
- Access to fuel tanks is not adequately controlled and limited at the Parks and Recreation Department. The tank is not located in a fenced in area and a key or card is not needed to activate the pump. At night the power to the pump is turned off to prohibit access; however, during the day the power to the pump is on at all times and access is open to anyone.

To ensure the reasonableness of fuel expenditures, the city should maintain records of fuel usage and reconcile fuel usage to fuel purchased and on-hand. In addition, access to fuel tanks should be limited to authorized personnel only. Failure to account for fuel purchases and control access to the city's fuel tanks could result in the loss, theft, or misuse of city assets going undetected.

WE RECOMMEND the City Council:

- A. Require complete and detailed usage logs be maintained for all city owned vehicles and periodically analyze vehicle usage to ensure city owned vehicles are used efficiently and appropriately.
- B. Ensure city management periodically evaluates and documents the necessity of providing vehicles for commuting purposes. Additionally, an adequate reporting system should be established to ensure personal commuting mileage is reported to the city Human Resources Department for inclusion in employee compensation.

- C. Ensure periodic comparisons of fuel used to fuel purchased are performed and access to fuel tanks is restricted to authorized personnel.

11. Cellular Phones and Personal Digital Assistants
--

The city does not properly monitor the use of cellular phones and personal digital assistants (PDAs) to ensure compliance with the city's cellular phone policy. During the year ended June 30, 2007, the city provided cellular phones or PDAs to approximately 115 employees. The city was charged a monthly fee of approximately \$22 per phone and \$66 per PDA and all employees shared a pool of 23,300 minutes each month. The city paid approximately \$75,000 during the year ended June 30, 2007, for cellular phone and PDA services.

- A. The city does not adequately monitor personal use of cellular phones and PDAs and does not retain documentation of its review of cellular phone bills.

- 1) The city does not adequately monitor personal use of cellular phones and PDAs. The city's personnel manual states that employees are allowed to use electronic devices, including cellular phones, for personal use, but must keep personal use to a minimum (less than 25 percent of total use) and may be required to reimburse the city for all personal calls in any month in which the city exceeds the plan minutes. The city failed to monitor the personal use of cellular phones and PDAs and did not require employees to indicate personal use on the phone bills. Further, the city exceeded the plan minutes 6 out of 12 months during the year ended June 30, 2007. No employees were required to reimburse the city for personal usage for the months in which plan minutes were exceeded.

In addition, the city's cellular phone policy does not provide guidelines related to extra charges, including text messaging. The city paid approximately \$9,700 in extra charges during the year ended June 30, 2007. A Purchasing Division employee indicated that if there are any extra charges, she will look to see if the employee was on an out-of-town business trip. If the employee was not on a business trip, then that employee will be required to reimburse the city for any roaming or text messaging charges.

As of December 2007, the city changed its cellular phone plan to a nation-wide plan of 26,000 anytime minutes and 5,000 night and weekend minutes. However, as of March 2008, the city has only utilized 48 to 55 percent of the pooled minutes each month. It appears from analysis of previous years' usage data that phone usage is lower in winter months, which could be the reason for the lower usage on the new plan. However, the city should monitor its usage closely and consider if personal use should be allowed and determine if a change in the number of plan

minutes is necessary. In addition, the new plan allows for restricting text messaging and internet usage by phone. However, the city did not exercise this option until April 2008 when the State Auditor's office brought it to the city's attention.

- 2) Reviews of cellular phone bills (including PDAs) for reasonableness are not documented. The city's personnel manual states that individual cellular phone bills will be reviewed on a random basis and by request of the Purchasing Division. A Purchasing Division employee stated she analyzes the bills for unusual or excessive usage and will require the employee to reimburse the city for any excessive usage. However, she only reviews approximately 10 individual bills per month and no documentation is retained of these reviews or of any employee reimbursement required as a result of these reviews.

Without procedures to review and document detailed phone billings, the city has less assurance expenditures for phone calls and PDAs are reasonable and necessary, and the possibility of improper personal use is increased.

- B. The city has not evaluated the cost and distribution of cellular phones and other mobile technology. The city provides about 60 cellular phones, 55 PDAs, and 3 edge cards (internet access for laptops) to various city employees.

The city's personnel manual indicates that service is provided to employees who can demonstrate a need for such service, provided funds are available. The responsibility for determining the need and ensuring available funding rests with each department director. We noted 22 PDAs and 22 cellular phones were used an average of less than 100 minutes each month during 2007. Of those, 5 cellular phones were not utilized at all.

While cellular phones and other mobile technology can help increase employee productivity, they are also costly. Effective procedures should be implemented by the Purchasing Division to properly monitor cellular phone usage. Additionally, the city should periodically evaluate the cost and distribution of cellular phones and PDAs to employees to ensure all equipment is needed or of benefit to the city.

WE RECOMMEND the City Council:

- A.1. Determine if personal use of cellular phones and PDAs should be reduced or eliminated. If it is not eliminated, the city should ensure employees comply with the city's policies and procedures regarding personal use and reimbursement of city provided cellular phones by requiring that employees identify personal calls and charges on each monthly bill. In addition, the city should update the Personnel Manual to include guidelines regarding text messaging, roaming charges, internet usage, and directory assistance charges for employees who have a city issued cellular phone or PDA and consider only allowing these features for

employees who need them. The city should also review its monthly minute allotment for adequacy.

2. Ensure the Purchasing Division performs and documents routine and periodic reviews to ensure compliance with the city's cellular phone policy.
- B. Ensure the Purchasing Division performs an assessment of cellular phone and PDA distribution on a periodic basis.

12. Budgetary Practices

Budget amendments are not always prepared prior to incurring related expenditures and budgets are not prepared for all funds, as required by state law.

- A. Some budget amendments were not approved before the fiscal year ended. The City Council waited until the end of the fiscal year to approve some budget amendments, resulting in various funds being over spent in total without proper authorization. In addition, during the year ended June 30, 2007, the Special Allocation Fund budget was increased by \$1.2 million without Council approval.

While many budget amendments are approved by the Council throughout the fiscal year, any unexpected budget overages are determined after year-end and an ordinance increasing the budgets of the affected funds is subsequently passed to ensure actual expenditures do not exceed the budgets. During the year ended June 30, 2007, the Parks and Recreation Fund and the Mass Transit Fund expenditures each exceeded the respective budget by approximately \$30,000.

In addition, according to the city's Financial Services Director, the Special Allocation Fund, which handles the tax increment financing accounts, is very unpredictable and hard to budget. She stated revenues were higher than expected in the year ended June 30, 2007, which in turn caused expenditures to exceed the budget. When the overspending was discovered, it was four months after the end of the fiscal year. Therefore, rather than taking additional time to notify the council of the overspending, she increased the fund budget by \$1.2 million without a council-approved ordinance.

Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The city council should formally amend the budget before the related expenditures are incurred. In addition, all budget amendments should be approved by ordinance.

- B. Budgets were not prepared during fiscal year 2007 for the Special Business District Fund, Museum Fund, Community Development Rehabilitation Loan Fund, and Home Revolving Loan Fund. The Financial Services Director indicated the city does not budget some of these funds because they are

considered to be pass-through funds to other entities rather than city controlled funds. However, since the city has discretion over how these funds are spent, they should be budgeted. The city did amend its fiscal year 2008 budget to adopt a Museum Fund budget once a new contract was negotiated with SJMI (see MAR 2).

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures for each fund. A complete budget should include separate revenue and expenditure estimations, beginning available resources and a reasonable estimate of ending available resources for each fund.

WE RECOMMEND the City Council:

- A. Prepare and approve budget amendments prior to incurring the related expenditures.
- B. Adopt budgets for all funds as required by state law.

13.

Cash Controls

There are weaknesses in the city's cash accounting controls, records, and procedures. Duties are not properly segregated in the Customer Assistance Department. Some cash collection clerks share the same cash drawers and some Landfill Division receipt slips did not indicate the method of payment. Various issues were noted in the Animal Control Department, including lack of segregation related to handling non-monetary transactions, reuse of voided receipt slip numbers, failure to reconcile open transactions to the daily deposit, and failure to restrictively endorse all checks immediately upon receipt.

The majority of cash receipts are received at the Customer Assistance Department in city hall, which collects approximately \$15.4 million annually. However, there are 22 other cash collection sites throughout the city that collect almost \$5 million in total each year. Our review of the Customer Assistance Department, the Animal Control Department, and the Landfill Division cash collection procedures noted the following concerns:

- A. Cash collection duties are not properly segregated in the Customer Assistance Department. Customer Assistance cashiers collect monies, issue receipt slips or licenses, reconcile their cash drawers, and prepare daily deposits. While some of the receipts in the Customer Assistance Department are reconciled between the permit and main computer systems in total by an independent person, a significant amount is not reconciled.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by reconciling the permit system to the city's main computer system and segregating the duties of receiving and depositing city monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between detail receipts and deposits by an independent person.

- B. Cash collection clerks share cash drawers throughout the day. During busy periods, the Customer Assistance Department will have additional personnel assist with cash collection, who will share cash drawers with other Customer Assistance employees. The Landfill Division cash collection system allows for the clerks to log in and out; however, all clerks work out of the same drawer. In addition, Animal Control Department clerks share cash drawers due to each drawer being set up to handle different services.

Not limiting access to the cash drawers increases the possibility of loss or misuse of funds and makes it difficult to determine the responsibility for any losses or unreconciled differences.

- C. The Landfill Division receipt slips do not correctly identify the method of payment. All payments received are recorded as "cash", except for prepayments, which are recorded as a "credit". As a result, the landfill employees are unable to agree the composition of receipts to the composition of deposits. In addition, the deposit slips do not indicate the individual receipts composing the deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, individual receipts composing the deposits should be identified. In addition, the method of payment should be properly indicated on receipt slips and the composition of receipts should be reconciled to the composition of deposits to ensure all monies received are properly recorded and deposited.

- D. Duties related to non-monetary transactions are not segregated in the Animal Control Department. The cashiers are authorized to post non-monetary transactions to the receipt database as well as receive payments. Non-monetary transactions are basically any transactions where monies are not received; however, credit is applied or the receipt amount is changed in the system. There is no oversight of these non-monetary transactions or other changes to the database to ensure these transactions are properly authorized.

Internal controls should provide a reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of posting non-monetary transactions and receipting and recording monetary transactions. If proper

segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of non-monetary transactions.

After we brought this to the city's attention, we were told the IT staff is currently implementing measures to track all voids and non-monetary transactions.

- E. Voided receipt slip numbers are reused by the Animal Control Department. We noted an instance where a computerized receipt slip was issued for \$20, but it was later voided. However, that receipt slip number was later reused for a \$36 receipt. In order to provide controls over all monies collected, voided receipt slip numbers should not be reused and all voided receipt slips should be accounted for.
- F. The Animal Control Department has no procedures in place to reconcile open transactions to the daily receipt log to ensure all monies are properly deposited and transactions are finalized. Animal Control Department personnel allow customer transactions to remain open after the close of business and procedures are not in place to reconcile open transactions to the receipt log. An open transaction occurs when an individual discovers after a transaction was started that he or she does not have the correct amount of monies to complete a transaction. The transaction will not be canceled, but will remain open until the individual pays the amount due (often the next day). Not closing out transactions each day or reconciling open transactions to the daily receipt logs increases the likelihood of errors or irregularities occurring without being detected.
- G. Checks and money orders at the Animal Control Department were not restrictively endorsed. During our cash count on December 5, 2007, four checks in the department's cash drawers, totaling \$473, were not restrictively endorsed. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the City Council:

- A. Adequately segregate the duties in Customer Assistance of receiving monies, issuing deposit slips or licenses, reconciling cash drawers and preparing deposit slips. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of monies received to the amount and composition of bank deposits.
- B. Restrict access to cash drawers to only one person per drawer.
- C. Require reconciliations of the composition of receipts to the composition of deposits and ensure receipt slips properly indicate the method of payment. Additionally, the City Council should ensure deposit slips include complete and accurate information.

- D. Adequately segregate the duties of posting non-monetary transactions and receiving and posting monetary payments in the Animal Control Department. If segregating duties is not possible, at a minimum, there should be a documented supervisory review of all non-monetary transactions posted.
- E. Ensure voided receipt slips are properly accounted for and receipt slip numbers are not reused.
- F. Ensure open transactions that cannot be completed in one day are reconciled to the daily receipt log to ensure all monies are properly deposited and all transactions are finalized.
- G. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

14.	Land and Capital Asset Controls
------------	--

The city's controls and procedures relating to capital assets are not adequate. The city lost over \$125,000 on the sale of the Recycling Center land without obtaining a formal appraisal or giving notice of the sale. While the city has established written procedures for the handling of capital assets, adequate steps have not been taken to ensure dispositions are adequately authorized and additions and dispositions are documented in a timely manner. Property controls tags are not affixed to city property. As of June 30, 2007, the city had over \$186 million in capital assets.

- A. The city lost at least \$125,000 on the purchase and sale of the city's Recycling Center land. The city did not obtain a formal appraisal on the property prior to selling it, nor did the city give public notice of the sale as required by city ordinance.

According to City Ordinance 27-78, "should the city manager determine it is in the city's interest to dispose of a parcel of real property which is not dedicated to any public purpose or use, the city purchasing agent shall be authorized to entertain offers to purchase said property." The ordinance goes on to state the sale is to be through 1) notice to the general public, 2) notice to neighboring property owners, 3) receipt of offers to purchase, and 4) council acceptance by ordinance approval of the best offer to purchase the property.

The city did not follow these procedures in regards to the sale of the Recycling Center land. Notice of the sale was not given to the public or neighboring property owners and offers (other than the purchaser's) were not solicited or received. In addition, the city did not have the land independently appraised.

A business located adjacent to the Recycling Center tendered an offer to the city to purchase the Recycling Center land in 2004 in order to expand its business.

The city had obtained this property in November 2003, after years of negotiations with a railroad company for \$127,200 and invested \$55,200 for equipment and materials to upgrade the site. Prior to purchasing the land, the city had leased this property for the Recycling Center for several years from the railroad.

In August 2005, due to the economic development potential of this sale, the Mayor and City Council accepted the purchaser's proposal and entered into an agreement to sell the Recycling Center land in two phases at \$28,594 for each phase (total of \$57,188). While the second phase was sold in November 2007 and required the Recycling Center to move during February 2008, the second installment payment was not received until September 2008. The Director of Public Works indicated it cost the city \$2,560 to temporarily relocate the Recycling Center's operations and estimates the cost of permanent relocation will range from \$215,240 to \$654,000 (which includes the purchase price of land). As of August 2008, the city has not chosen a permanent location for the Recycling Center, but did receive \$30,000 from the purchaser as agreed, as reimbursement for the city's costs to move the recycling center to a new location.

Since the city had \$182,400 invested in the land (purchase price plus land improvements), the city lost at least \$125,213 on the sale. To ensure the best possible price is obtained for property sold and all interested parties are given equal opportunities to participate, city ordinances regarding sale of real estate should be followed and formal appraisals should be obtained.

- B. Written procedures of the process to be followed when an asset is purchased or disposed of have not been formally established. While the city has established basic written procedures for the handling of capital assets, adequate steps have not been taken to ensure dispositions are properly authorized and additions and disposals are reported to the Accounting Division in a timely manner.

While not established by written policy, department heads are supposed to submit an addition or disposal form, which documents department head approval as well as the disposal method used, to the Accounting Division. However, some disposal forms were not approved by the department director and the Financial Services Department was not notified of some additions and disposals in a timely manner. There were numerous instances in which the Accounting Division became aware of additions and disposals upon physical inventory count at year end. In addition, a street sweeper was listed as being disposed in 2001, but remained in the city's possession and was subsequently sold in 2007.

Currently, department directors may select any method they see fit to dispose of an asset and are not required to document the reason for their selection as no written procedures exist regarding the disposal of assets.

The city's capital asset policy should be revised to include procedures for the Accounting Division to be notified of additions and disposals as they occur and of

the selection and documentation of disposal methods utilized. In addition, the policy should address proper authorization of asset disposals. Property records for capital assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amounts of insurance coverage.

- C. Although the city's capital asset policy states that capital assets will be tagged for identification and control, the city does not tag capital assets.

Property control tags should be affixed to all property, including capital assets, to help improve accountability and ensure assets are properly identified as belonging to the city. This is especially important considering the lack of addition and disposal controls noted in part B and the fact that the city only capitalizes and maintains a listing of assets with an acquisition cost of \$5,000 or more.

WE RECOMMEND the City Council:

- A. Obtain a formal appraisal of any property sold in the future. In addition, the City Council should follow city ordinances by ensuring a notice of the sale is given to the public and to neighboring property owners, offers are solicited and received, and the best offer is accepted.
- B. Revise the city's capital asset policy to include procedures for the Accounting Division to be notified of additions and disposals as they occur and for the selection and documentation of disposal methods utilized. In addition, the City Council should ensure asset disposals are properly authorized.
- C. Ensure city property is properly tagged or otherwise identified.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. JOSEPH
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Joseph is located in Buchanan County. The city was incorporated in 1851 and is currently a constitutional charter city. The population of the city in 2000 was 73,990.

The city government consists of a mayor and an eight-member city council. The members are elected for 4-year terms. The mayor is elected for a 4-year term, presides over the city council, and votes on all issues. The Mayor, City Council, and other officials during the year ended June 30, 2007, are identified below. The Mayor is paid \$590 per month (including \$390 in monthly vehicle allowance) and City Council members are paid \$435 per month (including \$285 in monthly vehicle allowances). The compensation of these officials is established by ordinance.

Elected Officials	Dates of Service During the Year Ended 2007
Ken Shearin, Mayor	July 2006 – June 2007
Donna Jean Boyer, Councilmember At Large	July 2006 – June 2007
Mike Hirter, Councilmember At Large	July 2006 – June 2007
Bill Falkner, Councilmember At Large	July 2006 – June 2007
Roger E. Baker, Councilmember District I	July 2006 – June 2007
Joyce Starr, Councilmember District II	July 2006 – June 2007
Mike A. Bozarth, Councilmember District III	July 2006 – June 2007
Gary Roach, Councilmember District IV	July 2006 – June 2007
Barbara LaBass, Councilmember District V	July 2006 – June 2007

Other Principal Officials	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Vince Capell, City Manager (1)	July 2006 – June 2007	\$ 123,726
Paula Heyde, City Clerk	July 2006 – June 2007	51,364
Lisa Robertson, City Attorney	July 2006 – June 2007	86,276
John Boeh, Municipal Judge*	July 2006 – June 2007	72,259
 <u>Department Directors</u>		
Carolyn Harrison, Financial Services Department Director	July 2006 – June 2007	84,463
J. Bruce Woody, Public Works & Transportation Director	July 2006 – June 2007	91,259
Clint Thompson, Planning & Community Development Director	July 2006 – June 2007	80,792

<u>Department Directors (cont'd)</u>	<u>Dates of Service During the Year Ended June 30, 2007</u>	<u>Compensation Paid for the Year Ended June 30, 2007</u>
Samuel T. Barber, Customer Assistance Director	July 2006 – June 2007	80,195
Glenda Klein, Human Resources Director (2) (3)	July 2006 – Feb. 2007	52,306
Chuck Kempf, Interim Human Resources Director/Project Manager (2)	July 2006 – June 2007	64,256
Steve Hofferber, Technology Services Director	July 2006 – June 2007	78,088
Bill McKinney, Parks Recreation, & Civic Center Director	July 2006 – June 2007	86,523
Debra Bradley, Health Department Director	July 2006 – June 2007	78,524
Jack Brown, Fire Chief	July 2006 – June 2007	82,453
Christopher Connally, Police Chief	July 2006 – June 2007	88,082

In addition to base salary, compensation amounts above include: sick pay buy back, longevity pay, uniform allowance, vehicle allowance, and taxable life insurance, as applicable

* Elected position

- (1) In addition to the compensation shown above, the city pays \$8,000 into the city manager retirement fund pursuant to his employment contract.
- (2) Glenda Klein resigned in February 2007 and Chuck Kempf was named Interim Human Resources Director. Diana Slater was subsequently appointed Human Resources Director in August 2007.
- (3) Compensation includes \$5,714 for unused vacation leave upon leaving employment with the city.

In addition to the officials identified above, the city employed 638 full-time employees and 183 part-time employees on June 30, 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 603,594,656
Personal property	245,062,513
Railroad and utility	16,182,516
Total	<u>\$ 864,839,685</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General	\$ 0.7009
St. Joseph Special Business District	0.7796
Public health	0.2092
Library	0.4033
Parks and recreation	0.1946
Museum	0.0487

TAX RATES PER \$1 OF RETAIL SALES

	Rate	Expiration Date
General	\$ 0.0150	
Capital improvement (1)	0.0050	June 30, 2008
Mass transit (2)	0.0015	

- (1) Effective November 2007, this tax was extended through June 2013.
- (2) Effective July 2008, this tax will increase to \$0.00375.

AUDITEE RESPONSE

Response From City Council And Mayor

STATE OF MISSOURI)
County of Buchanan) ss.
City of St. Joseph)

I, Paula Heyde, City Clerk of the City of St. Joseph, County and State aforesaid, do hereby certify that the foregoing and annexed instrument of writing is a true and correct copy of the original on file in the office of City Clerk of the City of St. Joseph, Missouri Official Council Response to State Auditor's Report dated December 18, 2008.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the official seal of the City of St. Joseph, aforesaid. Done at the City Clerk's office in the City of St. Joseph, this

____18th____ day of _____December____, 2008

/s/ Paula Heyde (Original signed by city clerk)

City Clerk

By _____

Deputy

Ms. Susan Montee, CPA, Missouri State Auditor
301 West High Street.
Office 880
P.O. Box 869
Jefferson City, Missouri 65102

Dear Ms. Montee:

We, representing a majority of the City of St. Joseph City Council, hereby signify by our respective signatures affixed to this page, our collective agreement with the enclosed audit response to the State Auditor's final audit report. Accordingly, given that the number of signatures equals or exceeds a majority of our members, we respectfully request that this audit response be considered the official and final response to be communicated publicly according to your methods.

(Original signed by Mayor)

Ken Shearin, Mayor

(Original signed by Deputy Mayor)

Mike Hirter, Deputy Mayor

(Original signed by At Large)

Donna Jean Boyer, At Large

(Original signed by At Large)

Bill Falkner, At Large

(Original signed by District I)

Roger E. Baker, District I

(Original signed by District II)

Joyce Starr, District II

(Original signed by District III)

Mike A. Bozarth, District III

(Original signed by District IV)

Gary Roach, District IV

(Original signed by District V)

Barbara LaBass, District V

CITY OF ST. JOSEPH, MISSOURI



OFFICIAL COUNCIL RESPONSE

to

STATE AUDITOR'S REPORT

December 18, 2008

Introduction

Representatives of the State Auditors Office met with all members of the City Council, collectively, to discuss the manner in which the City Council was to provide its responses to the recommendations made in the State Audit Report. The City Council was specifically instructed by these representatives to:

- Respond only to the language contained in each of the specific recommendations made; the scope of the responses was not to be broadened beyond the specific text of the particular recommendation being considered.
- Address each recommendation, one-by-one.
- Ensure that the responses provided represent the thoughts and opinions of the majority of City Council members.

The City Council believes that the Official Response which follows fully complies with the instructions provided by the State Auditor's Office. Attached to this Official Response are the signatures of each member of the City Council, indicating his/her agreement with the responses provided herein. The City looks forward to concluding the State Audit process when the public delivery of the results is given by the State Auditor, or her designee.

1. SEWER SYSTEM CONCERNS

Auditor Recommendation:

A. “Continue to work with regulatory agencies to develop a long-term plan for the sewer system to ensure compliance with the federal and state standards.”

City Council Response:

The City agrees and further notes that it has been aware of the EPA guidelines since they were first published in 1994. The City has maintained, and continues to maintain, full compliance with EPA guidelines, NPDES discharge permit requirements and Long Term Control Plan (LTCP) submission requirements. The most recent draft of the City’s LTCP was completed in February 2008, several months before the state auditors completed their petition audit fieldwork. On August 25, 2008, the EPA and MDNR accepted, in writing, alternate four of the City’s LTCP as providing “adequate infrastructure improvements to comply with the presumptive approach of the EPA 1994 Combined Sewer Overflow (CSO) Control Policy.” City Staff, Council members, elected officials and others are working through appropriate channels in an attempt to minimize, to the extent possible, the future sewer rate increases that will occur as a result of complying with these EPA requirements.

Auditor Recommendation:

B. “Develop support to justify substantial differences between non-resident and resident sewer rates.”

City Council Response:

Missouri courts have specifically held that “Missouri is a jurisdiction that does not require a rational basis to exist between service costs and nonresident sewer rates.” Establishing sewer rates for non residents is a matter of City Council policy. (The cities of Independence and Jefferson City both have higher rates for outside city users; one and one-half times higher and three times higher, respectively.) When making future policy decisions regarding non-resident sewer rates, the Council will take the auditor’s recommendation into consideration and discuss any issues that non-resident customers may have with the City’s non-resident sewer rates.

Auditor Recommendation:

C. “Ensure the city uses the most cost-effective means of disposing of bio-solids. Justification should be maintained to support any transfers made from the Sewer Fund related to these disposals. In addition, all city contracts should be in writing as required by state law and all contracts should be properly advertised.”

City Council Response:

To minimize cost and liabilities, the Water Pollution Control (WPC) division prioritizes the options for the disposal of bio solids. The City’s first choice is land application at the airport where the City owns the land and, therefore, has the maximum control over the application

rates, storm drainage control and access. The second choice is to store bio solids at the treatment plant. The third choice is private property where there is no cost to dispose of the material, but the City has less control over drainage issues and, therefore, has some limited exposure to liability due to working on private property. (This option is only used during the growing season when land at the airport is unavailable.) The fourth choice is disposal at the landfill, which is not advisable because there are tipping fees to be paid and the high moisture content of the bio solids causes handling problems for Landfill Staff.

It is important to understand that the City does not regularly apply large amounts of bio solids on private property. The amount of private farmland used each year varies, depending on whether or not digesters are being cleaned out that year – an activity that *vastly* increases the City’s bio solids production. Due to the construction of a new thermophilic digester last year (2007), the focus year of the audit, there was a significant amount of cleaning that occurred in relation to the digesters and this created a need to dispose of unusually large amounts of bio solids. The following is a listing, by year, of the bio solids produced in the last three years and where they were placed:

Year	Airport (tons)	Landfill (tons)	Private Farms (tons)	Total (tons)	% on Private Farms
2008	2125	796	1020	3941	25.9%
2007	789	306	2507	3602	69.6%
2006	918	12	190	1120	17.0%

As part of this audit, it came to City’s attention that the WPC Division had allowed several agreements with private property owners for the application of bio solids to lapse. New agreements have been obtained and are now in place with the owners of several private farms in regard to the application of bio solids on their properties.

Auditor Recommendation:

D. “Review the contract with the water company and ensure adequate provisions are included to establish procedures for the collection of the delinquent sewer bills. In addition, the city should develop formal policies and procedures related to sewer bill adjustments.”

City Council Response:

The auditor recommendation is a good one and Staff will develop a more formal procedure for review of adjustments to sewer billings. However, pursuant to the City’s contract with the water company, sewer billings/collections are in a subordinate relationship to water billings/collections. The City has, on previous occasions, attempted to negotiate this point with the water company without success and has not been willing to pursue it more aggressively given that the current arrangement is working so favorably for the City and its sewer customers. Sewer collections have improved substantially (more than 5%) since the City privatized its sewer billings pursuant to a contract with the water company. In addition, the City was able to downsize its Financial Services Department by approximately three employees upon implementation of the new billing and collecting procedures. The benefits of having the water company bill and collect the City’s sewer charges are enormous to sewer

customers; and the City saves tens-of-thousands of dollars annually. Nonetheless, the City Council will certainly explore any viable option available that would provide for a higher collection rate with regard to *sewer* billings and work to develop a formal policy with regard to sewer billing adjustments.

2. MUNICIPAL MUSEUM TAX

Auditor Recommendation:

A. “Ensure any future disbursements of museum tax revenues are supported by a written contract that provides for the adequate oversight of museum expenditures and operations. No disbursements should be made without a contract in place. In addition, SJMI should not operate a museum in the city-owned mansion without a contract in place.”

City Council Response:

Once the April 16, 2007 judicial verdict rendered the previous Agreement with SJMI null and void, disbursements of museum tax monies ceased – SJMI received no tax funds from April 16, 2007 until July 14, 2008, when a new contract was signed by the parties; even though SJMI continued to operate the mansion without reimbursement from tax revenues for over a year. Given the reverter language contained in the mansion’s Warranty Deed, the City had little choice but to allow SJMI to continue to operate a municipal museum at the mansion – even absent a written contract. (The reverter language requires that a municipal museum be operated at the mansion, or else the property will revert from the City to SJMI.)

Auditor Recommendation:

B. “Ensure the city, the Museum Oversight Board, and the SJMI Board are in compliance with the city’s charter and the administrative procedures adopted by the city council. If these provisions are no longer applicable, the charter and/or administrative procedures should be amended accordingly.”

City Council Response:

City staff recommended *against* a Charter amendment until after the litigation had concluded, because circumstances might change – which they ultimately did. Even though Staff recommended that a Charter Amendment not be presented to the voters until after the litigation had been resolved, the City Council was of the opinion that this was an important enough issue to warrant immediate action. A Charter Review Task Force was recently appointed and has been meeting regularly for the purpose of reviewing the entire Charter and making recommendations to the City Council regarding which sections of the Charter should be revised by a vote of the people. Hopefully, the *few* inconsistencies that exist between Charter Section 18.1 and the April 16, 2007 ruling will be corrected at that time.

3. PROCUREMENT CARD AND TRAVEL EXPENDITURES

Auditor Recommendation:

A. “Develop criteria to evaluate the reasonableness of purchasing card limits and provide cards with appropriate transaction and monthly limit to employees to include identifying employees who do not use or infrequently use procurement cards assigned to them and terminating their procurement authority.”

City Council Response:

The City believes that the limits agreed upon by the department director and the Financial Services Department are generally appropriate, although some amount of periodic review and adjustment will always be necessary. Staff agrees that an annual review should be performed of the activity by all card holders and infrequently used cards should be terminated or transferred to someone having a more legitimate need for a procurement card.

Auditor Recommendation:

B. “The City Manager should ensure procurement card expenditures are reviewed in accordance with established policies and procedures.”

City Council Response:

The City Manager has reinforced with staff the importance of reviewing procurement card expenditures per City policies and procedures at the departmental level before expenditures are approved; and again before card reconciliations are forwarded to the Accounting Division. While “best practices” would provide for a separate, thorough investigation of every purchase by the Financial Services Department, the cost of providing the manpower to provide this level of scrutiny is prohibitive.

All travel expenditures are thoroughly reviewed when they reach the Accounting Division of the Financial Services Department. It is also much more expensive for employees to utilize the purchase order system than it is to use the procurement card system. When the City discontinued the small purchase order system in favor of the procurement card system, the City was able to reduce its Purchasing Division staff by one full position saving upwards of \$40,000 per year – more than \$320,000 since the use of procurement cards was approved by the City Council.

Auditor Recommendations:

C.1. “Ensure elected officials and employees follow the procurement card and travel policies and procedures and that procurement cards are not used for prohibited and unauthorized purchases.”

C.2. “Ensure all expenditures are necessary and prudent uses of public funds.”

City Council Response:

The City believes that the Audit recommendations in C.1. and C.2. are being achieved with existing policies and staff/supervisory review procedures.

Auditor Recommendation:

D. “Develop a comprehensive policy regarding city-provided food purchases and properly account for this type of expense. This policy should establish specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements including the business purpose and individuals in attendance.”

City Council Response:

The City agrees with this recommendation and believes that the policy adopted by the City Council should take into consideration present day business practices. It is sometimes appropriate for an employee to pay for business meals even though not out of town on overnight business travel. The City Council should consider including in the policy, if one is adopted, an allowance for appropriate in-town meals for the Mayor and City Council members as well as certain City employees – depending on the particular employee’s position and job responsibilities. A quick review of IRS guidelines should be of assistance in preparing this policy.

Auditor Recommendation:

E. “Require adequate documentation be submitted and maintained for all procurement card transactions.”

City Council Response:

Adequate documentation *is* required for all procurement card transactions. When required documentation is not available or, for example, in situations where an employee has lost his/her receipt, he/she would be required to prepare a memo explaining what happened and the nature and amount of the expenditure. Based on the facts as presented by the employee, the employee’s supervisor/director could choose to disallow, partially allow or fully allow the reimbursement. If this were to occur frequently, the specific employee’s procurement card and/or travel privileges would be suspended and/or disciplinary action would be initiated.

4. CONTRIBUTIONS

Auditor Recommendation:

A. “Enter into written contracts detailing the city purpose for all contributions made and monitor these contracts to ensure the recipient entities are using the funds for the intended purpose.”

City Council Response:

In response to Auditor suggestions, the City has started requiring a written agreement detailing the public purpose for which funds are being donated. However, the decision as to what organizations may receive a contribution is strictly a Council policy matter. As such, the Council will work toward establishing guidelines related to these types of contributions (public tax money) to private entities; discussing them during the budget process; and, if agreed upon, budgeting the funds.

Auditor Recommendation:

B. “Refrain from sponsoring fundraising programs which do not appear to fall into the scope of the authority of a city.”

City Council Response:

The City will take the Auditor’s suggestion under advisement by conducting additional discussions on this subject; as such decisions are strictly a Council policy matter.

5. SUBSIDIZING FUNDS

Auditor Recommendation:

“The City Council limit expenditures and transfers from restricted funds to only those which are necessary to finance functions of those specific funds. Supporting documentation should be maintained to reflect the need for and amount of each transfer made. In addition, the City Council should consider alternative funding sources for the various funds that cannot support themselves. The City Council should also obtain a new landfill tipping fee study to ensure its rates are set appropriately.”

City Council Response:

Transfers are budgeted and transacted for various legitimate municipal purposes. All proposed transfers are detailed and described in the proposed City budget and made available to the City Council.

There are two basic types of fund subsidies: (1) one-time subsidies and transfers to specific funds for specifically identified projects or activities and (2) recurring annual subsidies required to sustain another fund’s ongoing operations. Subsidies, whatever the type, are generally utilized only as a last resort when there are few other good choices or options. Having said that, the City believes that one fund helping another is one of those things that sustains St. Joseph’s municipal government and allows it to maximize needed services to residents while keeping taxes and fees at the lowest possible level. The practice of one fund helping another is sometimes the most cost effective and efficient means of providing municipal services to residents; and might even avoid, were funds to stand strictly on their own, tax increases and/or a diminution of City services were it to happen any other way.

Transfers from the Landfill Fund to the General Fund - The City believes that a modern Landfill is more than just a place one takes his/her garbage for disposal. That's the old view of landfills. Today's more progressive view of landfills would expand its responsibilities beyond its immediate dump site borders out into the community where people live and work. The City operates and subsidizes a separate and remote recycling center operation and it pays for and sponsors free (to local residents) annual hazardous waste disposal in the McArthur Drive Parking lot. The Landfill pays an outside firm to perform these services. The Landfill also supports free dumpster rentals and free dumping to promote neighborhood clean up programs. Clearly, today's Landfill plays an important role beyond the Landfill's immediate borders. This is the justification used for subsidizing property maintenance operations using Landfill funds. In this instance, the Landfill Fund is contracting out the trash and debris gathering to the City's Property Maintenance Department, which isn't much different from paying an outside firm for hazardous waste retrieval.

Landfill Tipping Fee Study – The City agrees that it is time for a new Tipping Fee Study and one has been budgeted in the current fiscal year. However, the recommendation that the Landfill Fund discontinue subsidizing the operations of the Parks, Recreation & Civic Facilities Department, Street Division and other City operations that regularly use the services of the Landfill, but that cannot afford to pay the full tipping fee rate, would present a huge problem for the City Council and the City Manager. More specifically, where will the Parks Department, Streets Division and other City operations that already struggle to stay afloat, come up with the money to pay the Landfill? If the subsidy were eliminated, the implication is that the tipping fee could be lowered. However, the St. Joseph Landfill tipping fee is already the lowest in the state of Missouri. Further lowering of the fee would benefit customers who do not live in St. Joseph; some of whom do not even live in the State of Missouri. An even lower fee would draw solid waste from far outside this region and in such large quantities as to seriously accelerate the depletion of the landfill's capacity.

Transfers from Riverboat Gaming Fund – The Auditors cite five transfers exceeding \$173,000 from the Riverboat Gaming Fund for purposes of subsidizing fund operations. Since the Riverboat Gaming Fund is not a restricted fund, the City is not aware of any problem with budgeting these types of transfers; particularly since the transfers were for one-time expenditures, capital in nature, (i.e., grant matches for the City's hike-and-bike trails). The transfers were not for operating expenses.

6. INTERFUND TRANSFERS AND COST ALLOCATION PLAN

Auditor Recommendation:

“The City Council should ensure that all expenditures are properly allocated to the various funds and that all transfers between funds are adequately documented and properly approved. For the Cost Allocation Plan (CAP) and Public Works Cost Allocation Plan (PWCP), this should include conducting a formal analysis of overhead and services to determine the percentage of costs related to each fund and a formal time study to ensure that payroll costs are charged to the appropriate funds.”

City Council Responses:

A. The City thoroughly documents the amount and nature of interfund transfers or transfers between funds. The City's Cognizant Federal Agency, the U.S. Department of Housing and Urban Development (HUD), as well as other federal and state agencies, has relied for years upon the City's CAP computations; as have the City's outside financial auditors who have rendered unqualified (clean) audit opinions for twenty consecutive years.

The recommendation from the Auditor that the CAP and PWCP should "include conducting a formal analysis of overhead and services to determine the percentage of costs related to each fund..." is based on their statement that "The city's Finance Department has not conducted a formal analysis of overhead and services to determine the percentage of costs that should be allocated to the CAP and PWCP for each fund." For the past decade the City has relied on an analysis conducted by the Financial Services Director, who spent 11 years as a lead consultant for the development of Cost Allocation Plans for over 30 state and local governments throughout the United States. The Cost Allocation Plan is based on a methodology approved by federal and state governments, follows the guidelines set forth in the Federal OMB Circular A-87 and is generated using the same software the Financial Services Director used while in the private sector.

The Auditor's statement, "...it (the Finance Department) has not conducted time studies...to show the actual hours worked by function or activity..." is correct. There would be a negative cost-benefit ratio were the City to institute a computerized labor reporting system by which every City employee records, and the City tracks, the precise nature of work performed for every hour of every work day for the sole purpose of determining exactly how much of an employees' costs should be allocated for budgeting purposes. Although performing a more limited labor time study in each "overhead" department could be accomplished, it would require staff resources now devoted to other tasks. Because of the small size of the City's administrative departments, each employee performs a multitude of tasks, undertakes a number of projects, and services several divisions. A limited study would only capture a snapshot of the individual's time allocation and may not accurately represent how that employee's time is allocated over the course of an entire year. In summary, the more "formal" plan proposed by the Auditors could easily result in a less accurate allocation of employee time than would the "informal" allocation based on the seasoned and informed judgment of individual employees and supervisors who know better than anyone how they and their subordinates spend their time.

B. The Auditor is correct in claiming that "some of the city's actual administrative transfers did not agree to the amounts calculated in the CAP or PWCP." However, every example presented, except for one, were instances in which the City transferred less from one fund to another than was indicated in the cost plan. Other than the transfer from CDBG funds, there is no requirement that transfers match exactly with amounts calculated through the CAP or PWCP.

C. The Auditor detected *two* fund transfers that were not formally approved by the City Council. Even though there are hundreds of annual fund transfers (357 in FY2007) that are properly budgeted and documented, the City agrees that these two transfers were not properly

approved; and even though the transfers were for appropriate municipal purposes, Council approval should have been sought for the transfers before the fact.

D. The Compensation Plan Transfer from the General Fund to the Streets Fund is adjusted downward in response to the additional revenues that this fund receives for its own administrative support of the Airport, Parking, Sewer, Landfill and Transit funds.

To address concerns, the City will add a section to its annual budget, which outlines general budget transfer policies/goals and highlights significant changes from the previous year.

7. MINUTES, AGENDAS, AND PUBLIC RECORDS

Auditor Recommendation:

A. “Ensure tentative agendas of all committee meetings are posted and retained and detailed minutes of all meetings are prepared and retained.”

City Council Response:

The instance cited by the Auditors involved meetings of an ad-hoc “Museum Committee” formed by the Mayor, which consisted of the Mayor and three other Council members. Meetings were attended solely by these four individuals. Although meeting notices were posted, no agendas were compiled and no minutes were taken. The City agrees that this should have occurred and will take better care to ensure that it does in the future, in the event any similar ad hoc committees are formed to address other topical issues, through prior consultation with the City Clerk and Legal Department.

Auditor Recommendation:

B. “Ensure all city records are available to the public unless they are specifically closed as allowed by the Sunshine Law.”

City Council Response:

The City agrees with this recommendation and makes every good faith effort to comply; and, further, believes that both City Staff and City Council members *have* complied in the majority of situations (both Staff members, as well as the Mayor and City Council members prepare and distribute confidential memos). The City will continue to focus on this recommendation.

Auditor Recommendation:

C. “Ensure meetings are publicly posted and minutes are maintained for all meetings, in accordance with provisions of Chapter 610, RSMo.”

City Council Response:

The City agrees with this recommendation. The City Clerk is charged with this responsibility, which requires support and assistance from City Staff and City Council members to make her aware of any meetings that have been scheduled at which a quorum of a “public governmental body” will be present to discuss “public business.”

Auditor Recommendation:

D. “Ensure council minutes are properly signed by the preparer and the Mayor or some other official to attest to their accuracy.”

City Council Response:

Staff will follow directives provided by the City Council in this regard.

8. COMPENSATION

Auditor Recommendation:

A. “Seek an opinion from legal counsel regarding additional compensation to employees.”

City Council Response:

Although legal opinions were not sought on the two issues specifically mentioned in the Auditor’s Report (longevity payments to employees and retroactive pay increases to the City Manager), a legal opinion *was* sought/obtained in December 2000 on a *very similar* issue – one-time compensatory payments (bonuses). This legal opinion, issued via memo dated December 11, 2000, was inconclusive due to a lack of case law on the issue; but the same legal theory set forth in the opinion would apply to the longevity payment issue that the Council considered only nine months later, in September 2001. The State Auditor, Susan Montee, who is an attorney and certified public accountant, served as a member of the St. Joseph City Council from April 1998 through April 2002 and voted in support of the ordinance approving longevity payments (as noted in minutes of the September 17, 2001 City Council meeting). More specifically, to provide a \$1,500.00 longevity payment to any employee who was employed as of December 2000 and had 16 years of service with the City.

Auditor Recommendation:

B. “Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable officials.”

City Council Response:

City Councils have made the policy decision to set their car allowances at a level which reflects not only the actual miles driven, but provides some accounting for the amount of time involved in official City business. Comparative data was publicly presented to the City Council for the City Manager’s car allowance during his recent contract negotiations, which is

part of his overall compensation package. The idea of converting the City Manager's car allowance to a mileage reporting basis or providing him with a City-owned vehicle were all discussed and considered; but not approved during the contract negotiations. The purpose of a car allowance is to avoid the time-consuming tasks involved with a mileage reporting requirement. This is, however, a Council policy decision.

9. CONTRACTS

Auditor Recommendation:

A. "Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and or extended when necessary. In addition, the city should monitor contracts to ensure compliance with contract terms."

City Council Response:

The City agrees with the findings contained in the Audit report regarding the lease for the City's Bartlett Center Building. However, this was a *unique exception* to the City's normal contract practices. As the Auditor's Report indicates, the delay in negotiating a new lease for the Bartlett Center was caused not because Staff was unaware of the situation, but because the City Manager was attempting to negotiate new and higher base rents while allowing the organization 1) to reorganize financially after losing more than \$100,000 in annual Community Development Block Grant funding and 2) to remain in the building. The City Council was kept fully informed of the status of these negotiations throughout the process, including several media reports, until a new lease with higher base rents was finalized and approved by the City Council nearly one year ago.

Auditor Recommendation:

B. "Periodically update city contracts for reasonableness."

City Council Response:

The Legal Department maintains a "tickler system" that monitors recurring City contracts for the specific reasons set forth in the Auditor's recommendation. As the Legal Department becomes aware of recurring contracts, they are added to its tickler list. This system has proven to be successful in almost all cases in prompting a review of the contract; which leads to the drafting of a new, updated contract, request for proposal or bid. The City agrees with the Auditor's Report regarding the house provided to the Golf Course Caretaker. The Auditor's finding is mitigated in this instance by the fact that this is a lease agreement for an indefinite term. Nevertheless, the City agrees that contracts, even those with indefinite terms, should be periodically reviewed.

10. CITY VEHICLES AND FUEL

Auditor Recommendation:

A. “Require complete and detailed mileage records be maintained for all city owned vehicles and periodically analyze vehicle usage to ensure city owned vehicles are used efficiently and appropriately.”

City Council Response:

The Auditors detected no abuse of vehicle and fuel usage and did not mention the physical controls that exist at the computer controlled fuel dispensing system located at the Streets Division of the Public Works & Transportation Department, (which is also used by the Customer Assistance, Fire, Police, Property Maintenance and Health Departments). A special key communicates to the computer which vehicle the fuel is being dispensed to. The vehicle operator must enter his/her employee number and input the vehicle’s odometer reading. The computer checks to make sure that the fuel previously dispensed/consumed is consistent with the odometer reading. If the numbers are at variance, the pump will lock up preventing fuel from being dispensed at which point the vehicle operator must request that a supervisor unlock the system. Given that the Streets Division fuel dispensing system is used by the City’s largest users of fuel, (the largest fuel user, the Mass Transit system, has an equivalent or even more restricted computer controlled fuel dispensing system), it is reasonable to suggest that the City’s largest quantities of fuel are adequately controlled and that it is only the infrequent or sporadic use in other departments that may warrant the use of additional procedures. It is important to mention that these computer controlled devices also report, among other things, the next scheduled vehicle maintenance as a means of properly maintaining vehicles and ensuring that taxpayer dollars and City equipment are best protected in this manner. It is important to note that much of the information the Auditor references as being advisable to have on hand is already available.

Auditor Recommendation:

B. “Ensure city management periodically evaluates and documents the necessity of providing vehicles for commuting purposes. Additionally, an adequate reporting system should be established to insure personal commuting mileage is reported to the city Human Resources Department for inclusion in employee compensation.”

City Council Response:

Individual department directors determine which City employees are assigned take home vehicles. Employees who are on-call, or who have significant public safety/life safety duties are permitted to take home City vehicles with the personal use of said vehicles being limited. City staff provides the City Council with a list of take home vehicles on an annual basis, as well as a list of proposed new vehicle purchases during the budget work sessions (to include identifying those that would be used as take home vehicles). Vehicle use and purchases are a significant topic of discussion every budget year.

The City agrees with the Auditor's recommendation that better documentation be maintained. A form has been developed that will document which employee is assigned to what vehicle. It will include the justification for providing the take-home vehicle, require the approval of the department director and then be forwarded to the Human Resources Department. This form will also provide a list of individuals who should be turning in personal commuting information for tax purposes.

Auditor Recommendation:

C. "Ensure periodic comparisons of fuel used to fuel purchased are performed and access to fuel tanks is restricted to authorized personnel."

City Council Response:

Fuel reconciliations will be implemented where they are not presently performed or where fuel usage is not presently part of a computer controlled dispensing system. The Auditor's Report failed to mention that the fuel dispensed at the Streets Division (City Yards) occurs under camera surveillance, in addition to being monitored 20 hours per day, seven days per week by a dispatcher. Non-City vehicles are not even allowed beyond the entrance gates into the City Yards area, where the fuel dispenser is located.

Fuel logs are maintained at the Landfill and remain with the vehicle/equipment rather than at the fuel tank location. The Auditor is correct, however, in stating that the Landfill fuel logs are not reconciled. The Public Works director has already directed that Landfill employees reconcile the diesel fuel quantities for review by the Landfill Superintendant. The City agrees that each vehicle should have a fuel log sheet that is routinely reconciled in order to track fuel usage. Supervisors will be directed to review this data on a regular basis to determine whether or not these fuel log sheets are adequately accomplishing their purpose and if any inappropriate use is occurring.

11. CELLULAR PHONES AND PERSONAL DIGITAL ASSISTANTS

Auditor Recommendation:

A.1. "Determine if personal use of cellular phones and PDA's should be reduced or eliminated. If it is not eliminated, the city should ensure employees comply with the city's policies and procedures regarding personal use and reimbursement of city provided cellular phones by requiring that employees identify personal calls and charges on each monthly bill. In addition, the city should update the Personnel Manual to include guidelines regarding text messaging, roaming charges, internet usage, and directory assistance charges for employees who have a city issued cellular phone or PDA and consider only allowing these features for employees who need them. The city should also review its monthly minute allotment for adequacy."

City Council Response:

The City believes that the personal use of cellular phones and PDA's is within the 25% allowed, representing a de-minimus (minimal or too small to worry about) personal use of City equipment similar to that of computers, telephones, faxes, photocopy machines, calculators or any other electronic or mechanical device. As with the recommendation on reviewing all procurement card transactions, a complete audit of each month's phone bill is not possible without additional staff. Staff will work with the cell phone and PDA service provider to obtain reports that might be helpful in identifying the few instances of inappropriate personal use.

Auditor Recommendation:

A.2. "Ensure the Purchasing Division performs and documents routine and periodic reviews to ensure compliance with the City's cellular phone policy."

City Council Response:

The former fixed minutes plan provided paper reports averaging more than 650 pages of detailed billing per month. With the City's conversion to a new fixed minutes plan in December 2007, paper billing is contained on a CD and can be exported to other City database and spreadsheet programs making it easier to review the numbers and usage for compliance with City cell phone policy. Another feature of the new plan allows City staff to make changes, block features or suspend service for individual users in a manner that will make these changes effective immediately.

Auditor Recommendation:

B. "Ensure the Purchasing Division performs an assessment of cellular phone and PDA distribution on a periodic basis."

City Council Response:

Approximately seven years ago, the City reimbursed employees for business use of their personal cell phones or paid City cell phone charges under dozens of different cell phone plans with different cell phone providers. This was burdensome, time consuming and expensive for employees and City government. The City terminated all of those plans converting to a "fixed minutes" program, thereby saving more than \$9,000 per year. In December 2007, the City converted to a *new* "fixed minutes" program saving an additional \$7,200 per year. The new plan includes free mobile-to-mobile, roaming and nationwide long distance – services that previously came at an extra charge.

12. BUDGETARY PRACTICES

Auditor Recommendation:

A. “Prepare and approve budget amendments prior to incurring the related expenditures.”

City Council Response:

The City agrees in theory, but real workplace conditions and events, as well as the nature of accounting systems to report budgetary deficits “after-the-fact,” make it impractical to fully comply with this particular recommendation. There are literally dozens of situations and events that might cause a budgetary deficit to arise before its existence is known and its amount determined. For example, a special police investigation, major fire event or spring flood near the end of the City’s fiscal year (when budget balances are running short) can cause police, fire and other City crews to exceed overtime and other line item budgets. Even though department directors and managers are generally aware of their budgetary position, the precise amount of overtime and other budget line-item deficits is not known until payroll and other transactions are processed and posted to the general ledger several weeks later. A budget amendment ordinance takes two readings, which could add as much as four weeks to the approval process for events that occurred six or more weeks previous. Much of the City’s work is performed on an emergency response basis forcing, on occasion, the City to deal with line-item budget deficits after-the-fact. This was true in FY2007 with the May 2007 flood scare and in FY2008 with the December 2007 ice storm.

The examples cited by the Auditor referenced the year-end “clean up” ordinances wherein it was not known ahead of time that expenditures had been made, which would cause certain line-item budgets to be exceeded. In all cases, there was sufficient fund balance or sufficient balances in other budgetary line items to cover the deficits. Staff agrees, however, that the example cited by the Auditors with respect to the Special Allocation Fund budget increase not approved by the City Council should not have occurred.

Auditor Recommendation:

B. “Adopt budgets for all funds as required by law.”

City Council Response:

It should be noted that even though the City does not budget for certain funds for valid reasons, all expenditures from these unbudgeted funds are submitted in advance of the expenditure for approval by the City Council. Staff believes this is an effective control process for agency and other fund activities not under the direct discretionary control of the City Council.

Regarding the City's Community Development Rehabilitation Loan Fund, any interest received on these funds is returned to the U.S. Department of Housing and Urban Development (HUD) each year. Given the fact that the City does not foresee how many activities it will fund or applications it will receive, the total amount of revolving loan funds available is excluded from the City’s adopted budget, but included in the City’s Annual Plan

that is approved by the City Council, adopted by ordinance and submitted to HUD for approval. This year's Community Development Block Grant (CDBG) Annual Plan submitted to HUD includes \$400,000 of program income-rehab loan repayments.

13. CASH CONTROLS

Auditor Recommendation:

A. "Adequately segregate duties in Customer Assistance of receiving monies, issuing deposit slips or licenses, reconciling cash drawers and preparing deposit slips. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of monies received to the amount and composition of bank deposits."

City Council Response:

The need for segregation of duties is a standard for internal controls. The "gold standard" is to have separate individuals receiving money, issuing deposit slips, reconciling cash drawers and preparing deposit slips. However, small organizations like the City are constrained fiscally from providing the large number of staff needed to implement this type of "gold standard." The City combines the preventative measures it is able to realistically implement with measures of independent review of receipts and deposits after the fact.

The Financial Services Department provides Cash Handling Training courses for all City employees who handle cash. Training is provided for both cashiers and supervisors, is done annually, is tailored to each group of cashiers and is done at the employees' work site. The department will continue to emphasize the importance of segregation of duties. Financial accounting software (IFAS) logs any deletions from the data entry of cashiers on the batch proof and batch posting. Questions that arise during the review of the batches are immediately addressed with cashiers and/or supervisors.

Any cash control issues or questions that arise are documented by the Revenue Manager and Accounting Manager. When problems arise, Financial Services staff members work together to compile all information and ask for an immediate response and corrective action from supervisors (and Directors, if necessary) to avoid any future mishandling of deposits or transactions.

Auditor Recommendation:

B. "Restrict access to cash drawers to only one person per drawer."

City Council Response:

The City agrees with the internal control standard of separate cash drawers. However, the Auditor's statement that "cash collection clerks [in Customer Assistance] share cash drawers throughout the day" is overly-broad and generalized. The cash controls in the Customer Assistance Center are set up to make this the exception rather than the norm. Each cashier has his/her own drawer and stamps (paid and restricted endorsement). The Auditor's statement actually refers to only two individuals who do not routinely handle cash, but must sometimes

assist at the counter in order to provide good customer service when staff is short-handed. After receiving the Auditor's comments, one of these individuals has been provided with a locked and secured change box to be used when she is needed at the counter. An additional change box will be available in the area's safe for use by the second staff member, if needed. The Financial Services Department will continue to emphasize this practice in Cash Handling Training for cashiers and supervisors.

The Landfill Division faces greater challenges with regard to one person per drawer. The City is working with Landfill staff to consider various options: from switching to a ten-hour workday, hiring additional staff, etc., in order to adhere to this policy. The Landfill Division is also looking for a software program tailored to Landfill operations (weigh scale inputs), which will have the additional cash controls features suggested by the Auditors.

Auditor Recommendations:

C. "Require reconciliations of the composition of receipts to the composition of deposits and ensure receipt slips properly indicate the method of payment. Additionally, the City Council should ensure deposit slips include complete and accurate information."

D. "Adequately segregate the duties of posting non-monetary transactions and receiving and posting monetary payments in the Animal Control Department. If segregating duties is not possible, at a minimum, there should be a documented supervisory review of all non-monetary transactions posted."

E. "Ensure voided receipt slips are properly accounted for and receipt slip numbers are not reused."

F. "Ensure open transactions that cannot be completed in one day are reconciled to the daily receipt log to ensure all monies are properly deposited and all transactions are finalized."

G. "Ensure checks and money orders are restrictively endorsed immediately upon receipt."

City Council Responses:

C – G. The City respectfully points out that Auditor recommendations C. through G. (pertaining to the Animal Control Division) were identified by *City staff* and communicated to the Auditors. Furthermore, the resulting conditions at the Animal Control Division were already being addressed and remedied when the State audit commenced. Accordingly, a new database reporting program developed by the Technology Services Department is now fully functional and cash control procedures have been formally adopted and implemented by Animal Control personnel. Open transactions have been eliminated. Transactions for customers without enough money to complete the transaction are voided. A new transaction is created when a customer returns. Restrictive endorsement of checks is emphasized in the Cash Handling Training for cashiers and supervisors.

14. LAND AND CAPITAL ASSET CONTROLS

Auditor Recommendation:

A. “Obtain a formal appraisal of any property sold in the future. In addition, the City Council should follow city ordinances by ensuring a notice of the sale is given to the public and to neighboring property owners, offers are solicited and received, and the best offer is accepted by city ordinance, as required.”

City Council Response:

The City strives to follow its adopted purchasing policy and the case cited in the Auditor’s Report was an isolated one. In this instance, the City was not disposing of the property out of lack of interest or need for the property. Instead, the City Council was approached by the adjacent property owner requesting that the City sell its land so that he could expand his business. The request was initially made to administrative staff, but was repeatedly denied. The City Council inquired about the nature of the expansion, the new jobs it would create and the way it allowed for the business to remain in St. Joseph to grow our economy. As a result of that discussion, the City entered into an economic development agreement, wherein the business agreed to a building expansion and the creation of a minimal number of additional jobs at a specified starting wage or higher, as well as the purchase of the Recycling Center site and payment of certain relocation expenses. The sale price was based upon an appraisal performed by the buyer and provided to the City. To the extent that receipts from the sale of the property and relocation expenses are less than actual property value and relocation expenses, the City Council viewed it as an economic development incentive. This topic was discussed in a letter to the business, as well as in the various ordinances documenting the agreement and the transfer of property.

Auditor Recommendation:

B. “Revise the city’s capital asset policy to include procedures for the Accounting Division to be notified of additions and disposals as they occur and for the selection and documentation of disposal methods utilized. In addition, the City Council should ensure asset disposals are properly authorized.”

City Council Response:

The City maintains and thoroughly documents procedures for capital asset additions and even more detailed procedures for disposing of capital assets. However, the City does agree with the Auditor’s recommendation that the current procedures be formally established within a revised version of the City of St. Joseph Capital Asset Policy and this will be presented to the City Council for its approval.

Auditor Recommendation:

C. “Ensure city property is properly tagged or otherwise identified.”

City Council Response:

The current version of the City’s Capital Asset Policy does require tagging of capital assets. However, the revised version will not; in order to reflect actual practice since FY2000. At that time, the City of St. Joseph attempted to tag machinery and equipment with a bar-coded identification tag, but the tags would not remain adhered to the equipment. To ensure that the asset was properly identified, the department assigned a decal number to be affixed to the asset, which was recorded in the Accounting Division’s individual asset permanent file. If an asset has no external decal, the department’s vehicle number, a vehicle identification number or a serial number is also included in its permanent file.

--END--

Response From Mayor And Certain Board Members

**RESPONSE TO THE MISSOURI STATE
AUDITOR'S REPORT ST. JOSEPH, MO
December 18, 2008**

INTRODUCTION

Although there is a little dissatisfaction among the petitioners and some councilmembers over the audit only covering one calendar year, thankfully there were no blatant, unscrupulous, dark or devious findings in our historic City's 2008 State Audit Report.

However, there were several areas that, when corrected, should help replant the seed of confidence in the council's responsibility to safeguard the public's trust with more astute budget monitoring and control.

Response #1: Sewer

- a. The sewer rates outside the city limits (Country Club Village) were increased one hundred thirteen (113) percent in one (1) year, without a cost study or a corresponding statement of cost showing the need for the large increase, when a rate study suggested a six (6) percent increase to be added to the increased amount assessed for not being located within the city limits and paying city taxes. The City should develop a policy dealing with non-resident sewer customers. If the outside sewer district needs to meet specific federal guidelines, then the cost should reflect that until the guidelines are met.
- b. Transferring over three hundred thousand dollars (\$300,000) out of the sewer fund, which is a voter approved, single purpose fund, over the last five (5) years without proper documentation to support these transfers should not happen again.
- c. The city should have enforcement authority for collection of delinquent sewer accounts, which totaled nine hundred eighty five thousand six hundred fifty dollars (\$985,650) as of December, 2007.

Response #2: Municipal Museum Tax

- a. The lack of developing a business plan for the City-owned museum, before issuing a contract for specific services is a legal challenge waiting to happen.

b. Administrative procedures for the Museum Oversight Board (MOB) have not been established by the City Council.

Response #3: Government Relations

a. Spending eleven thousand two hundred forty dollars (\$11,240) of taxpayer funds for eleven (11) members of the Council and City Staff for a two (2) day Washington trip should be monitored and results evaluated.

Response #4: Subsidizing Funds

a. Two hundred fifty thousand dollars (\$250,000) was transferred from the Landfill (Enterprise) Fund to the General Fund. Over four hundred fifty five thousand dollars (\$455,000) was transferred to various funds. One hundred thirty thousand dollars (\$130,000) and one hundred eighty five thousand dollars (\$185,000) were transferred from the Street Maintenance and Repair (SIMR) Fund to the Aviation and Public Parking Funds. Fifteen thousand dollars (\$15,000.00) was transferred from the Parks and Recreation Fund to the Municipal Golf Fund.

b. Only two funds in the City Budget allow for transfers: The General Fund and the Gaming Fund. While the Riverboat Gaming Fund is not restricted, common sense dictates the allocation of these funds should be for one (1) time uses approved by the Council and due to the unpredictability of the amount, should never be used for line item operational expenses. All transfers need to be up front and clearly defined.

c. All transfers should be supported by adequate documentation or approved by the City Council. Some transfers were not approved by the City Council and many were not supported by adequate documentation. Approximately \$6.3 million was transferred between the City's various funds in 2007.

d. The City Council should ensure all expenditures are properly allocated to the various funds and that all transfers between funds are adequately documented and properly approved.

Response #4: Contracts

a. A private, not-for-profit entity was allowed to use a city-owned building without a contract. Unpaid rent and utilities totaled over twenty thousand dollars (\$20,000). The City Council and the City should enter into a formal written contract, in accordance with state law, which specify the goods or services to be provided and the amount of compensation.

Response #5: Budget Adjustments

- a. Budget adjustments were presented to the Council at the end of the fiscal year. This resulted in various funds being overspent without proper authorization. The special allocation fund that ended in June, 2007 increased by \$1.2 million ...**without council approval.**
- b. Budget overages are often determined **after year end** and an ordinance increasing the affected funds' budget is subsequently passed to insure ending expenditures do not exceed the budgets. When an overspending area is discovered, rather than notifying the Council of the over expenditure, the Finance Director increased the fund by \$1.2 million, **without a council-approved ordinance. In violation of Section 67.080, RSMO**
- c. **All budget amendments should be approved by ordinance.**
- d. The purpose of the budgeting process, for Council approval, is to determine, by department the operation cost. The understanding is that each department is expected to live within those established financial boundaries.

What good is a budget, if at the end of the year transfers from one fund to support another's actual spends? Instead of adhering to the funding guidelines established by the laboring process of budget preparation and approval, funds are shuffled...after the spending has taken place. That is not budgeting. That is spending backside covering.

Conclusion

This council is poised for positive change. The first budget we approved contained over thirty (30) percent of the expenditures listed as services, miscellaneous and other. Repeated challenges to that much money being non-directed to expenses resulted in a drastic cut in those allocated categories in following years.

Our non-accounting minds are number aware, not number insensitive to representing the City and the City's taxpayers. This audit is a support tool for digging and learning.

Like the City, this Council is prepared to take the recommendations of the State Auditor's report seriously and become more attuned to the responsibilities as watchdogs of the taxpayer's monies.

With that respect in mind and based on the Lead State Field Auditor's statement that this audit would cost the City of St. Joseph between sixty thousand dollars (\$60,000) to eighty thousand dollars (\$80,000), we have no question that the cost for these appreciated services will not exceed the officially, publicly declared amount.

Especially, since the audit covered only one (1) year and not the five (5) years the petitioners and we had anticipated.

QUESTIONS/OBSERVATION


Sewer overflow handling and code enforcement issues motivated citizens to demand an audit. It was not addressed in the report. Why?

Other than the need for thoroughness, why did the audit take over a year instead of the several months originally predicted?

For the record, although we recognize our shortcomings in the accounting knowledge arena, we, as a Council rely on the City staff's response. However, there was never a five (5) out of nine (9) vote of the Council that allowed the City Manager's response to be **the only response**.

The individual Mayor and Council's response, as expected and requested, is attached and should be given the proper weight in your final analysis.

Respectfully acknowledged and signed December 18, 2008

A handwritten signature in black ink that reads "Ken Shearin". The signature is written in a cursive style with a large, stylized 'K' and 'S'.

Ken Shearin
Mayor

(Original signed by Councilmember at Large)
/s/ Bill Falkner
Bill Falkner
Councilmember at Large

(Original signed by Councilmember, 5th District)
/s/ Barbara LaBass
Barbara LaBass
Councilmember, 5th District

(Original signed by Councilmember, 3rd District)
/s/ Mike A. Bozarth
Mike A. Bozarth
Councilmember, 3rd District



Susan Montee, CPA
Missouri State Auditor

Twenty-Fourth Judicial Circuit

St. Francois County



February 2009
Report No. 2009-21

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

February 2009

The following finding was noted as a result of an audit conducted by our office of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri.

Payments for new case filings are not processed timely in the Associate Circuit Division. A cash count performed on July 9, 2008, identified 20 checks totaling \$2,070 dated February 2008 that were recorded on either July 8 or July 9, 2008. Also, on July 21, 2008, there were 522 additional checks totaling \$47,465 retained in case files that were not yet processed. These checks were dated from January to June. These monies were held in an unlocked desk.

Also in the Associate Circuit Division, cashiers' sessions are not always closed daily, and as a result, receipts are not deposited timely. In addition, procedures are not adequate to review and disburse cases with liabilities such as bonds and garnishments. Further, procedures have not been established to routinely follow up on old outstanding checks. As of June 24, 2008, there were 105 outstanding checks totaling \$25,249 that were older than one year, including one check dating back to December 2000.

For the Circuit Division, procedures are not adequate to review and disburse cases with liabilities such as bonds and garnishments. A monthly open items listing is not always printed and agreed to the reconciled bank balance each month, and the open items amount is not included as part of the bank reconciliation. The composition of receipts is not reconciled to the composition of deposits, and receipt slips are not always issued for copy monies. Procedures have not been established to routinely follow up on old outstanding checks, the change drawer is not maintained at a constant amount, and old petty cash monies are being held that should be turned over to the county. Receipt information for the 2006 passport fees could not be located.

Law Library funds were used for items which may be unallowable such as carpeting for the Judges' office space. Adequate guidelines have not been established for approving disbursements and ensuring late payment fees or service charges are not incurred. Accounting duties over the Law Library bank account are not adequately segregated and although bank reconciliations are performed, unidentified differences were not investigated and corrected. In addition, deposits are not recorded timely.

Receipts for the Probate Division are not deposited in a timely manner, and accounting duties are not adequately segregated.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	Associate Circuit Division Controls and Procedures.....5
2.	Circuit Division Controls and Procedures7
3.	Law Library Controls and Procedures11
4.	Probate Division Controls and Procedures13
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	15-19

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Twenty-Fourth Judicial Circuit
St. Francois County, Missouri

We have audited certain operations of the Twenty-Fourth Judicial Circuit, St. Francois County. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the judicial circuit has adequate internal controls over significant financial functions such as receipts.
2. Determine if the judicial circuit has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and St. Francois County and was not subjected to the procedures applied in our audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Twenty-Fourth Judicial Circuit, St. Francois County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Monique Williams, CPA
Audit Staff:	Robert Graham
	Denise Huddleston

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Associate Circuit Division Controls and Procedures
-----------	---

Payments for new case filings are not processed timely or held securely. Cashiers' sessions are not always closed daily, and deposits are not made timely. Procedures are not adequate to review and disburse cases with open items (liabilities) such as bonds and garnishments, and procedures have not been established to routinely follow up on old outstanding checks.

- A. Payments for new case filings are not processed timely or held securely. A cash count performed on July 9, 2008, identified 20 checks totaling \$2,070 dated February 2008 that were processed (recorded) on either July 8 or July 9, 2008. Also, on July 21, 2008, there were 522 additional checks totaling \$47,465 retained in case files that were not yet processed. Three checks were dated in January or February, 108 checks were dated in March, 141 checks were dated in April, 133 checks were dated in May, and 137 checks were dated in June. Court personnel indicated the back log of checks started in 2007 and resulted from an increase in the number of requests for bankruptcy filings. Also, these monies are held in an unlocked desk.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted and deposited daily. In addition, procedures should be developed to eliminate the back log of checks. Any checks that have not been processed should be kept in a secure location until deposited.

- B. Cashiers' sessions are not always closed daily, and as a result, receipts are not deposited timely. During August 2006, several cashiers' sessions were left open for a period of five days resulting in \$21,138 not being deposited timely. The cashiers' sessions were left open to process checks received for new case filings. Two other cashiers' sessions left open for two to four business days were noted and the amount of these cashiers' sessions totaled \$8,489 and \$12,045.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, cashiers' sessions should be closed daily to ensure all receipts are deposited daily.

- C. Procedures are not adequate to review and disburse cases with open items (liabilities) such as bonds and garnishments.

1. As of July 8, 2008, \$6,200 in bond open items needed to be disbursed. Three bonds were forfeited more than a year ago, and one case, for which

a bond was received, was nolle prossed in 2004 and should be refunded to the defendant. Another case has a \$410 balance for which \$177 in court costs have not been applied. After court costs have been applied, the difference of \$233 should be refunded to the defendant.

Section 544.665, RSMo, provides that failure to appear results in forfeiture of any security which was given or pledged for a person's release. Bond forfeiture monies are to be distributed to the various school districts in the county according to Section 166.131, RSMo. In addition, Supreme Court Operating Rule 21.02(a) requires all fees collected be disbursed within 30 days of receipt.

2. Garnishments are not disbursed timely to the garnishor. Current policy requires a garnishment to be held up to 30 days after the return date on the garnishment. One garnishment case with a balance of \$1,747 has been held in open items since February 2008.

A procedure to routinely review garnishments and make more timely disbursements should be established. If disbursement is possible but the payees cannot be located, these monies should be disposed of in accordance with state law. In addition, a comprehensive review of garnishments should be performed to determine the appropriate disposition of funds held.

- D. Procedures have not been established to routinely follow up on old outstanding checks. As of June 24, 2008, there were 105 outstanding checks totaling \$25,249 that were older than one year. One of these checks dates back to December 2000.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the Associate Circuit Division:

- A. Ensure payments for new case filings are recorded and deposited in a timely manner. In addition, procedures should be developed to eliminate the back log of checks, and payments that have not been processed should be kept in a secure location until deposited.
- B. Close cashiers' sessions and deposit receipts daily.
- C. Establish procedures to review the status of open items to determine the appropriate disposition of funds held on closed cases to ensure bond forfeitures, bond refunds, garnishments, and court costs are disbursed on a timely basis. If

disbursement is possible but the payees cannot be located, these monies should be disposed of in accordance with state law.

- D. Adopt procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Chief Division Clerk indicated:

- A. *We are working on getting caught up. A pending case is being set up in JIS to receipt the payments sooner. We have assigned two other clerks to process these cases on a daily basis in order to get caught up. At year end, numerous case filings are received and many of them are collection cases. Thus, this has delayed us getting caught up but we do plan to get caught up. We will look into better securing these checks until they are processed.*
- B. *We are now processing payments and closing cashiers' sessions daily.*
- C. *We have discussed the problems with the Office of State Courts Administrator (OSCA). One case needed to be fixed because the money that was posted would not apply correctly to the balance. This case was corrected by OSCA. Several old cases came from the conversion to the Judicial Information System in 2000. We have reviewed some cases where the report shows the case being open when it was actually closed. We will establish procedures to review the status of open items. For garnishments, we generally wait to the return date because the attorneys resend the garnishment when they receive a check from the court. We prefer to wait until the return date to dispense the funds as we think this is the best procedure for us.*
- D. *We are currently working to clear these up and will establish procedures to follow up on old outstanding checks at least yearly.*

2. Circuit Division Controls and Procedures
--

Procedures are not adequate to review and disburse cases with open items (liabilities) such as bonds and garnishments. A monthly open items listing is not always printed and agreed to the reconciled bank balance each month, and the open items listing amount is not included as part of the bank reconciliation. The composition of receipts is not reconciled to the composition of deposits, and receipt slips are not always issued for copy monies. Procedures have not been established to routinely follow up on old outstanding checks, the change drawer is not maintained at a constant amount, and old petty cash monies are being held that should be turned over to the county. Some records could not be located.

A. Procedures are not adequate to review and disburse cases with open items (liabilities) such as bonds and garnishments.

1. As of June 10, 2008, a \$5,000 bond was held that was forfeited in 2002. The bond was disbursed shortly after we brought this to the attention of the deputies in the Circuit Clerk's office. Another case has had a balance of \$2,043 since 2005 from an overpayment of a court award that should be refunded to the parties.

Section 544.665, RSMo, provides that failure to appear results in forfeiture of any security which was given or pledged for a person's release. Bond forfeiture monies are to be distributed to the various school districts in the county according to Section 166.131, RSMo. In addition, refunds should be made timely to the applicable parties.

2. Garnishments are not disbursed timely to the garnishor. Current policy requires the garnishment to be held up to 30 days after the return date on the garnishment. One garnishment case with a balance of \$1,504 was not disbursed until June 2008 even though some of these monies were collected in January 2008.

A procedure to routinely review garnishments and make more timely disbursements should be established. If disbursement is possible but the payees cannot be located, these monies should be disposed of in accordance with state law. In addition, a comprehensive review of garnishments should be performed to determine the appropriate disposition of funds.

B. A monthly open items listing is not always printed and agreed to the reconciled bank balance each month. The balance per the open items listing dated January 2, 2008, was \$188 less than the reconciled bank balance. In addition, while the bank reconciliation form in the Judicial Information System (JIS) includes a place to record the open items listing balance to help ensure the open items listing agrees to the reconciled bank balance, this procedure is not performed.

Monthly reconciliations of open items to the reconciled bank balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Monthly open items listings should be printed, reviewed, retained, and included as part of the bank reconciliation to ensure that accounts are in balance.

C. The following concerns were noted during our review of receipts:

1. The composition (cash, checks, and money orders) of receipts is not reconciled to the composition of deposits. A \$750 discrepancy for one deposit was identified between the composition recorded on the daily

cashier report and the bank deposit slip. Additional information received from the bank indicated the difference was due to a check being recorded as a cash bond instead of a check bond. Although the total amount of receipts on the daily cashier report agreed with the total amount deposited, the composition of the receipts did not agree to the composition of the deposit. Differences in the composition should be investigated and documented.

2. Receipt slips are not always issued for copy monies. During a cash count, we noted no receipt slip was issued for the \$96 of copy monies on hand. In addition, during our review of deposits, JIS receipts could not be located for three manual receipt slips written for copy monies and one receipt slip for copy monies was missing from the receipt slip book.

To adequately account for all monies and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies received, and the composition of receipts should be agreed to the composition of the deposit.

- D. Procedures have not been established to routinely follow up on old outstanding checks. As of December 31, 2007, there were 30 outstanding checks totaling \$2,988 that were older than one year. One of these checks dated back to June 2004.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

- E. The change drawer is not maintained on an imprest basis. A cash count of the change drawer performed on May 22, 2008, totaled \$227, while the change drawer should always total \$200. In addition, a cash count of petty cash monies performed on May 22, 2008, totaled \$114. The petty cash monies were left by the previous Circuit Clerk and are not being used. The petty cash monies should be turned over to the county.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, change funds should be maintained at a constant amount and petty cash funds should only be established when necessary.

- F. Receipt information for the 2006 passport fees could not be located.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Supreme Court Operating Rule 8 requires the accounting records be maintained for a specified time period.

WE RECOMMEND the Circuit Division:

- A. Establish procedures to review the status of open items to determine the appropriate disposition of funds held on closed cases. In addition, procedures should be established to disburse bond forfeitures and garnishments on a timely basis. If disbursement is possible but the payees cannot be located, these monies should be disposed of in accordance with state law.
- B. Prepare and review a monthly open items listing and reconcile the open items listing to the reconciled bank balance. Differences between the open items listing and the reconciled bank amount should be investigated.
- C. Issue receipt slips for all monies received and ensure the composition of receipts agrees to the composition of deposits. In addition, any differences should be investigated and documented.
- D. Adopt procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- E. Ensure the change drawer is maintained on an imprest basis, and determine if petty cash monies are necessary. If not needed, the petty cash monies should be turned over to the county.
- F. Retain financial records in a manner that will prevent misplacement or loss in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *The bond forfeiture was an oversight. The civil case that holds a balance of \$2,043 is an open case which had been coded in error as closed. The case remains open and we have no authority to release the funds until it is ordered by the court. We feel our procedures are adequate but a couple of items could have been handled better. For garnishments, a monthly report is run on garnishments and reviewed to determine which monies should be disbursed. Since a garnishment may run up to 180 days, it is quite possible that monies may be held for that period of time and disbursed on or about the return date of the garnishment. We feel that holding monies for the length of the garnishment and making one disbursement is the best procedure for us. Otherwise, we would be writing a lot more checks and we would prefer to minimize the number of checks written.*
- B. *We are now generating the monthly open items report at month-end. We will compare this amount to the reconciled bank amount to ensure it agrees or investigate the difference if a difference is noted.*

- C. *This is an isolated incident when composition of receipts was not reconciled to the composition of deposits. This reconciliation is done on a daily basis. We will properly document any differences if a difference is noted. Receipt slips are now being issued for all copy monies received and a copy ledger is being maintained. Weekly, the total of copy monies received is recorded into the JIS and deposited.*
- D. *Procedures have been established to routinely follow up on old outstanding checks and we are working on clearing up the old outstanding checks.*
- E. *The extra in the change drawer and the petty cash drawer have been turned over to the county.*
- F. *We believe that the missing box was lost in the move of the office. The accounting clerk that handled passports during 2006 is no longer here. We will try to ensure all records are retained.*

3.	Law Library Controls and Procedures
-----------	--

Law Library funds were used for items which may be unallowable, and adequate guidelines have not been established for approving disbursements and ensuring late payment fees or service charges are not incurred. Accounting duties are not adequately segregated, bank reconciliations are not adequate, and follow up actions have not been made to correct various posting errors. Deposits are not recorded timely.

A. The following concerns were noted with disbursements:

- 1. Law Library funds were used for items which may be unallowable. During 2007, monies were spent on renovations (carpet) to the Judges' office space totaling \$2,640.

These disbursements were not related to courtroom renovations or technology enhancements as required by Section 488.429, RSMo. The primary purpose of the Law Library is to provide legal resources to private practicing attorneys. The Court En Banc needs to ensure that Law Library funds are expended in compliance with state law.

- 2. Adequate guidelines have not been established for approving disbursements and ensuring late payment fees or service charges are not incurred. The Presiding Judge approves disbursements from the Law Library account; however, there was no documentation of his approval for courtrooms and offices renovation disbursements. The Law Library Treasurer signs the checks for the disbursements; however, he does not review the supporting invoices submitted for payment. In addition, a late payment fee of \$20 was incurred on the monthly telephone bill for January 2008 and an \$8 service charge is incurred monthly on the bank account.

Adequate guidelines for approving Law Library disbursements is necessary to ensure monies are spent on allowable disbursements. In addition, timely payment of the monthly expenses is necessary to avoid late payment fees. Also, discussions should be held with the bank regarding the service charges.

- B. Accounting duties over the Law Library bank account are not adequately segregated. The custodian of the account performs all of the accounting duties including recording receipts, preparing deposits, and performing bank reconciliations. The Law Library Treasurer signs the checks; however, an independent review over the financial activities is not performed. In addition, the Law Library bank statements are addressed to the previous Treasurer.

Internal controls would be improved by segregating duties of receiving and depositing monies from the duty of reconciling the account. The Law Library Treasurer should review the monthly bank reconciliation and have more oversight over activities. If proper segregation of duties is not possible, at a minimum, periodic reviews of the records should be performed by an independent individual and documented. In addition, the previous Treasurer's name should be removed from the bank account address.

- C. Although bank reconciliations are performed, unidentified differences were not investigated and corrected. The unidentified differences on the bank reconciliation increased from \$4 at December 31, 2006, to \$20 at December 31, 2007, even though there are only a few transactions each month. Our review indicated some service charges incurred and interest income earned were not recorded in the check register. Although the unidentified difference increased, follow up actions were not taken to identify the reasons for the differences and corrections were not made to the records. In addition, deposits apparently are not recorded in the check register until the bank reconciliation is performed during the following month.

Bank reconciliation differences should be investigated and corrected on a timely basis to ensure bank activity and accounting records are in agreement. In addition, deposits should be recorded in the check register when made.

WE RECOMMEND the Court En Banc:

- A. Establish guidelines for approving expenditures and ensure funds are expended in compliance with state law.
- B. Ensure accounting duties are adequately segregated or independent reviews are performed periodically. In addition, the previous Treasurer's name should be removed from the bank account address.

- C. Ensure bank reconciliation differences are investigated and corrected on a timely basis. In addition, deposits should be recorded in the check register when made.

AUDITEE'S RESPONSE

The Presiding Judge indicated:

- A.1. *This Circuit was instrumental in getting the amendment to Section 488.429, RSMo, allowing Law Library funds to be used for courtroom renovation and technology enhancement. The judges consider the judges' chambers to be an extension of their courtroom; indeed, court is frequently held in their chambers. We had no reservations about proper use of Law Library funds for renovation of chambers.*
2. *All expenditures were verbally approved by the Presiding Judge, with written documentation of the bills paid.*

The Law Library Treasurer indicated:

- B. *He will be working to implement the recommendations.*

The Law Library Custodian indicated:

- C. *She does not know how the account got out of balance. She will watch the entries in the check register more carefully, particularly the interest income, deposits, and the bank charges. She will ensure the account is in balance each month. She has already started recording deposits in the check register when made.*

4. Probate Division Controls and Procedures
--

Receipts are not deposited in a timely manner, and accounting duties are not adequately segregated.

- A. Receipts are not deposited in a timely manner. Deposits are made approximately two to three times a month. For the two deposits reviewed, the deposits were over \$1,000 and included monies that had been received 10 to 19 days earlier.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, deposits should be made in a timely manner.

- B. Accounting duties are not adequately segregated. One clerk records deposits, writes checks, and performs monthly bank reconciliations.

Internal controls would be improved by segregating the duties of recording deposits and writing checks, from the duty of reconciling the account. If proper

segregation of duties is not possible, at a minimum, periodic reviews of the records should be performed by an independent individual and documented.

WE RECOMMEND the Probate Division:

- A. Deposit all monies in a timely manner.
- B. Ensure accounting duties are adequately segregated or independent reviews are performed periodically.

AUDITEE'S RESPONSE

The Associate Circuit Judge who supervises the Probate Division indicated:

- A. *Probate Division personnel will try to deposit at least weekly.*
- B. *He will review the bank reconciliation and the associated records to provide an independent review.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Twenty-Fourth Judicial Circuit consists of St. Francois County as well as Madison, Ste. Genevieve, and Washington Counties.

The Twenty-Fourth Judicial Circuit consists of two circuit judges and five associate circuit judges. The court en banc consists of all divisions of the circuit acting collectively. The circuit judges hear cases throughout the circuit. One circuit judge is elected presiding judge by the court en banc and is responsible for the administration of the circuit. Of the five associate circuit judges, two are located in St. Francois County and preside over the Associate Circuit Division and the Probate Division. The other three associate judges are located in Madison, Ste. Genevieve, and Washington Counties.

In addition to the judges, the personnel of the Twenty-Fourth Judicial Circuit, St. Francois County, include a circuit clerk, an associate circuit division clerk, a probate clerk, twenty-two deputy clerks, a juvenile officer, two chief deputy juvenile officers, four deputy juvenile officers, seventeen juvenile detention center employees, a juvenile office attorney, two court reporters and one secretary.

Circuit personnel located in Madison, Ste. Genevieve, and Washington Counties are not included in the scope of this audit, but are reported on separately.

The juvenile officer's home base is St. Francois County, but he also serves the residents of Madison, Ste. Genevieve, and Washington Counties.

Operating Costs

The operating expenses of the Circuit Division, the Associate Circuit Division, the Probate Division, and the juvenile detention center are paid by St. Francois County. The operating expenses for the circuit judges, court reporters, and juvenile office are paid for by the various counties within the circuit based on the percentage of the county's population to the total circuit population.

The salaries of all the court, juvenile office, and juvenile detention center personnel are paid for by the state of Missouri, except for the salaries of one employee in the Circuit Division, four employees in the Associate Circuit Division, one deputy juvenile officer, ten juvenile detention center employees, and the juvenile office attorney which are paid by St. Francois County.

Receipts

Receipts of the Twenty-Fourth Judicial Circuit, St. Francois County, were as follows:

		Year Ended December 31,	
		2007	2006
Court deposits, fees, bonds, and other	\$	2,990,494	2,860,812
Interest income		7,931	6,255
Total	\$	<u>2,998,425</u>	<u>2,867,067</u>

Caseload and Time Standards Statistics

From the Office of State Courts Administrator Missouri Judicial Reports, caseload statistics of the filings and dispositions of the Twenty-Fourth Judicial Circuit, St. Francois County, were as follows:

		Year Ended June 30,			
		2007		2006	
		Filings	Dispositions	Filings	Dispositions
Civil		3,920	3,475	3,416	3,503
Criminal		5,975	6,744	5,871	5,829
Juvenile		163	129	185	181
Probate		498	453	474	450
Total		<u>10,556</u>	<u>10,801</u>	<u>9,946</u>	<u>9,963</u>

From the Office of State Courts Administrator Missouri Judicial Report for fiscal year 2007, statistics on compliance of the Twenty-Fourth Judicial Circuit, St. Francois County, with time standards for disposition of certain types of cases were as follows:

Type of Case	Time Standard	Twenty-Fourth Judicial Circuit St. Francois County	State Total
Circuit Civil	90% in 18 months	72 %	77 %
	98% in 24 months	79	88
Domestic Relations	90% in 8 months	79	84
	98% in 12 months	85	91
Associate Civil	90 % in 6 months	81	87
	98 % in 12 months	95	97
Circuit Felony	90 % in 8 months	81	81
	98 % in 12 months	92	90
Associate Criminal	90 % in 4 months	56	71
	98 % in 6 months	71	85

Personnel

At December 31, 2007, the judges, Circuit Clerk and Juvenile Officer of the Twenty-Fourth Judicial Circuit, St. Francois County, were as follows:

Circuit Judges:

Sandy Martinez, Division I

Kenneth W. Pratte, Division II

Associate Circuit Judges:

Thomas L. Ray, Division III

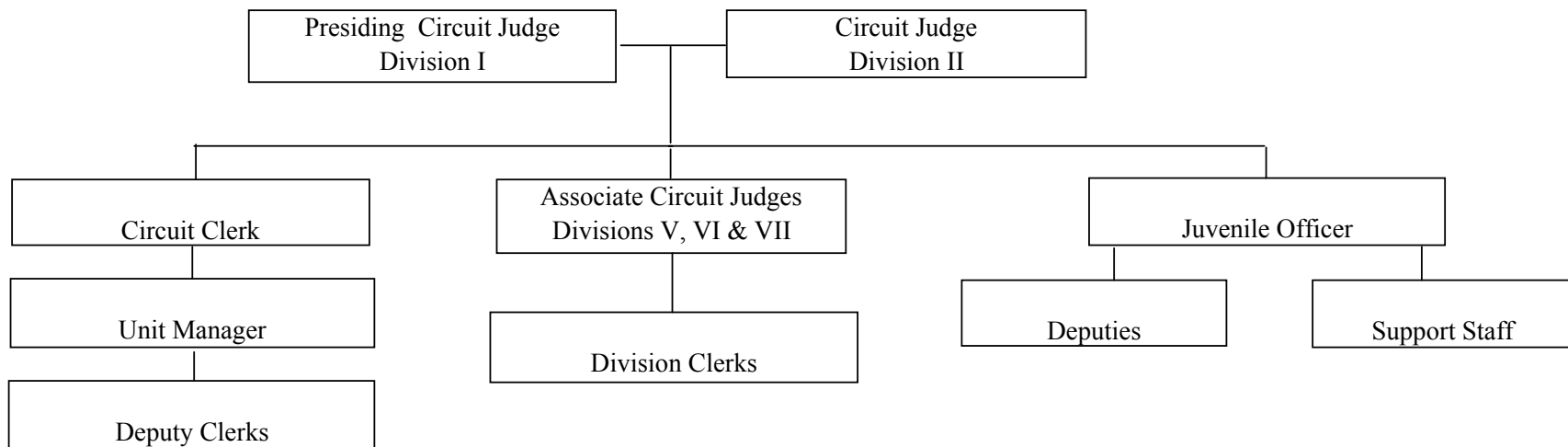
James H. Kelly, Division IV

Vicki J. Weible, Circuit Clerk

Jerry Chamberlain, Juvenile Officer

An organization chart follows:

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 2007





Susan Montee, CPA
Missouri State Auditor

Douglas County Prosecuting Attorney



February 2009
Report No. 2009-20

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

February 2009

Our office conducted an audit of the Prosecuting Attorney of Douglas County, Missouri.

Cash receipts totaling at least \$4,459 received by the Douglas County Prosecuting Attorney's office between October 1, 2007 and February 25, 2008, were not deposited and are unaccounted for. Poor accounting controls allowed these missing funds to go undetected.

In March 2008, the State Auditor's office was contacted by the Douglas County Prosecuting Attorney's office requesting assistance with balancing and maintaining accounting records. The State Auditor's office was informed that the Prosecuting Attorney's Legal Assistant, who was responsible for maintaining the accounting records, was terminated, and accounting records had not been properly balanced and maintained. Our review of the accounting records identified discrepancies and the need for an audit which was subsequently requested by the Prosecuting Attorney.

Poor receipting and depositing procedures allowed the missing cash receipts to occur and not be detected. For example, unrecorded checks and money orders appear to have been substituted into deposits and recorded cash receipts were not deposited. Additionally, some checks and money orders were not recorded for up to two months after being received and deposited. This delay in recording receipts also helped to conceal the missing cash. Further, the method of payment (cash, check, or money order) is not always indicated on receipt slips, receipts are not deposited timely, and the numerical sequence of receipt slips is not accounted for.

Other weaknesses were noted including the failure to adequately segregate accounting duties and perform bank reconciliations. All collection, distribution, and record-keeping duties are performed by the Prosecuting Attorney's Legal Assistant, and there is no documentation that the work performed or the records maintained are reviewed by a supervisor or the Prosecuting Attorney. Monthly bank reconciliations are not performed, and listings of open items are not prepared and reconciled to the account balance. As of February 2008, bank reconciliations had not been performed for almost a year and restitution and fees had not been disbursed for several months.

Also in the report are recommendations related to restitution distributed to victims, fees distributed to the County Treasurer, and information posted to case files.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

PROSECUTING ATTORNEY
DOUGLAS COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	Missing Funds.....5
2.	Receipt Procedures.....6
3.	Internal Controls, Records, and Procedures.....8
APPENDIX.....	12-13

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Christopher D. Wade, Prosecuting Attorney
Douglas County

The State Auditor was requested by the Honorable Christopher D. Wade, Prosecuting Attorney, to audit the receipts and disbursements of the Douglas County Prosecuting Attorney. The scope of our audit included, but was not necessarily limited to, the period January 1, 2007 through February 25, 2008. The objectives of our audit were to:

1. Determine if the Prosecuting Attorney's office has adequate internal controls over significant financial functions, such as receipts.
2. Review certain receipts and attempt to determine the amount of any missing funds.
3. Determine if the Prosecuting Attorney's office has complied with certain legal provisions.

Our methodology included reviewing financial records and other pertinent documents; interviewing various personnel of the Prosecuting Attorney's office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Douglas County Prosecuting Attorney.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Candi Copley

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DOUGLAS COUNTY
PROSECUTING ATTORNEY
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.	Missing Funds
-----------	----------------------

Cash receipts totaling at least \$4,459 were received by the Prosecuting Attorney's office between October 1, 2007 and February 25, 2008, but were not deposited and are unaccounted for.

In March 2008, the State Auditor's office was contacted by the Douglas County Prosecuting Attorney's office requesting assistance with balancing and maintaining accounting records. The State Auditor's office was informed that the Prosecuting Attorney's Legal Assistant, who was responsible for maintaining the accounting records, was terminated, and accounting records had not been properly balanced and maintained for many months. The former Legal Assistant was hired January 2, 2007, her last day at work was February 20, 2008, and she was terminated on February 27, 2008. After reviewing the accounting records and providing assistance to the Prosecuting Attorney's office, it was determined that an audit of the records was necessary. The State Auditor was subsequently requested by the Prosecuting Attorney to audit the receipts and disbursements of his office.

Court ordered restitution, delinquent state tax payments, and bad check restitution and fees were collected by various employees of the Prosecuting Attorney's office and transmitted to the former Legal Assistant to be deposited into the Prosecuting Attorney's checking account. Prosecuting Attorney's office employees issue manual receipt slips for court ordered restitution and delinquent tax payments and issue computer generated receipt slips through the Bad Check Prosecution System (BCPS) for bad check restitution and fees.

Between October 1, 2007 and February 25, 2008, the Prosecuting Attorney's Office recorded cash receipts of \$16,678 but only deposited cash totaling \$12,219 resulting in a cash shortage of \$4,459. During this time period, checks and money orders totaling approximately \$2,400 were deposited but not receipted helping to conceal this shortage. The Appendix included in this report documents the missing cash receipts.

Poor accounting controls, as discussed in the remainder of the Management Advisory Report (MAR), allowed these missing funds to go undetected.

WE RECOMMEND the Prosecuting Attorney investigate missing cash receipts and take appropriate action to recover the monies including working with law enforcement officials regarding criminal prosecution and restitution of the missing funds.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

The matter has been referred to the highway patrol for investigation and the Attorney General's Office has been appointed special prosecuting attorney.

2. Receipt Procedures

Numerous weaknesses relating to receipt procedures have allowed the missing cash receipts noted in MAR finding number 1 to occur and not be detected. Monies deposited into the Prosecuting Attorney's bank account for the period January 1, 2007 through February 25, 2008, totaled approximately \$80,000.

- Receipt slips are not issued for some monies received. We identified numerous instances where receipt slips were not issued for checks and money orders received for restitution and delinquent tax payments. These unrecorded checks and money orders appear to have been substituted into deposits and recorded cash receipts were not deposited. Additionally, we identified instances where receipt slips were issued up to two months after a check or money order had been received and deposited. It appears this delay in recording receipts also helped to conceal the missing cash receipts.
- The method of payment (cash, check, or money order) is not always indicated on the receipt slip issued, and the composition of receipts is not reconciled to the composition of deposits. Additionally, for some deposits there is no indication of which receipts were included in the deposit. While some deposit slips included an itemized listing of cash, checks, and money orders, several deposit slips did not provide adequate documentation to determine which receipts were included in the deposit. Also, in some instances a detailed listing was included on the back of the deposit slip, but a copy was not retained by the Prosecuting Attorney's office and the bank did not provide a copy of the back of the deposit slip in the bank statements.
- Receipts are not deposited timely. For example, no deposits were made in November 2007 or January 2008. Only one deposit was made in December 2007, totaling \$14,065, and it included receipts collected since October 12, 2007. The next deposit was not made until February 25, 2008. Prior to October 2007, deposits were generally made weekly. The significant delays in deposits beginning in October 2007 was an indication that accounting records were not being properly maintained; however, there is no documentation to indicate that these records were reviewed by someone other than the former Legal Assistant.
- The Prosecuting Attorney's office occasionally accepts money orders made payable to the victims, which are not deposited, but are forwarded directly to the victims.

Receipt slips issued for these money orders did not always indicate these money orders were sent directly to the victim rather than deposited.

- The Prosecuting Attorney's office issues rediform receipt slips rather than official prenumbered receipt slips for court ordered restitution payments. Additionally, checks and money orders received are deposited without an endorsement on the back. The office does not have a stamp to restrictively endorse checks and money orders.
- The numerical sequence of both computerized and manual receipt slips was not accounted for. Instances were noted where all copies of manual receipt slips were missing from the receipt book and some copies of voided receipt slips were not retained. Additionally, some computerized receipt numbers were not included on computer generated reports. Software support personnel indicated the information associated with these missing receipt numbers was most likely reversed out of the bad check system because of an error and may have been recorded again. However, documentation was not maintained to associate these missing receipt numbers to subsequent entries into the system. As a result, the Prosecuting Attorney should follow up on these missing receipt numbers to determine if additional funds are missing.

To ensure all monies are properly accounted for and deposited, prenumbered official receipt slips indicating the composition (cash, check, or money order) should be issued for all monies received, the composition of receipt slips should be reconciled to the deposit, and deposits should be made timely. Additionally, copies of itemized deposit slips or other documentation of items included in deposits should be maintained, and the numerical sequence of all receipt slips should be accounted for. Also, documentation should be maintained to support instances when money orders received are made payable to the victim and forwarded directly to the victim, and checks and money orders should be restrictively endorsed when received.

WE RECOMMEND the Prosecuting Attorney issue official, prenumbered receipt slips for all monies received with the method of payment documented, reconcile the composition of receipt slips to the composition of deposits, document which receipts are included in deposits, and deposit monies timely. Additionally, the numerical sequence of all receipts slips should be accounted for, money orders forwarded directly to the victim should be documented, and checks and money orders should be restrictively endorsed when received. Further, the Prosecuting Attorney should follow up on missing computerized receipt slip numbers to determine if additional funds are missing.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

All recommendations have or will be implemented. Prenumbered receipt slips with the Douglas County Prosecuting Attorney's Office printed on them are now being used. A stamp marked Douglas County Prosecuting Attorney For Deposit Only has been obtained and is used to

endorse all payments to the office. No "blank" money orders will be accepted. The missing computerized receipts will be investigated by the highway patrol.

3. Internal Controls, Records, and Procedures
--

Poor controls, records, and procedures have allowed the missing cash receipts identified in MAR finding number 1 to go undetected. Duties are not adequately segregated, bank reconciliations are not performed, and open items listings are not prepared and reconciled to the cash balance. Additionally, fees are not disbursed monthly to the County Treasurer and restitution payments are not always documented in the defendant's case file and disbursed to the victim.

- A. Accounting duties are not adequately segregated or supervised. All collection, distribution, and record-keeping duties are performed by the Prosecuting Attorney's Legal Assistant. In addition, there is no documentation that the work performed or records maintained by the Legal Assistant are reviewed by a supervisor or the Prosecuting Attorney. Had such controls been in place, some of the missing monies noted in this report may have been discovered earlier.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monthly bank reconciliations are not performed, and listings of open items are not prepared and reconciled to the account balance. As of February 2008, bank reconciliations had not been performed for almost a year, and restitution and fees had not been disbursed for several months. The bank account balance was approximately \$23,000.

At our request the Prosecuting Attorney's new Legal Assistant reviewed accounting and bank records and prepared monthly bank reconciliations, disbursed restitution and fees that had accumulated in the account, and prepared a listing of restitution and fees that still remained in the account (open items). As of September 30, 2008, the account balance was approximately \$1,400, and adequate funds were not available in the bank account to disburse all restitution due to victims.

The open items listing prepared by the Prosecuting Attorney's new Legal Assistant included liabilities of approximately \$2,600; however, this listing was not complete. Our limited review of disbursements identified five cases that were not included on this list resulting in an additional \$800 owed to victims.

In addition, in March 2007, approximately \$5,000 was transferred from the old Prosecuting Attorney's bank account to the current Prosecuting Attorney's bank account. This \$5,000 was associated with an open items listing left by the former Bad Check Clerk. Approximately \$2,300 of this money was distributed to the County Treasurer for fees; however, there is no documentation to indicate how the distribution of fees was calculated, or if all of the remaining \$2,700 was disbursed in accordance with the open items listing left by the former Bad Check Clerk. The Prosecuting Attorney should determine if all of these funds were properly distributed or if some of the balance is still being held in the account and should be added to the current open items listing.

Monthly reconciliations between accounting records and bank statements are necessary to ensure all monies are properly accounted for and errors are detected and corrected in a timely manner. Only by preparing complete and accurate open items listings on a monthly basis and reconciling the listing to the account balance can the Prosecuting Attorney be assured the records are in balance and sufficient cash is available to cover liabilities.

- C. Amounts disbursed to victims are not adequately tracked. The BCPS is not used to track bad check restitution disbursed to victims. While this computer system has the capability of tracking disbursements and printing checks, this part of the system is not utilized. Manual checks are written for all disbursements, and adequate records are not always maintained to document restitution receipts are subsequently disbursed to the victims. For example, in some instances "paid out" written across the receipt slip was the only documentation to indicate the restitution receipt was disbursed; however, in one instance a corresponding check was not found to verify the restitution had actually been paid out. The Prosecuting Attorney should take steps to review all receipt and disbursement information to ensure all amounts received have been properly disbursed to victims.
- D. Fees are not disbursed monthly to the County Treasurer, and a monthly report of fees is not prepared to support the amounts turned over to the County Treasurer. For example, fees totaling \$844 for October 2007, were not turned over to the County Treasurer until December 31, 2007. Additionally, it is not clear how amounts paid to the County Treasurer for fees were determined, as monthly reports were not prepared to document how total fees were calculated.

Timely disbursements of restitution and fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner. Further, Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

- E. Court ordered restitution payments received are not consistently documented in the defendant's case file. We noted several instances where deposit records reflect payments were received, but the payments were not posted to the case files and the monies were not paid to the victims. In one instance receipt records show an individual made three separate payments totaling \$550 for delinquent taxes, but only two payments totaling \$350 were sent to the Missouri Department of Revenue.

To ensure all payments received have been posted to the defendants' case files and disbursed to the victims, the Prosecuting Attorney should compare all receipt and deposit records to information posted to case files to ensure all money received is accounted for and made available to the victims.

WE RECOMMEND the Prosecuting Attorney

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Ensure monthly bank reconciliations are performed, complete and accurate open items listings are compiled, and the account balance is reconciled to open items listings monthly. The Prosecuting Attorney should review the transfer of funds made from the former Prosecuting Attorney's bank account and determine if the funds were properly disbursed or if amounts need to be included on the current open items listing.
- C. Review all receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims.
- D. Disburse fees to the County Treasurer monthly and prepare monthly reports of fees to support amounts turned over to the County Treasurer.
- E. Compare restitution receipt and deposit records to information posted to case files and ensure all monies received are accounted for and disbursed to victims.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *The Prosecuting Attorney will open the monthly bank statement and review it before any employee sees it.*
- B. *Monthly bank reconciliations are being performed. The old account is being reviewed to determine if payments were made or not. The account will be closed out entirely if possible.*
- C. *A review is being conducted to determine what amounts have been paid to which victims.*

- D. Fees are being disbursed to the County Treasurer monthly along with a report showing how the amount was calculated.*
- E. A monthly report will be made showing the amount of money taken in and the amount of money disbursed.*

APPENDIX

DOUGLAS COUNTY
PROSECUTING ATTORNEY
APPENDIX

The following schedule shows the deposits and receipts for which cash received was not deposited.

<u>Deposit Date</u>	<u>Receipt Numbers*</u>	<u>Cash Per Receipt Slips</u>	<u>Cash Deposited</u>	<u>Difference</u>
10/12/02007	6989-7018	\$ 2,091	4,027	129
	254632-254651	2,065		
		<u>4,156</u>		
12/26/2007	7019-7093	3,597	3,901	1,740
	254652-254678	2,044		
		<u>5,641</u>		
2/25/2008	7094-7129	1,607	4,291	2,590
	254679-254707	5,274		
		<u>6,881</u>		
			\$	<u><u>4,459</u></u>

* Includes manual and computer generated receipt slip numbers with method of payment identified as cash and receipt slip number 254668 with composition not indicated, but appears to be cash. Adjustments were made for instances identified of payees issued both manual and computer receipt slips. Excludes receipt numbers 6991, 6999, and 7001 dated in September 2007. Receipt number 254644 indicates cash, but composition appears to be both cash and money order.



Susan Montee, CPA
Missouri State Auditor

Pike County



February 2009
Report No. 2009-19

auditor.mo.gov



Office of the
State Auditor of Missouri
Susan Montee, CPA

February 2009

The following findings were included in our audit report on Pike County:

The Sheriff maintains numerous funds outside the county treasury and does not prepare budgets for these funds. Accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and disbursements are in need of improvement. In addition, monthly listings of open items are not prepared, commissary profits are not tracked, and physical inventory counts are in need of improvement. Also, the cost of providing meals to employees has not been analyzed.

Several concerns were noted regarding minutes of open and closed meetings including no minutes and not stating the reason for a closed meeting, not signing minutes, not voting to go out of closed session, and not including sufficient detail in open minutes regarding various purchasing decisions. In addition, minutes were not maintained for meetings held with the Lincoln County Commission.

The County Commission amended the 2006 budgets for two funds after disbursements exceeded the original budgets earlier in the year. The County Clerk does not maintain records of leave and compensatory time balances of the Sheriff's Department, or adequate supporting documentation for the Public Administrator's expense reimbursements. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis and proceeds from the sale of scrap metal are placed in the petty cash fund instead of being transmitted to the County Treasurer. In addition, the Miscellaneous Fund contains a \$908 unidentified balance.

Procedures related to property tax records are in need of improvement. The County Clerk does not maintain an account book with the County Collector and does not prepare or verify the accuracy of the current or delinquent tax books. In addition, the County Collector's annual settlement for the year ended February 28, 2007, contained several errors.

Also included in the report are recommendations related to capital asset records and procedures and computer controls.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

PIKE COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-19
<u>Number</u>	<u>Description</u>
1.	County Commission Minutes5
2.	County Procedures7
3.	Property Tax Records9
4.	Capital Assets.....11
5.	Computer Controls.....13
6.	Sheriff's Accounting Controls and Procedures14
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	20-22

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Pike County

We have audited certain operations of Oregon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Devereux and Krauss, L.L.P, Certified Public Accountant, has been engaged to audit the financial statements of Pike County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Pike County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	Deborah Whitis, CPA
	Connie James
	Nick Hughes

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

PIKE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County Commission Minutes
-----------	----------------------------------

Concerns were noted regarding County Commission minutes of open and closed sessions. In addition, minutes were not maintained for meetings held with the Lincoln County Commission.

A. The following problems were noted with minutes for closed sessions:

- Minutes were not maintained for the closed session held on September 27, 2007. The open session minutes for that day indicate the meeting was closed to discuss a real estate transaction. In addition, the February 11, 2008, open session minutes do not state why the County Commission entered into closed session. The closed session minutes indicate the County Commission discussed a personnel issue.
- Minutes were not signed for the August 16, 2007, and August 20, 2007, closed sessions.
- The County Commission did not vote to go out of closed session on August 16, 2007.

The Sunshine Law, Chapter 610, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, the Sunshine Law requires the County Commission to announce publicly the reasons for going into closed session.

Also, all minutes should be signed by the County Clerk and the County Commission to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

B. Minutes were not maintained for meetings with the Lincoln County Commission. In 2007, an agreement was made between the Pike County and Lincoln County Commissions to hire a highway engineer that would work for both counties. While an engineer was never hired, the commissioners from both counties met numerous times to discuss the issue; however, minutes were not maintained for these meetings.

The Sunshine Law provides that any meeting of a public governmental body at which any public business is discussed or decided, or public policy is formulated is subject to the provisions of the open meetings law, which includes the requirement to prepare minutes. Complete and accurate minutes of the County

Commission's meetings are necessary to retain a record of the business conducted by the commission and to show approval or disapproval of the issues discussed at the meetings.

- C. Some commission meeting minutes do not include sufficient detail of matters discussed or actions taken. Some bid amounts are not listed, which creates uncertainty as to whether the lowest and best bid was accepted. Also, the minutes did not document that a sole source provider was used for a new console for the 911 system or for work performed on the county courthouse's antique doors. The county disbursed \$6,000 for the console and \$13,500 for the work on the antique doors. In addition, the minutes sometimes contain inaccurate information, such as incorrect amounts distributed to local organizations from a grant.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure full compliance with all provisions of Chapter 610, RSMo, regarding public votes and closed sessions. In addition, the County Commission should ensure the minutes for all closed sessions are signed by the County Clerk and the County Commission.
- B. Ensure minutes for all commission meetings are maintained.
- C. Ensure minutes list bid details when approving bids, including sole source providers, and provide details of discussions that take place during meetings.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *This recommendation has already been implemented. The instances cited were isolated incidents and not typical of our procedures.*

B&C. These recommendations will be implemented.

The County Commission amended the 2006 budgets for two funds after disbursements exceeded the original budgets earlier in the year. The County Clerk does not maintain records of leave and compensatory time balances of the Sheriff's Department or adequate supporting documentation for the Public Administrator's expense reimbursements. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis. In addition, the Miscellaneous Fund contains a \$908 unidentified balance.

- A. On December 19, 2006, the County Commission amended the budgets for the Help America Vote Act and the Pike County Family Farm Revolving Loan Funds increasing disbursements by \$182,660 and \$100,000, respectively. However, disbursements exceeded the original budget approximately four months prior to the amendment. Amendments made after disbursements have been made do not allow for the budget to be used as an effective management tool.

Case law provides that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- B. Centralized records of vacation leave, sick leave, and compensatory time balances of Sheriff's Department employees are not maintained by the County Clerk. The Sheriff's Department maintains separate records of employee leave and compensatory time balances.

Centralized records are needed to ensure that employees are meeting expectations of county employment, policies are uniformly followed, and potential leave and/or compensatory time liabilities are monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act.

- C. Adequate supporting documentation was not maintained for some expense reimbursements to the Public Administrator. The Public Administrator is reimbursed for charges incurred on her personal telephones for county related business. However, phone bills are not on file in the County Clerk's office; only hand written calculations showing how much should be reimbursed are on file. In addition, reimbursement requests are not submitted by the Public Administrator in a timely manner. For example, eight months of expenses were submitted to the County Clerk in January 2007. County policy establishes reimbursement requests are to be submitted no later than quarterly.

All disbursements should be supported by paid receipts or vendor invoices to ensure the work is complete, goods are received, and the disbursements represent appropriate use of public funds. In addition, to ensure compliance with county policy, reimbursement requests should be submitted no later than quarterly.

A similar condition was noted in our prior report.

- D. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis. The department supervisor is authorized to have a \$500 petty cash fund. Proceeds from the sale of scrap metal are placed in the fund instead of being transmitted to the County Treasurer. As a result, the fund had a balance greater than \$500 from February 2008 to August 2008, with the highest balance being \$2,196 on February 12, 2008. The County Commission is unaware of how much is spent and what is purchased since documentation is not submitted.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, any monies collected by the department should be transmitted to the County Treasurer in a timely manner.

- E. The county's Miscellaneous Fund contains an unidentified balance of \$908, which has been in the fund for more than five years. The County Treasurer should attempt to identify the amounts which have remained unidentified and distribute the monies in accordance with state statute. Various statutory provisions including Section 447.500 through 447.595, RSMo, provide for the disposition of unclaimed and unidentified monies.

WE RECOMMEND the County Commission:

- A. Ensure budget amendments are made prior to incurring the actual expenditures.
- B. Ensure the County Clerk maintains centralized leave records for all county employees.
- C. Ensure the County Clerk maintains vendor invoices or other adequate supporting documentation for all disbursements. In addition, the County Commission should ensure all reimbursement requests are submitted in a timely manner and in compliance with county policy.
- D. Ensure the Road and Bridge Department's petty cash fund is maintained on an imprest basis and monies collected by the department are transmitted to the County Treasurer in a timely manner.

- E. Work with the County Treasurer to identify the unidentified balance in the Miscellaneous Fund. Any monies remaining unidentified and unclaimed should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A,D

&E. These recommendations will be implemented.

B. The Sheriff's Department will begin submitting monthly reports of leave balances.

C. Supporting documentation is now maintained. The Public Administration is not reimbursed if she does not submit her expenses quarterly in accordance with county policy.

The County Treasurer provided the following response:

E This recommendation will be implemented.

3. Property Tax Records

Procedures related to property tax records are in need of improvement. The County Clerk does not maintain an account book with the County Collector and does not prepare or verify the accuracy of the current or delinquent tax books. In addition, the County Collector's annual settlement for the year ended February 28, 2007, contained several errors.

- A. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors went undetected as noted in Part C below.

Section 51.150 (2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other record which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

- B. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector enters the tax rates which are obtained from the County Clerk, and also extends and prints the current and delinquent tax books. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

- C. Total distributions exceeded total collections by approximately \$428,000 on the County Collector's annual settlement for the year ended February 28, 2007. The difference is primarily due to approximately \$466,800 in previously protested taxes which were settled and distributed but misclassified on the annual settlement. In addition, a refund of approximately \$38,800 related to the settlement of the protested taxes was omitted from total distributions and contributed to the difference between total distributions and total collections.

Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism of accounting for all monies the County Collector was charged with collecting. In addition, Section 139.160, RSMo, requires the County Collector to "...settle his accounts of all monies received by him on account of taxes and other sources of revenue...". By incorrectly reporting collections and distributions, the County Collector had not provided the County Commission with an accurate and complete settlement.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector in accordance with state law.
- B. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- C. The County Collector ensure settlements are complete and accurate. In addition, the County Commission and County Clerk should review the County Collector's annual settlement to ensure it is complete and accurate.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *This recommendation has been implemented.*
- B. *My office will enter the tax rates from now on and we have already started verifying the accuracy of the tax books.*

The County Commission and the County Clerk provided the following response:

- C. *This recommendation will be implemented.*

The County Collector provided the following response:

- C. *I will ensure settlements are complete and accurate in the future.*

4. Capital Assets

County capital asset records and procedures are in need of improvement. The county's property records and physical inventory procedures are not adequate and mileage logs are not maintained for three county vehicles.

- A. The capital asset records are not adequately updated and capital assets are not properly tagged or otherwise identified as county property. In addition, some disposition information such as dates, amounts, and method of disposal are not recorded in the capital asset records. Each year the County Clerk sends a memo to all county departments requesting them to perform inspections and physical inventories, and submit inventory reports to document these efforts. While the County Clerk receives inventory reports from each department, numerous reports are not accurate, and no procedures are in place to reconcile asset additions to the inventory records. A review of capital asset purchases from 2007 and 2006 revealed some assets were not added to the capital asset records by the end of 2007. Motor graders and a dump truck for the Road and Bridge Department and a patrol car for the Sheriff's Department were purchased but not added to capital asset records.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. An explanation of material changes from the previous inventory is to be attached to the department inventory reports.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for

determining proper insurance coverage. The comparison of periodic inventories to overall county capital asset records and reconciliation to assets purchased could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets.

- B. While information is maintained to support the fuel usage of most county owned vehicles, the county does not require mileage logs to be prepared for two vehicles used by the County Commission or a vehicle used by the Juvenile Office.

Without adequate mileage logs, the county cannot effectively monitor that vehicles are used for official business only, maintenance costs for vehicles are reasonable, and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate, 1) whether alternative methods for providing transportation (such as reimbursing mileage for use of a personal vehicle) might result in lower costs, 2) the optimal number of county vehicles needed, and 3) when vehicles need to be replaced.

Vehicle mileage logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating cost information. These logs should be reviewed by the County Clerk and County Commission to ensure vehicles are used only for county business and to evaluate operating costs.

WE RECOMMEND the County Commission:

- A. Work with the various county departments to ensure accurate physical inventory reports are submitted, the capital asset list is complete, additions to the list are tracked and reconciled to capital asset purchases, and dispositions are adequately recorded. In addition, procedures for tagging new capital assets throughout the year should be implemented.
- B. Require mileage logs for all county vehicles and ensure proper reviews of the logs are performed.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We don't feel tags are necessary because most assets already have identifying numbers on them. We will try to ensure the asset list stays up to date.*
- B. *We will consider putting a mileage log in the white vehicle used by all elected officials.*

AUDITOR'S COMMENT

- B. Mileage logs should be maintained for all county vehicles to ensure vehicles are used only for county business.

5. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction. Password procedures and computer security systems are not adequate in some county offices.

- A. Access to computer systems and data is not adequately restricted to only authorized users. Although the County Clerk, County Collector, County Treasurer, Assessor, and Recorder of Deeds require the use of passwords to access their respective computer systems, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs. Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

A similar condition was noted in our prior report.

- B. A security system is not in place in the County Collector's and Assessor's offices to shutdown their computers after a certain period of inactivity. An unauthorized individual could access an unattended computer and have unrestricted access to programs and data files. To help protect computer files, the current security system should be updated to shutdown computers after a certain period of inactivity.

WE RECOMMEND the County Commission:

- A. Work with the County Clerk, County Collector, County Treasurer, Assessor, and Recorder of Deeds to require unique passwords for each employee which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Work with the County Collector and Assessor to update the current computer security system to require their computers to shutdown after a certain period of inactivity.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *This recommendation will be implemented.*
- B. *The implementation of this recommendation will be left up to the Collector and the Assessor.*

The County Clerk and the County Treasurer provided the following response:

- A. *This recommendation will be implemented.*

The Assessor provided the following response:

A&B. I will discuss these recommendations with the computer programmer.

The Recorder of Deeds provided the following response:

- A. *I will discuss this recommendation with the computer programmer.*

The County Collector provided the following responses:

- A. *This recommendation will be implemented.*
- B. *I will discuss this recommendation with the computer programmer.*

6. Sheriff's Accounting Controls and Procedures
--

The Sheriff maintains numerous funds outside the county treasury and does not prepare budgets for these funds. Accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and disbursements are in need of improvement. In addition, monthly listings of open items are not prepared, commissary profits are not tracked, and physical inventory counts are in need of improvement. Also, the cost of providing meals to employees has not been analyzed.

The Sheriff's Department processes monies for conceal and carry permits, civil fees, bonds, grants, boarding and transporting inmates, employee meals from the jail's kitchen, and receipts intended for inmates. Receipts totaled approximately \$400,000 and \$387,000 for the years ended December 31, 2007 and 2006, respectively. Also, the department received and disbursed \$1,064,500 in proceeds from a land sale in 2006.

- A. The Sheriff maintains separate bank accounts for conceal and carry permit fees, DARE receipts, and scholarship donations outside the county treasury. As of December 31, 2007, the Sheriff maintained \$7,553 in the conceal and carry permit

escrow account; \$2,383 in the DARE account; and a total of \$521 in two scholarship accounts. These funds are not budgeted or reported to the County Commission.

Maintaining these funds outside the county treasury circumvents the budget and appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer and future receipts should be transmitted to the County Treasurer. In addition, Section 50.535, RSMo, requires the conceal and carry permit fees to be deposited into a separate interest-bearing fund known as the County Sheriff's Revolving Fund and Sections 50.525 to 50.745, RSMo (the county budget law), require counties to prepare annual budgets for all funds.

- B. Cash custody and recordkeeping duties are not adequately segregated. An office clerk receipts and deposits all monies, and prepares bank reconciliations. The Sheriff does not review any of the financial records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- C. Prenumbered receipt slips are not issued for inmate monies and scholarship donations. While inmate monies are recorded in a log, the name of the person remitting the monies and the method of payment (cash, check, etc.) are not recorded, only the name of the intended inmate. This makes it difficult to agree the log to deposits due to the differences in the names on the log and the names on the checks and money orders. To ensure monies are handled properly, official prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded on the receipt slips, and the composition of the receipt slips issued should be reconciled to the composition of the deposits.
- D. An excessive number of employees are authorized to sign checks from the Inmate Account. Because inmates can be released at any time and the Sheriff prefers to hand inmates a check for their account balance upon release rather than mailing the check, 20 employees are authorized to sign checks. Strong internal controls require limiting the number of authorized signatures. The Sheriff should evaluate the number of authorized signatures and determine a more reasonable number of employees that should be authorized.

- E. The Sheriff has not established procedures to routinely follow up on outstanding checks. At June 30, 2008, 148 checks totaling \$1,487 from three bank accounts were over one year old. The oldest outstanding check dates back to 1994. In addition, the Bond Account contains an unidentified balance of \$710 that has been in the account for over 20 years.

The old outstanding checks and unidentified balance create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time and any unidentified balances in the bank accounts. Old outstanding checks should be voided and reissued to those payees who can readily be located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

- F. Monthly listings of open items (liabilities) are not prepared and agreed to the reconciled Inmate Account cash balance. Department employees indicated they scan inmate balances and assume the balance remaining after individual inmate balances and outstanding checks are accounted for consists of commissary profit. However, records of commissary profit are not maintained, making it difficult to determine the actual amount of profit. The reconciled cash balance at August 8, 2008, was \$4,191 and inmate account balances totaled \$474; however, documentation was not maintained to confirm the remaining \$3,717 is actually commissary profits. In addition, the amount assumed to be profit each month is retained in the bank account outside the county treasury.

Without a record of commissary profits, the Sheriff cannot reconcile liabilities to cash balances to detect possible errors. Monthly reconciliations of liabilities and individual inmate accounts to the reconciled bank balance are necessary to ensure the bank account is in agreement with accounting records and to detect and correct errors on a timely basis. In addition, the commissary profit each month should be transmitted to the County Treasurer. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer.

- G. The petty cash fund is not maintained on an imprest basis. According to a department employee, when the fund gets low, approximately \$150 in purchase receipt slips are submitted to the County Treasurer for reimbursement, resulting in a balance in the \$400 to \$450 range. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.
- H. When a change fund is needed for DARE fundraisers, a check made payable to cash for \$150 is issued from the DARE Account. While supporting documentation is maintained to show the amount deposited back into the account,

to reduce the risk of misuse of funds and improve accountability, the practice of writing checks made payable to cash should be prohibited and instead checks should be made payable to the cash custodian.

- I. The cost of providing meals to employees has not been analyzed to determine if the amount charged adequately recovers all costs. Currently, employees are allowed to purchase meals at the jail for \$1. By establishing a rate that is not based on actual costs to the county, it is possible the county is subsidizing the costs of these meals. To ensure the Sheriff is charging the proper amount to recover all costs, employee meal costs should be analyzed periodically and compared to the amount charged.
- J. Inventory records of inmate commissary items are not adequately maintained and periodic inventory counts are not performed. During a test count on August 28, 2008, 40 cans of root beer and 9 packages of brownies were counted. Inventory records indicated there should have been 26 cans of root beer and 20 packages of brownies on hand. The Sheriff indicated that employees do not update the inventory records each time an item is purchased or sold.

The inventory records should be updated each time an item is purchased or sold to an inmate. In addition, physical inventory counts should be conducted periodically and agreed to the inventory records. Such procedures are needed to lessen the possibility that instances of loss, misuse, or theft of inventory items will occur without being detected.

- K. A listing of winners of prizes and gift cards from various DARE fundraisers is not maintained. For the 2 years ended December 31, 2007, \$465 in prizes and gift cards were purchased and distributed; however, a listing of winners was not maintained to ensure the prizes and gift cards were not distributed to employees. Adequate documentation is necessary to ensure the propriety of these disbursements.

WE RECOMMEND the Sheriff:

- A. Transfer the balances of the DARE and scholarships bank accounts to the County Treasurer. In addition, the Sheriff should ensure conceal and carry permit fees are deposited into a County Sheriff's Revolving Fund in accordance with Section 50.535, RSMo, and budgets are prepared for all funds.
- B. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- C. Issue official prenumbered receipt slips for all monies received. In addition, the method of payment should be recorded and the composition of the receipts should be reconciled to the composition of deposits.

- D. Evaluate the number of employees authorized to sign checks on the Inmate Account and consider limiting the number of authorized signatures.
- E. Establish procedures to routinely follow up on outstanding checks. In addition, the Sheriff should attempt to contact the payees of old outstanding checks and investigate the unidentified balance in the Bond Account. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions.
- F. Prepare listings of open items monthly for the Inmate Account and reconcile the listing to the cash balance. In addition, commissary profits should be tracked and transmitted to the County Treasurer.
- G. Maintain the petty cash fund on an imprest basis.
- H. Discontinue the practice of making checks payable to "cash". If a check needs to be issued to establish a change fund, checks should be made payable to the cash custodian.
- I. Periodically review the costs of employee meals and establish a meal charge which will sufficiently recover costs.
- J. Ensure inventory records are updated each time a commissary item is purchased or sold. In addition, periodic physical inventory counts should be conducted and the results compared with the inventory records. Any differences between the book balances and physical counts should be investigated on a timely basis.
- K. Require adequate supporting documentation for all distributions of prizes and gift cards.

AUDITEE'S RESPONSE

The new Sheriff provided the following responses:

A&G. These recommendations have been implemented.

B. I now sign and date the bank reconciliations. I will also account for the numerical sequence of receipt slips when deposits are made.

C. I will change the inmate log to show who delivers the money. Scholarship donations are now turned over to the treasurer.

D. I will look into reducing the number of authorized signatures.

E. I have begun to implement this recommendation.

- F. I will attempt to improve procedures within the parameters of the current accounting system.*
- H. This recommendation has been implemented. From now on I will request any change funds needed from the Treasurer since she holds the funds.*
- I. I will review the costs as recommended.*
- J. This recommendation will be implemented. The differences noted were at least partially due to employee purchases of commissary goods not being posted to the system.*
- K. This recommendation will be implemented.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

PIKE COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Pike County is a county-organized, third-class county and is part of the Forty-Fifth Judicial Circuit. The county seat is Bowling Green.

Pike County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 18,351 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 129,005,555
Personal property	55,505,392
Railroad and utilities	44,533,944
Total	<u>\$ 229,044,891</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Pike County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement	.0050	None	None	
Road and bridge	.0050	None	None	
Hospital capital improvement	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Dan Miller, Presiding Commissioner		30,410
Curt Mitchell, Associate Commissioner		27,360
Roy J. Sisson, Jr., Associate Commissioner		27,360
Sherry McCarty, Recorder of Deeds		42,536
James Robert Kirkpatrick, County Clerk		42,536
Mark Fisher, Prosecuting Attorney		96,000
Jim Wells, Sheriff		46,000
Patti Crane, County Treasurer		42,536
James E. Turner, County Coroner		14,000
Nina Long, Public Administrator		41,500
Marty Morrison, County Collector, year ended February 29,	44,172	
Donna Prior, County Assessor (1), year ended August 31,		42,098
Marty Wasson, County Surveyor (2)		5,000

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Jerri Harrelson, Circuit Clerk	51,197
David Ash, Associate Circuit Judge	101,090

In December 2003, the county entered a 20-year lease purchase agreement with U.S. Bank, N.A. to pay for a capital improvement project for the county hospital. The terms of the agreement call for the county to lease the real estate to U.S. Bank, N.A. which will provide the funds to pay the cost of the project and then lease the building back to the county with lease payments equal to the amount due to retire the indebtedness. The lease is scheduled to be paid off in the year 2023. The remaining principal and interest due on the lease at December 31, 2007, was \$4,615,000 and \$114,564, respectively. The lease will be paid with proceeds from the one-half cent Hospital Capital Improvement sales tax which took effect on April 1, 2002.



Susan Montee, CPA
Missouri State Auditor

Oregon County



February 2009
Report No. 2009-18

auditor.mo.gov



Office Of The
State Auditor Of Missouri
Susan Montee, CPA

February 2009

The following findings were included in our audit report on Oregon County:

Accounting duties within the Sheriff's office are not adequately segregated and a supervisory review is not performed. Weaknesses and concerns were noted related to the records and procedures for receiving, depositing, and disbursing monies. Civil process fees charged by the Sheriff are inconsistent and do not agree to an established fee schedule, and in some instances do not comply with state law.

The county paid approximately \$128,000 to the Sheriff and his deputies during the 2 years ended December 31, 2007, to reimburse mileage for the use of five personally owned patrol cars. Mileage logs are not maintained adequately. The miles often appear to be estimated and odometer readings are not recorded on the logs. Additionally, the total miles recorded on the patrolling logs usually equal 2,000 miles per month for each officer, which is the maximum amount the county will reimburse. We noted instances where mileage was reimbursed for serving court documents; however, the mileage was not recorded on the log and the court documents were not retained.

The Sheriff's office houses prisoners in the county jail for other political subdivisions and bills the various other entities for these services. The county does not have written agreements regarding the boarding of prisoners. In addition, the Sheriff's office does not have a consistent procedure or maintain an accurate log to ensure all applicable charges are billed. Also, the Sheriff's office does not always provide the Circuit Clerk with the number of prisoner incarceration days to allow the Circuit clerk to submit criminal cost bills to the state.

Procedures related to seized property are in need of improvement. A complete listing of seized property is not maintained by the Sheriff's office, and periodic inventories of property on hand are not conducted. Disposition orders received from the court are not retained and are not always immediately carried out.

Actual disbursements exceeded budgeted amounts for several funds. In addition, the county does not have a formal policy regarding public access to county records.

Procedures and records to account for capital assets are not adequate. Additionally, records of fuel usage for Road and Bridge Department vehicles and equipment are not adequate or reviewed and a complete inventory record of bulk fuel is not maintained.

YELLOW SHEET

Also included in the report are recommendations related to county disbursements, payroll policies and procedures, Senate Bill 40 Board procedures, and accounting controls and procedures of the Associate Division, Prosecuting Attorney, and Senior Citizens Board.

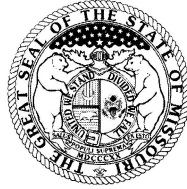
All reports are available on our Web site: auditor.mo.gov

OREGON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-23
<u>Number</u>	<u>Description</u>
1.	Budgets and Public Access Policy5
2.	Capital Asset Records and Procedures6
3.	County Disbursements.....8
4.	Payroll Policies and Procedures.....10
5.	Associate Division's Accounting Controls and Procedures.....11
6.	Prosecuting Attorney's Accounting Controls and Procedures12
7.	Sheriff's Accounting Controls and Procedures14
8.	Senate Bill 40 Board's Procedures20
9.	Senior Citizens Board's Accounting Controls and Procedures21
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	24-26

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Oregon County

We have audited certain operations of Oregon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan CPA, PC, Certified Public Accountant, has been engaged to audit the financial statements of Oregon County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Oregon County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Norma Payne
Audit Staff:	Janielle Arens
	Nathaniel Fast

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OREGON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Budgets and Public Access Policy
-----------	---

Actual disbursements exceeded budgeted amounts for several funds. In addition, the county does not have a formal policy regarding public access to county records.

A. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2007	2006
River Forest Patrol	N/A	\$1,496
Recorder User Fees	\$16,186	N/A
Prosecuting Attorney Bad Check	N/A	377
Election	N/A	1,115
Forest Service Title III	N/A	1,862
HAVA Election	14,178	N/A

The County Clerk provides each official with a detailed report of account activity each month and urges officials to monitor the percentage of the budget that has been used. If the percentage remaining will not be adequate to cover known expenses, the official is supposed to notify the County Clerk that an amendment is needed. While budget to actual data is provided to the various county officials, the county's procedures and reports are not resulting in effective monitoring of various budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

B. The county does not have a formal policy regarding public access to county records.

A formal policy regarding access to county records would establish guidelines for the county to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making county records available to the public.

WE RECOMMEND the County Commission:

- A. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- B. Establish a records policy to ensure compliance with the Sunshine Law. This policy should include the need for a records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Clerk will try to amend the budgets as needed.*
- B. *We will establish a records policy.*

2. Capital Asset Records and Procedures
--

Procedures and records to account for capital assets are not adequate. The County Clerk has no procedures to identify property purchases and dispositions throughout the year. Property tags are not placed on some capital assets, capital asset records do not contain accurate or sufficient details, and physical inventories are not always performed. Additionally, records of fuel usage for Road and Bridge Department vehicles and equipment are not adequate or reviewed and a complete inventory record of bulk fuel is not maintained.

- A. The County Clerk maintains capital asset records but has no procedures to identify property purchases and dispositions throughout the year. Each year he sends a listing of capital assets to all county departments requesting they perform inspections and physical inventories and submit the listings to the County Clerk to document these efforts. In addition, capital assets are not always tagged as county property and capital asset records are not accurate and complete. Amounts recorded on the inventory listing did not always agree to invoice amounts. Capital asset records did not always contain pertinent details of the property, such as the cost of the item, the serial number, and the date and method of disposal.

Also, physical inventories were not always performed, documented, and submitted to the County Clerk. While some departments indicated they performed physical inventories, there was no documentation the inventories had been performed.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital asset records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

- B. The Road and Bridge Department does not have adequate records and monitoring procedures regarding the use of vehicles and equipment. In addition, a complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained. During the 2 years ended December 31, 2007, the county expended approximately \$157,000 for fuel and oil for 11 vehicles and pieces of equipment, such as graders and tractors, used by the Road and Bridge Department. Employees dispense fuel into equipment and vehicles from fuel tanks located at various sites in the county.
- Although daily activity reports are maintained by the Road and Bridge employees which indicate the work performed and the expenses incurred, the logs do not contain complete usage documentation. The daily activity reports do not always indicate information such as the number of gallons pumped, the odometer readings, and the vehicle or equipment used. In addition, the daily activity reports are not reviewed by the County Commission and are not reconciled to the invoices received by the county when the vendor fills the bulk fuel tanks.
 - A complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained and reconciled to usage documentation. The failure to perform proper reconciliations increases the possibility that improper billing amounts will be paid and the risk that theft or misuse of fuel could occur and not be detected.

Complete fuel inventory records and usage logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel usage and disbursements, vehicle and equipment usage logs should be maintained and periodically reviewed and fuel usage recorded on the logs should be reconciled to the fuel purchased and on hand. Failure to account for fuel usage could result in theft or misuse. Vehicle and equipment usage logs should include the date, vehicle or equipment operator, vehicle or equipment used, and the purpose and duration of the property's use.

Additionally, the daily beginning and ending odometer readings, destination of each trip, and gallons of fuel pumped should be recorded when applicable.

A condition similar to A was also noted in our prior report.

WE RECOMMEND:

- A. The County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted, a procedure is implemented for tagging and tracking property purchases throughout the year, and discrepancies identified during the annual physical inventory process are followed up on.
- B. The County Commission ensure the Road and Bridge Department maintains complete fuel inventory records and usage logs for all county vehicles and equipment and ensure proper reviews and reconciliations are performed.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

- A. *I will implement a procedure to tag and track all property purchases over \$1,000 as they occur. Each year, the departments will do a physical inventory and reconcile it to my records.*

The County Commission provided the following response:

- B. *We will follow this recommendation.*

3. County Disbursements

Monthly expense forms completed by commissioners did not always contain adequate documentation to support mileage reimbursements. In addition, the county did not enter into formal written agreements defining services to be provided and benefits to be received.

- A. Mileage reimbursements paid to the three county commissioners totaled approximately \$17,000 annually during 2007 and 2006. The commissioners are reimbursed for miles traveled in personal vehicles to inspect the work of Road and Bridge Department employees and to attend commission meetings. However, the monthly expense forms completed by the commissioners did not always contain adequate documentation to support the amounts reimbursed. Some of the expense forms reviewed did not include the date of the travel or destination. Often, the commissioners do not indicate a purpose for mileage claimed. As an example, one commissioner claimed 26 miles for a commission meeting and 20 miles to go to the courthouse on the same day. Commission meetings are held at

the courthouse. It was unclear from the documentation provided why it was necessary for the commissioner to go to the courthouse twice on the same day, and why the mileage amounts were different.

Section 50.333.10, RSMo, allows the county to reimburse county officials and employees for each mile actually traveled in the performance of their official duties. Additionally, the County Commission may elect to pay a mileage allowance for any county commissioner for travel going to and returning from the place of holding commission meetings and for all other necessary travel on official county business in the personal motor vehicle of the commissioner presenting the claim. Proper documentation should include the date, purpose, destination, and actual mileage traveled.

B. The county did not enter into formal written agreements defining services to be provided and benefits to be received.

- The county has not entered into written agreements for the housing of prisoners from other political subdivisions in the county jail and the housing of county prisoners in the city jail.
- A local restaurant provides meals for the prisoners housed in the county's jail and the county does not have a written agreement with the restaurant. During the 2 years ended December 31, 2007, the county disbursed approximately \$30,000 for prisoner meals.
- The county receives \$493 each year from the sale of calendars for the Sheriff's office and does not have a written agreement with the company that sells the calendars.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation to be provided. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the County Commission:

- A. Provide adequate documentation for all mileage reimbursements.
- B. Enter into written agreements that clearly detail the services to be performed and the compensation to be paid or benefits received.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. We have implemented this recommendation.*
- B. We will implement this recommendation.*

4. Payroll Policies and Procedures

The county does not always adhere to its personnel policies and procedures manual regarding timesheets and sick leave paid to terminated employees. In addition, the County Clerk's office does not maintain records of compensatory time earned or subsequently taken by Sheriff's office employees.

- A. Although the county's personnel policy requires employee timesheets be reviewed and approved by each employee's supervisor, Road and Bridge Department timesheets are not signed by the appropriate supervisor.

Improved oversight of the payroll process by supervisors is necessary to detect unexplained discrepancies, errors, and inconsistencies. Timesheets should be prepared by the employee, approved by the applicable supervisor, and filed with the County Clerk.

- B. Centralized records of compensatory time are not maintained by the County Clerk for Sheriff's office employees. Each Sheriff's office employee is responsible for maintaining records of their own compensatory time. Some employees do not maintain adequate records, and many employees do not maintain any records. In addition, the Sheriff does not review compensatory time records.

Improved oversight of the payroll process by the County Clerk is necessary and could be better accomplished, at least in part, by establishing centralized compensatory time records. Unexplained discrepancies, errors, and inconsistencies are more likely to occur given the county's decentralized payroll procedures. Without centralized records, the County Commission cannot ensure compensatory time records are accurate, all employees are treated equitably, and leave time used does not exceed leave time earned and accumulated. Centralized records aid in determining final pay for employees leaving county employment or in the event disputes arise and in demonstrating compliance with the Fair Labor Standards Act.

- C. Although the county's personnel manual allows employees to receive pay for half of their accrued sick leave upon termination, one employee was allowed to take all of her sick leave, totaling 47.5 hours, after notifying her supervisor she was quitting. Adherence to the personnel manual ensures that the county complies

with its approved policies and procedures and county employees are treated equitably.

WE RECOMMEND the County Commission:

- A. Ensure employee timesheets are signed by applicable supervisors indicating they have been reviewed for accuracy and approved for payment.
- B. Require the County Clerk to maintain centralized records of compensatory time earned, taken, and paid for all county employees. In addition, the County Commission should ensure all compensatory time is approved by the appropriate supervisor.
- C. Ensure terminated employees are paid according to the county's personnel manual.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will sign the monthly time summaries for Road and Bridge employees.*
- B. *The County Clerk will work with the new Sheriff to establish a procedure for compensatory time.*
- C. *The County Clerk paid the salary based upon the timesheet that was approved by the officeholder.*

5. Associate Division's Accounting Controls and Procedures

Accounting duties are not adequately segregated and proper supervisory reviews are not performed. Both clerks share the duties of receiving and depositing monies and one clerk disburses monies and prepares bank reconciliations. There is no documentation that an independent review of deposits and accounting records is performed.

Internal controls would be improved by segregating the functions of receiving and depositing court monies from that of recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the Associate Division segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following written response:

As you know, this division has only two clerks, both of whom are part-time and limited to thirty-five hours each week. That has made segregation of accounting duties almost impossible. One clerk cannot do all of the receipting involved in criminal, municipal, civil and probate cases since one clerk is not always in the office.

Right now, deposits are made on a daily basis by whichever clerk has the time to do so. In an attempt to satisfy as best we can the auditor's requests, we met with the auditor who performed the audit and are doing the following: When daily deposits are made by one clerk, the other clerk reviews the deposit book, monies, and JIS reports to verify both the amount and the types of receipts shown on the JIS reports. That clerk then initials the cashier reports corresponding with the deposit. If the reviewing clerk is not available to do so on the day the deposit is made, she does the review on her next working day, verifies, and initials it.

Distributions of funds in the probate and civil cases are set up by one clerk, with the other actually issuing the checks. Criminal and municipal funds are primarily issued at the end of the month and are automatically set up for payout by JIS when a clerk does the month end reports.

I now review the bank reconciliation, bank statement, open items detail listing, CAPCED (in final), CZRTRAL, outstanding check listing and daily cashier reports as time allows, initialing the bank reconciliation following each review.

6. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney waived bad check fees totaling \$530 for 11 bad check complaints filed against a former employee of the Prosecuting Attorney's office and did not file court charges for bad checks written by the employee. In addition, the composition of receipt slips issued is not reconciled to the composition of deposits.

- A. The Prosecuting Attorney waived bad check fees totaling \$530 for 11 bad check complaints filed against a former employee of the Prosecuting Attorney's office. Write-off adjustments were made to the Prosecuting Attorney's computer system to remove these fees from the system; however, the reason for the write-offs was not documented. Although Section 570.120, RSMo, allows the Prosecuting Attorney to collect a handling fee for bad check restitutions, no handling fees were collected from the former employee.
- B. The Prosecuting Attorney did not file court charges for bad checks written by the former employee. For example, the Prosecuting Attorney received a bad check issued by the former employee from a local vendor on October 22, 2006, and his office did not issue a 10 day letter until December 21, 2006, requesting payment

by January 4, 2007. No charges were filed against the bad check writer and payment was finally made on August 10, 2007.

The Prosecuting Attorney should ensure 10 day letters are sent timely. If payment is not received within the required ten days, bad check complaints should be filed with the court on a timely basis. Section 556.036, RSMo, indicates that the statute of limitations expires on misdemeanor offenses (bad checks written) after one year, and subsequently, the Prosecuting Attorney loses the authority to collect the bad checks for the merchant.

- C. The composition of receipt slips issued is not reconciled to the composition of deposits. For one deposit reviewed, we identified a discrepancy between the cash and check amounts recorded on the cash receipts journal and the bank deposit slip. Information obtained from the bank indicated a \$200 money order was received; however, the amount was recorded as cash on the cash receipts journal. To ensure that receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

WE RECOMMEND the Prosecuting Attorney:

- A. Collect bad check fees in accordance with state law. If fees are waived, the reasons for waiving the fee should be clearly documented.
- B. Ensure 10 day letters are sent and charges are filed with the Circuit Clerk in a timely manner.
- C. Reconcile the composition of receipt slips issued to the composition of deposits.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The fees were waived at the request of the bank and the borrower that were processing a loan to settle the bad checks. This is not uncommon when fees equal 25 percent of what is owed on the checks. The merchants were paid in full.*
- B. *Ten day letters are not sent when client communication has taken place between my office and the check writer and assurances have been given that checks would be taken care of. We monitor the status of the checks and the statute of limitations. Because the individual worked for me, I didn't feel I could file charges and prosecute her without a bar complaint being filed for conflict of interest. I attempted to get the Attorney General's Office involved, but they wouldn't do anything unless it was a felony.*
- C. *We will implement this recommendation.*

Accounting duties within the Sheriff's office are not adequately segregated and a supervisory review is not performed. Weaknesses and concerns were noted related to the records and procedures for receiving, depositing, and disbursing monies, charging civil fees, maintaining mileage logs, identifying and pursuing accrued costs, and billing for the boarding of prisoners. In addition, procedures related to seized property are in need of improvement. The Sheriff's office processed monies for civil and criminal fees, bonds, and other miscellaneous receipts totaling approximately \$40,000 annually for the years ended December 31, 2007 and 2006.

- A. Accounting duties have not been adequately segregated in the Sheriff's office. The secretary is responsible for recording receipts, preparing deposits, making disbursements, and performing bank reconciliations. Monies are collected by the secretary or dispatchers, who issue prenumbered receipt slips and place the monies in a money bag until deposited. The secretary then disburses these monies to the appropriate entity. No one performs a supervisory review of the secretary's work.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent reviews should be established.

- B. Receipts are not always deposited intact or in a timely manner. In addition, checks and money orders received are not always endorsed immediately upon receipt and the composition of receipt slips issued is not reconciled to the composition of deposits. Deposits are generally made two to three times a month. During the month of December 2007, deposits averaged \$893.

For two deposits reviewed, there were discrepancies between the amounts recorded in the receipt records and the bank deposit slips. In one instance, a deposit was made on March 28, 2007, totaling \$599 and the related receipt records totaled \$689. We determined \$80 was disbursed to the Associate Division in cash, but could not determine the disposition of a \$10 check recorded in the receipt records. In another instance, the receipt records indicated five \$30 checks were received from one law firm related to five different cases. However, only four of the checks were included in the deposit.

To ensure all monies are properly accounted for and to adequately safeguard receipts, checks and money orders received should be endorsed immediately upon

receipt, deposits should be made intact on a timely basis, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

- C. The Sheriff's office collects cash bonds and transmits the monies to the courts without adequate documentation of the transmittal. For example, two \$40 cash bonds were receipted on March 22, 2007, and transmitted to the Associate Division the same day. However, the Sheriff's office did not obtain and/or retain a receipt slip from the Associate Division to document that the cash had been transmitted to the court. To reduce the risk of loss, theft, or misuse of cash bonds, the Sheriff's office should obtain and retain receipt slips for all bonds transmitted to the courts.
- D. The Sheriff's office does not disburse civil process fees to the County Treasurer in a timely manner. November 2007 fees were not disbursed until January 31, 2008, and December 2007 fees were not disbursed until February 25, 2008.

Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

- E. The Sheriff's office collects civil process fees for serving summonses, garnishments, and subpoenas as ordered by the courts. However, the fees charged by the Sheriff are inconsistent and do not agree to an established fee schedule, and in some instances do not comply with state law. The last fee schedule maintained by the Sheriff's office was dated June 1, 1989, and does not agree with current law. We noted 7 instances where \$15 was charged to serve a garnishment and 16 instances where \$10 was charged to serve a summons. In another instance, a summons was served and no fee was charged.

Section 57.280 RSMo, states the Sheriff shall receive a \$20 fee for serving a summons, writ or other order of court in connection with any civil case, except that the Sheriff shall receive a \$10 fee for serving a subpoena. Establishing a fee schedule would help to ensure the correct fee is collected for each service performed.

- F. The county paid approximately \$128,000 to the Sheriff and his deputies during the 2 years ended December 31, 2007, to reimburse mileage for the use of five personally owned patrol cars. Approximately \$21,000 was reimbursed for serving court documents, while the remainder was reimbursed for patrolling the county. The County Clerk's office processes reimbursements for patrolling the county. Civil process mileage is collected by the Sheriff's office or collected by the courts and forwarded to the Sheriff's office. The Sheriff's office reimburses the Sheriff and the deputies for serving court documents. If court documents are served and the mileage is not paid to the courts or the Sheriff's office, the County Clerk's

office reimburses the Sheriff's office for the mileage disbursements made to the officers.

The Sheriff's secretary uses the court documents and information provided by the officers to prepare a log of mileage incurred by each officer to serve papers. In addition, each officer maintains a log that documents patrolling mileage. Although these logs are submitted to the County Clerk for reimbursement monthly, the logs are not accurate and are not reviewed.

- Mileage logs are not maintained adequately. Although the date, vehicle operator, destination, and miles traveled are generally recorded on the monthly logs, the miles often appear to be estimated and odometer readings are not recorded on the logs. For example, most of the patrolling logs record mileage in ten mile increments, such as 120 miles. Additionally, the total miles recorded on the patrolling logs usually equal 2,000 miles per month for each officer, which is the maximum amount the county will reimburse.
- We noted instances where mileage was charged for the same destination 2 or 3 times on the same day. For example, according to the mileage logs, two officers served a summons on the same case to the same address on the same day; however, one officer charged 32 miles while the other officer charged 64 miles.
- We noted instances where mileage was reimbursed for serving court documents; however, the mileage was not recorded on the log and the court documents were not retained by the Sheriff. When reviewing the respective court documents, we noted the officer did not always record the actual miles traveled to serve the paper. For instance, we noted 34 court documents where either a \$20 or \$10 mileage fee was reimbursed to the officer who served the document, although the number of miles was not recorded. Mileage fees for these 34 court documents were received by the Sheriff's office before the papers were served. Because the actual mileage was not recorded, the Sheriff's office could not determine if the fee was under or over paid and therefore, no adjustments were made after the papers were served. In these cases, the mileage paid to the officer was not based on the actual miles traveled, but was the amount that was charged to the case less the civil process fee.
- One officer received \$620 for serving court documents in 2007; however, his name and mileage were not recorded on the appropriate mileage logs.
- Mileage may be reimbursed by the Sheriff before payment is received. For example, a mileage fee was incurred and disbursed in September 2007, however, the fee was not receipted until October 2007.

- One officer was reimbursed \$83 for 172 miles recorded on two mileage logs for a day that the officer did not work according to his timesheet which was approved by the Sheriff.
- Mileage logs are not reviewed by the County Commission; therefore, the reimbursement amounts are not approved.

Logs are necessary to document appropriate use of the vehicles and to support reimbursement charges. The logs should include the date, vehicle operator, purpose and destination of each trip, and the daily beginning and ending odometer readings. These logs should be reviewed by the County Commission and Sheriff to ensure all mileage is recorded and vehicles are properly utilized, and help with cost analysis. Information on the logs should agree with the related court documents and all supporting documentation should be retained.

- G. Adequate procedures have not been established to ensure all accrued costs are adequately identified and pursued. A listing of accrued costs is not maintained and accrued costs are not monitored. The Sheriff's office receives fees and mileage for serving civil papers.

The secretary or Sheriff should review the status of all old cases, and if all costs have not been received, collection of outstanding amounts should be pursued. In addition, the Sheriff should establish written procedures for collecting accrued costs. By not monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue. A complete and accurate listing of accrued costs would allow the Sheriff to more easily review the amounts due to the office.

- H. The Sheriff's office houses prisoners in the county jail for other political subdivisions and bills the various other entities for these services. As discussed in MAR finding number 3, the Sheriff's office does not have written agreements regarding the boarding of prisoners. In addition, the Sheriff's office does not have a consistent procedure or maintain an accurate log to ensure all applicable charges are billed. For example, the Sheriff does not bill other states and rarely bills other counties. Additionally, the Sheriff does not track the billings that are sent to the other political subdivisions and follow up on delinquent bills. If another county is billed and the bill is unpaid, the Sheriff does not submit a second bill to that county.

Section 221.260 RSMo, states in all cases where a person is committed from another county for a criminal offense, the county, prisoner, or state shall pay the expenses in the same manner as if the commitment had been in the county where the offense was committed. An accurate record of amounts billed to and collected from the various entities should be maintained to monitor amounts due and to ensure all outstanding amounts are received in a timely manner.

- I. The Sheriff's office does not always provide the Circuit Clerk with the number of prisoner incarceration days to allow the Circuit Clerk to submit criminal cost bills to the state.

Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo, requires all such bills to be submitted to the state's Office of Administration within 2 years of the date of judgment and sentence.

To ensure that revenues are maximized, the Sheriff's office should implement procedures to track all reimbursable incarceration costs and timely report them to the Circuit Clerk to be submitted as reimbursement claims to the state.

- J. Seized property records and procedures need improvement as follows.

1. A complete listing of seized property is not maintained, and periodic inventories of property on hand are not conducted. A computerized system is used to record seized property by case; however, the Sheriff's office has not determined if the computer system can generate a summary listing. In addition, seized property is recorded on manual case cards. We noted instances where the case card was incomplete, inaccurate, or never prepared. In one instance, the disposition order obtained from the court indicated the seized property was to be returned to the owner; however, the case card indicated the seized property was destroyed.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of stored items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

2. Disposition orders received from the court are not retained by the Sheriff's office. Additionally, disposition orders are not always immediately carried out. In two instances, the disposition order was approved by the Prosecuting Attorney and Judge on January 30, 2008, and the deputies recorded the actual disposition on March 7, 2008. However, in another instance, a receipt slip indicated property was being returned as approved by the Prosecuting Attorney, but the receipt was not signed by the

Prosecuting Attorney and no disposition order was available to support the disposal of property.

Section 542.301(5), RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Disposition orders should be retained to support the proper disposition of all seized property.

A condition similar to B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate the duties of receiving, depositing, recording, and disbursing monies.
- B. Ensure receipts are restrictively endorsed immediately upon receipt and deposit all monies intact in a timely manner. In addition, the Sheriff should reconcile the composition of receipts to the composition of bank deposits.
- C. Obtain and retain receipt slips from the courts to document amounts transmitted.
- D. Distribute fees to the county in a timely manner.
- E. Establish a fee schedule that complies with state law and ensure fees are charged appropriately.
- F. Maintain mileage logs which include the date, vehicle operator, purpose and destination of each trip, and daily beginning and ending odometer readings. The County Commission should review and approve each log submitted for reimbursement monthly.
- G. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- H. Establish records and procedures to ensure all appropriate political subdivisions are billed for the boarding of prisoners, monitor board of prisoner billings, and follow up on delinquent amounts.
- I. Implement procedures to track all reimbursable incarceration costs and timely report them to the Circuit Clerk.
- J.1. Ensure a complete and accurate inventory listing of all seized property is maintained and updated for both additions and dispositions. In addition, a periodic physical inventory should be performed and reconciled to the inventory listing.

2. Dispose of seized property as ordered and retain disposition orders to support the disposition.

AUDITEES RESPONSE

The new Sheriff provided the following responses:

- A. *I will try to make it a point to review the work myself and document the review.*
 - B. *I will do my best to ensure someone will do that.*
 - C. *I agree.*
 - D. *I will consider asking the courts to submit the fees directly to the County Treasurer. If not, I will ensure the monies are submitted timely.*
 - E. *I will ask the courts if they will collect the monies and I will establish a fee schedule.*
 - F. *I will be establishing new mileage logs that are more specific. The county will be looking into purchasing county vehicles, which will eliminate mileage reimbursements.*
 - G&H. *I will keep documentation and will send bills and follow up on outstanding bills.*
 - I. *I will work with the Circuit Clerk to ensure the criminal costs are billed.*
 - J.1. *I will inventory the seized property and a log will be hanging in the room with the property. Periodic inventories will be conducted. The log will be updated for additions and dispositions.*
2. *This will be implemented.*

The former Sheriff declined to provide responses.

8. Senate Bill 40 Board's Procedures

During 2007 and 2006, the Senate Bill 40 Board paid a total of \$60,000 each year to the Sheltered Workshop, a not-for-profit (NFP) organization. The nine board members of the Senate Bill 40 Board also make up the Sheltered Workshop Board. Meetings are held for both boards at the same time and one set of minutes is prepared.

Because the members of the Senate Bill 40 Board and the Sheltered Workshop Board are the same, there is not a written agreement between the two boards and therefore, the relationship between the boards is not clearly documented. Because board meetings and the related minutes are combined, it is not clear which board is conducting the business documented in the minutes. The combined board approved some disbursements that do

not appear to be appropriate uses of county funds. For example, the board approved Christmas bonuses of \$50 for each employee each year, except that in 2007, the manager, assistant manager, and secretary each received bonuses of \$250. In addition, the board approved a Christmas dinner costing \$280 during 2006 and rented a building to a board member for \$50 a month without a written agreement.

Section 205.970(6), RSMo, allows the Senate Bill 40 Board to contract with a NFP corporation to provide services to handicapped residents of the county. Without a written contract there is less assurance the county board is receiving a reasonable level of services for the consideration paid. In addition, Section 432.070, RSMo, requires that all contracts entered into by the county be in writing, dated, and signed by the contractual parties. A written agreement should be entered into to document the relationship between the two boards.

WE RECOMMEND the Senate Bill 40 Board enter into a written agreement with the Sheltered Workshop Board to document the relationship between the two boards. Minutes of board meetings should be maintained separately to clearly document the actions taken by each board. The board should ensure that related party transactions are handled appropriately and county funds are spent only for appropriate purposes.

AUDITEE'S RESPONSE

The President of the Senate Bill 40 Board and the Assistant Manager of the Sheltered Workshop provided the following response:

An agreement has been drafted between the Senate Bill 40 Board and the Sheltered Workshop Board designating the responsibilities of the Senate Bill 40 Board and the Sheltered Workshop Board. The minutes will be kept separate.

9. Senior Citizens Board's Accounting Controls and Procedures
--

The budget prepared by the Senior Citizens Board did not agree to the accounting records and did not contain appropriate details. The board did not enter into or retain contracts with some not-for-profit (NFP) corporations and the contracts that were retained were not signed by the appropriate parties and did not specify the amount of funding to be provided to the NFP or the length of the contract. In addition, minutes are not signed by the preparer and by a board member to attest to the completeness and accuracy. During 2007 and 2006, the Senior Citizens Board paid a total of \$39,000 and \$37,000, respectively, to several NFP corporations to provide services for senior citizens.

- A. The Senior Citizens Board prepares an annual budget that consists of budget and actual amounts; however, this information does not agree to accounting records and is not detailed. The board did not report monies received from the state and disbursed to a NFP totaling \$1,308 in 2007 and \$378 in 2006. In addition, the board reported the total amount received each year, but did not identify the source

of the receipts. Although the board reported the amounts paid to each NFP each year, administrative disbursements incurred by the board were not included in the total disbursements reported on the budget.

To be of maximum assistance to the Senior Citizens Board and to adequately inform citizens of the board's operations and financial position, budget documents need to be accurate and include proper classifications of receipts and disbursements.

- B. The Senior Citizens Board Treasurer stated the board entered into written contracts with each NFP corporation; however, he could not locate contracts for some NFPs for 2007 and 2006. In addition, the contracts that were located were not signed by the appropriate parties and did not specify the amount of funding to be provided to the NFP or the length of the contract.

Pursuant to Section 432.070, RSMo, the essential terms of a government contract are required to be in writing. Each contract should state the amount to be paid to the NFP corporation, services to be provided by the NFP corporation, and time period of the contract. The contract should be signed by both parties and retained with board records.

- C. Board minutes are not signed by the preparer. In addition, the minutes are not signed by a board member to attest to completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes should be signed by the board members to show the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

Conditions similar to A and B were noted in our report.

WE RECOMMEND the Senior Citizens Board:

- A. Ensure the budget document presents accurate and complete financial information.
- B. Enter into a written contract with each NFP corporation to specify the amount to be paid to the NFP corporation, the services to be provided by the NFP corporation, and the time period of the contract. In addition, the contract should be signed by both parties and retained.
- C. Ensure the minutes are signed by the preparer and a board member to attest to completeness and accuracy.

AUDITEE'S RESPONSE

The Treasurer of the Senior Citizens Board indicated the board would implement these recommendations.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

OREGON COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Oregon County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Alton.

Oregon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 10,344 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	47,681,781
Personal property		24,292,145
Railroad and utilities		7,259,828
Total	\$	<u>79,233,754</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Oregon County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ 0.0050	None	50	%
General	0.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Leo Warren, Presiding Commissioner		24,440
Johnny D. Wrenfrow, Associate Commissioner		22,440
Buddy Wright, Associate Commissioner		22,440
Gary Hensley, County Clerk		34,000
Fred O'Neill, Prosecuting Attorney		41,000
Tim Ward, Sheriff		39,000
Kim Hollis, County Treasurer		34,000
Lyle T. Clary, County Coroner		9,500
Mike Crawford, Public Administrator		34,000
Jerry Richardson, County Collector (1), year ended February 29,	36,123	
Charles Lon Alford, County Assessor (2), year ended August 31,		34,688
Cliff Tuck, County Surveyor (3)		
(1) Includes \$2,123 of commissions earned for collecting city property taxes.		
(2) Includes \$688 annual compensation received from the state.		
(3) Compensation on a fee basis.		
State-Paid Officials:		
Dorothy Barton, Circuit Clerk and Ex Officio Recorder of Deeds		51,197
Jo Beth Prewitt, Associate Circuit Judge		101,090



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Monroe County, Missouri

The Office of the State Auditor, in cooperation with Monroe County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-17

MONROE COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

MONROE COUNTY, MISSOURI

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page</u>
Auditors' Reports:	2-6
Basic Financial Statements, Required Supplementary Information, and Supplementary Schedule of Expenditures of Federal Awards	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon the Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-15
Government-Wide Financial Statements:	8-11
 <u>Exhibit</u>	 <u>Description</u>
	Statement of Net Assets – Cash Basis
A-1	December 31, 2007 8
A-2	December 31, 2006 9
	Statement of Activities – Cash Basis
B-1	Year Ended December 31, 2007 10
B-2	Year Ended December 31, 2006 11
Fund Financial Statements:	12-17
 <u>Exhibit</u>	 <u>Description</u>
	Governmental Funds Balance Sheet – Cash Basis
C-1	December 31, 2007 12
C-2	December 31, 2006 13
	Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances
D-1	Year Ended December 31, 2007 14
D-2	Year Ended December 31, 2006 15
	Statement of Fiduciary Net Assets – Cash Basis
E-1	Year Ended December 31, 2007 16
E-2	Year Ended December 31, 2006 17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-29
Required Supplementary Schedule:	30-44
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2007 and 2006	30-39
Other Supplementary Information:	40-42
<u>Schedule</u>	
2 Schedule of Expenditures of Federal Awards Years Ended December 31, 2007 and 2006	41-42
Note to the Required Supplementary Schedule	43-44
<u>FEDERAL AWARDS – SINGLE AUDIT SECTION</u>	
Auditors’ Report:	45-48
Compliance With Requirements Applicable to Each Major Federal Award Program And On Internal Control Over Compliance in Accordance With OMB Circular A-133	47-48
Schedule:	49-52
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2007 and 2006...	50-52
Section I – Summary of Auditor’s Results	50-51
Section II - Financial Statement Findings	51-52
Section III – Federal Award Findings and Questioned Costs	52
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	53-54

FEDERAL AWARDS

Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	55-56
---	-------

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report – Auditors’ Findings	57-61
Follow-Up on Prior Audit Findings	62-67

FINANCIAL SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C., C.P.A.

**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Monroe County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities – Cash Basis, Governmental Funds Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances -Various Funds of Monroe County, Missouri as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Monroe County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Monroe County, Missouri as of December 31, 2007 and 2006 the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Monroe County Health Center has issued separate reporting entity financial statements. For information on this component unit, please contact the Monroe County Health Center.

As described in Note 1, the basic financial statements of Monroe County, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Monroe County, Missouri as of December 31, 2007 and 2006 and for the years then ended in conformity with the basis of accounting described in Note 1.

As discussed more fully in Note 1, for the years ended December 31, 2007 and 2006, the County implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. The County also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison schedules and other supplementary information on pages 30 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 31, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, referred to in the first paragraph, taken as a whole. The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards are the responsibility of the County. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered, in relation to the basic financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

Devereux & Krauss, LLP

July 31, 2008

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C., C.P.A.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Monroe County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Fund Balance Sheets-Cash Basis, and Governmental funds Statements of Receipts, Disbursements, and Changes in Cash Balances-Cash Basis of Monroe County, Missouri as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County, Missouri's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement in the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs item 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Monroe County, Missouri, are free of material misstatements, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 07-1.

We also noted certain other matters which are described in the accompanying Management Advisory Report.

The County's responses to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

July 31, 2008

Basic Financial Statements

FINANCIAL SECTION

MONROE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 803,194
Cash and cash equivalents - restricted	<u>604,013</u>
TOTAL ASSETS	<u>\$ 1,407,207</u>
NET ASSETS	
Unrestricted general fund	\$ 232,204
Unrestricted reported in non-major funds	168,441
Restricted special revenue funds	<u>1,006,562</u>
TOTAL NET ASSETS	<u>\$ 1,407,207</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 773,897
Cash and cash equivalents - restricted	<u>564,462</u>
TOTAL ASSETS	<u>\$ 1,338,359</u>
NET ASSETS	
Unrestricted general fund	\$ 238,422
Unrestricted reported in non-major funds	156,603
Restricted special revenue funds	<u>943,334</u>
TOTAL NET ASSETS	<u>\$ 1,338,359</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 589,564	\$ 232,271	\$ 489,002	\$ 131,709
Financial administration	134,823	-	-	(134,823)
Property valuation and recording	70,402	-	-	(70,402)
Administration of justice and law enforcement	1,015,682	-	-	(1,015,682)
Special services	-	15,262	-	15,262
Maintenance of roads	1,601,016	-	1,298,028	(302,988)
Transfers	183,036	-	183,036	-
Other	231,534	-	163,701	(67,833)
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>3,826,057</u>	\$ <u>247,533</u>	\$ <u>2,133,767</u>	\$ <u>(1,444,757)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 598,133
Sales and use taxes				558,083
Interest				91,865
Other				<u>265,524</u>
Total General Receipts				\$ <u>1,513,605</u>
Change in Cash Balances				\$ 68,848
NET ASSETS, JANUARY 1				<u>1,338,359</u>
NET ASSETS, DECEMBER 31				\$ <u><u>1,407,207</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 719,770	\$ 247,427	\$ 289,806	\$ (182,537)
Financial administration	117,143	-	-	(117,143)
Property valuation and recording	59,268	-	-	(59,268)
Administration of justice and law enforcement	761,762	-	-	(761,762)
Special services	-	12,603	-	12,603
Maintenance of roads	1,554,893	-	1,169,262	(385,631)
Transfers	319,356	-	319,356	-
Other	816,462	-	170,392	(646,070)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,348,654	\$ 260,030	\$ 1,948,816	\$ (2,139,808)
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 621,252
Sales and use taxes				552,383
Interest				66,656
Other				905,882
Total General Receipts				\$ 2,146,173
Change in Cash Balances				\$ 6,365
NET ASSETS, JANUARY 1				1,331,994
NET ASSETS, DECEMBER 31				\$ 1,338,359

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Mark Twain Reservoir	Pleasant View Economic Development	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 232,204	\$ 324,979	\$ 41,519	\$ -	\$ 36,051	\$ 168,441	\$ 803,194
Cash and cash equivalents - restricted	-	-	-	604,013	-	-	604,013
TOTAL ASSETS	<u>\$ 232,204</u>	<u>\$ 324,979</u>	<u>\$ 41,519</u>	<u>\$ 604,013</u>	<u>\$ 36,051</u>	<u>\$ 168,441</u>	<u>\$ 1,407,207</u>
FUND BALANCES							
Unreserved	\$ 232,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,204
Unreserved reported in non-major funds	-	-	-	-	-	168,441	168,441
Unreserved special revenue funds	-	324,979	41,519	604,013	36,051	-	1,006,562
TOTAL FUND BALANCES	<u>\$ 232,204</u>	<u>\$ 324,979</u>	<u>\$ 41,519</u>	<u>\$ 604,013</u>	<u>\$ 36,051</u>	<u>\$ 168,441</u>	<u>\$ 1,407,207</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2006

	General Revenue	Special Road and Bridge	Assessment	Mark Twain Reservoir	Pleasant View Economic Development	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 238,422	\$ 298,860	\$ 25,367	\$ -	\$ 54,645	\$ 156,603	\$ 773,897
Cash and cash equivalents - restricted	-	-	-	564,462	-	-	564,462
TOTAL ASSETS	\$ 238,422	\$ 298,860	\$ 25,367	\$ 564,462	\$ 54,645	\$ 156,603	\$ 1,338,359
FUND BALANCES							
Unreserved	\$ 238,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,422
Unreserved reported in non-major funds	-	-	-	-	-	156,603	156,603
Unreserved special revenue funds	-	298,860	25,367	564,462	54,645	-	943,334
TOTAL FUND BALANCES	\$ 238,422	\$ 298,860	\$ 25,367	\$ 564,462	\$ 54,645	\$ 156,603	\$ 1,338,359

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Mark Twain Reservoir	Pleasant View Economic Development	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 277,481	\$ 215,765	\$ -	\$ -	\$ -	\$ 104,887	\$ 598,133
Sales and use taxes	558,083	-	-	-	-	-	558,083
Intergovernmental	489,002	1,298,028	130,118	-	-	33,583	1,950,731
Charges for services	232,271	-	-	-	-	15,262	247,533
Interest	24,920	21,161	3,048	25,243	3,614	13,879	91,865
Other	113,308	22,410	1,285	100,000	12,052	16,469	265,524
Total Receipts	<u>\$ 1,695,065</u>	<u>\$ 1,557,364</u>	<u>\$ 134,451</u>	<u>\$ 125,243</u>	<u>\$ 15,666</u>	<u>\$ 184,080</u>	<u>\$ 3,711,869</u>
DISBURSEMENTS							
General county government	\$ 468,435	\$ -	\$ 118,299	\$ -	\$ -	\$ -	\$ 586,734
Financial administration	132,881	-	-	-	-	1,942	134,823
Property valuation and recording	65,376	-	-	-	-	5,026	70,402
Administration of justice and enforcement	966,599	-	-	-	-	49,084	1,015,683
Maintenance of roads	-	1,570,324	-	30,692	-	30,692	1,631,708
Other	-	-	-	100,000	24,260	79,411	203,671
Total Disbursements	<u>\$ 1,633,291</u>	<u>\$ 1,570,324</u>	<u>\$ 118,299</u>	<u>\$ 130,692</u>	<u>\$ 24,260</u>	<u>\$ 166,155</u>	<u>\$ 3,643,021</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 61,774</u>	<u>\$ (12,960)</u>	<u>\$ 16,152</u>	<u>\$ (5,449)</u>	<u>\$ (8,594)</u>	<u>\$ 17,925</u>	<u>\$ 68,848</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 35,022	\$ 93,014	\$ -	\$ 45,000	\$ 10,000	\$ -	\$ 183,036
Transfers out	(103,014)	(53,935)	-	-	(20,000)	(6,087)	(183,036)
Net Other Financing Sources (Uses)	<u>\$ (67,992)</u>	<u>\$ 39,079</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ (10,000)</u>	<u>\$ (6,087)</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	<u>\$ (6,218)</u>	<u>\$ 26,119</u>	<u>\$ 16,152</u>	<u>\$ 39,551</u>	<u>\$ (18,594)</u>	<u>\$ 11,838</u>	<u>\$ 68,848</u>
CASH BALANCES, JANUARY 1	<u>238,422</u>	<u>298,860</u>	<u>25,367</u>	<u>564,462</u>	<u>54,645</u>	<u>156,603</u>	<u>1,338,359</u>
CASH BALANCES, DECEMBER 31	<u>\$ 232,204</u>	<u>\$ 324,979</u>	<u>\$ 41,519</u>	<u>\$ 604,013</u>	<u>\$ 36,051</u>	<u>\$ 168,441</u>	<u>\$ 1,407,207</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2006

	General Revenue	Special Road and Bridge	Assessment	Mark Twain Reservoir	Pleasant View Economic Development	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	\$ 313,639	\$ 214,957	\$ -	\$ -	\$ -	\$ 92,656	\$ 621,252
Sales and use taxes	552,383	-	-	-	-	-	552,383
Intergovernmental	289,806	1,169,262	135,414	-	-	34,978	1,629,460
Charges for services	247,427	-	-	-	-	12,603	260,030
Interest	24,155	20,120	2,031	10,639	1,489	8,222	66,656
Other	116,247	30,143	1,854	622,908	50,813	83,917	905,882
Total Receipts	<u>\$ 1,543,657</u>	<u>\$ 1,434,482</u>	<u>\$ 139,299</u>	<u>\$ 633,547</u>	<u>\$ 52,302</u>	<u>\$ 232,376</u>	<u>\$ 4,035,663</u>
DISBURSEMENTS							
General county government	\$ 517,851	\$ -	\$ 126,308	\$ -	\$ -	\$ 75,611	\$ 719,770
Financial administration	115,490	-	-	-	-	1,653	117,143
Property valuation and recording	57,175	-	-	-	-	2,093	59,268
Administration of justice and enforcement	638,978	-	-	-	-	122,784	761,762
Maintenance of roads	-	1,486,981	-	67,912	-	-	1,554,893
Other	24,691	-	-	599,045	105,298	87,428	816,462
Total Disbursements	<u>\$ 1,354,185</u>	<u>\$ 1,486,981</u>	<u>\$ 126,308</u>	<u>\$ 666,957</u>	<u>\$ 105,298</u>	<u>\$ 289,569</u>	<u>\$ 4,029,298</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 189,472</u>	<u>\$ (52,499)</u>	<u>\$ 12,991</u>	<u>\$ (33,410)</u>	<u>\$ (52,996)</u>	<u>\$ (57,193)</u>	<u>\$ 6,365</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 30,293	\$ 92,063	\$ -	\$ 25,000	\$ 80,000	\$ 92,000	\$ 319,356
Transfers out	(224,063)	(52,271)	-	(40,000)	-	(3,022)	(319,356)
Net Other Financing Sources (Uses)	<u>\$ (193,770)</u>	<u>\$ 39,792</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 80,000</u>	<u>\$ 88,978</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	<u>\$ (4,298)</u>	<u>\$ (12,707)</u>	<u>\$ 12,991</u>	<u>\$ (48,410)</u>	<u>\$ 27,004</u>	<u>\$ 31,785</u>	<u>\$ 6,365</u>
CASH BALANCES, JANUARY 1	<u>242,720</u>	<u>311,567</u>	<u>12,376</u>	<u>612,872</u>	<u>27,641</u>	<u>124,818</u>	<u>1,331,994</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ 238,422</u></u>	<u><u>\$ 298,860</u></u>	<u><u>\$ 25,367</u></u>	<u><u>\$ 564,462</u></u>	<u><u>\$ 54,645</u></u>	<u><u>\$ 156,603</u></u>	<u><u>\$ 1,338,359</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>772,534</u>
TOTAL ASSETS	\$ <u><u>772,534</u></u>
NET ASSETS	
Restricted	\$ <u>772,534</u>
TOTAL NET ASSETS	\$ <u><u>772,534</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2006

ASSETS	
Cash and cash equivalents	\$ <u>791,727</u>
TOTAL ASSETS	\$ <u><u>791,727</u></u>
 NET ASSETS	
Restricted	\$ <u>791,727</u>
TOTAL NET ASSETS	\$ <u><u>791,727</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Monroe, Missouri ("County") is governed by a three-member board of commissioners, established in 1831. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting attorney.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Monroe County, as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Monroe County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County of Monroe, Missouri as of December 31, 2007 and 2006 the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Monroe County, Missouri has been audited by others. For information on these component units, please contact the Monroe County Health Department at (660-327-4657) or write to 310 North Market, Paris, MO 65275.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Monroe County only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Monroe County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Special Road and Bridge Assessment, Mark Twain Reservoir, and Pleasant View Economic Development are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – A special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Assessment Fund – The fund is used to handle all county assessment costs.

Mark Twain Reservoir Fund – The fund is used to handle replacement funds due to the loss of real estate tax lost when Mark Twain Lake was created.

Pleasant View Economic Development Fund – The fund is used for creating economic development.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consist of School Fines and Forfeitures Fund, Mark Twain Reservoir Fund, Cemetery Fund, Criminal Costs Fund, and Financial Institutional Tax Fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Accounting Changes

For the years ended December 31, 2007 and 2006, the County implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the County's financial report. As Note 1.B discusses, the basic financial statements now include government-wide financial statements that report information for the County as a whole and fund financial statements that focus on major funds. However, as Note 1.C discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the basis of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the County's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation were:

	<u>2007</u>	<u>2006</u>
Real Estate	\$66,604,170	\$65,128,960
Personal Property	\$29,286,894	\$29,624,245
Railroad and Utilities	\$13,265,941	\$12,765,303

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2007</u>	<u>2006</u>
General Revenue Fund	.240	.250
Road and Bridge	.282	.2799

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, ibanks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Monroe County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or are legally restricted for a specific purpose.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the DARE Program Fund for the year ended December 31, 2006.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Pleasant View Economic Development Fund	2007
Domestic Violence	2007
Election Machine	2007
Circuit Clerk Interest Account	2007
County Law Enforcement Restitution	2007
Mark Twain Reservoir	2006
DARE Program	2006

Although Section 50.740, RSMo, requires a balanced budget. No funds reported a deficit balance for the years ended December 31, 2007 and 2006.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Various Cemeteries	2007 and 2006
Unclaimed Fees	2007 and 2006
Crisis Center	2007 and 2006
Operation Circuit Court	2007 and 2006
School Fines and Forfeitures	2007 and 2006
Public Funds Special	2007 and 2006
County Employee Retirement	2007 and 2006
Financial Institutional Tax	2007
Criminal Costs	2007 and 2006

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007, the carrying amount of the County's deposits are \$1,407,207, the bank balance was \$1,605,465. At December 31, 2006, the carrying amount of the County's deposits was \$1,338,359, the bank balance was \$1,565,242.

CUSTODIAL CREDIT RISK - DEPOSITS

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007 and 2006, as follows:

	<u>2007 & 2006</u>	<u>2007</u>	<u>2006</u>
	<u>Maturity</u>	<u>Book Balance</u>	<u>Book Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$1,407,207	\$1,338,359
Investments	N/A	<u>0</u>	<u>0</u>
Total Deposits		<u>\$1,407,207</u>	<u>\$1,338,359</u>
Included in the following fund financial statement captions:			
Balance Sheet – Government Funds			
Cash & Cash Equivalents		\$1,407,207	\$1,338,359
Investments		<u>0</u>	<u>0</u>
Total		<u>\$1,407,207</u>	<u>\$1,338,359</u>

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The county's investments are not exposed to custodial credit risk at December 31, 2007 and 2006.

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investment held at December 31, 2007 and 2006 are provided in the above schedules.

Investment Credit Risk

The County does not have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does not have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2007 and 2006 are as follows:

	2007 <u>Transfers In (Out)</u>	2006 <u>Transfers In (Out)</u>
Major Funds		
General Fund	\$ (67,992)	\$(193,770)
Special Road and Bridge	39,079	39,792
Assessment	-0-	-0-
Mark Twain Reservoir	45,000	(15,000)
Pleasant View	(10,000)	80,000
Economic Development	<u>(6,087)</u>	<u>88,978</u>
Non-major Funds		
Total	<u>\$ -0-</u>	<u>\$ -0-</u>

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of \$11,599 for 2007 and \$7,324 for 2006.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 for the year ended December 31, 2007 and \$2,244 for 2006.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The county does not have any material litigation issues for years ended December 31, 2007 and 2006.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at ½ a day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

MONROE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

8. RISK MANAGEMENT (continued)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

9. PROPERTY TAX

Through December 31, 2007, Monroe County collected \$108,406 in excess property taxes. Section 67.505 RSMo, requires the county to reduce property taxes for a percentage of sales tax collected. Monroe County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were reduced for actual sales tax collections.

Required Supplementary Schedule

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,794,446	\$ 3,894,905	\$ 100,459	\$ 4,103,466	\$ 4,355,019	\$ 251,553
DISBURSEMENTS	<u>4,335,498</u>	<u>3,826,057</u>	<u>509,441</u>	<u>4,691,163</u>	<u>4,348,654</u>	<u>342,509</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (541,052)	\$ 68,848	\$ 609,900	\$ (587,697)	\$ 6,365	\$ 594,062
CASH, JANUARY 1	<u>1,338,359</u>	<u>1,338,359</u>	<u>0</u>	<u>1,331,994</u>	<u>1,331,994</u>	<u>0</u>
CASH, DECEMBER 31	<u>\$ 797,307</u>	<u>\$ 1,407,207</u>	<u>\$ 609,900</u>	<u>\$ 744,297</u>	<u>\$ 1,338,359</u>	<u>\$ 594,062</u>
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 267,500	\$ 277,481	\$ 9,981	\$ 306,100	\$ 313,639	\$ 7,539
Sales and use taxes	447,937	465,069	17,132	426,000	460,320	34,320
Intergovernmental	474,938	489,002	14,064	287,683	289,806	2,123
Charges for services	236,100	232,271	(3,829)	246,834	247,427	593
Interest	20,000	24,920	4,920	12,000	24,155	12,155
Other	98,800	113,308	14,508	91,250	116,247	24,997
Other sales and use taxes	93,014	93,014	0	92,000	92,063	63
Transfers in	35,240	35,022	(218)	30,692	30,293	(399)
Total Receipts	<u>\$ 1,673,529</u>	<u>\$ 1,730,087</u>	<u>\$ 56,558</u>	<u>\$ 1,492,559</u>	<u>\$ 1,573,950</u>	<u>\$ 81,391</u>
DISBURSEMENTS						
County commissioner	\$ 106,707	\$ 105,149	\$ 1,558	\$ 104,395	\$ 100,990	\$ 3,405
County clerk	122,136	120,874	1,262	120,070	116,031	4,039
Elections	26,000	15,374	10,626	58,400	37,553	20,847
Buildings and grounds	110,350	78,255	32,095	137,089	120,504	16,585
Employee fringe benefits	2,000	6,496	(4,496)	2,000	0	2,000
County treasurer	48,368	46,923	1,445	37,529	35,384	2,145
County collector	85,407	85,958	(551)	84,766	80,107	4,659
Recorder of deeds	65,489	65,376	113	55,242	57,175	(1,933)
Circuit clerk	33,150	28,333	4,817	33,204	33,407	(203)
Associate circuit court	3,000	1,284	1,716	1,750	952	798
Court administration	7,672	3,694	3,978	6,683	4,854	1,829
Public administrator	25,300	25,170	130	24,257	23,610	647
Sheriff	433,141	427,563	5,578	419,225	423,082	(3,857)
Jail	43,210	77,930	(34,720)	41,950	44,765	(2,815)
Prosecuting attorney	95,674	87,766	7,908	92,611	88,522	4,089
Juvenile officer	47,823	14,504	33,319	48,156	25,767	22,389
County coroner	23,148	23,218	(70)	19,579	17,629	1,950
Enhanced 911 - salaries	183,000	184,313	(1,313)	0	0	0
Enhanced 911 - benefits	56,110	42,577	13,533	0	0	0

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>GENERAL REVENUE FUND</u>						
DISBURSEMENTS - Continued						
Enhanced 911 - other	\$ 65,633	\$ 75,417	\$ (9,784)	\$ 0	\$ 0	\$ 0
Other	155,115	117,117	37,998	154,808	119,163	35,645
Transfers out	103,014	103,014	0	227,000	224,063	2,937
Emergency fund	50,178	0	50,178	45,000	24,690	20,310
Total Disbursements	\$ 1,891,625	\$ 1,736,305	\$ 155,320	\$ 1,713,714	\$ 1,578,248	\$ 135,466
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (218,096)	\$ (6,218)	\$ 211,878	\$ (221,155)	\$ (4,298)	\$ 216,857
CASH, JANUARY 1	238,422	238,422	0	242,720	242,720	0
CASH, DECEMBER 31	\$ 20,326	\$ 232,204	\$ 211,878	\$ 21,565	\$ 238,422	\$ 216,857
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 217,300	\$ 215,765	\$ (1,535)	\$ 210,034	\$ 214,957	\$ 4,923
Transfers in	90,000	93,014	3,014	86,333	92,063	5,730
Intergovernmental	1,285,245	1,298,028	12,783	1,256,712	1,169,262	(87,450)
Interest	26,000	21,161	(4,839)	12,000	20,120	8,120
Other	26,500	22,410	(4,090)	38,000	30,143	(7,857)
Total Receipts	\$ 1,645,045	\$ 1,650,378	\$ 5,333	\$ 1,603,079	\$ 1,526,545	\$ (76,534)
DISBURSEMENTS						
Salaries	\$ 325,262	\$ 320,968	\$ 4,294	\$ 310,000	\$ 316,388	\$ (6,388)
Employee fringe benefits	144,478	138,608	5,870	131,615	123,433	8,182
Supplies	114,840	116,814	(1,974)	112,590	111,297	1,293
Insurance	35,000	33,210	1,790	31,000	32,660	(1,660)
Road and bridge materials	290,500	259,297	31,203	304,500	235,715	68,785
Equipment repairs	27,500	38,253	(10,753)	30,000	22,633	7,367
Equipment rentals	0	0	0	10,995	10,995	0
Equipment purchases	170,000	0	170,000	150,000	50,433	99,567
Construction, repair and maintenance	3,500	1,328	2,172	1,500	528	972
Bridge projects	718,796	661,846	56,950	707,755	582,899	124,856
Debt service	49,322	0	49,322	40,000	0	40,000
Transfers out	53,935	53,935	0	52,481	52,271	210
Total Disbursements	\$ 1,933,133	\$ 1,624,259	\$ 308,874	\$ 1,882,436	\$ 1,539,252	\$ 343,184
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (288,088)	\$ 26,119	\$ 314,207	\$ (279,357)	\$ (12,707)	\$ 266,650
CASH, JANUARY 1	298,860	298,860	0	311,567	311,567	0
CASH, DECEMBER 31	\$ 10,772	\$ 324,979	\$ 314,207	\$ 32,210	\$ 298,860	\$ 266,650

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 120,600	\$ 130,118	\$ 9,518	\$ 125,060	\$ 135,414	\$ 10,354
Interest	1,000	3,048	2,048	800	2,031	1,231
Other	1,335	1,285	(50)	1,135	1,854	719
Transfers in	0	0	0	3,000	0	(3,000)
Total Receipts	<u>\$ 122,935</u>	<u>\$ 134,451</u>	<u>\$ 11,516</u>	<u>\$ 129,995</u>	<u>\$ 139,299</u>	<u>\$ 9,304</u>
DISBURSEMENTS						
Assessor	\$ 126,256	\$ 118,299	\$ 7,957	\$ 134,037	\$ 126,308	\$ 7,729
Total Disbursements	<u>\$ 126,256</u>	<u>\$ 118,299</u>	<u>\$ 7,957</u>	<u>\$ 134,037</u>	<u>\$ 126,308</u>	<u>\$ 7,729</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,321)	\$ 16,152	\$ 19,473	\$ (4,042)	\$ 12,991	\$ 17,033
CASH, JANUARY 1	<u>25,367</u>	<u>25,367</u>	<u>0</u>	<u>12,376</u>	<u>12,376</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 22,046</u></u>	<u><u>\$ 41,519</u></u>	<u><u>\$ 19,473</u></u>	<u><u>\$ 8,334</u></u>	<u><u>\$ 25,367</u></u>	<u><u>\$ 17,033</u></u>
<u>MARK TWAIN RESERVOIR FUND</u>						
RECEIPTS						
Interest	\$ 25,000	\$ 25,243	\$ 243	\$ 13,000	\$ 10,639	\$ (2,361)
Certificates of deposit cashed	100,000	100,000	0	400,000	622,908	222,908
Transfers in	45,000	45,000	0	25,000	25,000	0
Total Receipts	<u>\$ 170,000</u>	<u>\$ 170,243</u>	<u>\$ 243</u>	<u>\$ 438,000</u>	<u>\$ 658,547</u>	<u>\$ 220,547</u>
DISBURSEMENTS						
Gravel	\$ 25,000	\$ 26,217	\$ (1,217)	\$ 25,000	\$ 35,165	\$ (10,165)
Projects	25,000	4,475	20,525	54,104	32,747	21,357
Certificates of deposit purchased	100,000	100,000	0	400,000	599,045	(199,045)
Transfers out	0	0	0	40,000	40,000	0
Total Disbursements	<u>\$ 150,000</u>	<u>\$ 130,692</u>	<u>\$ 19,308</u>	<u>\$ 519,104</u>	<u>\$ 706,957</u>	<u>\$ (187,853)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 20,000	\$ 39,551	\$ 19,551	\$ (81,104)	\$ (48,410)	\$ 32,694
CASH, JANUARY 1	<u>564,462</u>	<u>564,462</u>	<u>0</u>	<u>612,872</u>	<u>612,872</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 584,462</u></u>	<u><u>\$ 604,013</u></u>	<u><u>\$ 19,551</u></u>	<u><u>\$ 531,768</u></u>	<u><u>\$ 564,462</u></u>	<u><u>\$ 32,694</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PLEASANT VIEW ECONOMIC DEVELOPMENT</u>						
<u>FUND</u>						
RECEIPTS						
Interest	\$ 2,200	\$ 3,614	\$ 1,414	\$ 620	\$ 1,489	\$ 869
Other	10,752	12,052	1,300	47,200	50,813	3,613
Transfers in	10,000	10,000	0	75,000	80,000	5,000
Total Receipts	<u>\$ 22,952</u>	<u>\$ 25,666</u>	<u>\$ 2,714</u>	<u>\$ 122,820</u>	<u>\$ 132,302</u>	<u>\$ 9,482</u>
DISBURSEMENTS						
Land purchase	\$ 0	\$ 0	\$ 0	\$ 80,342	\$ 92,596	\$ (12,254)
Transfers out	20,000	20,000	0	0	0	0
Other	7,500	24,260	(16,760)	27,500	12,702	14,798
Total Disbursements	<u>\$ 27,500</u>	<u>\$ 44,260</u>	<u>\$ (16,760)</u>	<u>\$ 107,842</u>	<u>\$ 105,298</u>	<u>\$ 2,544</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,548)	\$ (18,594)	\$ (14,046)	\$ 14,978	\$ 27,004	\$ 12,026
CASH, JANUARY 1	<u>54,645</u>	<u>54,645</u>	<u>0</u>	<u>27,641</u>	<u>27,641</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 50,097</u></u>	<u><u>\$ 36,051</u></u>	<u><u>\$ (14,046)</u></u>	<u><u>\$ 42,619</u></u>	<u><u>\$ 54,645</u></u>	<u><u>\$ 12,026</u></u>
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 500	\$ 416	\$ (84)	\$ 300	\$ 552	\$ 252
Interest	0	16	16	4	14	10
Total Receipts	<u>\$ 500</u>	<u>\$ 432</u>	<u>\$ (68)</u>	<u>\$ 304</u>	<u>\$ 566</u>	<u>\$ 262</u>
DISBURSEMENTS						
Domestic violence shelter	\$ 300	\$ 566	\$ (266)	\$ 293	\$ 293	\$ 0
Total Disbursements	<u>\$ 300</u>	<u>\$ 566</u>	<u>\$ (266)</u>	<u>\$ 293</u>	<u>\$ 293</u>	<u>\$ 0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 200	\$ (134)	\$ (334)	\$ 11	\$ 273	\$ 262
CASH, JANUARY 1	<u>566</u>	<u>566</u>	<u>0</u>	<u>293</u>	<u>293</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 766</u></u>	<u><u>\$ 432</u></u>	<u><u>\$ (334)</u></u>	<u><u>\$ 304</u></u>	<u><u>\$ 566</u></u>	<u><u>\$ 262</u></u>
<u>ASSOCIATE JUDGE ESCROW ACCOUNT FUND</u>						
RECEIPTS						
Interest	\$ 150	\$ 217	\$ 67	\$ 150	\$ 198	\$ 48
Total Receipts	<u>\$ 150</u>	<u>\$ 217</u>	<u>\$ 67</u>	<u>\$ 150</u>	<u>\$ 198</u>	<u>\$ 48</u>
DISBURSEMENTS						
Associate circuit court	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 150	\$ 217	\$ 67	\$ 150	\$ 198	\$ 48
CASH, JANUARY 1	<u>4,265</u>	<u>4,265</u>	<u>0</u>	<u>4,067</u>	<u>4,067</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 4,415</u></u>	<u><u>\$ 4,482</u></u>	<u><u>\$ 67</u></u>	<u><u>\$ 4,217</u></u>	<u><u>\$ 4,265</u></u>	<u><u>\$ 48</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Interest	\$ 100	\$ 242	\$ 142	\$ 100	\$ 230	\$ 130
Intergovernmental	0	0	0	2,400	0	(2,400)
Other	4,800	3,397	(1,403)	1,200	4,694	3,494
Total Receipts	<u>\$ 4,900</u>	<u>\$ 3,639</u>	<u>\$ (1,261)</u>	<u>\$ 3,700</u>	<u>\$ 4,924</u>	<u>\$ 1,224</u>
DISBURSEMENTS						
Sheriff's office	\$ 5,490	\$ 4,861	\$ 629	\$ 3,780	\$ 3,436	\$ 344
Total Disbursements	<u>\$ 5,490</u>	<u>\$ 4,861</u>	<u>\$ 629</u>	<u>\$ 3,780</u>	<u>\$ 3,436</u>	<u>\$ 344</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (590)	\$ (1,222)	\$ (632)	\$ (80)	\$ 1,488	\$ 1,568
CASH, JANUARY 1	5,319	5,319	0	3,831	3,831	0
CASH, DECEMBER 31	<u>\$ 4,729</u>	<u>\$ 4,097</u>	<u>\$ (632)</u>	<u>\$ 3,751</u>	<u>\$ 5,319</u>	<u>\$ 1,568</u>
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 700	\$ 557	\$ (143)	\$ 730	\$ 730	\$ 0
Interest	15	33	18	20	20	0
Total Receipts	<u>\$ 715</u>	<u>\$ 590</u>	<u>\$ (125)</u>	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 0</u>
DISBURSEMENTS						
Prosecuting attorney's office	\$ 700	\$ 648	\$ 52	\$ 750	\$ 521	\$ 229
Total Disbursements	<u>\$ 700</u>	<u>\$ 648</u>	<u>\$ 52</u>	<u>\$ 750</u>	<u>\$ 521</u>	<u>\$ 229</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 15	\$ (58)	\$ (73)	\$ 0	\$ 229	\$ 229
CASH, JANUARY 1	573	573	0	344	344	0
CASH, DECEMBER 31	<u>\$ 588</u>	<u>\$ 515</u>	<u>\$ (73)</u>	<u>\$ 344</u>	<u>\$ 573</u>	<u>\$ 229</u>
<u>RECORDERS FUND</u>						
RECEIPTS						
Charges for services	\$ 7,000	\$ 7,801	\$ 801	\$ 8,000	\$ 7,032	\$ (968)
Interest	1,100	2,377	1,277	500	1,145	645
Total Receipts	<u>\$ 8,100</u>	<u>\$ 10,178</u>	<u>\$ 2,078</u>	<u>\$ 8,500</u>	<u>\$ 8,177</u>	<u>\$ (323)</u>
DISBURSEMENTS						
Recorder of deeds' office	\$ 13,200	\$ 5,026	\$ 8,174	\$ 6,970	\$ 2,092	\$ 4,878
Transfers out	4,324	4,324	0	980	980	0
Total Disbursements	<u>\$ 17,524</u>	<u>\$ 9,350</u>	<u>\$ 8,174</u>	<u>\$ 7,950</u>	<u>\$ 3,072</u>	<u>\$ 4,878</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,424)	\$ 828	\$ 10,252	\$ 550	\$ 5,105	\$ 4,555
CASH, JANUARY 1	19,239	19,239	0	14,134	14,134	0
CASH, DECEMBER 31	<u>\$ 9,815</u>	<u>\$ 20,067</u>	<u>\$ 10,252</u>	<u>\$ 14,684</u>	<u>\$ 19,239</u>	<u>\$ 4,555</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION MACHINE FUND</u>						
RECEIPTS						
Charges for services	\$ 400	\$ 1,000	\$ 600	\$ 0	\$ 0	\$ 0
Interest	200	417	217	500	635	135
Total Receipts	\$ 600	\$ 1,417	\$ 817	\$ 500	\$ 635	\$ 135
DISBURSEMENTS						
Equipment purchase	\$ 0	\$ 0	\$ 0	\$ 5,000	\$ 5,831	\$ (831)
Equipment rental	0	0	0	5,000	1,523	3,477
Training	1,200	0	1,200	3,000	1,117	1,883
Machine maintenance	0	1,224	(1,224)	0	0	0
Total Disbursements	\$ 1,200	\$ 1,224	\$ (24)	\$ 13,000	\$ 8,471	\$ 4,529
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (600)	\$ 193	\$ 793	\$ (12,500)	\$ (7,836)	\$ 4,664
CASH, JANUARY 1	8,204	8,204	0	16,040	16,040	0
CASH, DECEMBER 31	\$ 7,604	\$ 8,397	\$ 793	\$ 3,540	\$ 8,204	\$ 4,664
<u>CIRCUIT CLERK INTEREST ACCOUNT FUND</u>						
RECEIPTS						
Interest	\$ 1,500	\$ 2,900	\$ 1,400	\$ 300	\$ 1,608	\$ 1,308
Total Receipts	\$ 1,500	\$ 2,900	\$ 1,400	\$ 300	\$ 1,608	\$ 1,308
DISBURSEMENTS						
Circuit clerk's office	\$ 1,500	\$ 3,082	\$ (1,582)	\$ 1,350	\$ 158	\$ 1,192
Total Disbursements	\$ 1,500	\$ 3,082	\$ (1,582)	\$ 1,350	\$ 158	\$ 1,192
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ (182)	\$ (182)	\$ (1,050)	\$ 1,450	\$ 2,500
CASH, JANUARY 1	2,853	2,853	0	1,403	1,403	0
CASH, DECEMBER 31	\$ 2,853	\$ 2,671	\$ (182)	\$ 353	\$ 2,853	\$ 2,500
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 20,000	\$ 16,580	\$ (3,420)	\$ 17,000	\$ 19,736	\$ 2,736
Interest	132	1,112	980	50	774	724
Total Receipts	\$ 20,132	\$ 17,692	\$ (2,440)	\$ 17,050	\$ 20,510	\$ 3,460
DISBURSEMENTS						
Sheriff's office	\$ 23,714	\$ 13,180	\$ 10,534	\$ 22,243	\$ 12,996	\$ 9,247
Total Disbursements	\$ 23,714	\$ 13,180	\$ 10,534	\$ 22,243	\$ 12,996	\$ 9,247
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,582)	\$ 4,512	\$ 8,094	\$ (5,193)	\$ 7,514	\$ 12,707
CASH, JANUARY 1	23,641	23,641	0	16,127	16,127	0
CASH, DECEMBER 31	\$ 20,059	\$ 28,153	\$ 8,094	\$ 10,934	\$ 23,641	\$ 12,707

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 3,500	\$ 5,904	\$ 2,404	\$ 10,000	\$ 4,841	\$ (5,159)
Interest	500	1,121	621	400	652	252
Total Receipts	<u>\$ 4,000</u>	<u>\$ 7,025</u>	<u>\$ 3,025</u>	<u>\$ 10,400</u>	<u>\$ 5,493</u>	<u>\$ (4,907)</u>
DISBURSEMENTS						
Prosecuting attorney's office	\$ 6,300	\$ 2,992	\$ 3,308	\$ 5,619	\$ 5,074	\$ 545
Transfers out	1,381	1,381	0	1,381	1,381	0
Total Disbursements	<u>\$ 7,681</u>	<u>\$ 4,373</u>	<u>\$ 3,308</u>	<u>\$ 7,000</u>	<u>\$ 6,455</u>	<u>\$ 545</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,681)	\$ 2,652	\$ 6,333	\$ 3,400	\$ (962)	\$ (4,362)
CASH, JANUARY 1	9,898	9,898	0	10,860	10,860	0
CASH, DECEMBER 31	<u>\$ 6,217</u>	<u>\$ 12,550</u>	<u>\$ 6,333</u>	<u>\$ 14,260</u>	<u>\$ 9,898</u>	<u>\$ (4,362)</u>
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Interest	\$ 0	\$ 56	\$ 56	\$ 200	\$ 151	\$ (49)
Intergovernmental	0	0	0	4,197	0	(4,197)
Other	500	740	240	2,775	5,840	3,065
Total Receipts	<u>\$ 500</u>	<u>\$ 796</u>	<u>\$ 296</u>	<u>\$ 7,172</u>	<u>\$ 5,991</u>	<u>\$ (1,181)</u>
DISBURSEMENTS						
Education	\$ 1,500	\$ 1,426	\$ 74	\$ 3,000	\$ 1,682	\$ 1,318
Training	0	0	0	4,390	4,200	190
Total Disbursements	<u>\$ 1,500</u>	<u>\$ 1,426</u>	<u>\$ 74</u>	<u>\$ 7,390</u>	<u>\$ 5,882</u>	<u>\$ 1,508</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,000)	\$ (630)	\$ 370	\$ (218)	\$ 109	\$ 327
CASH, JANUARY 1	1,274	1,274	0	1,165	1,165	0
CASH, DECEMBER 31	<u>\$ 274</u>	<u>\$ 644</u>	<u>\$ 370</u>	<u>\$ 947</u>	<u>\$ 1,274</u>	<u>\$ 327</u>
<u>COLLECTORS TAX MAINTENANCE FUND</u>						
RECEIPTS						
Interest	\$ 300	\$ 2,405	\$ 2,105	\$ 300	\$ 925	\$ 625
Other	9,500	10,438	938	8,400	9,442	1,042
Total Receipts	<u>\$ 9,800</u>	<u>\$ 12,843</u>	<u>\$ 3,043</u>	<u>\$ 8,700</u>	<u>\$ 10,367</u>	<u>\$ 1,667</u>
DISBURSEMENTS						
County collector's office	\$ 2,050	\$ 1,942	\$ 108	\$ 2,000	\$ 1,652	\$ 348
Total Disbursements	<u>\$ 2,050</u>	<u>\$ 1,942</u>	<u>\$ 108</u>	<u>\$ 2,000</u>	<u>\$ 1,652</u>	<u>\$ 348</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,750	\$ 10,901	\$ 3,151	\$ 6,700	\$ 8,715	\$ 2,015
CASH, JANUARY 1	17,064	17,064	0	8,349	8,349	0
CASH, DECEMBER 31	<u>\$ 24,814</u>	<u>\$ 27,965</u>	<u>\$ 3,151</u>	<u>\$ 15,049</u>	<u>\$ 17,064</u>	<u>\$ 2,015</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT</u>						
<u>SALES TAX FUND</u>						
RECEIPTS						
Interest	\$ 0	\$ 168	\$ 168	\$ 100	\$ 163	\$ 63
Other	600	0	(600)	900	438	(462)
Total Receipts	\$ 600	\$ 168	\$ (432)	\$ 1,000	\$ 601	\$ (399)
DISBURSEMENTS						
Transfers out	\$ 600	\$ 382	\$ 218	\$ 1,000	\$ 661	\$ 339
Total Disbursements	\$ 600	\$ 382	\$ 218	\$ 1,000	\$ 661	\$ 339
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ (214)	\$ (214)	\$ 0	\$ (60)	\$ (60)
CASH, JANUARY 1	3,601	3,601	0	3,661	3,661	0
CASH, DECEMBER 31	\$ 3,601	\$ 3,387	\$ (214)	\$ 3,661	\$ 3,601	\$ (60)
<u>ELECTION IMPROVEMENT FUND</u>						
RECEIPTS						
Interest	\$ 0	\$ 0	\$ 0	\$ 300	\$ 2	\$ (298)
Other	0	0	0	65,043	61,043	(4,000)
Total Receipts	\$ 0	\$ 0	\$ 0	\$ 65,343	\$ 61,045	\$ (4,298)
DISBURSEMENTS						
Equipment	\$ 0	\$ 0	\$ 0	\$ 65,343	\$ 61,043	\$ 4,300
Conference	0	0	0	0	210	(210)
Total Disbursements	\$ 0	\$ 0	\$ 0	\$ 65,343	\$ 61,253	\$ 4,090
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ (208)	\$ (208)
CASH, JANUARY 1	0	0	0	208	208	0
CASH, DECEMBER 31	\$ 0	\$ 0	\$ 0	\$ 208	\$ 0	\$ (208)
<u>DARE DONATION FUND</u>						
RECEIPTS						
Intergovernmental	\$ 600	\$ 165	\$ (435)	\$ 0	\$ 670	\$ 670
Interest	10	16	6	0	18	18
Total Receipts	\$ 610	\$ 181	\$ (429)	\$ 0	\$ 688	\$ 688
DISBURSEMENTS						
Supplies	\$ 633	\$ 204	\$ 429	\$ 0	\$ 324	\$ (324)
DARE Graduation	0	0	0	0	739	(739)
Total Disbursements	\$ 633	\$ 204	\$ 429	\$ 0	\$ 1,063	\$ (1,063)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (23)	\$ (23)	\$ 0	\$ 0	\$ (375)	\$ (375)
CASH, JANUARY 1	23	23	0	398	398	0
CASH, DECEMBER 31	\$ 0	\$ 0	\$ 0	\$ 398	\$ 23	\$ (375)

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING</u>						
<u>COMMISSION FUND</u>						
RECEIPTS						
Interest	\$ 0	\$ 1,607	\$ 1,607	\$ 250	\$ 891	\$ 641
Other	4,247	1,894	(2,353)	1,894	2,363	469
Total Receipts	<u>\$ 4,247</u>	<u>\$ 3,501</u>	<u>\$ (746)</u>	<u>\$ 2,144</u>	<u>\$ 3,254</u>	<u>\$ 1,110</u>
DISBURSEMENTS						
Training	\$ 6,000	\$ 158	\$ 5,842	\$ 4,500	\$ 0	\$ 4,500
Office expense	4,500	22	4,478	1,060	4	1,056
Equipment	0	0	0	2,000	0	2,000
Resource materials	2,000	0	2,000	0	0	0
Total Disbursements	<u>\$ 12,500</u>	<u>\$ 180</u>	<u>\$ 12,320</u>	<u>\$ 7,560</u>	<u>\$ 4</u>	<u>\$ 7,556</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,253)	\$ 3,321	\$ 11,574	\$ (5,416)	\$ 3,250	\$ 8,666
CASH, JANUARY 1	<u>21,124</u>	<u>21,124</u>	<u>0</u>	<u>17,874</u>	<u>17,874</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 12,871</u></u>	<u><u>\$ 24,445</u></u>	<u><u>\$ 11,574</u></u>	<u><u>\$ 12,458</u></u>	<u><u>\$ 21,124</u></u>	<u><u>\$ 8,666</u></u>
<u>COUNTY LAW ENFORCEMENT</u>						
<u>RESTITUTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ 10,000	\$ 16,422	\$ 6,422	\$ 7,000	\$ 14,020	\$ 7,020
Interest	300	1,055	755	0	697	697
Total Receipts	<u>\$ 10,300</u>	<u>\$ 17,477</u>	<u>\$ 7,177</u>	<u>\$ 7,000</u>	<u>\$ 14,717</u>	<u>\$ 7,717</u>
DISBURSEMENTS						
Equipment	\$ 22,500	\$ 24,117	\$ (1,617)	\$ 5,000	\$ 0	\$ 5,000
Total Disbursements	<u>\$ 22,500</u>	<u>\$ 24,117</u>	<u>\$ (1,617)</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 5,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,200)	\$ (6,640)	\$ 5,560	\$ 2,000	\$ 14,717	\$ 12,717
CASH, JANUARY 1	<u>22,596</u>	<u>22,596</u>	<u>0</u>	<u>7,879</u>	<u>7,879</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 10,396</u></u>	<u><u>\$ 15,956</u></u>	<u><u>\$ 5,560</u></u>	<u><u>\$ 9,879</u></u>	<u><u>\$ 22,596</u></u>	<u><u>\$ 12,717</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

MONROE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - VARIOUS FUNDS - CASH BASIS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SB 40 - HANDICAPPED BOARD</u>						
RECEIPTS						
Property taxes	\$ 93,209	\$ 104,887	\$ 11,678	\$ 92,000	\$ 92,656	\$ 656
Interest	122	137	15	0	99	99
Other	0	0	0	0	97	97
Total Receipts	<u>\$ 93,331</u>	<u>\$ 105,024</u>	<u>\$ 11,693</u>	<u>\$ 92,000</u>	<u>\$ 92,852</u>	<u>\$ 852</u>
DISBURSEMENTS						
Assisted living	\$ 9,800	\$ 8,180	\$ 1,620	\$ 9,800	\$ 10,666	\$ (866)
Salaries and taxes	6,400	6,774	(374)	6,600	5,623	977
Utilities	0	0	0	650	603	47
Contingency account	8,807	737	8,070	3,500	1,888	1,612
Contract amount	22,900	22,900	0	20,000	20,000	0
Debt service	19,510	21,135	(1,625)	19,510	19,510	0
Financial statement	0	0	0	150	90	60
Healthcare	20,000	20,000	0	20,000	20,000	0
Insurance	1,200	1,954	(754)	1,200	1,134	66
Annual contract	4,000	21,000	(17,000)	4,000	4,000	0
Office supplies	1,275	467	808	325	486	(161)
Personal care items	14,000	2,436	11,564	2,000	1,887	113
Mileage	0	0	0	500	0	500
Social skills	1,200	1,124	76	1,200	848	352
Transportation	0	0	0	400	403	(3)
Total Disbursements	<u>\$ 109,092</u>	<u>\$ 106,707</u>	<u>\$ 2,385</u>	<u>\$ 89,835</u>	<u>\$ 87,138</u>	<u>\$ 2,697</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (15,761)</u>	<u>\$ (1,683)</u>	<u>\$ 14,078</u>	<u>\$ 2,165</u>	<u>\$ 5,714</u>	<u>\$ 3,549</u>
CASH, JANUARY 1	<u>16,363</u>	<u>16,363</u>	<u>0</u>	<u>10,649</u>	<u>10,649</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 602</u></u>	<u><u>\$ 14,680</u></u>	<u><u>\$ 14,078</u></u>	<u><u>\$ 12,814</u></u>	<u><u>\$ 16,363</u></u>	<u><u>\$ 3,549</u></u>

ENHANCED 911**RECEIPTS**

Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers in	0	0	0	92,000	92,000	0
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 92,000</u>	<u>\$ 92,000</u>	<u>\$ 0</u>

DISBURSEMENTS

Operating expenses	\$ 0	\$ 0	\$ 0	\$ 99,536	\$ 99,536	\$ 0
Total Disbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,536</u>	<u>\$ 99,536</u>	<u>\$ 0</u>

RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (7,536)</u>	<u>\$ (7,536)</u>	<u>\$ 0</u>
CASH, JANUARY 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,536</u>	<u>7,536</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Other Required Supplementary Information

MONROE COUNTY, MISSOURI
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures		County Match %
			2007	2006	Required
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Passed through State:					
Department of Health and Senior Services- Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ERS0457169	\$ -	\$ 39,965	20%
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed through State:					
Highway and Transportation Commission - Highway Planning and Construction	20.205	BRO-26	-	4,099	
		BRO-27	385	246,733	
		BRO-28	55,618	190,420	20%
		BRO-31	148,169	24,160	20%
		BRO-32	283,983	26,683	
		BRO-33	22,572	-	
<u>GENERAL SERVICES ADMINISTRATION</u>					
Passed through Office of Secretary of State:					
Election Reform Payments	39.011	43-6002358	-	4,197	0%
<u>ELECTION ASSISTANCE COMMISSION</u>					
Passed through Office of Secretary of State:					
Help America Vote Act Requirements Payments	90.401	43-6002358	3,450	61,043	0%
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Passed through State:					
Department of Health and Senior Services - Child Lead Poisoning	93.197	AOCO6380142	-	1,500	0%
Prevention Projects - State and Local- Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children					
Immunization Grants	93.268	137001	-	27,407	0%
Centers for Disease Control Prevention	93.2836	DH0700804	-	3,500	0%
Investigation and Technical Assistance-					
Show Me Healthy Missourians-U55/CCU721904-05		ERS16170033	-	1,215	0%
Community Pandemic Preparedness Planning		DH070011062	-	6,609	0%
Child Care and Development Block Grant	93.575	AOCO6380142	-	1,438	0%
Maternal and Child Health Services	93.994	AOCO6380142	-	19,369	0%

MONROE COUNTY, MISSOURI
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures		County Match %
			2007	2006	Required
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Passed through State Department of Public Safety					
Public Assistance Grants	97.036	43-6002358	-	10,663	0%
Homeland Security Grant Program	97.067	2005-GE-T5-0022	<u>32,250</u>	<u>-</u>	0%
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ <u>546,427</u>	 \$ <u>669,001</u>	

Notes to the Supplementary Schedule

MONROE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and that Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Monroe County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants, or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) and Maternal and Child Health Services Block Grant to the States (CFDA number 93.994 include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services for the year ended December 31 2006).

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2007 and 2006.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Auditors' Reports

Devereux and Krauss LLP
Certified Public Accountants

JAMES P. DEVEREUX, C.P.A., P.C.
GARY L. KRAUSS, P.C.

307 North Main – St Charles, MO 63301
636-448-7355
FAX 636-947-3155

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Monroe County, Missouri

Compliance

We have audited the compliance of Monroe County, Missouri, with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2007 and 2006. The County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Monroe County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of Monroe County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of the County's internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we considered material weaknesses as defined below.

A *control deficiency* in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a major federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

This report is intended solely for the information and use of management, audit committee, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

July 31, 2008

Schedule

MONROE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be a material weakness? X yes _____ none reported

Noncompliance material to the financial statement noted?

_____ yes X no

Federal Awards

Internal control over major program:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that is not considered to be a material weakness? _____ yes X none reported

Type of auditors' report issued on compliance for major program:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

_____ yes X no

Identification of major program:

CFDA or
Other Identifying
Number

Program Title

20.205

Highway Planning and Construction

MONROE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

07-1 Budgetary Practices and Published Financial Statements

Budgets were not presented for a fund and many of the funds were not included in the published financial statements.

- A. Formal budgets was not prepared for the DARE Program for December 31, 2006.
- B. The county's annual published financial statements did not include the financial activity for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Various Cemeteries	2007 and 2006
Unclaimed Fees	2007 and 2006
Crisis Center	2007 and 2006
Operation Circuit Court	2007 and 2006
School Fines and Forfeitures	2007 and 2006
Public Funds Special	2007 and 2006
County Employee Retirement	2007 and 2006
Financial Institutional Tax	2007
Criminal Costs	2007 and 2006

MONROE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

The total beginning cash, receipts, disbursements, and ending cash balances for these funds not included for the years December 31, 2007 and 2006, are presented in the table below:

	<u>2007</u>	<u>2006</u>
Beginning Cash Balances	\$239,223	\$244,970
Receipts	219,864	240,128
Disbursements	<u>(268,675)</u>	<u>(245,875)</u>
Ending Cash Balances	<u>\$190,412</u>	<u>\$239,223</u>

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared and obtained from other county officials or boards for all county funds as required by state law.
- B. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly included.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

A&B. *The officeholder indicated they agree with the recommendations and they will be implemented when the next budgets and published financial statements are prepared.*

Section III – Federal Award Findings and Questioned Costs

There are no findings and there are no questioned costs for December 31, 2007 and 2006.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2007 AND 2006

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Monroe County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005.

05-1 County Sales Tax

The county has not sufficiently reduced property taxes by 50% of the total general sales tax revenues.

Recommendation:

The county reduce the property tax levy by 50% of sales tax.

Status:

Implemented.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133.

MONROE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2007 AND 2006

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-2 Expenditures of Federal Awards

The county does have adequate procedures in place to accurately report federal awards.

Recommendation:

The county work to ensure accurate SFFA statements are prepared.

Status:

Implemented.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

MONROE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2007 AND 2006

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Fund Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances-Cash Basis of Monroe County, Missouri as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008. We also have audited the compliance of Monroe County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008.

We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR Findings resulted from our audit of the financial statements of Monroe County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

07-1 Software

Currently the County uses Government Fund Management System software. The County has expressed concern about requesting changes and the cost associated with any change. In addition, there is no manual associated with the software. Further, there could be a problem should the designer of the program experience problems causing an inability to service clients such as Monroe County.

WE RECOMMEND

While several counties currently use this software, exploring “shelf” software where support is readily available would seem prudent.

MONROE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2007 AND 2006

AUDITEE'S RESPONSE

Monroe County feels no problem exists, however, they recognize the limitations they currently have and feel the matter worth consideration.

07-2 County Treasurer

- A. Currently the Treasurer can sign checks in any amount. Prudent business practice would call for multiple signatures and/or specific signatures over a specific amount.
- B. Currently, the Treasurer manually maintains the county records. Both time and cost could be saved by having the Treasurer trained to use a computerized system. Manual ledger sheets are both costly to purchase and require much more storage than computerized systems.
- C. The Treasurer credits interest income in the month advised the amount of interest earned. Generally this means the interest is credited in the following month. As the interest is available in the month earned, it would be appropriate to credit the income in the month earned.
- D. The Treasurer continues to reflect the purchase and redemption of certificates of deposits as receipts and disbursements. This is a continuation of prior recommendations.

WE RECOMMEND

- A. The Treasurer be required to have one additional signature on all checks and for checks over a specific amount (say \$100,000.00). The presiding commissioner signs all checks with the Treasurer.
- B. The Treasurer be trained to utilize a computerized accounting system.
- C. All accounts be reconciled monthly, including the current months interest income and the reconciled amounts should be those reflected on the Treasurer's settlement statements.
- D. The practice be stopped! Only the interest should be reflected as income (a receipt).

MONROE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2007 AND 2006

AUDITEE'S RESPONSE

- A. The County feels the matter is worth consideration and will consider the issue.
- B. The Treasurer does not feel there is anything to be gained.
- C. The Treasurer feels the statements are reconciled.
- D. The County agrees and will correct the issue.

07-3 Budgets

No formal budget was prepared for one fund maintained by the county clerk and county treasurer.

WE RECOMMEND

All funds have annual budgets.

AUDITEE'S RESPONSE

The County agrees and will work towards having the officeholder budget all officeholder funds.

Follow-Up on Prior Audit Findings

**MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Monroe County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2005. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

05-1 County Expenditures

- A. Appraisals were not obtained prior to real estate purchases.
- B. The County did not have a formal policy regarding use of cellular phones and/or monthly allowances for the use of personal phones.

Recommendations:

- A. Obtain independent appraisals.
- B. Renew methods of providing cell phone service for county officials.

Status:

A,B Implemented

B resulted in significant cost savings.

05-2 Personnel and Payroll Procedures

Time sheets did not always reflect actual hours and overtime was not in accordance with the counties written policy.

- A. Time sheets used estimated hours.
- B. An issue existed about 8 hour days versus 40 hour work week when employees worked 37.5 hours re-overtime and accruing vacation days.
- C. Employees prepared their own leave schedules and there was no check of the amounts.
- D. The commission issued a memo regarding allowable time off/overtime pay.

MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Recommendation:

- A. Develop payroll procedures which require pay based upon actual hours.
- B. Follow the county's personnel policy.
- C. Ensure leave earned and taken are accurate.
- D. Compute law enforcement pay based upon 171 hours/28 day period.

Status:

A,B,C,D Implemented.

05-3 Receipts and disbursements were not always properly classified in the county's budget.

Recommendation:

- A. Adopt procedures to ensure receipts and disbursements are accurately presented.
- B. Ensure adequate collateral securities are pledged to protect county funds.

Status:

A,B Implemented

05-4 Property Tax System

There has not been proper comparisons of records between the county clerk and county collector.

Recommendation:

- A. The county clerk should prepare and verify the accuracy of tax books prior to advancing to the county collector.
- B. Maintain records that summarize transactions and changes

Status:

A,B Implemented.

MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

05-5 Public Administrators Controls and Procedures

The public administrator did not file annual settlements when due and only checks clearing the bank were reported.

Recommendation:

- A. Settlements be filed timely.
- B. Develop guidelines to identify fees on estates.

Status:

A,B Implemented

05-6 Prosecuting Attorney Control and Procedures

Accounting duties are not adequately segregated and receipts are not issued for monies collected as well as cash not deposited on a timely basis.

Recommendation:

- A. Segregate accounting duties.
- B. Issue and use prenumbered receipts for all monies used.
- C. Deposit all restitutions monies before disbursing.
- D. Disburse or dispose of unclaimed funds.

Status:

A,B,C,D,E Implemented except for using prenumbered receipts.

05-7 Sheriff Controls and Procedures

Receipts do not always reflect the method of payment and are not timely deposited.

Recommendation:

- A. Ensure method of payment is notated.
- B. Deposit on a timely basis

Status:

A,B Implemented

MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

05-8 Handicapped Board

Disbursements were not always recorded in the period incurred. Budgets did not always reflect the financial condition of the board. Financial statements were not always published.

- A. Some expenditures were reported in the period they cleared the bank.
- B. Budgets should reflect actual beginning balances, receipts, disbursements, and ending balances.
- C. Disbursements exceeded budgeted amounts.
- D. Annual reports were not always published.
- E. Document reasons for closed board meetings.

Recommendation:

- A. Ensure disbursements are recorded in period incurred.
- B. Ensure budgets include all required information and are filed with state auditor's office.
- C. Do not issue amounts in excess of budgeted amounts.
- D. Publish financial statements with State Auditor's office.
- E. Document reasons for closed board sessions.

Status:

A,B,C partially implemented
D,E not implemented fully

05-9 Enhanced 911 Board

The board is experiencing a declining financial condition. Various expenditures were in question.

MONROE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Recommendation:

- A. Increase revenues
- B. Budgets be actual
- C. Do not exceed budgeted amounts
- D. Record receipts timely
- E. Stop payroll advances
- F. Ensure all expenditures are prudent
- G. Document closed sessions reasons

Status:

All have been implemented in that the 911 board is now part of the county. There no longer is a 911 Board.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Vernon County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-16

VERNON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

VERNON COUNTY, MISSOURI

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials-----	i
--------------------------------	---

FINANCIAL SECTION

Independent Auditors' Report-----	ii
-----------------------------------	----

BASIC FINANCIAL STATEMENTS:

Governmental Funds:

Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds -----	1
---	---

Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds -----	2
---	---

Fiduciary Funds:

Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds-----	12
--	----

Notes of Financial Statements -----	13
-------------------------------------	----

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards -----	20
--	----

Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 -----	22
--	----

Schedule of Expenditures of Federal Awards -----	24
--	----

Notes to Schedule of Federal Expenditures of Federal Awards -----	25
---	----

Schedule of Federal Findings and Questioned Costs -----	26
---	----

Findings and Recommendations-----	28
-----------------------------------	----

Schedule of Prior Year Audit Findings-----	32
--	----

INTRODUCTORY SECTION

VERNON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Bonnie McCord

Associate Commissioner – Neal Gerster

Associate Commissioner – Kennon Shaw

Other Elected Officials

Assessor – Cherie Roberts

Circuit Clerk – Vickie Erwin

Recorder – Doug Shupe

Collector / Treasurer – Phil Couch

Coroner – David Ferry

County Clerk – Tammi Beach

Prosecuting Attorney – Lynn Ewing III

Public Administrator – Virginia Habjan

Sheriff – Ron Peckman

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Vernon County, Missouri

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Vernon County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Vernon County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Vernon County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 25, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

FINANCIAL SECTION

VERNON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS-REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 198,740	2,353,605	2,397,391	154,954	2,294,381	2,304,401	144,934
Special Road and Bridge	622,134	1,695,398	1,792,627	524,905	1,360,843	1,640,430	245,318
Assessment	13,185	207,937	213,627	7,495	209,657	214,507	2,645
Law Enforcement Training	257	3,212	3,462	7	3,140	2,437	710
Sheriff's Discretionary	9	25,615	25,624	-	31,831	31,831	-
Prosecuting Attorney's Training	1,373	684	1,974	83	538	501	120
Prosecuting Attorney's Bad Check	18,557	29,514	27,048	21,023	26,437	38,229	9,231
Sewer	34,973	7,237	5,169	37,041	8,405	2,426	43,020
L.E.P.C.	23,818	7,052	7,050	23,820	3,354	4,472	22,702
Shelter	-	4,280	4,280	-	4,447	4,447	-
Election Service	12,033	5,883	3,511	14,405	6,573	5,084	15,894
HAVA	15,654	253,354	247,817	21,191	954	22,099	46
Election	-	99,297	99,297	-	57,514	57,514	-
Tax Maintenance	47,291	20,284	12,338	55,237	24,452	52,003	27,686
Quarter % Assessment	27,831	28,242	-	56,073	30,122	62,977	23,218
Recorders User Fee	89,923	20,038	17,000	92,961	20,088	18,700	94,349
Law Enforcement Restitution	20,758	23,005	21,861	21,902	27,049	5,018	43,933
Law Enforcement Tax	-	-	-	-	9,543,880	897,655	8,646,225
Inmate Security	5,343	2,424	-	7,767	2,548	-	10,315
Total	\$ 1,131,879	4,787,061	4,880,076	1,038,864	13,656,213	5,364,731	9,330,346

The accompanying Notes to the Financial Statements are an integral part of this statement.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 263,400	230,733	338,400	337,510
Sales taxes	910,800	930,238	948,637	944,052
Intergovernmental	437,661	318,326	277,857	214,803
Charges for services	332,755	338,956	363,000	396,800
Interest	10,000	15,001	12,000	15,856
Other	166,225	346,790	203,701	212,282
Transfers in	180,245	173,561	193,449	173,078
Total Receipts	<u>2,301,086</u>	<u>2,353,605</u>	<u>2,337,044</u>	<u>2,294,381</u>
DISBURSEMENTS				
County Commission	90,937	90,513	91,300	91,429
County Clerk	175,934	172,239	175,292	173,252
Elections	48,200	49,847	27,500	20,045
Buildings and grounds	120,210	122,408	136,511	137,976
Employee fringe benefits	292,685	280,611	315,930	287,153
County Treasurer	73,450	69,161	119,307	94,003
Recorder of Deeds	89,846	86,864	86,413	85,305
Circuit Clerk	35,950	28,442	37,738	27,384
Court administration	24,300	15,003	22,300	21,961
Public Administrator	51,929	50,839	51,975	51,370
Sheriff	441,713	429,536	567,398	562,707
Jail	270,418	280,267	300,053	229,723
Prosecuting Attorney	193,879	175,143	183,849	179,932
Juvenile Officer	102,983	122,420	128,808	104,134
Coroner	31,635	29,071	31,380	25,863
Other	307,550	285,994	199,961	186,413
Health and welfare	4,500	2,500	2,500	2,500
Transfers out	104,492	104,492	28,625	23,067
Emergency fund	69,572	2,041	70,111	184
Total Disbursements	<u>2,530,183</u>	<u>2,397,391</u>	<u>2,576,951</u>	<u>2,304,401</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(229,097)	(43,786)	(239,907)	(10,020)
CASH, JANUARY 1	198,740	198,740	154,954	154,954
CASH, DECEMBER 31	<u>\$ (30,357)</u>	<u>154,954</u>	<u>(84,953)</u>	<u>144,934</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 100,000	99,111	100,000	23,548	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,260,752	1,461,285	1,983,603	1,302,832	187,595	204,412	194,415	196,396
Charges for services	-	-	-	-	-	-	-	-
Interest	60,000	33,453	27,000	25,713	200	2,934	2,934	3,087
Other	-	14,502	43,900	8,750	750	591	600	674
Transfers in	87,048	87,047	-	-	17,445	-	10,625	9,500
Total Receipts	2,507,800	1,695,398	2,154,503	1,360,843	205,990	207,937	208,574	209,657
DISBURSEMENTS								
Salaries	250,000	222,622	290,000	259,086	137,243	137,186	142,046	142,046
Employee fringe benefits	87,486	60,359	88,677	75,655	24,409	36,753	39,018	39,178
Materials and Supplies	144,000	125,553	127,000	101,911	21,600	28,627	22,930	26,222
Services and Other	1,916,752	979,027	1,364,412	656,353	35,923	11,061	12,075	7,061
Capital Outlay	211,600	89,106	146,000	73,030	-	-	-	-
Construction	364,000	167,268	515,500	347,816	-	-	-	-
Transfers out	148,692	148,692	126,579	126,579	-	-	-	-
Total Disbursements	3,122,530	1,792,627	2,658,168	1,640,430	219,175	213,627	216,069	214,507
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(614,730)	(97,229)	(503,665)	(279,587)	(13,185)	(5,690)	(7,495)	(4,850)
CASH, JANUARY 1	622,134	622,134	524,905	524,905	13,185	13,185	7,495	7,495
CASH, DECEMBER 31	\$ 7,404	524,905	21,240	245,318	-	7,495	-	2,645

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	3,127	3,455	3,115	30,000	23,740	26,900	31,674
Interest	50	17	15	25	-	81	100	157
Other	-	68	30	-	-	1,794	1,000	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	3,550	3,212	3,500	3,140	30,000	25,615	28,000	31,831
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	13,500	10,294	11,500	10,490
Services and Other	3,500	3,462	3,507	2,437	16,500	15,330	16,500	21,341
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	3,500	3,462	3,507	2,437	30,000	25,624	28,000	31,831
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	50	(250)	(7)	703	-	(9)	-	-
CASH, JANUARY 1	257	257	7	7	9	9	-	-
CASH, DECEMBER 31	\$ 307	7	-	710	9	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY'S TRAINING FUND				PROSECUTING ATTORNEY'S BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	600	515	700	-	-	-	-	-
Charges for services	-	-	-	-	22,500	28,430	28,250	24,967
Interest	100	87	50	13	500	1,084	750	1,470
Other	-	82	100	525	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	700	684	850	538	23,000	29,514	29,000	26,437
DISBURSEMENTS								
Salaries	-	-	-	-	11,501	13,334	18,615	28,737
Employee fringe benefits	-	-	-	-	1,553	1,553	-	-
Materials and Supplies	-	-	-	-	7,500	4,292	2,700	5,037
Services and Other	2,000	1,974	933	501	-	-	-	4,455
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	12,100	7,869	21,455	-
Total Disbursements	2,000	1,974	933	501	32,654	27,048	42,770	38,229
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,300)	(1,290)	(83)	37	(9,654)	2,466	(13,770)	(11,792)
CASH, JANUARY 1	1,373	1,373	83	83	18,557	18,557	21,023	21,023
CASH, DECEMBER 31	\$ 73	83	-	120	8,903	21,023	7,253	9,231

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SEWER FUND				L.E.P.C. FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 4,500	5,208	5,000	6,181	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,110	5,825	5,800	2,110
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	2,029	2,000	2,224	650	1,227	1,200	1,244
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	5,500	7,237	7,000	8,405	2,760	7,052	7,000	3,354
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	40,473	5,169	44,041	2,426	26,578	7,050	30,820	4,472
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	40,473	5,169	44,041	2,426	26,578	7,050	30,820	4,472
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(34,973)	2,068	(37,041)	5,979	(23,818)	2	(23,820)	(1,118)
CASH, JANUARY 1	34,973	34,973	37,041	37,041	23,818	23,818	23,820	23,820
CASH, DECEMBER 31	\$ -	37,041	-	43,020	-	23,820	-	22,702

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHELTER FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,200	4,220	4,150	4,378	5,000	5,185	4,034	5,773
Interest	40	60	50	69	200	698	700	800
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	4,240	4,280	4,200	4,447	5,200	5,883	4,734	6,573
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	17,000	3,511	17,105	5,084
Services and Other	4,240	4,280	4,200	4,447	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,240	4,280	4,200	4,447	17,000	3,511	17,105	5,084
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	(11,800)	2,372	(12,371)	1,489
CASH, JANUARY 1	-	-	-	-	12,033	12,033	14,405	14,405
CASH, DECEMBER 31	\$ -	-	-	-	233	14,405	2,034	15,894

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	HAVA FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	243,815	248,609	1,100	224	50,000	99,297	36,500	57,514
Charges for services	-	-	-	45	-	-	-	-
Interest	800	4,745	100	685	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	244,615	253,354	1,200	954	50,000	99,297	36,500	57,514
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	190,000	190,000	-	6,825	-	-	-	-
Services and Other	70,269	57,817	22,391	15,274	50,000	99,297	36,500	57,514
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	260,269	247,817	22,391	22,099	50,000	99,297	36,500	57,514
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(15,654)	5,537	(21,191)	(21,145)	-	-	-	-
CASH, JANUARY 1	15,654	15,654	21,191	21,191	-	-	-	-
CASH, DECEMBER 31	\$ -	21,191	-	46	-	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	TAX MAINTENANCE FUND				QUARTER % ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	23,000	26,136	28,000	27,777
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	17,000	17,863	17,000	21,335	-	-	-	-
Interest	500	2,421	2,000	3,117	-	2,106	1,000	2,345
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	17,500	20,284	19,000	24,452	23,000	28,242	29,000	30,122
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	62,977
Services and Other	10,600	10,609	74,000	50,274	50,831	-	85,073	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	29,400	1,729	-	1,729	-	-	-	-
Total Disbursements	40,000	12,338	74,000	52,003	50,831	-	85,073	62,977
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(22,500)	7,946	(55,000)	(27,551)	(27,831)	28,242	(56,073)	(32,855)
CASH, JANUARY 1	47,291	47,291	55,237	55,237	27,831	27,831	56,073	56,073
CASH, DECEMBER 31	\$ 24,791	55,237	237	27,686	-	56,073	-	23,218

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	RECORDERS USER FEE FUND				LAW ENFORCEMENT RESITUATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	15,000	15,164	14,000	15,145	-	22,127	22,000	25,544
Interest	-	4,874	3,500	4,943	-	878	500	1,505
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	15,000	20,038	17,500	20,088	-	23,005	22,500	27,049
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	33,000	-	50,000	-	35,000	21,861	39,402	18
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	17,000	17,000	-	18,700	-	-	5,000	5,000
Total Disbursements	50,000	17,000	50,000	18,700	35,000	21,861	44,402	5,018
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(35,000)	3,038	(32,500)	1,388	(35,000)	1,144	(21,902)	22,031
CASH, JANUARY 1	89,923	89,923	92,961	92,961	20,758	20,758	21,902	21,902
CASH, DECEMBER 31	\$ 54,923	92,961	60,461	94,349	(14,242)	21,902	-	43,933

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT TAX FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	145,000	74,166	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Proceeds from Bond	-	-	-	9,013,872	-	-	-	-
Tax anticipation loan	-	-	500,000	432,032	-	-	-	-
Other	-	-	10,000	10,000	-	2,424	-	2,548
Dividend Income	-	-	-	13,810	-	-	-	-
Total Receipts	-	-	655,000	9,543,880	-	2,424	-	2,548
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Loan Repayment	-	-	-	432,032	-	-	-	-
Construction	-	-	655,000	442,285	-	-	-	-
Fees and Expenses	-	-	-	23,338	-	-	-	-
Total Disbursements	-	-	655,000	897,655	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	8,646,225	-	2,424	-	2,548
CASH, JANUARY 1	-	-	-	-	-	5,343	-	7,767
CASH, DECEMBER 31	\$ -	-	-	8,646,225	-	7,767	-	10,315

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Unclaimed Fees	\$ 18	18	4,405	4,405
Overplus	3,692	3,692	2,922	2,922
Ambulance	106	106	-	-
Surtax	50,683	50,683	46,321	46,321
Prosecuting Attorney's Tax Collection	42	42	1,454	1,454
County Employees' Retirement Fund	1,966	1,966	3,351	3,351
Prosecuting Attorney's Fee	155	155	335	335
Township	316	316	56,108	56,108
City	611	611	-	-
School	41,351	41,351	33,701	33,701
Collector	8,061,500	8,061,500	1,039,569	1,039,569
Total	\$ 8,160,440	8,160,440	1,188,166	1,188,166

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vernon County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer-Collector.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Vernon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. The following individual amendment was material in relation to the original appropriations which were adopted. The County approved creation of a Law Enforcement Sales Tax Fund, which began October 1, 2007. This amended fund had anticipated revenue and expenditures of

\$655,000 comprised of sales tax revenue, a \$500,000 bond anticipation note, and a donation with corresponding expenditures used for construction and other associated project cost.

8. Budgets are prepared and adopted on the cash basis of accounting.
 9. Adoption of a formal budget is required by law. The county did adopt a formal budget for all funds.
 10. Section 50.740 RSMo. Prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.
 - a. Shelter
 - b. Election
 - c. Sheriff's Discretionary
 - d. Law Enforcement Tax
- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 145,604,336	135,489,551
Personal Property	54,950,314	61,405,822
Railroad and Utilities	13,769,266	14,000,066

During 2007 and 2006 the County Commission approved a \$0.1422 and \$0.1584 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.1422</u>	<u>\$0.1584</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust

companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$17,490,786 and \$2,227,030 the bank balance was \$15,771,413 and \$1,544,822, respectively. Of the bank balance \$365,941 and \$227,571 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$15,405,472 and \$1,317,251, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

The County also maintains proceeds from Certificates of Participation that are held in a financial institution pursuant to a trust agreement. The balance of approximately \$8,562,059 at December 31, 2007 was held entirely in money market funds that were fully collateralized, and is included as County deposits in the preceding paragraph.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter

form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately \$48,046 and \$44,141, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 180 days of sick time -- to accrue at one day per complete calendar month of employment up to 180 days. Upon termination, the employee is not compensated accrued sick time. Vacation time is accrued for every full time employee, and accrues at the rate of one-half day per month up to two and one-fourth days depending on length of employment. Employees must use vacation time in the year it is earned.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditures of federal awards did not exceed \$500,000 in either 2007 or 2006 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency

funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

8. LONG TERM DEBT

The County issued the following debt during fiscal year 2007:

- A. Notes Payable: The County issued temporary bond anticipation notes to finance the planning and construction of a new law enforcement facility. The County fully paid the note of approximately \$435,286 during the fiscal year ended December 31, 2007.
- B. Bonds Payable The County issued certificates of participation bonds to provide funds for the construction of a new law enforcement facility and to repay the related bond anticipation notes. The County created a Law Enforcement Sales Tax Fund in which the activity for this project is recorded. Sales tax revenue bonds are payable from a one-half cent sales tax. The County debt at December 31, 2007 consisted of the following:
 - i. Certificates of Participation: \$10,000,000, November 15, 2007; Certificates of Participation Series 2007, issued for the Law Enforcement Project, due in semi-annual installments of \$151,725 to \$569,444, interest at 3.5% to 3.7% through October 1, 2012; \$134,126 to \$609,126, interest at 3.75% to 3.95%, through October 1, 2017; \$70,374 to \$670,374, interest at 4% to 4.2% through October 1, 2023; \$15,520 to \$725,620 , interest 4.25% to 4.4% through maturity at October 1, 2027.

COMPLIANCE SECTION

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Vernon County, Missouri'

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 25, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Vernon County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vernon County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vernon County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Vernon County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Vernon County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Vernon County, Missouri's internal control. We consider the deficiency described in the schedule of findings and recommendations as item 1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Vernon County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 2 and 3.

We noted certain matters that we reported to management of Vernon County, Missouri, in the findings and recommendations section as items 4 through 7.

Vernon County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Vernon County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Vernon County, Missouri

Compliance

We have audited the compliance of Vernon County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Vernon County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Vernon County, Missouri's management. Our responsibility is to express an opinion on Vernon County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vernon County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Vernon County, Missouri's compliance with those requirements.

In our opinion, Vernon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Vernon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we

considered Vernon County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by auditor)

McBride, Lock & Associates
July 25, 2008

VERNON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Years Ended December 31,	
			2006	2007
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
	State Department of Public Safety -			
16.523	Juvenile Accountability Incentive Block Grants	2003-JABG-SUP22	\$ 9,621	-
16.540	Juvenile Justice and Delinquency Prevention -	ERO17262	21,662	22,002
16.575	Crime Victim Assistance	2004VOCA0075	12,327	6,887
16.588	Violence Against Women Formula Grants	2005VAWA0029	14,195	-
16.592	Local Law Enforcement Block Grants Program	2005LBGJ-096	8,725	-
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law		-	17,986
	Missouri Sheriffs' Association -		-	2,471
	Domestic Cannabis Eradication/Suppression Program		-	5,191
16.726		2000DDVX055	8,033	3,706
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-108(30)	433,787	-
		BRO-108(32)	27,579	281,596
		BRO - 108(33)	-	35,713
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	CEPF	3,310	-
		HMEP	2,110	2,110
GENERAL SERVICES ADMINISTRATION				
	Passed through the Office of Secretary of State -			
39.011	Election Reform Payments		427	-
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments		248,609	1,325
	Department of Social Services -			
93.563	Child Support Enforcement	Circuit Clerk	2,220	1,989
93.569	Community Services Block Grant	Pros. Atty.	33,368	27,947
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-6209C	2,365	
		AOC06380231	1,830	
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.042	Emergency Management Performance Grants		16,637	19,005
97.067	Homeland Security Grant Program	2004-GE-T4-0049	116,555	-
Total Expenditures of Federal Awards			\$ 963,360	427,928

See accompanying notes to Schedule of Expenditures of Federal Awards

VERNON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

VERNON COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Findings 1 and 2.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior audit findings pertaining to Federal Awards.

FINDINGS AND RECOMMENDATIONS

VERNON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Recording and Budgeting Debt

Condition: The County issued in 2007 certificates of participation to finance the costs of the County Law Enforcement Facility. This debt, in the amount of approximately \$8,500,000, and the related proceeds of the borrowing were not presented in the County's published financial statements nor are they included in the County's accounting system. Further, the transactions were not included in the County's annual budget. The omission of cash and disbursement transactions from the County's central accounting system, particularly items of this magnitude, materially misstates the financial statements and also weakens internal control by reducing the oversight and monitoring functions pertaining to the disbursement of the funds and the repayment of the related debt.

Recommendation: We recommend the County Clerk record all transactions associated with the Law Enforcement Certificates of Participation, including the expenditure of proceeds of borrowings and the debt service payments, in the County accounting system. These transactions and balances should also be included in the County's published financial statements and in the budget.

County's Response: September 19, 2007 a Budget amendment was sent for the Law Enforcement Sales Tax Fund which indicated the passage of the tax. As it was so late in the year the indebtedness for the bonds was included in the 2008 budget.

The County has contracted the management of the bonds with a private company, Southwest Trust, and receives monthly income and expense statements on the funds.

ITEMS OF NONCOMPLIANCE

2. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: We do not believe this pertains to the County as stated in RSMo 30.950 paragraph (2) it talks about political divisions that do not have an agreement. Vernon County does have an agreement with our depository institution which is bid every four years.

3. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the audit period, there were 4 different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- Shelter – 2006 and 2007
- Election – 2006 and 2007
- Sheriff's Discretionary – 2007
- Law Enforcement Tax – 2007

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget.

County's Response:

Shelter Fund 2006 & 2007

- The budgeted amount did not exceed the approved budget until December of the 2006 & 2007, therefore it did not require a budget amendment.

Election Fund 2006 & 2007

- This is a pass through account for costs associated with elections held in Vernon County. When planning for budgets we are not certain how many elections may be held during the year.
- New equipment was required through the Help America Vote Act and the additional costs associated with programming for the equipment exceeded the Clerk's estimates

Sheriff's Discretionary 2007

- The budgeted amount did not exceed the approved budget until November of 2007. Therefore it did not require a budget amendment.

Law Enforcement Tax 2007

- See response to Finding No. 1.

It is the Counties practice to amend the budget as required by RSMo 50.740. The Clerk's office as well as the County Commission will watch the pass through funds more closely

and file amendments as required.

OTHER MATTERS

In planning and performing our audit of the financial statements of Vernon County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 25, 2008. (A separate report dated July 25, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 25, 2008.

4. Recording Transfers

Condition: Transfers between funds are not always budgeted as such in the respective funds. Amounts budgeted as transfers-in for 2006 totaled \$302,737 while amounts budgeted as transfers-out totaled \$300,237. The differences resulted from recording transfers-out in the amount of \$2,500 as an expenditure in the outgoing fund (the Tax Collection Fund) rather than as a transfer.

Recommendation: We recommend the County Clerk record transfers, both budgeted and actual, consistently between funds within the "Transfers" category, rather than as expenditures or revenues.

County's Response: Transfers will be noted as such rather than an expenditure in the future.

5. Timely Recording of Receipts

Condition: The Treasurer receives monies from County officeholders for fees and charges collected. The Treasurer places the collected amounts in her cash drawer, however, the receipt for this cash may be written at a later time. This situation places the officeholders in a position of having no record of the disposition of cash and checks which were in their possession.

Recommendation: We recommend all County officeholders provide a cash transmittal report that lists the source and nature of the amounts deposited with the County Treasurer. The Treasurer should then issue written receipts immediately upon receiving the deposit.

County's Response: Computer generated receipts are issued immediately when Treasurers monies are received with the exception of the first day or two of each month. We issue a hand written receipt to anyone who requests one during that time frame. Our computer system will not allow us to enter new computer generated receipts for the current month until the previous month is balanced.

A transmittal form will be created and distributed to each officeholder who deposits funds with the Treasurer. It will also be requested that they obtain a receipt upon delivery of the funds to the Treasurer.

6. Timely Deposit of Collections

Condition: We were informed that the County Clerk deposits collections with the Treasurer once or twice a month. Undeposited revenues are not afforded the same safeguards as are provided by the Treasurer's office, where collections are deposited with the bank daily. Further, such revenues are not recorded in the accounting system until they are receipted by the Treasurer.

Recommendation: We recommend the County Clerk deposit all receipts with the Treasurer when amounts exceed \$100, or at least weekly. Considering the proximity of the Treasurer to the Clerk, frequent deposits can be conveniently arranged and enhance security over cash collections.

County's Response: The County Clerk will deposit funds weekly or more often as needed not to exceed \$100.00 on hand at any given time.

7. Maintenance of Personnel Files

Condition: Personnel files should contain up-to-date contact information for the employee, position title, W-4, payroll authorization, a record of any changes in benefits or pay, evidence of salary level, job titles, and employment forms. Out of the four employees we tested, all four employees did not have documentation setting forth their current authorized salary. For uniformity and efficiency of operations, the personnel files should be complete and should be considered the central source for all information and transactions concerning employees.

Recommendation: We recommend that the County Clerk's Office ensure that the permanent personnel file of each employee contain all information relevant to the individual's position, compensation, deductions, and contact information.

County's Response: A copy of final salaries will be made a part of the permanent personnel file of each employee after the approval of the budget.

VERNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Vernon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2003 and 2002.

The budgets of the Special Road and Bridge Fund did not present a reasonable estimate of the fund's expenditures, and did not allow for proper monitoring and use of the budget as a management tool.

Status- Implemented.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Andrew County, Missouri

The Office of the State Auditor, in cooperation with Andrew County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-15

ANDREW COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

ANDREW COUNTY, MISSOURI
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Governmental Funds:

Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds	1
---	---

Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds	2
---	---

Fiduciary Funds:

Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds	12
---	----

Notes of Financial Statements	13
-------------------------------	----

COMPLIANCE SECTION

AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	21
--	----

Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	23
--	----

Schedule of Expenditure of Federal Awards	25
---	----

Notes to the Schedule of Expenditures of Federal Awards	26
---	----

Schedule of Federal Findings and Questioned Costs	27
---	----

Findings and Recommendations	30
------------------------------	----

Schedule of Prior Year Audit Findings	33
---------------------------------------	----

INTRODUCTORY SECTION

ANDREW COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Larry Atkins

Associate Commissioner – Richard Townsend

Associate Commissioner – Greg Wall

Other Elected Officials

Assessor – Ronald Christmas

Circuit Clerk / Recorder – Rose Lancey

Collector – Phil Rogers

Coroner – Ronald Crouse

County Clerk – Cyndee Merritt

Prosecuting Attorney – Steven Stevenson

Public Administrator – Karen Keller

Sheriff – Gary Howard

Treasurer – Cindy Esely

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Andrew County, Missouri

We have audited the accompanying financial statements of Andrew County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Andrew County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Andrew County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Andrew County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 18, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing for internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Andrew County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original Signed by Auditor)

McBride, Lock & Associates
July 18, 2008

FINANCIAL SECTION

ANDREW COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 1,611,262	1,654,594	1,880,156	1,385,700	1,530,472	1,770,889	1,145,283
Special Road and Bridge	356,335	2,905,808	2,510,782	751,361	2,215,180	2,487,408	479,133
Assessment	70,431	192,666	204,362	58,735	222,385	232,875	48,245
Law Enforcement Sales Tax	248,473	566,240	671,863	142,850	606,512	733,135	16,227
Law Enforcement Training	29,207	7,321	5,017	31,511	6,846	3,496	34,861
Capital Improvement Sales Tax	127,923	125,593	67,325	186,191	156,854	32,754	310,291
Recorder's Records Account	44,444	15,414	10,794	49,064	15,681	8,959	55,786
Prosecuting Attorney Training	626	1,075	1,192	509	882	388	1,003
ACCD 911	49,331	49,293	61,653	36,971	13,674	9,632	41,013
Local Emergency Planning Commission	7,184	4,219	3,920	7,483	4,011	4,615	6,879
Prosecuting Attorney Bad Check	18,609	17,685	2,690	33,604	15,713	15,761	33,556
Election Services	7,081	3,815	3,312	7,584	985	4,176	4,393
Sheriff's Civil Fees	36,281	31,562	29,408	38,435	23,951	23,260	39,126
Sheriff's Reserve	11,238	2,584	7,875	5,947	4,752	4,716	5,983
Collector's Tax Maintenance	23,521	21,493	13,075	31,939	4,830	320	36,449
Cemetery Trust	2,007,089	220,613	45,215	2,182,487	87,196	50,866	2,218,817
Ford Farm	118,256	8,705	6,115	120,846	9,018	7,740	122,124
HAVA	15,832	121,287	124,515	12,604	1,065	13,669	-
Total	\$ 4,783,123	5,949,967	5,649,269	5,083,821	4,920,007	5,404,659	4,599,169

The accompanying Notes to the Financial Statements are an integral part of this statement.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 313,314	376,774	396,000	325,959
Sales taxes	495,000	371,107	475,000	484,468
Intergovernmental	170,265	136,681	170,081	182,098
Charges for services	339,400	360,260	296,100	341,087
Interest	25,000	80,835	80,000	76,556
Other	123,500	328,937	123,800	114,104
Transfers in	-	-	-	6,200
Total Receipts	<u>1,466,479</u>	<u>1,654,594</u>	<u>1,540,981</u>	<u>1,530,472</u>
DISBURSEMENTS				
County Commission	117,500	94,365	115,500	94,455
County Clerk	148,480	136,523	165,532	132,667
Elections	70,200	40,492	64,200	14,544
Buildings and grounds	125,600	53,876	418,600	106,152
Employee fringe benefits	-	203,255	246,754	214,698
County Treasurer	44,480	43,505	71,480	54,777
Collector	110,725	85,014	106,850	89,950
Recorder of Deeds	38,300	34,649	39,761	33,794
Circuit Clerk	46,000	13,591	46,000	12,100
Associate Circuit Court	9,700	8,366	9,700	7,665
Court administration	31,600	28,564	32,561	29,243
Public Administrator	33,500	25,534	30,500	25,630
Prosecuting Attorney	110,010	101,591	114,685	103,805
Juvenile Officer	42,000	27,494	66,816	58,800
Coroner	24,845	22,123	26,070	17,432
Other	439,485	661,214	630,890	775,177
Transfers out	189,000	300,000	525,809	-
Emergency fund	44,055	-	45,627	-
Total Disbursements	<u>1,625,480</u>	<u>1,880,156</u>	<u>2,757,335</u>	<u>1,770,889</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(159,001)	(225,562)	(1,216,354)	(240,417)
CASH, JANUARY 1	<u>1,772,813</u>	<u>1,611,262</u>	<u>1,385,700</u>	<u>1,385,700</u>
CASH, DECEMBER 31	<u>\$ 1,613,812</u>	<u>1,385,700</u>	<u>169,346</u>	<u>1,145,283</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 807,106	986,398	992,200	854,087	-	-	-	-
Sales taxes	370,000	353,367	355,000	341,226	-	-	-	-
Intergovernmental	2,578,121	1,076,094	1,659,041	884,407	180,712	187,421	199,501	217,132
Charges for services	-	-	-	-	-	540	2,000	933
Interest	10,000	24,527	24,000	40,931	-	3,859	3,000	3,675
Other	90,000	162,080	85,000	91,906	3,000	846	2,000	645
Transfers in	105,000	303,342	341,809	2,623	89,000	-	89,000	-
Total Receipts	3,960,227	2,905,808	3,457,050	2,215,180	272,712	192,666	295,501	222,385
DISBURSEMENTS								
Salaries	511,792	452,892	538,587	492,112	122,870	126,192	133,373	123,824
Employee fringe benefits	247,318	206,087	258,879	224,797	-	-	-	-
Materials and Supplies	281,500	304,880	414,000	263,284	6,500	3,655	6,500	5,170
Services and Other	449,650	499,555	875,400	636,965	149,526	74,515	126,742	103,881
Capital Outlay	332,000	240,246	340,000	327,368	-	-	-	-
Construction	2,384,459	807,122	1,430,000	542,882	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,206,719	2,510,782	3,856,866	2,487,408	278,896	204,362	266,615	232,875
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(246,492)	395,026	(399,816)	(272,228)	(6,184)	(11,696)	28,886	(10,490)
CASH, JANUARY 1	356,335	356,335	751,361	751,361	70,402	70,431	58,735	58,735
CASH, DECEMBER 31	\$ 109,843	751,361	351,545	479,133	64,218	58,735	87,621	48,245

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	LAW ENFORCEMENT SALES TAX FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	500,000	371,108	500,000	484,473	-	-	-	-
Intergovernmental	25,000	132,130	30,000	35,684	-	-	-	-
Charges for services	30,000	50,177	35,000	41,657	2,000	-	2,000	-
Interest	4,000	9,105	5,000	4,603	200	1,312	300	1,857
Other	10,000	3,720	8,000	15,095	5,000	6,009	5,000	4,989
Transfers in	25,000	-	150,000	25,000	-	-	-	-
Total Receipts	594,000	566,240	728,000	606,512	7,200	7,321	7,300	6,846
DISBURSEMENTS								
Salaries	425,000	408,105	440,000	417,141	-	-	-	-
Employee fringe benefits	103,308	125,871	138,880	126,330	-	-	-	-
Materials and Supplies	66,000	49,219	76,500	57,974	3,000	-	3,000	232
Services and Other	87,500	88,668	106,000	131,690	10,000	5,017	22,300	3,264
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	681,808	671,863	761,380	733,135	13,000	5,017	25,300	3,496
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(87,808)	(105,623)	(33,380)	(126,623)	(5,800)	2,304	(18,000)	3,350
CASH, JANUARY 1	248,473	248,473	142,850	142,850	29,207	29,207	31,511	31,511
CASH, DECEMBER 31	\$ 160,665	142,850	109,470	16,227	23,407	31,511	13,511	34,861

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	CAPITAL IMPROVEMENT SALES TAX FUND				RECORDER'S RECORDS ACCOUNT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	125,000	117,789	120,000	143,242	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	12,000	13,233	13,000	12,932
Interest	-	-	-	-	500	2,181	1,000	2,749
Other	5,000	7,804	5,000	13,612	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	130,000	125,593	125,000	156,854	12,500	15,414	14,000	15,681
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	21,500	8,230	20,500	4,951
Services and Other	130,000	67,325	306,000	32,754	7,500	2,564	8,500	4,008
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	130,000	67,325	306,000	32,754	29,000	10,794	29,000	8,959
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	58,268	(181,000)	124,100	(16,500)	4,620	(15,000)	6,722
CASH, JANUARY 1	127,923	127,923	186,191	186,191	44,444	44,444	49,064	49,064
CASH, DECEMBER 31	\$ 127,923	186,191	5,191	310,291	27,944	49,064	34,064	55,786

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	PROSECUTING ATTORNEY TRAINING FUND				ACCD 911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	10,000	-	10,000	10,000
Charges for services	-	-	-	-	-	-	-	-
Interest	-	20	30	44	1,600	2,286	2,000	2,422
Other	1,200	1,055	1,100	838	100,000	47,007	50,000	1,252
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,200	1,075	1,130	882	111,600	49,293	62,000	13,674
DISBURSEMENTS								
Salaries	-	-	-	-	7,622	6,496	7,851	6,971
Employee fringe benefits	-	-	-	-	583	497	602	533
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,800	1,192	1,250	388	103,400	54,660	53,200	2,128
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	30,000	-	30,000	-
Total Disbursements	2,800	1,192	1,250	388	141,605	61,653	91,653	9,632
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,600)	(117)	(120)	494	(30,005)	(12,360)	(29,653)	4,042
CASH, JANUARY 1	626	626	509	509	49,331	49,331	36,971	36,971
CASH, DECEMBER 31	\$ (974)	509	389	1,003	19,326	36,971	7,318	41,013

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	LOCAL EMERGENCY PLANNING COMMITTEE FUND				PROSECUTING ATTORNEY BAD CHECK			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	10,000	17,685	16,000	15,713
Interest	-	336	400	309	-	-	1,000	-
Other	4,115	3,883	6,182	3,702	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	4,115	4,219	6,582	4,011	10,000	17,685	17,000	15,713
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,799	1,205	2,100	1,699	-	2,690	12,202	15,761
Services and Other	5,100	2,715	4,025	2,916	-	-	-	-
Capital Outlay	-	-	-	-	-	-	1,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	7,899	3,920	6,125	4,615	-	2,690	13,202	15,761
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,784)	299	457	(604)	10,000	14,995	3,798	(48)
CASH, JANUARY 1	7,184	7,184	7,483	7,483	18,609	18,609	33,604	33,604
CASH, DECEMBER 31	\$ 3,400	7,483	7,940	6,879	28,609	33,604	37,402	33,556

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	ELECTION SERVICES				SHERIFF'S CIVIL FEES			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	17,000	29,804	30,000	17,803
Charges for services	1,500	3,392	2,700	775	-	-	-	-
Interest	200	399	300	210	300	1,758	300	1,347
Other	-	24	100	-	-	-	-	4,801
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,700	3,815	3,100	985	17,300	31,562	30,300	23,951
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	500	1,007	-	4,176	5,000	29,208	-	21,810
Services and Other	6,700	1,510	-	-	-	200	-	1,450
Capital Outlay	1,500	795	-	-	24,000	-	35,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	8,700	3,312	-	4,176	29,000	29,408	35,000	23,260
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(7,000)	503	3,100	(3,191)	(11,700)	2,154	(4,700)	691
CASH, JANUARY 1	7,081	7,081	7,584	7,584	36,281	36,281	38,435	38,435
CASH, DECEMBER 31	\$ 81	7,584	10,684	4,393	24,581	38,435	33,735	39,126

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	SHERIFF'S RESERVE				COLLECTOR'S TAX MAINTENANCE			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	2,134	-	4,385	-	-	-	-
Charges for services	-	-	2,500	-	20,000	21,137	20,000	4,830
Interest	100	450	200	367	850	356	1,500	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	2,600	2,584	2,700	4,752	20,850	21,493	21,500	4,830
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,000	5,997	7,500	4,401	-	-	-	-
Services and Other	1,000	1,878	-	315	6,000	13,075	12,000	320
Capital Outlay	-	-	-	-	6,000	-	6,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	6,000	7,875	7,500	4,716	12,000	13,075	18,000	320
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,400)	(5,291)	(4,800)	36	8,850	8,418	3,500	4,510
CASH, JANUARY 1	11,238	11,238	5,947	5,947	23,521	23,521	31,939	31,939
CASH, DECEMBER 31	\$ 7,838	5,947	1,147	5,983	32,371	31,939	35,439	36,449

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	CEMETERY TRUST				FORD FARM			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,828	6,314	3,478	6,593
Charges for services	-	-	-	-	-	-	-	-
Interest and dividends	48,910	219,877	114,640	87,196	2,260	2,391	6,000	2,425
Other	-	736	-	-	90	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	48,910	220,613	114,640	87,196	6,178	8,705	9,478	9,018
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	30,995	45,215	51,650	50,866	6,750	6,115	7,500	7,740
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	10,000	-	10,000	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	30,995	45,215	51,650	50,866	16,750	6,115	17,500	7,740
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	17,915	175,398	62,990	36,330	(10,572)	2,590	(8,022)	1,278
CASH, JANUARY 1	2,007,089	2,007,089	2,182,487	2,182,487	118,256	118,256	120,846	120,846
CASH, DECEMBER 31	\$ 2,025,004	2,182,487	2,245,477	2,218,817	107,684	120,846	112,824	122,124

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

HELP AMERICA VOTE ACT (HAVA) FUND				
	Year Ended December 31,		Year Ended December 31,	
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	103,300	120,615	3,829	557
Charges for services	-	-	-	-
Interest	500	672	600	508
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	103,800	121,287	4,429	1,065
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	124,515	-	13,107
Services and Other	48,127	-	14,929	562
Capital Outlay	70,550	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	118,677	124,515	14,929	13,669
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(14,877)	(3,228)	(10,500)	(12,604)
CASH, JANUARY 1	15,832	15,832	12,604	12,604
CASH, DECEMBER 31	\$ 955	12,604	2,104	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Collector	\$ 6,978,705	6,978,705	4,548,900	4,548,900
County Employee's Retirement Fund	2,013	2,013	4,146	4,146
John Glenn Neighborhood Improvement District	42,460	42,460	44,192	44,192
Gore Neighborhood Improvement District	6,912	6,912	7,803	7,803
Victoria Hills Neighborhood Improvement District	795	795	5,172	5,172
Johnson Grass	34,432	34,432	18,996	18,996
Fines Distributable to Schools	60,446	60,446	3,701	3,701
Other Agency Funds	290	290	189	189
School Revolving Fund	1,253	1,253	817	817
Railroad and Utility Tax Held for Schools	3,918	3,918	-	-
Funds Held for Levee Districts	7,270	7,270	-	-
Protested Taxes	-	-	3,244	3,244
Unclaimed Fees	-	-	134	134
Total	\$ 7,138,494	7,138,494	4,637,294	4,637,294

The accompanying Notes to the Financial Statements are an integral part of these statements.

ANDREW COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Andrew County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), which include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Andrew County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

The Cemetery Trust Fund is comprised of cash and investments of twenty-nine cemeteries for which the County Commission is the trustee. The County Commission is required to follow the terms and conditions of the gift or bequest. The County is required to file annual reports for the twenty-nine funds with the Probate Judge.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds generally account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting. Although adoption of a formal budget is required by law, the County did not adopt a formal

budget for the Prosecuting Attorney's Bad Check Fund in 2006 or for the Election Services Fund in 2007

9. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted appropriations for the following funds:
- General Fund – 2006
 - Prosecuting Attorney's Bad Check Fund – 2006 and 2007
 - Election Services – 2007
 - Sheriff's Civil Fees – 2006
 - Sheriff's Reserve - 2006
 - Collector's Tax Maintenance - 2006
 - Cemetery - 2006
 - HAVA – 2006.
- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 137,330,300	124,356,320
Personal Property	49,127,396	48,179,234
Railroad and Utilities	3,605,812	4,641,183

During 2007 and 2006 the County Commission approved tax levies for General Revenue, Road and Bridge and Johnson Grass funds that are valued at \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$0.1912	\$0.1912
Road and Bridge	0.4961	0.5075
Johnson Grass	0.0250	0.0250

F. Cash Deposits and Investments

Deposits and investments are stated at cost in the financial statements. Cash balances for all the County Treasurer funds, other than balances held for the Cemetery Trust Fund, are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in

bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. At December 31, 2006 and 2007 the County had no investments other than those of the Cemetery Trust Funds which are described in Note 2 below. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$11,737,663 and \$9,721,115, respectively and the bank balance was \$9,424,371 and \$8,671,781, respectively. Of the bank balance, \$431,944 and \$404,359, for December 31, 2007 and December 31, 2006, respectively, was covered by federal depository insurance and \$8,992,427 and \$8,267,422, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

Investments - The County's only investments are recorded in the Cemetery Trust Fund and are made in accordance with the terms of the trust agreement, which authorizes investments in United States Government securities and stocks currently traded on the New York Stock Exchange. A court opinion docketed in 2001 authorized the County Commission to buy, sell, or trade stocks and bonds as long as the shares of original stock making up the corpus of the trust were maintained.

Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. The policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

As of December 31, 2007, the Cemetery Trust Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>			
		<u>No Maturity</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. government securities	\$ 529,529	-	529,529	-	-
U.S. government bonds	72,275	-	-	-	72,275
U.S. government bond fund	143,140	143,140	-	-	-
Stocks and mutual funds	1,072,251	1,072,251	-	-	-
Corporate bonds	101,327	-	7,699	-	93,628

Interest rate risk: The trust agreement does not discuss limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit risk: The trust agreement does not include limits on ratings for investments made by the Cemetery Trust Fund. Ratings for the fund's bond investments are from Moody's Investors Service.

	<u>Market Value</u>	<u>Rating 2007</u>
Government National Mortgage Association Bonds	\$ 72,373	Not Rated
New York Telephone Company Bonds	15,484	AAA
GTE Corporation Bonds	21,698	A
General Motors Corporation Bonds	56,445	B-
General Motors Acceptance Corporation Bonds	7,699	Not Rated

Concentration of credit risk: The trust agreement does not limit the amount the Trust may invest in any one issuer. More than 5 percent of the Cemetery's investments are in Pfizer stock. This investment accounts for 10.6 percent of the Cemetery Trust Fund's total investments at December 31, 2007.

Custodial credit risk: Custodial credit risk is the risk that, if the counterparty to an investment transaction fails, Andrew County will not be able to recover the investment's value or the collateral securities that are in an outside party's possession. The County's investments at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were held by the County's custodial bank in the Cemetery Trust's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a

charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. Responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 — 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County

collected and remitted to CERF employee contributions of approximately for \$31,682 and \$27,436, respectively, for the years then ended, equal to the required contributions.

Because certain employees are also participants in LAGERS, a contribution is also required by the County to LAGERS, based on an actuarially determined rate. The LAGERS rate for general employees for 2007 was 10.5% and for law enforcement employees, 4.3%. In 2006 the rates contributed were 11.3%, and 5.5% for general and law enforcement employees, respectively, of annual covered payroll. During 2007 and 2006, the County collected and remitted to LAGERS employee contributions of \$59,354 and \$57,080, respectively, and employer contributions of \$53,047 and \$58,334, respectively.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with the following accrued time for purposes of paid leave. Sick time will accrue at the rate of one day per complete calendar month of employment up to 60 days rollover balance. Upon termination, the employee will not be compensated for any unused sick time. Vacation time will accrue at the rate of one-half day to one and one half days per month depending on length of employment, up to two weeks rollover balance. Upon termination the employee may choose time taken as early separation or to be compensated on last payroll check for balance of unused vacation time limited to two weeks. Comp time will accrue at a rate of one and one half time actual hours worked based on federal wage and hour regulations, up to 180 hours rollover balance. Upon termination the employee may choose time taken as early separation or to be compensated on last payroll check for balance of unused comp time limited to 180 hours.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from

the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Andrew County, Missouri

We have audited the accompanying financial statements of Andrew County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 18, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Andrew County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Andrew County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Andrew County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Andrew County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Andrew County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Andrew County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Andrew County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control and financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are identified as items 1 and 2.

We noted certain matters that we reported to management of Andrew County, Missouri's, in the findings and recommendations section as items 3-6.

Andrew County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Andrew County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates

July 18, 2008

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Andrew County, Missouri

Compliance

We have audited the compliance of Andrew County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Andrew County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Andrew County, Missouri's management. Our responsibility is to express an opinion on Andrew County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Andrew County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Andrew County, Missouri's compliance with those requirements.

In our opinion, Andrew County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Andrew County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Andrew County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Andrew County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride, Lock & Associates
July 18, 2008

ANDREW COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

		Pass-Through	Federal Expenditures	
Federal		Entity	Years ended December 31,	
CFDA		Identifying		
Number	Federal Grantor/Pass-Through Grantor/Program Title	Number	2007	2006
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through State of Missouri			
	Department of Social Services -			
10.069	Conservation Reserve Program		\$ 7,740	13,105
	Total for U.S. DEPARTMENT OF AGRICULTURE		7,740	13,105
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through State of Missouri			
	Department of Economic Development -			
14.228	Community Development Block Grants/State's Program	2004-PF-557	16,920	137,000
	Total for U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		16,920	137,000
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through State of Missouri			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-B002(34)	-	202,021
		BRO-B002(35)	3,944	21,278
		BRO-B002(36)	14,048	18,820
		BRO-B002(27)	-	550,909
		BRO-B002(30)	3,438	-
		BRO-B002(31)	10,822	-
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public		2,192	-
	Total for U.S. DEPARTMENT OF TRANSPORTATION		34,444	793,028
	GENERAL SERVICES ADMINISTRATION			
	Passed through the Missouri Office of Secretary of State -			
39.011	Election Reform Payments		12,550	-
	Poll Worker Training & Elections Improvement	47-0601-0-1-808	-	6,627
	Total for GENERAL SERVICES ADMINISTRATION		12,550	6,627
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Missouri Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	95-1650-0-1-808	-	120,615
	Total for ELECTION ASSISTANCE COMMISSION		0	120,615
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through State of Missouri			
	Department of Social Services -			
93.563	Child Support Enforcement	2008 IV-D	82,953	119,113
	Total for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		82,953	119,113
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through State of Missouri Department of Public Safety:			
97.036	Public Assistance Grants		70,716	875
97.042	Emergency Management Performance Grants		4,149	2,300
97.067	Homeland Security Grant Program		18,397	44,748
97.007	Local Emergency Preparedness Commission (LEPC)		-	4,029
97.036	Federal Emergency Management Agency		-	7,442
	Total for U.S. DEPARTMENT OF HOMELAND SECURITY		93,262	59,394
	Total Expenditures of Federal Awards		\$ 247,869	1,248,882

See accompanying notes to the Schedule of Expenditures of Federal Awards.

ANDREW COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

ANDREW COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Finding No. 1 – Lack of Investment Policy and Finding No. 2 – Lack of Compliance with State Statutes Regarding County Budget Law.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The County has not developed cash management procedures to ensure timely payment of contractors on projects funded by federal monies.

Status – Implemented.

FINDINGS AND RECOMMENDATIONS

ANDREW COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

ITEM OF NONCOMPLIANCE

1. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County's Response: This issue will be addressed in an upcoming meeting with the County Commissioners, County Clerk and County Treasurer involved.

2. Budgetary Compliance

Condition: Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the Prosecuting Attorney's Bad Check Fund in 2006 or for the Election Services Fund in 2007. Also, Section 50.740 RSMo. prohibits incurring expenditures in excess of the approved budgets. However, expenditures exceeded budgeted appropriations for the following funds:

- General Fund – 2006
- Prosecuting Attorney's Bad Check Fund – 2006 and 2007
- Election Services – 2007
- Sheriff's Civil Fees – 2006
- Sheriff's Reserve - 2006
- Collector's Tax Maintenance - 2006
- Cemetery - 2006
- HAVA – 2006.

Recommendation: We recommend annual budgets be prepared and adopted for all funds of the County, and that expenditures are monitored by the Commission to ensure budgetary compliance.

County's Response: The Commission and the County Clerk have implemented procedures that provide for regular monitoring of budgets in relation to expenditures incurred. Also, budgets will be adopted for all County funds beginning with in 2009.

OTHER MATTERS

In planning and performing our audit of the financial statements of Andrew County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 18, 2008. (A separate report dated July 18, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 18, 2008.

3. Transition of Officeholders

Condition: During the audit we were advised by County officials that the previous Treasurer had discarded over 20 large containers of items from her office on her last day as Treasurer in late 2006. The County Commission was unaware of this circumstance until after the items had been discarded and were therefore unable to retrieve them or determine whether they were official County records subject to record retention policies and regulations. We were also informed that a computer is missing from the Treasurer's office. The above situation has placed a burden on the successor Treasurer as she has attempted to ensure that all vital records are available and to implement new efficient and effective systems with appropriate internal controls.

Recommendation: We recommend the County make maximum use of electronic scanning devices and electronic storage technology to copy critical records and retain a backup copy in a separate secure location under the control of the County Clerk or, in the case of the County Clerk's records, the Presiding Commissioner. We also recommend the County enforce the requirement to inventory and tag County property in order that it can be identified and return in the event of loss or theft.

County's Response: The Treasurer's Office is now on the server for back-up purposes, it was not before. Our inventory system was updated in 2007. It is now assigned to a specific position in Clerk's Office so it can be better monitored.

4. Documentation of 941's

Condition There was no copy of the original IRS payroll withholding 941 form for the second quarter of 2006 available. However, the County Clerk represented that the related tax payments were made. The first quarter and third quarter 2006 941s had incorrect salary amounts. The first quarter 2007 941 had an incorrect FICA amount.

Recommendation: We recommend that the County Clerk's Office retain and file the payroll 941 forms in order to provide assurance of compliance with taxing authority requirements. The County should also ensure that appropriate tax payments were made in those instances for which no 941 is available, or the available 941 is incorrect.

County's Response: A spreadsheet has been developed to help correct these errors.

5. Documentation in Personnel Files

Condition: Personnel files should contain W-4, payroll authorization, employment forms, and personnel reviews. One of the four employee files we tested did not have documentation confirming their current authorized salary, nor did any of the files contain authorization forms concerning correct raises for 2007. This documentation provides a reference for any questions or concerns that may arise. The County Clerk is responsible for placing current payroll authorization forms in the personnel file.

Recommendation: We recommend that the County Clerk's Office properly place the payroll authorization forms in the personnel file in order to provide assurance for accurate salaries for each employee.

County Response: A new procedure based from the Clerk's Office, instead of the individual offices, is now in effect to help correct this.

6. Recorder's Bank Reconciliation

Condition: The Circuit Clerk-Recorder records checks in the month prior to when they are actually written. Checks are considered to be outstanding checks at month-end for purposes of the bank reconciliation. This practice understates the Circuit Clerk-Recorder's ending monthly cash balance.

Recommendation: We recommend the Circuit Clerk-Recorder record checks when written and prepare a bank reconciliation properly noting outstanding checks and book balances.

County's Response: The above practice has been corrected and implemented.

ANDREW COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Andrew County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

County budget documents contained numerous incorrect amounts and various adjustments were required for the General Revenue Fund and Special Road and Bridge Fund. Cash balances calculated by the County Clerk on the cash reconciliation in the budget for the General Revenue Fund and Special Road and Bridge Fund did not agree to the actual cash balances maintained by the County Treasurer.

Status- implemented.

Budgets for some funds under the control of other elected officials were lacking required information and budgets for some other funds were not prepared.

Status- Not implemented.

While the County bid numerous items during the audit period, some items were not bid and advertised. In addition, adequate documentation is not always maintained to support efforts to compare prices or document sole source procurement situations.

Status- Implemented.

Receipt of goods was not indicated on several invoices, some invoices were not marked paid and sufficient documentation was not available for some expenditures.

Status- Implemented.

The delinquent tax books are not prepared or verified by the County Clerk and aggregate abstracts of assessed valuations and taxes to be collected have not been prepared timely. An independent comparison of additions and abatements to actual changes to property tax files is not performed. In addition, neither the County Commission nor the County Clerk provides a review of the activities of the County Collector.

Status- Implemented.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bates County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bates County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-14

BATES COUNTY , MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2007 & 2006

BATES COUNTY, MISSOURI

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials-----	i
FINANCIAL SECTION	
Independent Auditors' Report-----	ii
BASIC FINANCIAL STATEMENTS:	
<i>Governmental Funds:</i>	
Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds -----	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds -----	2
<i>Fiduciary Funds:</i>	
Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds-----	11
Notes of Financial Statements -----	12
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards -----	20
Findings and Recommendations-----	22
Schedule of Prior Year Audit Findings-----	27

INTRODUCTORY SECTION

BATES COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Donna Gregory

Associate Commissioner – Randy Pike

Associate Commissioner – Bob Wingate

Other Elected Officials

Assessor – Roger Pruden

Circuit Clerk – Diana Rich

Recorder – Lucille Munday

Coroner – Gary Schowengerdt

County Clerk – Marlene Wainscott

Prosecuting Attorney – Hugh Jenkins

Public Administrator – Sharon Cumpton

Sheriff – Brian Mullenix

Treasurer/ Collector – James Platt

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Bates County, Missouri

We have audited the accompanying financial statements of Bates County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bates County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Bates County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 16, 2008 on

our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

(Original Signed by Auditor)

McBride, Lock & Associates
July 16, 2008

FINANCIAL SECTION

BATES COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
 ALL GOVERNMENT FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1, 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31, 2006	Receipts 2007	Disbursements 2007	Cash December 31, 2007
General Fund	\$ 138,899	848,606	937,561	49,944	1,002,144	923,989	128,099
Road and Bridge Fund	609,052	1,144,698	1,557,843	195,907	1,183,618	1,279,129	100,396
Assessment Fund	56,414	257,196	251,272	62,338	238,794	275,748	25,384
Law Enforcement Sales Tax Fund	87,844	2,121,666	2,106,560	102,950	2,075,956	2,207,329	(28,423)
Recorder's Users Fee Fund	28,567	12,223	1,230	39,560	11,684	49,313	1,931
Prosecuting Attorney Training Fund	1,016	1,710	3,076	(350)	1,352	340	662
Prosecuting Attorney Bad Check Fund	231	-	-	231	53	-	284
Law Officer Training Fund	6,175	10,006	18,475	(2,294)	8,169	2,356	3,519
Families In Crisis	430	702	737	395	741	722	414
L.E.P.C.	7,997	5,317	2,936	10,378	3,453	6,032	7,799
Sheriff's	11,802	14,588	21,577	4,813	16,826	17,740	3,899
Sheriff's Revolving	3,410	806	-	4,216	4,699	-	8,915
Election Services	22,598	176,467	186,798	12,267	8,188	7,633	12,822
Recorder's Technology	9,572	5,721	-	15,293	5,707	20,000	1,000
Jail Bond	920,294	630,066	419,687	1,130,673	673,265	437,833	1,366,105
Tax Maintenance	32,046	16,140	6,117	42,069	17,887	57,281	2,675
Prosecuting Attorney	3,316	1,055	-	4,371	2,139	-	6,510
Total	\$ 1,939,663	5,246,967	5,513,869	1,672,761	5,254,675	5,285,445	1,641,991

The accompanying Notes to the Financial Statements are an integral part of this statement.

BATES COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 443,400	\$ 458,763	\$ 506,600	\$ 493,808
Sales taxes	-	-	-	51,494
Intergovernmental	1,850	40,995	2,050	4,379
Charges for services	271,800	273,520	270,750	291,188
Interest	12,000	12,838	12,000	11,608
Other	41,650	62,490	45,075	19,262
Transfers in	-	-	-	130,405
Total Receipts	<u>\$ 770,700</u>	<u>\$ 848,606</u>	<u>\$ 836,475</u>	<u>\$ 1,002,144</u>
DISBURSEMENTS				
County Commission	\$ 92,605	\$ 92,808	\$ 93,605	\$ 98,419
County Clerk	75,250	70,755	75,650	68,385
Elections	66,250	63,131	25,350	23,097
Buildings and grounds	97,634	282,874	174,734	327,099
Employee fringe benefits	105,000	96,136	102,000	85,748
County Treasurer	64,950	65,349	99,970	92,262
Collector	-	-	-	-
Recorder of Deeds	73,288	68,236	80,580	72,340
Circuit Court	9,200	13,458	18,950	12,365
Associate Circuit Court - Probate	-	-	-	-
Associate Circuit Court	14,550	3,720	-	-
Court administration	19,206	8,051	24,929	4,501
Public Administrator	28,825	28,627	33,350	31,537
Sheriff	-	-	-	-
Jail	-	-	-	-
Prosecuting Attorney	-	-	-	-
Juvenile Officer	-	-	-	-
Coroner	-	-	-	-
Other	98,250	127,416	92,125	106,236
Debt Services	-	-	-	-
Health and welfare	2,000	2,000	2,000	2,000
Transfers out	15,000	15,000	-	-
Emergency fund	24,000	-	24,000	-
Total Disbursements	<u>\$ 786,008</u>	<u>\$ 937,561</u>	<u>\$ 847,243</u>	<u>\$ 923,989</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(15,308)	(88,955)	(10,768)	78,155
CASH, JANUARY 1	<u>138,899</u>	<u>138,899</u>	<u>49,944</u>	<u>49,944</u>
CASH, DECEMBER 31	<u><u>\$ 123,591</u></u>	<u><u>\$ 49,944</u></u>	<u><u>\$ 39,176</u></u>	<u><u>\$ 128,099</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 47,000	49,928	50,000	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,789,050	1,021,996	1,485,800	1,139,286	187,670	233,703	205,060	220,920
Charges for services	-	-	-	-	1,750	2,069	2,100	1,596
Interest	20,000	31,249	31,000	9,609	2,600	4,894	4,900	6,622
Other	41,675	41,525	41,000	34,723	16,545	1,530	1,550	9,656
Transfers in	-	-	-	-	-	15,000	-	-
Total Receipts	1,897,725	1,144,698	1,607,800	1,183,618	208,565	257,196	213,610	238,794
DISBURSEMENTS								
Salaries	253,960	236,811	246,774	250,510	114,750	114,505	124,750	124,149
Employee fringe benefits	79,000	90,781	84,750	75,099	49,530	44,018	47,450	36,596
Materials and Supplies	238,100	106,143	151,100	97,218	14,400	5,374	11,200	12,326
Services and Other	362,100	417,005	122,976	188,515	81,126	87,375	50,200	42,677
Capital Outlay	-	-	-	-	-	-	-	-
Construction	780,000	707,103	900,000	667,787	-	-	-	-
Transfers out	288,000	-	288,000	-	-	-	-	60,000
Total Disbursements	2,001,160	1,557,843	1,793,600	1,279,129	259,806	251,272	233,600	275,748
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(103,435)	(413,145)	(185,800)	(95,511)	(51,241)	5,924	(19,990)	(36,954)
CASH, JANUARY 1	609,052	609,052	195,907	195,907	56,414	56,414	62,338	62,338
CASH, DECEMBER 31	\$ 505,617	195,907	10,107	100,396	5,173	62,338	42,348	25,384

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				RECORDER'S USERS FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	641,000	666,245	655,000	678,684	-	-	-	-
Intergovernmental	122,300	142,904	135,000	82,060	-	-	-	-
Charges for services	1,155,700	1,300,147	1,300,540	1,289,616	11,600	10,288	9,000	9,826
Interest	150	4,742	4,800	5,293	900	1,935	-	1,858
Other	10,650	7,628	9,800	20,303	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,929,800	2,121,666	2,105,140	2,075,956	12,500	12,223	9,000	11,684
DISBURSEMENTS								
Salaries	886,122	947,406	994,648	1,114,845	-	-	-	-
Employee fringe benefits	319,000	376,632	351,000	311,348	-	-	-	-
Materials and Supplies	318,958	251,266	250,137	238,339	500	130	2,000	-
Services and Other	373,964	531,256	537,956	542,797	10,200	1,100	16,000	9,313
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	40,000
Total Disbursements	1,898,044	2,106,560	2,133,741	2,207,329	10,700	1,230	18,000	49,313
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	31,756	15,106	(28,601)	(131,373)	1,800	10,993	(9,000)	(37,629)
CASH, JANUARY 1	87,844	87,844	102,950	102,950	28,567	28,567	39,560	39,560
CASH, DECEMBER 31	\$ 119,600	102,950	74,349	(28,423)	30,367	39,560	30,560	1,931

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW OFFICER TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,800	3,172	3,100	2,897
Charges for services	1,600	1,710	1,700	1,352	6,200	6,691	6,500	5,272
Interest	-	-	-	-	50	63	50	-
Other	-	-	-	-	150	80	100	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,600	1,710	1,700	1,352	9,200	10,006	9,750	8,169
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	4,325	1,994	1,350	-
Services and Other	2,600	3,076	1,200	340	7500	16,481	6,100	2,356
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,600	3,076	1,200	340	11,825	18,475	7,450	2,356
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,000)	(1,366)	500	1,012	(2,625)	(8,469)	2,300	5,813
CASH, JANUARY 1	1,016	1,016	(350)	(350)	6,175	6,175	(2,294)	(2,294)
CASH, DECEMBER 31	\$ 16	(350)	150	662	3,550	(2,294)	6	3,519

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BUDGET AND ACTUAL - REGULATORY BASIS

	FAMILIES IN CRISIS FUND				L.E.P.C. FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	780	702	700	696	4,600	4,751	4,600	2,798
Charges for services	-	-	-	45	-	-	-	-
Interest	-	-	-	-	100	566	100	655
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 780	702	700	741	4,700	5,317	4,700	3,453
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	737	-	722	4,800	2,936	4,800	6,032
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	780	-	700	-	-	-	-	-
Total Disbursements	\$ 780	737	700	722	4,800	2,936	4,800	6,032
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(35)	-	19	(100)	2,381	(100)	(2,579)
CASH, JANUARY 1	430	430	395	395	7,997	7,997	10,378	10,378
CASH, DECEMBER 31	\$ 430	395	395	414	\$ 7,897	10,378	10,278	7,799

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S FUND				SHERIFF'S REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	11,000	14,144	14,144	16,358	75	806	806	4,478
Charges for services	-	-	-	-	-	-	-	-
Interest	90	444	443	468	-	-	-	221
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	11,090	14,588	14,587	16,826	75	806	806	4,699
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	21,577	-	7,335	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	20,000	-	19,400	10,405	3,000	-	3,000	-
Total Disbursements	20,000	21,577	19,400	17,740	3,000	-	3,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(8,910)	(6,989)	(4,813)	(914)	(2,925)	806	(2,194)	4,699
CASH, JANUARY 1	11,802	11,802	4,813	4,813	3,410	3,410	4,216	4,216
CASH, DECEMBER 31	\$ 2,892	4,813	-	3,899	485	4,216	2,022	8,915

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				RECORDER'S TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	5,000	172,372	5,000	7,298	5,300	5,016	5,000	4,411
Charges for services	-	-	-	-	-	-	-	435
Interest	500	4,095	500	890	500	705	-	861
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 5,500	176,467	5,500	8,188	5,800	5,721	5,000	5,707
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	186,798	-	7,633	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	19,000	-	5,000	-	5,000	-	5,000	20,000
Total Disbursements	\$ 19,000	186,798	5,000	7,633	5,000	-	5,000	20,000
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(13,500)	(10,331)	500	555	800	5,721	-	(14,293)
CASH, JANUARY 1	22,598	22,598	12,267	12,267	9,572	9,572	15,293	15,293
CASH, DECEMBER 31	\$ 9,098	12,267	12,767	12,822	10,372	15,293	15,293	1,000

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	JAIL BOND FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	552,000	568,474	568,000	586,752	14,305	13,994	14,000	15,555
Charges for services	-	-	-	-	-	-	-	-
Interest	-	61,592	-	86,513	830	2,146	-	2,332
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	552,000	630,066	568,000	673,265	15,135	16,140	14,000	17,887
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	6,117	-	57,281
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Debt Service	552,000	419,687	568,000	437,833	-	-	-	-
Transfers out	-	-	-	-	47,046	-	56,000	-
Total Disbursements	552,000	419,687	568,000	437,833	47,046	6,117	56,000	57,281
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	210,379	-	235,432	(31,911)	10,023	(42,000)	(39,394)
CASH, JANUARY 1	-	920,294	-	1,130,673	32,046	32,046	42,069	42,069
CASH, DECEMBER 31	\$ -	1,130,673	-	1,366,105	135	42,069	69	2,675

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	1,055	-	1,860	-	-	-	53
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	279	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	1,055	-	2,139	-	-	-	53
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1,055	-	2,139	-	-	-	53
CASH, JANUARY 1	-	3,316	4,371	4,371	-	231	-	231
CASH, DECEMBER 31	\$ -	4,371	4,371	6,510	-	231	-	284

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2006 AND 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Tax Sale Surplus	\$ 27,726	\$ 27,726	\$ 21,690	\$ 21,690
Surtax	10,280	10,280	9,324	9,324
Unclaimed Fees	13	13	1,507	1,507
County Employees Retirement	91	91	32	32
Payments in Lieu of Tax	11,598	11,598	-	-
Township Road and Bridge	98,294	98,294	77,001	77,001
Common School Interest	83,133	83,133	101,895	101,895
Collector	7,003,640	7,003,640	905,689	905,689
Total	\$ <u>7,234,775</u>	\$ <u>7,234,775</u>	\$ <u>1,117,138</u>	\$ <u>1,117,138</u>

The accompanying notes to the Financial Statements are an integral part of this statement.

BATES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bates County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, Circuit Clerk, Recorder, Coroner, County Clerk, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer/Collector.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Bates County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

General Revenue – Used for general governmental operations of the County (Clerk, Assessor, Collector, Treasurer, etc.). Revenues are principally from taxes.

Special Road and Bridge – Funding from property taxes and grants (MODOT). The Road & Bridge crews build new bridges and provide upkeep on previous bridges. Operating costs of fuel, repairs, cost of living increase and payment due on an equipment note are all costs incurred by this fund.

Assessment Fund – Revenues are from assessment fees levied on each property tax bill. Expenditures are to upgrade this office, add GIS systems and other equipment.

Law Enforcement Sales Tax Fund – Revenues are from proceeds of a ½ cent sales tax. Funds are used for all expenses of law enforcement.

Recorders' Fund – The County Treasurer handles this special fund, under the jurisdiction of the County Commission. Revenues are the Recorder's Fees and requests for expenditures are made to the Commission for office needs of the Recorder.

Training Funds – Law Enforcement & Prosecuting Attorney - Revenues are fees from County Officials (Associate Circuit Clerk and Circuit Clerk) and State of Missouri POST. Monies are used for Prosecuting Attorney office training and equipment.

Prosecuting Attorney Bad Check Fund – Funds received into this account are collections from the Prosecuting Attorney's bad check prosecutions that are maintained by the Treasurer.

Families in Crisis - \$5 per marriage license. Distribution to shelter for abused spouses.

L.E.P.C. (Local Emergency Planning Commission) Fund – Funding comes from the State, Missouri Emergency Response Commission, via grant and is used primarily to acquire equipment and provide training for the various Fire Protection Districts, HazMat Training and support for the Region H HazMat Team.

Sheriff Fund – Revenue for this fund is assessed by the Courts and is disbursed according to the Sheriff's request for various needs of the Sheriff's Office.

Sheriff's Revolving Fund - Revenues are from sheriff's fees to be used by the Sheriff as needed.

Recorder Technology – Recorder collections from users. Funds are used for technology improvements.

Election Services – Revenues are from a 5% charge to taxing districts for each election and from a Federal grant. Funds used for training and election expenses including ensuring handicap accessibility.

Jail Bond – Funds are collected from a capital improvement sales tax. The collections are used to retire the debt of the law enforcement and detention center.

Tax Maintenance Fund – This fund was created as a Special Fund for County Collector and the revenue is collected from an additional assessment on each tax bill when collected. Funds can be used at the Collector's direction.

Prosecuting Attorney – This fund receives funds for the State of Missouri as an incentive to prosecute delinquent sales tax issues.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other agency operations.

Cash and cash equivalents are included in following fiduciary funds:

- Tax Sales Surplus
- Surtax

- Unclaimed Fees
- County Employees Retirement Fund
- Payments In Lieu of Taxes
- Township Road and Bridge
- Common School Interest
- Collector

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
- 2) On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received.

The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. State law requires that at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The Law Enforcement Sales Tax Fund budgeted expenditures exceeded budgeted revenues plus beginning fund balance, based upon actual beginning fund balance. This is not an instance of noncompliance as the budgeted revenues plus anticipated beginning fund balance exceeded budgeted expenditures in the budget adopted prior to year end.

- 4) A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.

- 5) Prior to February 1 the budget is legally enacted by a vote of the County Commission.
- 6) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.
- 7) Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
- 8) Budgets are prepared and adopted on the cash basis of accounting.
- 9) Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following fund:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check Fund	2006 and 2007
Prosecuting Attorney Fund	2006 and 2007

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Fund	2006 and 2007
Assessment Fund	2007
LEST Fund	2006 and 2007
Recorder's Users Fee Fund	2007
Prosecuting Attorney Training	2006
Law Enforcement Training	2006
LEPC	2007
Families in Crisis	2007
Election Services	2006 and 2007
Recorder Technology	2007
Sheriff's Fund	2006
Tax Maintenance	2007

E. Property Taxes

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was

	2007	2006
Real Estate	\$117,581,299	\$110,696,140
Personal Property	48,772,610	46,495,336
Railroad and Utilities	325,569	394,950

During 2007 and 2006 the County Commission approved a \$0.2625 and \$0.2627 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the General Fund.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

At December 31, 2007 the Assessment Fund had provided funds to the General Revenue Fund in the amount of \$40,000. Additionally the Records Technology Fund had provided funds to the General Revenue Fund in the amount of \$20,000. These amounts were repaid to the respective funds from General Revenue in March 2008.

2. CASH AND INVESTMENTS

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit.

To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Bates County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$7,510,661 and \$1,659,226, and the bank balance was \$7,050,127 and \$1,765,315, respectively. Of the bank balance, \$100,000 at December 31, 2007 and December 31, 2006, was covered by federal depository insurance and \$6,950,127 and \$1,665,315, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the name of the depository bank's customers.

Investments

Section 110.270, RSMo, based on Article IV, Section 1, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2007 and 2006 the county had no such investments. In addition, Section 30.950, RSMo requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

3. CERTIFICATES OF PARTICIPATION

The County entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the County to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease purchase the law enforcement and detention center back to the County with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the County and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease is scheduled to be paid off in 2017. The remaining principal and interest due on the lease at December 31, 2007 was \$4,735,000 and \$1,326,168 respectfully. The Certificates of Participation are to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001. Interest expense paid on the certificate is presented as Debt Service on the Jail Bond Fund financial statements, and amounted to \$219,688 and \$212,833 in fiscal year 2006 and 2007, respectively.

The County also maintains proceeds from sales tax revenues reserves and Certificates of Participation that are held in a financial institution pursuant to a trust agreement. The balance of approximately \$1,366,105 at December 31, 2007 was held entirely in Federal Treasury Obligation funds with the trustee established for the activity.

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks

and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$150,000 and \$10,152, respectively, for the years then ended.

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

CLAIMS COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditure of Federal awards did not exceed \$500,000 in either 2006 or 2007 and, accordingly, the County is not required to obtain a single audit in accordance with Office Management and Budget Circular A-133.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

8. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Bates County, Missouri

We have audited the financial statements of Bates County, Missouri (the "County") as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Bates County, Missouri's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 16, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are identified as Items 1 through 4 in the Findings and Recommendations section that are required to be reported under Government Auditing Standards.

- Bid Processes
- County Clerk Tax Book
- Budgetary Controls
- Investment Policy

These instances of noncompliance are described in the Findings and Recommendations section of this report.

We also noted certain matters that we reported to the County Commission. These matters are listed in a Findings and Recommendations section of that report as items 5 through 8.

Bates County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of Findings and Recommendations section. We did not audit Bates County, Missouri's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original Signed by Auditor)

McBride Lock and Associates

July 16, 2008

FINDINGS AND RECOMMENDATIONS

BATES COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

ITEMS OF NONCOMPLIANCE

1. **Bid Processes**

Condition: The County Commission has obtained bids for only a limited number of purchases during the audit period. Additionally purchases made through LEST are not controlled or considered for bidding by the Commission. Our audit procedures included testing purchases for the following items which did not have adequate documentation of bid processes:

- Fuel
- Studs, bolts
- Concrete
- Vehicles
- Prison supplies – food
- Rock
- Insurance

The Commission stated that because of limited suppliers or fluctuating prices, bids would seem to be inappropriate or unproductive for a number of these items. Additionally, the Commission indicated that any bids involving the LEST fund are maintained by the Sheriff. The auditors attempted to make contact with the Sheriff to obtain this information, however, no response was obtained. Evidence from other sources such as the Commission minutes was not located to support the assertion that bids were obtained on items affecting the LEST fund.

RSMo 50.660 requires the advertisement of bids on all purchases of \$4,500 (revised to \$6,000 in 2007) or more from any one person, firm, or corporation during any period of 90 days. The routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and that all interested parties are given an equal opportunity to participate in county business.

Additionally, the lack of centralized control of bid processes by the County Commission for LEST purchases limits the budgetary control over that fund. It is also significant to note that the LEST fund exceeded budgeted expenses during the audit period. Centralized controls over purchases of that fund may assist in alleviating this concern.

Recommendation: - We recommend that the advertisement of bids on all purchases of \$6,000 or more be implemented as required by State Statute. In the event that it is not practical to obtain bids, the justification for this conclusion should be documented. We further suggest centralization of bid processes on all funds for which the Commission has budgetary control.

County Response: “Purchases made by Law Enforcement during the audit period were in most cases not presented to the Commission. The bills for purchases were received long after the service was awarded. In the event it is not practical to obtain bids, Commission will document justification. Will continue to request all bid processes be presented to the Commission by Elected Officials. Commission will attempt to maintain centralized control of bid processes. This can only happen with the cooperation of Elected Officials and their willingness to provide bid documents to Commission.

In the instance cited by the auditor relating to studs, bolts, only one supplier was available to deliver in a timely manner as was documented by County Bridge Dept. The bridge had a time schedule for completion.”

2. County Clerk Tax Book

Condition - The County Clerk did not maintain a tax book for the 2007 tax year. The County has a township organization. A misunderstanding involving the statutory change in the responsibility of Township Collectors beginning in the 2007 tax year resulted in the County Clerk discontinuing the maintenance of tax book records. These included the back tax books, abatements, additions, and other support necessary to support and approve the Collector's Annual Settlement. The County Clerk indicated that such records are being maintained for the 2008 tax year.

Recommendation - We suggest that a full and complete understanding be obtained through a review of statutory requirements or other resources before discontinuation of key records in the future.

County Response: "As of March, 2008 the Clerk's office is balancing each month with Collector's Office."

3. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. Three significant areas of concern were noted. They are:

a. Disbursements approved in excess of approved budgets

During the audit period, there were 12 different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- General Fund – 2006 and 2007
- LEST – 2006 and 2007
- Recorder's User Fee Fund – 2007
- Assessment Fund – 2007
- Law Enforcement Training Fund – 2006
- LEPC – 2007
- Families in Crisis – 2007
- Recorder Technology Fund – 2007
- Sheriff's Fund – 2006
- Election Services – 2006 and 2007
- Prosecuting Attorney Training – 2006
- Tax Maintenance Fund – 2007

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

b. No budget established

The County Commission did not approve a budget for the Prosecuting Attorney's Bad Check Fund or Prosecuting Attorney Fund for 2006 or 2007. The Commission stated that the Prosecuting Attorney failed to return the budget form in either year.

c. Deficit cash positions

Several funds during the audit period reported expended cash in excess of the cash balance in the fund. The funds and amounts for which this occurred are as follows:

<u>Fund</u>	<u>Year</u>	<u>Negative Balance</u>
LEST	2007	\$28,423
PA Training	2006	350
Law Officer Training	2006	2,294

Use of funds in excess of available balances creates an implicit borrowing on other funds which can also result in statutory violations pertaining to the use of those funds.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget. Additionally, all county funds for which the Commission has control should have an approved budget. Finally, the County Commission should not authorize any expenditure which results in, or increases the negative cash balance of a fund.

County Response:

“General Fund – 2007 – all expenses paid out of Clock Tower Building Improvements were paid out (and published in newspapers) based on ‘anticipated revenue’ from the April 2007 one-half cent sales tax passage which did not go into effect until October 2007.

Recorder’s User Fee Fund

Assessment Fund

Recorder Tech. Fund

November 2007 Treasurer informed Commission he was not authorized to sign warrants, as General Revenue had a negative cash balance. Recorder and Assessor offered short-term transfers from their funds to General Revenue, based on timely 2008 re-transfers. These re-transfers took place in February and March of 2008.

LEST – 2007 – Budget report 6-30-07 Commission noticed LEST Sheriff Office and Jail had expended approximately 70% of each office budget and LEST had a negative cash balance of \$44,000.00. Sheriff was asked in early July 2007 to watch spending. Spending continued over the course of several months. The Sheriff was made aware to reduce spending or risk going over his budget on at least two more occasions. Commission tried to uphold state statute related to ‘disbursements in excess of approved budgets’. In November and December, 2007, the only bills paid were bills to keep the jail operational. Sheriff/Jail bills continued to come in, but they were not paid out in 2007.

Families in Crisis, Jail Bond Fund – These are flow-thru funds and it is impossible to anticipate exact revenues.

Tax Maintenance Fund – This one time event was caused by mandated change over by state law and did not exceed revenue.

Election Services Fund 2006 – Clerk received federal HAVA money to replace voting equipment. This was a federal mandate. 2007 – Clerk was required to spend interest money in the amount of \$5,788.25 earned on federal monies. She did not budget for this.

Commission will try to improve controls to maintain budget integrity.”

4. Investment Policy

The County has not adopted an investment policy. Investment policies are established to ensure that investments made by the county appropriately commit the county to investments for safety, liquidity, and yield. RSMo 30.950 requires each political subdivision with authority to invest in instruments other than depository accounts to have an investment policy.

Recommendation: We suggest that the County Commission adopt an investment policy in accordance with RSMo 30.950.

County Response: “County is in compliance with Chapter 30.950.4 of RSMo in that we use no other instruments other than depository accounts. County is not required to have a written investment policy under these circumstances.”

Other Matters

In planning and performing our audit of financial statements of Bates County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the County’s internal control in our report dated July 16, 2008. These comments do not affect our report dated July 16, 2008.

5. Sheriff- Bank Reconciliation

Condition: The Sheriff maintains an Inmate Account which is used for the processing of funds associated with incarcerated individuals. The bank account used by the Sheriff for these monies was not reconciled. Additionally, there is no supervisory review of the activity in this account or the bank reconciliation of the account by the Sheriff or other senior member of that office.

Recommendation: We suggest that the bank account be reconciled monthly and that the reconciliation of all activity of the account be reviewed by the Sheriff. Such review should be documented to ensure that the review is completed and performed on a timely basis.

County Response: “Sheriff response: ‘The Inmate Account is being reconciled on a monthly basis by the Sheriff’s Secretary. The reconciliation of said account is also reviewed and approved by myself’. Doug Mullenix, Sheriff.”

6. Road and Bridge Supervisor

Condition: The Road and Bridge supervisor approves his own timesheet. The timesheet is used to allocate time to various road and bridge projects including those with Federal funds. The approval of one’s own timesheet weakens control over the timekeeping and payroll processing functions.

Recommendation: We suggest that the County Commission approve the timesheet of the Road and

Bridge supervisor.

County Response: “Commission is approving road and bridge supervisor timesheet.”

7. Materials Sold from Road and Bridge Inventory

Condition: The Road and Bridge Department maintains an inventory of items used in the construction and maintenance of roads and bridges in the county. It was noted that, on a regular basis, the County sells this inventory to cities, townships, and private individuals who seek these items. The total of materials sold during 2006 was \$39,235 and in 2007 the total was \$33,880. The County Commission indicated that these sales have been regularly occurring for several years. We were advised that the sales provide the County some assurance that construction products use materials that have the capacity to meet the project needs.

The sales of this inventory raises several potential concerns including State sales tax laws, adequacy of controls over the inventory, failure to record sales and deposit money from sales, favoritism in pricing to private individuals, and potential competition with private sellers of similar materials.

Recommendation: We suggest that such practice be discontinued or limited to those sales allowable by State Statute. Further, the practices of procuring, storing and selling inventory should include controls as necessary to ensure that purchases are bid and recorded into inventory, that inventory is secure and controlled, and that sales are recorded and the proceeds deposited into the County Treasury.

County Response: “The bulk of these sales were township and cities, which saves the County money, since we can buy larger quantities, in effect, sharing costs. We will continue to share costs with other governmental entities. We will discontinue the sale of surplus items to individuals other than through published auction or published bid. The County has implemented inventory controls at Bridge Dept.”

8. Prosecuting Attorney Payment of Bonuses to Employees

Condition: The Prosecuting Attorney is paying bonuses to his employees using a fund which is not included in the County budget. These bonuses are not reported as wages in the County’s reports to taxing agencies. Additionally these payments lack budgetary control.

Recommendation: We recommend the Prosecuting Attorney discontinue payments of additional wages which circumvent budgetary control. We also recommend the County report bonuses paid to taxing authorities and remit the related tax owed to the Federal and State governments.

County Response: “P.A. response: In the future any payments will be made through Payroll Partners, our payroll service. Per Hugh Jenkins, Pros. Attorney.”

BATES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Bates County, Missouri. There were no findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Pike County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Pike County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Devereux and Krauss, LLP, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-13

PIKE COUNTY, MISSOURI
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

PIKE COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Auditors' Reports:	2-6
Independent Auditors' Report	3-4
Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon The Audit Performed in Accordance With <i>Government Auditing Standards</i>	5-6
Basic Financial Statements:	7-15
Government-Wide Financial Statements:	8-11
<u>Exhibit</u>	<u>Description</u>
Statement of Net Assets – Cash Basis	
A-1	December 31, 2007 8
A-2	December 31, 2006 9
Statement of Activities – Cash Basis	
B-1	Year Ended December 31, 2007 10
B-2	Year Ended December 31, 2006 11
Fund Financial Statements:	12-17
<u>Exhibit</u>	<u>Description</u>
Governmental Funds Balance Sheet – Cash Basis	
C-1	December 31, 2007 12
C-2	December 31, 2006 13
Governmental Funds Statement of Receipts, Disbursements, And Changes in Cash Balances	
D-1	Year Ended December 31, 2007 14
D-2	Year Ended December 31, 2006 15
Statement of Fiduciary Net Assets – Cash Basis	
E-1	Year Ended December 31, 2007 16
E-2	Year Ended December 31, 2006 17

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Notes to the Financial Statements	18-29
Required Supplementary Information:	30-50
<u>Schedule</u>	
1 Budgetary Comparison Schedule – All Funds – Cash Basis Years Ended December 31, 2007 and 2006	31-40
Other Supplementary Information:	51-53
Schedule of Findings and Questioned Costs (Including Management’s Plan for Corrective Action), Years Ended December 31, 2007 and 2006...	52-53
Section I – Summary of Auditor’s Results	52
Section II - Financial Statement Findings	52-53
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	54-55
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
Management Advisory Report – Auditors’ Findings	56-58
Follow-Up on Prior Audit Findings	59-60

FINANCIAL SECTION

Auditors' Report

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

FAX 636-947-3155

JAMES P. DEVEREUX, C.P.A., P.C.

GARY L. KRAUSS, P.C., C.P.A.

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of Pike County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government-Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances-Cash Basis of Pike County, Missouri, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Pike County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Pike County, Missouri as of December 31, 2007 and 2006 the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Pike County Health Department has issued separate reporting entity financial statements. For information on this component unit, please contact the Pike County Health Department.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Pike County, Missouri as of December 31, 2007 and 2006 and for the years then ended in conformity with the basis of accounting described in Note 1.

The County has elected to omit Management's Discussion and Analysis report which is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board.

The budgetary comparison schedules and other supplementary information on pages 30 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 31, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Devereux & Krauss, LLP

July 31, 2008

Devereux and Krauss LLP
Certified Public Accountants

307 North Main – St Charles, MO 63301

636-448-7355

JAMES P. DEVEREUX, C.P.A., P.C.

FAX 636-947-3155

GARY L. KRAUSS, P.C.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Pike County, Missouri

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government Wide Statements of Activities-Cash Basis, Government Funds Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances of Pike County, Missouri, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the county's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs item 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Pike County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 07-1.

We also noted certain other matters which are described in the accompanying Management Advisory Report.

The County's responses to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Devereux & Krauss, LLP

July 31, 2008

Basic Financial Statements

PIKE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ <u>2,310,669</u>
TOTAL ASSETS	\$ <u><u>2,310,669</u></u>
NET ASSETS	
Unrestricted general fund	\$ 1,048,842
Unrestricted reported in non-major funds	300,963
Restricted special revenue funds	<u>960,864</u>
TOTAL NET ASSETS	\$ <u><u>2,310,669</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ <u>2,228,100</u>
TOTAL ASSETS	\$ <u><u>2,228,100</u></u>
NET ASSETS	
Unrestricted general fund	\$ 942,047
Unrestricted reported in non-major funds	264,894
Restricted special revenue funds	<u>1,021,159</u>
TOTAL NET ASSETS	\$ <u><u>2,228,100</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental Activities
	Disbursements	Charges for Services	Intergovernmental	
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 1,019,625	\$ 319,642	\$ 92,658	\$ (607,325)
Financial administration	125,540	-	-	(125,540)
Property valuation and recording	79,809	-	-	(79,809)
Administration of justice and law enforcement	1,866,953	49,726	263,703	(1,553,524)
Health and welfare	5,450	-	-	(5,450)
Special services	-	70,475	-	70,475
Maintenance of roads	2,033,558	-	908,199	(1,125,359)
Transfers	367,164	-	367,164	-
Other	1,034,456	-	412,086	(622,370)
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>6,532,555</u>	\$ <u>439,843</u>	\$ <u>2,043,810</u>	\$ <u>(4,048,902)</u>
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 968,839
Sales and use taxes				2,781,822
Interest				12,055
Other				<u>368,755</u>
Total General Receipts				\$ <u>4,131,471</u>
Change in Cash Balances				\$ 82,569
NET ASSETS, JANUARY 1				<u>2,228,100</u>
NET ASSETS, DECEMBER 31				\$ <u><u>2,310,669</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

				Net (Disbursements) Receipts and Changes in Cash Balances
			Receipts	Primary Governmental
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General county government	\$ 1,167,769	\$ 272,433	\$ 92,791	\$ (802,545)
Financial administration	120,317	-	-	(120,317)
Property valuation and recording	29,823	-	-	(29,823)
Administration of justice and law enforcement	1,634,800	49,193	126,988	(1,458,619)
Health and welfare	4,900	-	-	(4,900)
Special services	-	61,386	-	61,386
Maintenance of roads	1,719,265	-	790,028	(929,237)
Transfers	298,795	-	298,795	-
Other	1,290,629	-	654,300	(636,329)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,266,298	\$ 383,012	\$ 1,962,902	\$ (3,920,384)
GENERAL RECEIPTS:				
Taxes:				
Property taxes				\$ 960,814
Sales and use taxes				2,758,314
Interest				9,494
Other				482,164
Total General Receipts				\$ 4,210,786
Change in Cash Balances				\$ 290,402
NET ASSETS, JANUARY 1				1,937,698
NET ASSETS, DECEMBER 31				\$ 2,228,100

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	911	Pike County Hospital	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,048,842	\$ 509,312	\$ 96,922	\$ 124,882	\$ 126,943	\$ 102,805	\$ 300,963	\$ 2,310,669
TOTAL ASSETS	<u>\$ 1,048,842</u>	<u>\$ 509,312</u>	<u>\$ 96,922</u>	<u>\$ 124,882</u>	<u>\$ 126,943</u>	<u>\$ 102,805</u>	<u>\$ 300,963</u>	<u>\$ 2,310,669</u>
FUND BALANCES								
Unreserved	\$ 1,048,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,842
Unreserved reported in non-major funds	-	-	-	-	-	-	300,963	300,963
Unreserved special revenue funds	<u>-</u>	<u>509,312</u>	<u>96,922</u>	<u>124,882</u>	<u>126,943</u>	<u>102,805</u>	<u>-</u>	<u>960,864</u>
TOTAL FUND BALANCES	<u>\$ 1,048,842</u>	<u>\$ 509,312</u>	<u>\$ 96,922</u>	<u>\$ 124,882</u>	<u>\$ 126,943</u>	<u>\$ 102,805</u>	<u>\$ 300,963</u>	<u>\$ 2,310,669</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2006

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	911	Pike County Hospital	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 942,047	\$ 522,286	\$ 83,538	\$ 15,018	\$ 233,285	\$ 167,032	\$ 264,894	\$ 2,228,100
TOTAL ASSETS	<u>\$ 942,047</u>	<u>\$ 522,286</u>	<u>\$ 83,538</u>	<u>\$ 15,018</u>	<u>\$ 233,285</u>	<u>\$ 167,032</u>	<u>\$ 264,894</u>	<u>\$ 2,228,100</u>
FUND BALANCES								
Unreserved	\$ 942,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,047
Unreserved reported in non-major funds	-	-	-	-	-	-	264,894	264,894
Unreserved special revenue funds	<u>-</u>	<u>522,286</u>	<u>83,538</u>	<u>15,018</u>	<u>233,285</u>	<u>167,032</u>	<u>-</u>	<u>1,021,159</u>
TOTAL FUND BALANCES	<u>\$ 942,047</u>	<u>\$ 522,286</u>	<u>\$ 83,538</u>	<u>\$ 15,018</u>	<u>\$ 233,285</u>	<u>\$ 167,032</u>	<u>\$ 264,894</u>	<u>\$ 2,228,100</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2007

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	911	Pike County Hospital	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS								
Property taxes	\$ 572,816	\$ 396,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 968,839
Sales and use taxes	690,670	694,217	-	694,471	-	702,464	-	2,781,822
Intergovernmental	92,658	908,199	224,259	263,703	-	-	187,827	1,676,646
Charges for services	319,642	-	-	49,726	-	-	70,475	439,843
Interest	-	9,369	1,666	1,000	-	-	20	12,055
Other	132,153	12,776	13,104	26,322	136,569	-	47,831	368,755
Total Receipts	<u>\$ 1,807,939</u>	<u>\$ 2,020,584</u>	<u>\$ 239,029</u>	<u>\$ 1,035,222</u>	<u>\$ 136,569</u>	<u>\$ 702,464</u>	<u>\$ 306,153</u>	<u>\$ 6,247,960</u>
DISBURSEMENTS								
General county government	\$ 746,816	\$ -	\$ 272,809	\$ -	\$ -	\$ -	\$ -	\$ 1,019,625
Financial administration	125,540	-	-	-	-	-	-	125,540
Property valuation and recording	67,127	-	-	-	-	-	12,682	79,809
Administration of justice and enforcement	372,155	-	-	1,245,358	242,911	-	6,529	1,866,953
Health and welfare	5,450	-	-	-	-	-	-	5,450
Maintenance of roads	-	2,033,558	-	-	-	-	-	2,033,558
Other	16,892	-	-	-	-	766,691	250,873	1,034,456
Total Disbursements	<u>\$ 1,333,980</u>	<u>\$ 2,033,558</u>	<u>\$ 272,809</u>	<u>\$ 1,245,358</u>	<u>\$ 242,911</u>	<u>\$ 766,691</u>	<u>\$ 270,084</u>	<u>\$ 6,165,391</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 473,959	\$ (12,974)	\$ (33,780)	\$ (210,136)	\$ (106,342)	\$ (64,227)	\$ 36,069	\$ 82,569
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	47,164	320,000	-	-	-	367,164
Transfers out	(367,164)	-	-	-	-	-	-	(367,164)
Net Other Financing Sources (Uses)	<u>\$ (367,164)</u>	<u>\$ -</u>	<u>\$ 47,164</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ 106,795	\$ (12,974)	\$ 13,384	\$ 109,864	\$ (106,342)	\$ (64,227)	\$ 36,069	\$ 82,569
CASH BALANCES, JANUARY 1	<u>942,047</u>	<u>522,286</u>	<u>83,538</u>	<u>15,018</u>	<u>233,285</u>	<u>167,032</u>	<u>264,894</u>	<u>2,228,100</u>
CASH BALANCES, DECEMBER 31	<u>\$ 1,048,842</u>	<u>\$ 509,312</u>	<u>\$ 96,922</u>	<u>\$ 124,882</u>	<u>\$ 126,943</u>	<u>\$ 102,805</u>	<u>\$ 300,963</u>	<u>\$ 2,310,669</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2006

	General Revenue	Special Road and Bridge	Assessment	Law Enforcement Sales Tax	911	Pike County Hospital	Non-Major Governmental Funds	Total Governmental Funds
RECEIPTS								
Property taxes	\$ 571,139	\$ 389,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,814
Sales and use taxes	656,603	717,754	-	718,151	-	665,806	-	2,758,314
Intergovernmental	92,791	790,028	224,974	126,988	-	-	429,326	1,664,107
Charges for services	272,433	-	-	49,193	-	-	61,386	383,012
Interest	-	6,742	1,200	751	-	-	801	9,494
Other	213,338	14,375	14,335	37,037	146,898	-	56,181	482,164
Total Receipts	<u>\$ 1,806,304</u>	<u>\$ 1,918,574</u>	<u>\$ 240,509</u>	<u>\$ 932,120</u>	<u>\$ 146,898</u>	<u>\$ 665,806</u>	<u>\$ 547,694</u>	<u>\$ 6,257,905</u>
DISBURSEMENTS								
General county government	\$ 922,441	\$ -	\$ 245,328	\$ -	\$ -	\$ -	\$ -	\$ 1,167,769
Financial administration	120,317	-	-	-	-	-	-	120,317
Property valuation and recording	22,925	-	-	-	-	-	6,898	29,823
Administration of justice and enforcement	368,924	-	-	1,169,043	96,182	-	651	1,634,800
Health and welfare	4,900	-	-	-	-	-	-	4,900
Maintenance of roads	-	1,719,265	-	-	-	-	-	1,719,265
Other	31,317	-	-	-	-	620,326	638,986	1,290,629
Total Disbursements	<u>\$ 1,470,824</u>	<u>\$ 1,719,265</u>	<u>\$ 245,328</u>	<u>\$ 1,169,043</u>	<u>\$ 96,182</u>	<u>\$ 620,326</u>	<u>\$ 646,535</u>	<u>\$ 5,967,503</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 335,480	\$ 199,309	\$ (4,819)	\$ (236,923)	\$ 50,716	\$ 45,480	\$ (98,841)	\$ 290,402
OTHER FINANCING SOURCES (USES)								
Transfers in	51,700	-	47,095	200,000	-	-	-	298,795
Transfers out	(222,095)	(51,700)	-	-	(25,000)	-	-	(298,795)
Net Other Financing Sources (Uses)	<u>\$ (170,395)</u>	<u>\$ (51,700)</u>	<u>\$ 47,095</u>	<u>\$ 200,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN CASH BALANCES	\$ 165,085	\$ 147,609	\$ 42,276	\$ (36,923)	\$ 25,716	\$ 45,480	\$ (98,841)	\$ 290,402
CASH BALANCES, JANUARY 1	<u>776,962</u>	<u>374,677</u>	<u>41,262</u>	<u>51,941</u>	<u>207,569</u>	<u>121,552</u>	<u>363,735</u>	<u>1,937,698</u>
CASH BALANCES, DECEMBER 31	<u>\$ 942,047</u>	<u>\$ 522,286</u>	<u>\$ 83,538</u>	<u>\$ 15,018</u>	<u>\$ 233,285</u>	<u>\$ 167,032</u>	<u>\$ 264,894</u>	<u>\$ 2,228,100</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

ASSETS	
Cash and cash equivalents	\$ <u>165,749</u>
TOTAL ASSETS	\$ <u><u>165,749</u></u>
NET ASSETS	
Restricted	\$ <u>165,749</u>
TOTAL NET ASSETS	\$ <u><u>165,749</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2006

ASSETS	
Cash and cash equivalents	\$ <u>248,185</u>
TOTAL ASSETS	\$ <u><u>248,185</u></u>
NET ASSETS	
Restricted	\$ <u>248,185</u>
TOTAL NET ASSETS	\$ <u><u>248,185</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Pike, Missouri ("County") is governed by a three-member board of commissioners, established in 1818. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting attorney.

These financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

These financial statements present financial accountability of Pike County, Missouri as applied using the cash basis of accounting.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Pike County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Pike County, Missouri and the Pike County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Pike County Health Department at 573-324-6373 (or write to 5 E. Church Street, Bowling Green, MO 64744) or Agency for Developmental Disabilities at 573-324-5493 (or write 900 Independence Drive, SB40, Bowling Green, MO 63334).

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Pike County, Missouri only and not any of its component units. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have any business type activities.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental activities of the primary government of Pike County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. The County does not have proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Special Road and Bridge, Assessment, Law Enforcement Sales Tax, 911, and Pike County Hospital are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds." If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – A special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Assessment Fund – The fund is used to handle all county assessment costs.

Law Enforcement Sales Tax Fund – A special revenue fund used to account for receipts of the County property tax levy and related expenditures for the law enforcement complex.

911 Fund – The fund disburses costs related to the 911 emergency responder telephone numbers.

Pike County Hospital Fund – The fund collects and disburses to the hospital, taxes collected for hospital use.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations. Fiduciary funds consisted of Pike County Memorial Hospital Fund and the School Fines Funds.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

As a result of the use of this cash basis of accounting, assets (such as accounts receivable and capital assets), revenues (such as revenue for billed or provided services not yet collected), liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar years 2007 and 2006, for purposes of taxation were:

	<u>2007</u>	<u>2006</u>
Real Estate	\$129,005,555	\$109,322,945
Personal Property	\$ 55,505,397	\$ 53,079,506
Railroad and Utilities	\$ 35,822,672	\$ 35,237,192

The County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property for the calendar years for purposes of County taxation, as follows.

	<u>2007</u>	<u>2006</u>
General Revenue Fund	.2694	.2746
Road and Bridge	.3069	.3205
Health	.1600	-
Hospital	.2200	.2200
SB40	.1990	.1936

E. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments (continued)

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority to place excess funds in certificates of deposit. To protect the safety of county deposits, depositories are required to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Missouri statutes, for collateralization of state funds and held by either the county or a financial institution other than the depository bank. Certificates of deposit must also be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Pike County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2007 and 2006, the County had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Restricted Fund Balance

Restricted fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Sales Tax	2006
Domestic Violence	2007 and 2006
Surplus Land Sales	2007 and 2006

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, total expenditures exceeded total budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Pike County Hospital	2007
Recorder	2007
Fines	2006
Law Enforcement Training	2007

Although Section 50.740, RSMo, requires a balanced budget. Deficit budget balances are presented for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check	2006

However, the budgets of those funds failed to include other resources available, such as beginning cash balances. Such resources were sufficient to offset the deficit budget balances presented.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence	2007 and 2006
Surplus Land Sales	2007 and 2006
Prosecuting Attorney Sales Tax	2006

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007, the carrying amount of the County's deposits was \$2,310,699; the bank balance was \$2,562,174. At December 31, 2006, the carrying amount of the County's deposits was \$2,228,100; the bank balance was \$2,743,550.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007 and 2006, as follows:

	<u>2007 and 2006</u> <u>Maturity</u>	<u>2007</u> <u>Book</u> <u>Balance</u>	<u>2006</u> <u>Book</u> <u>Balance</u>
Deposits:			
Checking & Now Accounts	N/A	\$2,310,699	\$2,228,100
Investments	N/A	<u>0</u>	<u>0</u>
Total Deposits		<u>\$2,310,699</u>	<u>\$2,228,100</u>
Included in the following fund financial statement captions:			
Balance Sheet – Government Funds			
Cash & Cash Equivalents		\$2,310,699	\$2,228,100
Investments		<u>0</u>	<u>0</u>
Total		<u>\$2,310,699</u>	<u>\$2,228,100</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be guaranteed. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the government, or held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. The County's investments are not exposed to custodial credit risk at December 31, 2007 and 2006.

Investment Interest Rate Risk

The County does not have a policy in place that minimizes the risk that the market value of securities in the portfolio will decline due to changes in interest rates. Structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations would avoid the need to sell securities on the open market prior to maturity. Maturities of investment held at December 31, 2007 and 2006 are provided in the above schedules.

Investment Credit Risk

The County does not have a policy in place to minimize credit risk or the risk of loss due to the failure of the security.

Concentration of Investment Credit Risk

Concentration of credit risk must be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County does not have a policy in place to minimize the risk of loss resulting from over concentration of assets.

3. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2007 and 2006 are as follows:

	2007 <u>Transfers In (Out)</u>	2006 <u>Transfers In (Out)</u>
Major Funds		
General Fund	\$ (367,164)	\$(170,395)
Special Road and Bridge	-0-	(51,700)
Assessment	47,164	47,095
Law Enforcement Sales Tax	320,000	200,000
911	-0-	(25,000)
Total	<u>\$ -0-</u>	<u>\$ -0-</u>

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer of employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of \$10,425 for 2007 and \$26,677 for 2006.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,106 for the year ended December 31, 2007 and \$7,752 for 2006.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The county does not have any material litigation issues for years ended December 31, 2007 and 2006.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at ½ a day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. A provision has not been made in the accompanying financial statements for any potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have not been any significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

PIKE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

8. RISK MANAGEMENT (continued)

The County is a member participant in a public entity risk pool which a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

Required Supplementary Schedule

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SUMMARY OF ALL FUNDS
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - ALL FUNDS</u>						
RECEIPTS	\$ 6,895,260	\$ 6,615,124	\$ (280,136)	\$ 6,759,907	\$ 6,556,700	\$ (203,207)
DISBURSEMENTS	<u>7,811,835</u>	<u>6,532,555</u>	<u>1,279,280</u>	<u>7,173,106</u>	<u>6,266,298</u>	<u>906,808</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (916,575)	\$ 82,569	\$ 999,144	\$ (413,199)	\$ 290,402	\$ 703,601
CASH, JANUARY 1	<u>2,228,100</u>	<u>2,228,100</u>	<u>0</u>	<u>1,937,698</u>	<u>1,937,698</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 1,311,525</u></u>	<u><u>\$ 2,310,669</u></u>	<u><u>\$ 999,144</u></u>	<u><u>\$ 1,524,499</u></u>	<u><u>\$ 2,228,100</u></u>	<u><u>\$ 703,601</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
GENERAL REVENUE FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 575,000	\$ 572,816	\$ (2,184)	\$ 520,000	\$ 571,139	\$ 51,139
Sales and use taxes	660,000	690,670	30,670	650,000	656,603	6,603
Intergovernmental	105,315	92,658	(12,657)	81,815	92,791	10,976
Charges for services	270,400	319,642	49,242	252,750	272,433	19,683
Other	142,647	132,153	(10,494)	156,446	213,338	56,892
Transfers in	55,000	0	(55,000)	58,000	51,700	(6,300)
Total Receipts	<u>\$ 1,808,362</u>	<u>\$ 1,807,939</u>	<u>\$ (423)</u>	<u>\$ 1,719,011</u>	<u>\$ 1,858,004</u>	<u>\$ 138,993</u>
DISBURSEMENTS						
County commission	\$ 92,630	\$ 89,678	\$ 2,952	\$ 114,762	\$ 86,090	\$ 28,672
County clerk	76,924	76,891	33	90,784	73,587	17,197
Elections	67,012	66,201	811	88,470	70,596	17,874
Buildings and grounds	66,920	69,373	(2,453)	73,976	57,009	16,967
Employee fringe benefits	200,403	157,841	42,562	4,000	161,940	(157,940)
County treasurer	52,436	45,757	6,679	49,493	39,172	10,321
County collector	96,304	79,783	16,521	102,277	81,145	21,132
Recorder of deeds	66,476	67,127	(651)	30,000	22,925	7,075
Circuit clerk	46,005	40,137	5,868	42,754	39,161	3,593
Associate circuit court	0	0	0	0	464	(464)
Court administration	81,850	40,245	41,605	45,750	33,373	12,377
Public administrator	45,835	44,099	1,736	55,421	42,744	12,677
Prosecuting attorney	193,024	177,896	15,128	220,130	173,741	46,389
Juvenile officer	70,228	47,963	22,265	84,412	49,277	35,135
County coroner	44,575	21,815	22,760	40,554	26,078	14,476
General county government	93,849	94,476	(627)	113,800	84,916	28,884
Miscellaneous	345,960	192,356	153,604	416,611	388,303	28,308
Public defender	4,800	0	4,800	0	4,086	(4,086)
Public health and welfare services	5,000	5,450	(450)	5,000	4,900	100
Transfers out	415,164	367,164	48,000	278,095	222,095	56,000
Emergency fund	53,000	16,892	36,108	51,570	31,317	20,253
Total Disbursements	<u>\$ 2,118,395</u>	<u>\$ 1,701,144</u>	<u>\$ 417,251</u>	<u>\$ 1,907,859</u>	<u>\$ 1,692,919</u>	<u>\$ 214,940</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (310,033)	\$ 106,795	\$ 416,828	\$ (188,848)	\$ 165,085	\$ 353,933
CASH, JANUARY 1	942,047	942,047	0	776,962	776,962	0
CASH, DECEMBER 31	<u>\$ 632,014</u>	<u>\$ 1,048,842</u>	<u>\$ 416,828</u>	<u>\$ 588,114</u>	<u>\$ 942,047</u>	<u>\$ 353,933</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
SPECIAL ROAD AND BRIDGE FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 340,000	\$ 396,023	\$ 56,023	\$ 350,000	\$ 389,675	\$ 39,675
Sales and use taxes	710,000	694,217	(15,783)	710,000	717,754	7,754
Intergovernmental	1,238,250	908,199	(330,051)	1,056,231	790,028	(266,203)
Interest	5,000	9,369	4,369	5,050	6,742	1,692
Other	5,000	12,776	7,776	6,500	14,375	7,875
Total Receipts	<u>\$ 2,298,250</u>	<u>\$ 2,020,584</u>	<u>\$ (277,666)</u>	<u>\$ 2,127,781</u>	<u>\$ 1,918,574</u>	<u>\$ (209,207)</u>
DISBURSEMENTS						
Salaries	\$ 487,094	\$ 479,471	\$ 7,623	\$ 496,253	\$ 473,387	\$ 22,866
Employee fringe benefits	162,225	134,590	27,635	154,181	136,082	18,099
Supplies	138,500	153,011	(14,511)	138,500	132,028	6,472
Insurance	71,304	82,106	(10,802)	54,625	71,304	(16,679)
Road and bridge materials	500,000	429,245	70,755	454,000	462,727	(8,727)
Equipment repairs	50,000	47,097	2,903	50,000	43,995	6,005
Equipment rentals	1,000	695	305	1,000	305	695
Equipment purchases	175,000	171,349	3,651	200,000	185,404	14,596
Construction, repair and maintenance	900,000	465,893	434,107	560,000	202,247	357,753
Other	13,000	12,101	899	13,000	11,786	1,214
Transfers out	58,000	58,000	0	58,000	51,700	6,300
Total Disbursements	<u>\$ 2,556,123</u>	<u>\$ 2,033,558</u>	<u>\$ 522,565</u>	<u>\$ 2,179,559</u>	<u>\$ 1,770,965</u>	<u>\$ 408,594</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (257,873)</u>	<u>\$ (12,974)</u>	<u>\$ 244,899</u>	<u>\$ (51,778)</u>	<u>\$ 147,609</u>	<u>\$ 199,387</u>
CASH, JANUARY 1	<u>522,286</u>	<u>522,286</u>	<u>0</u>	<u>374,677</u>	<u>374,677</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 264,413</u></u>	<u><u>\$ 509,312</u></u>	<u><u>\$ 244,899</u></u>	<u><u>\$ 322,899</u></u>	<u><u>\$ 522,286</u></u>	<u><u>\$ 199,387</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
ASSESSMENT FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 194,438	\$ 224,259	\$ 29,821	\$ 191,224	\$ 224,974	\$ 33,750
Interest	900	1,666	766	500	1,200	700
Other	11,875	13,104	1,229	15,172	14,335	(837)
Transfers in	47,164	47,164	0	47,095	47,095	0
Total Receipts	<u>\$ 254,377</u>	<u>\$ 286,193</u>	<u>\$ 31,816</u>	<u>\$ 253,991</u>	<u>\$ 287,604</u>	<u>\$ 33,613</u>
DISBURSEMENTS						
Salaries	\$ 177,201	\$ 177,347	\$ (146)	\$ 169,801	\$ 169,690	\$ 111
Employee fringe benefits	48,081	44,083	3,998	47,504	42,405	5,099
Office	15,650	15,217	433	14,250	12,277	1,973
Other	75,050	36,162	38,888	44,397	20,956	23,441
Total Disbursements	<u>\$ 315,982</u>	<u>\$ 272,809</u>	<u>\$ 43,173</u>	<u>\$ 275,952</u>	<u>\$ 245,328</u>	<u>\$ 30,624</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (61,605)	\$ 13,384	\$ 74,989	\$ (21,961)	\$ 42,276	\$ 64,237
CASH, JANUARY 1	<u>83,538</u>	<u>83,538</u>	<u>0</u>	<u>41,262</u>	<u>41,262</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 21,933</u></u>	<u><u>\$ 96,922</u></u>	<u><u>\$ 74,989</u></u>	<u><u>\$ 19,301</u></u>	<u><u>\$ 83,538</u></u>	<u><u>\$ 64,237</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
LAW ENFORCEMENT SALES TAX FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax revenues	\$ 725,000	\$ 694,471	\$ (30,529)	\$ 705,000	\$ 718,151	\$ 13,151
Intergovernmental	154,046	263,703	109,657	177,800	126,988	(50,812)
Charges for services	54,300	49,726	(4,574)	54,000	49,193	(4,807)
Interest	500	1,000	500	500	751	251
Other	35,100	26,322	(8,778)	35,400	37,037	1,637
Transfers in	390,000	320,000	(70,000)	275,000	200,000	(75,000)
Total Receipts	<u>\$ 1,358,946</u>	<u>\$ 1,355,222</u>	<u>\$ (3,724)</u>	<u>\$ 1,247,700</u>	<u>\$ 1,132,120</u>	<u>\$ (115,580)</u>
DISBURSEMENTS						
Salaries	\$ 726,606	\$ 712,819	\$ 13,787	\$ 719,825	\$ 680,863	\$ 38,962
Fringe benefits	218,666	177,024	41,642	190,000	188,634	1,366
Office	257,788	230,128	27,660	192,100	167,676	24,424
Jail operations	154,702	125,387	29,315	137,213	131,870	5,343
Total Disbursements	<u>\$ 1,357,762</u>	<u>\$ 1,245,358</u>	<u>\$ 112,404</u>	<u>\$ 1,239,138</u>	<u>\$ 1,169,043</u>	<u>\$ 70,095</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,184	\$ 109,864	\$ 108,680	\$ 8,562	\$ (36,923)	\$ (45,485)
CASH, JANUARY 1	<u>15,018</u>	<u>15,018</u>	<u>0</u>	<u>51,941</u>	<u>51,941</u>	<u>0</u>
CASH, DECEMBER 31	<u>\$ 16,202</u>	<u>\$ 124,882</u>	<u>\$ 108,680</u>	<u>\$ 60,503</u>	<u>\$ 15,018</u>	<u>\$ (45,485)</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
911 FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
911 FUND						
RECEIPTS						
Other	\$ 150,000	\$ 136,569	\$ (13,431)	\$ 150,000	\$ 146,898	\$ (3,102)
Total Receipts	\$ 150,000	\$ 136,569	\$ (13,431)	\$ 150,000	\$ 146,898	\$ (3,102)
DISBURSEMENTS						
Salaries	\$ 22,328	\$ 22,301	\$ 27	\$ 21,353	\$ 21,336	\$ 17
Employee fringe benefits	8,027	6,875	1,152	6,942	6,506	436
Other	302,930	188,735	114,195	128,587	68,340	60,247
Transfers out	50,000	25,000	25,000	50,000	25,000	25,000
Total Disbursements	\$ 383,285	\$ 242,911	\$ 140,374	\$ 206,882	\$ 121,182	\$ 85,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (233,285)	\$ (106,342)	\$ 126,943	\$ (56,882)	\$ 25,716	\$ 82,598
CASH, JANUARY 1	233,285	233,285	0	207,569	207,569	0
CASH, DECEMBER 31	\$ 0	\$ 126,943	\$ 126,943	\$ 150,687	\$ 233,285	\$ 82,598

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PIKE COUNTY HOSPITAL FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PIKE COUNTY HOSPITAL FUND</u>						
RECEIPTS						
Sales taxes	\$ 670,000	\$ 702,464	\$ 32,464	\$ 670,000	\$ 665,806	\$ (4,194)
Total Receipts	\$ 670,000	\$ 702,464	\$ 32,464	\$ 670,000	\$ 665,806	\$ (4,194)
DISBURSEMENTS						
Construction payments	\$ 500,000	\$ 397,370	\$ 102,630	\$ 670,000	\$ 432,604	\$ 237,396
Other	200,000	369,321	(169,321)	0	187,722	(187,722)
Total Disbursements	\$ 700,000	\$ 766,691	\$ (66,691)	\$ 670,000	\$ 620,326	\$ 49,674
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (30,000)	\$ (64,227)	\$ (34,227)	\$ 0	\$ 45,480	\$ 45,480
CASH, JANUARY 1	167,032	167,032	0	121,552	121,552	0
CASH, DECEMBER 31	\$ 137,032	\$ 102,805	\$ (34,227)	\$ 121,552	\$ 167,032	\$ 45,480

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
RECORDER FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER FUND</u>						
RECEIPTS						
Charges for services	\$ 13,000	\$ 15,462	\$ 2,462	\$ 14,500	\$ 13,528	\$ (972)
Total Receipts	\$ 13,000	\$ 15,462	\$ 2,462	\$ 14,500	\$ 13,528	\$ (972)
DISBURSEMENTS						
Recorder of deeds' office	\$ 12,648	\$ 12,682	\$ (34)	\$ 12,500	\$ 6,898	\$ 5,602
Total Disbursements	\$ 12,648	\$ 12,682	\$ (34)	\$ 12,500	\$ 6,898	\$ 5,602
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 352	\$ 2,780	\$ 2,428	\$ 2,000	\$ 6,630	\$ 4,630
CASH, JANUARY 1	71,771	71,771	0	65,141	65,141	0
CASH, DECEMBER 31	\$ 72,123	\$ 74,551	\$ 2,428	\$ 67,141	\$ 71,771	\$ 4,630

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY BAD CHECK FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 23,000	\$ 26,557	\$ 3,557	\$ 24,000	\$ 24,525	\$ 525
Interest	0	0	0	264	0	(264)
Total Receipts	<u>\$ 23,000</u>	<u>\$ 26,557</u>	<u>\$ 3,557</u>	<u>\$ 24,264</u>	<u>\$ 24,525</u>	<u>\$ 261</u>
DISBURSEMENTS						
Prosecuting attorney's office	\$ 15,200	\$ 9,529	\$ 5,671	\$ 115,966	\$ 75,082	\$ 40,884
Total Disbursements	<u>\$ 15,200</u>	<u>\$ 9,529</u>	<u>\$ 5,671</u>	<u>\$ 115,966</u>	<u>\$ 75,082</u>	<u>\$ 40,884</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,800	\$ 17,028	\$ 9,228	\$ (91,702)	\$ (50,557)	\$ 41,145
CASH, JANUARY 1	<u>5,434</u>	<u>5,434</u>	<u>0</u>	<u>55,991</u>	<u>55,991</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 13,234</u></u>	<u><u>\$ 22,462</u></u>	<u><u>\$ 9,228</u></u>	<u><u>\$ (35,711)</u></u>	<u><u>\$ 5,434</u></u>	<u><u>\$ 41,145</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY TRAINING FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 775	\$ 981	\$ 206	\$ 0	\$ 835	\$ 835
Total Receipts	\$ 775	\$ 981	\$ 206	\$ 0	\$ 835	\$ 835
DISBURSEMENTS						
Training	\$ 2,090	\$ 1,588	\$ 502	\$ 2,090	\$ 0	\$ 2,090
Total Disbursements	\$ 2,090	\$ 1,588	\$ 502	\$ 2,090	\$ 0	\$ 2,090
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,315)	\$ (607)	\$ 708	\$ (2,090)	\$ 835	\$ 2,925
CASH, JANUARY 1	2,925	2,925	0	2,090	2,090	0
CASH, DECEMBER 31	\$ 1,610	\$ 2,318	\$ 708	\$ 0	\$ 2,925	\$ 2,925

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 PROSECUTING ATTORNEY SALES TAX FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY SALES TAX FUND</u>						
RECEIPTS						
Other	\$ 400	\$ 320	\$ (80)	\$ 0	\$ 400	\$ 400
Total Receipts	\$ 400	\$ 320	\$ (80)	\$ 0	\$ 400	\$ 400
DISBURSEMENTS						
Other	\$ 1,000	\$ 180	\$ 820	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 1,000	\$ 180	\$ 820	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (600)	\$ 140	\$ 740	\$ 0	\$ 400	\$ 400
CASH, JANUARY 1	1,087	1,087	0	687	687	0
CASH, DECEMBER 31	\$ 487	\$ 1,227	\$ 740	\$ 687	\$ 1,087	\$ 400

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 5% STATUTE COST ELECTION FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>5% STATUTE COST ELECTION FUND</u>						
RECEIPTS						
Other	\$ 1,100	\$ 1,778	\$ 678	\$ 2,500	\$ 798	\$ (1,702)
Total Receipts	\$ 1,100	\$ 1,778	\$ 678	\$ 2,500	\$ 798	\$ (1,702)
DISBURSEMENTS						
Other	\$ 300	\$ 0	\$ 300	\$ 3,000	\$ 2,992	\$ 8
Total Disbursements	\$ 300	\$ 0	\$ 300	\$ 3,000	\$ 2,992	\$ 8
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 800	\$ 1,778	\$ 978	\$ (500)	\$ (2,194)	\$ (1,694)
CASH, JANUARY 1	1,450	1,450	0	3,644	3,644	0
CASH, DECEMBER 31	\$ 2,250	\$ 3,228	\$ 978	\$ 3,144	\$ 1,450	\$ (1,694)

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SPECIAL ELECTION FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Other	\$ 38,000	\$ 45,733	\$ 7,733	\$ 86,500	\$ 54,983	\$ (31,517)
Total Receipts	<u>\$ 38,000</u>	<u>\$ 45,733</u>	<u>\$ 7,733</u>	<u>\$ 86,500</u>	<u>\$ 54,983</u>	<u>\$ (31,517)</u>
DISBURSEMENTS						
Salaries	\$ 8,500	\$ 8,075	\$ 425	\$ 44,000	\$ 31,467	\$ 12,533
Rent of polls	1,000	475	525	1,200	1,275	(75)
Canvassing, etc.	1,200	0	1,200	11,000	7,867	3,133
Publication	3,800	10,398	(6,598)	11,000	10,961	39
Supplies	21,000	5,605	15,395	32,000	16,043	15,957
Total Disbursements	<u>\$ 35,500</u>	<u>\$ 24,553</u>	<u>\$ 10,947</u>	<u>\$ 99,200</u>	<u>\$ 67,613</u>	<u>\$ 31,587</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,500	\$ 21,180	\$ 18,680	\$ (12,700)	\$ (12,630)	\$ 70
CASH, JANUARY 1	<u>201</u>	<u>201</u>	<u>0</u>	<u>12,831</u>	<u>12,831</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 2,701</u></u>	<u><u>\$ 21,381</u></u>	<u><u>\$ 18,680</u></u>	<u><u>\$ 131</u></u>	<u><u>\$ 201</u></u>	<u><u>\$ 70</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
FINES FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>FINES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 210,000	\$ 136,080	\$ (73,920)	\$ 160,000	\$ 205,599	\$ 45,599
Total Receipts	<u>\$ 210,000</u>	<u>\$ 136,080</u>	<u>\$ (73,920)</u>	<u>\$ 160,000</u>	<u>\$ 205,599</u>	<u>\$ 45,599</u>
DISBURSEMENTS						
Payments	\$ 240,000	\$ 154,279	\$ 85,721	\$ 160,000	\$ 250,028	\$ (90,028)
Total Disbursements	<u>\$ 240,000</u>	<u>\$ 154,279</u>	<u>\$ 85,721</u>	<u>\$ 160,000</u>	<u>\$ 250,028</u>	<u>\$ (90,028)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (30,000)	\$ (18,199)	\$ 11,801	\$ 0	\$ (44,429)	\$ (44,429)
CASH, JANUARY 1	<u>81,153</u>	<u>81,153</u>	<u>0</u>	<u>125,582</u>	<u>125,582</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 51,153</u></u>	<u><u>\$ 62,954</u></u>	<u><u>\$ 11,801</u></u>	<u><u>\$ 125,582</u></u>	<u><u>\$ 81,153</u></u>	<u><u>\$ (44,429)</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
TAX MAINTENANCE FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 15,000	\$ 19,165	\$ 4,165	\$ 15,000	\$ 18,901	\$ 3,901
Total Receipts	\$ 15,000	\$ 19,165	\$ 4,165	\$ 15,000	\$ 18,901	\$ 3,901
DISBURSEMENTS						
Office	\$ 20,000	\$ 5,799	\$ 14,201	\$ 12,300	\$ 7,642	\$ 4,658
Total Disbursements	\$ 20,000	\$ 5,799	\$ 14,201	\$ 12,300	\$ 7,642	\$ 4,658
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,000)	\$ 13,366	\$ 18,366	\$ 2,700	\$ 11,259	\$ 8,559
CASH, JANUARY 1	58,290	58,290	0	47,031	47,031	0
CASH, DECEMBER 31	\$ 53,290	\$ 71,656	\$ 18,366	\$ 49,731	\$ 58,290	\$ 8,559

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 LAW ENFORCEMENT TRAINING FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 6,000	\$ 8,310	\$ 2,310	\$ 6,000	\$ 3,597	\$ (2,403)
Total Receipts	\$ 6,000	\$ 8,310	\$ 2,310	\$ 6,000	\$ 3,597	\$ (2,403)
DISBURSEMENTS						
Sheriff's office	\$ 4,000	\$ 6,511	\$ (2,511)	\$ 6,000	\$ 653	\$ 5,347
Total Disbursements	\$ 4,000	\$ 6,511	\$ (2,511)	\$ 6,000	\$ 653	\$ 5,347
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,000	\$ 1,799	\$ (201)	\$ 0	\$ 2,944	\$ 2,944
CASH, JANUARY 1	32,519	32,519	0	29,575	29,575	0
CASH, DECEMBER 31	\$ 34,519	\$ 34,318	\$ (201)	\$ 29,575	\$ 32,519	\$ 2,944

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
HAVA GRANT FUND
UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>HAVA GRANT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 0	\$ 38	\$ 38	\$ 182,660	\$ 167,660	\$ (15,000)
Interest	50	20	(30)	0	801	801
Total Receipts	<u>\$ 50</u>	<u>\$ 58</u>	<u>\$ 8</u>	<u>\$ 182,660</u>	<u>\$ 168,461</u>	<u>\$ (14,199)</u>
DISBURSEMENTS						
Help America Vote Act expenses	\$ 1,550	\$ 1,544	\$ 6	\$ 182,660	\$ 182,660	\$ 0
Total Disbursements	<u>\$ 1,550</u>	<u>\$ 1,544</u>	<u>\$ 6</u>	<u>\$ 182,660</u>	<u>\$ 182,660</u>	<u>\$ 0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,500)	\$ (1,486)	\$ 14	\$ 0	\$ (14,199)	\$ (14,199)
CASH, JANUARY 1	<u>1,500</u>	<u>1,500</u>	<u>0</u>	<u>15,699</u>	<u>15,699</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>\$ 0</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 15,699</u></u>	<u><u>\$ 1,500</u></u>	<u><u>\$ (14,199)</u></u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 FAMILY FARM OPPORTUNITY GRANT FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY FARM OPPORTUNITY GRANT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 48,000	\$ 46,100	\$ (1,900)	\$ 100,000	\$ 51,100	\$ (48,900)
Total Receipts	\$ 48,000	\$ 46,100	\$ (1,900)	\$ 100,000	\$ 51,100	\$ (48,900)
DISBURSEMENTS						
Revolving loan	\$ 48,000	\$ 46,100	\$ 1,900	\$ 100,000	\$ 51,100	\$ 48,900
Total Disbursements	\$ 48,000	\$ 46,100	\$ 1,900	\$ 100,000	\$ 51,100	\$ 48,900
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 DOMESTIC VIOLENCE FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 0	\$ 4,948	\$ 4,948	\$ 0	\$ 4,916	\$ 4,916
Total Receipts	\$ 0	\$ 4,948	\$ 4,948	\$ 0	\$ 4,916	\$ 4,916
DISBURSEMENTS						
Other	\$ 0	\$ 7,319	\$ (7,319)	\$ 0	\$ 1,867	\$ (1,867)
Total Disbursements	\$ 0	\$ 7,319	\$ (7,319)	\$ 0	\$ 1,867	\$ (1,867)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ (2,371)	\$ (2,371)	\$ 0	\$ 3,049	\$ 3,049
CASH, JANUARY 1	4,916	4,916	0	1,867	1,867	0
CASH, DECEMBER 31	<u>\$ 4,916</u>	<u>\$ 2,545</u>	<u>\$ (2,371)</u>	<u>\$ 1,867</u>	<u>\$ 4,916</u>	<u>\$ 3,049</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

PIKE COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS - CASH BASIS
 SURPLUS LAND SALES FUND
 UNAUDITED

	Year Ended December 31,					
	2007			2006		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>SURPLUS LAND SALES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 0	\$ 661	\$ 661	\$ 0	\$ 51	\$ 51
Total Receipts	\$ 0	\$ 661	\$ 661	\$ 0	\$ 51	\$ 51
DISBURSEMENTS						
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 661	\$ 661	\$ 0	\$ 51	\$ 51
CASH, JANUARY 1	3,648	3,648	0	3,597	3,597	0
CASH, DECEMBER 31	<u>\$ 3,648</u>	<u>\$ 4,309</u>	<u>\$ 661</u>	<u>\$ 3,597</u>	<u>\$ 3,648</u>	<u>\$ 51</u>

The accompanying Notes to the Financial Statements are in integral part of this statement.

Other Supplementary Information

PIKE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to the financial statements noted? _____ yes X no

Section II – Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

07-1 Budgetary Practices and Published Financial Statements

Budgets were not prepared for several county funds and many of the same funds were not included in the published financial statements.

A. Formal budgets were not prepared for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence	2007 and 2006
Surplus Land Sales	2007 and 2006
Prosecuting Attorney Sales Tax	2006

PIKE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. The county's annual published financial statements did not include the financial activity for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence	2007 and 2006
Surplus Land Sales	2007 and 2006
Prosecuting Attorney Sales Tax	2006

The total beginning cash, receipts, disbursements, and ending cash balance for the funds not included for the years ended December 31, 2007 and 2006, are presented in the table below.

	<u>2007</u>	<u>2006</u>
Beginning Cash Balance	\$8,564	\$5,464
Receipts	5,609	4,967
Disbursements	<u>(7,319)</u>	<u>(1,867)</u>
Ending Cash Balance	<u>\$6,854</u>	<u>\$8,564</u>

Sections 50.800 and 50.810, RSMo 2000, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

For the published financial statements to meet statutory requirements and adequately inform the citizens of the county's financial activities and operations, all monies received and disbursed by the county should be included.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared and obtained from other county officials or boards for all county funds as required by state law.
- B. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly included.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

A&B. *The County Commission and County Clerk indicated they agree with the recommendations and they will be implemented when the next budgets and published financial statements are prepared.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PIKE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
DECEMBER 31, 2007 AND 2006

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pike County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2005. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

Budgetary Practice

The County exceeded budgeted expenditures in both the 911 and Hospital Fund.

Status

The County is aware it needs to amend budgets, however it does not always do so. Not fully implemented.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
Auditors' Findings

**PIKE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
DECEMBER 31, 2007 AND 2006**

We have audited the accompanying Government-Wide Statements of Net Assets-Cash Basis, Government Wide Statements of Activities-Cash Basis, Governmental Funds Balance Sheets-Cash Basis, and Governmental Funds Statements of Receipts, Disbursements, and Changes in Cash Balances of Pike County, Missouri, and of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008.

Because the Pike County Hospital Board, Senate Bill 40 Board, and Lincoln County Housing Authority (which serves as the administrative agent for all Housing and Urban Development grants passed through to Pike County, the signatory county for the Lincoln County Housing Authority) are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audits and other applicable information for the Pike County Hospital Board for the years ended June 30, 2007 and 2006, for the Senate Bill 40 Board for the years ended December 31, 2007 and 2006, and for the Lincoln County Public Housing Authority for the years ended September 30, 2007 and 2006.

Estimated Hours

Currently employees estimate the hours to be worked for the last work day of the pay period. This may result in prepayment (overpaid) or short payment (underpayment) for employees. This creates additional monitoring of hours over or under paid.

WE RECOMMEND

Delay the issuance of paychecks by one or two days and allow actual hours to always be used.

AUDITEE'S RESPONSE

They agree and are implementing the policy

Software

Currently the county uses Government Fund Management System software. The county has expressed concern about requesting changes and the cost associated with any change. In addition there is not a manual associated with the software. Further, there could be a problem should the designer of the program experience problems causing an inability to service clients such as Pike County.

WE RECOMMEND

While several counties currently use this software, exploring "shelf" software where support is readily available would seem prudent.

AUDITEE'S RESPONSE

Pike County feels no problem exists, however, they recognize the limitations they currently have and feel the matter worth consideration.

Follow-Up on Prior Audit Findings

PIKE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Pike County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the year ended December 31, 2005. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

There are no findings that require follow-up.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Chariton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Chariton County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-12

CHARITON COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

CHARITON COUNTY, MISSOURI

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials-----	i
FINANCIAL SECTION	
Independent Auditors' Report-----	ii
BASIC FINANCIAL STATEMENTS:	
<i>Governmental Funds:</i>	
Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds-----	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds -----	2
<i>Fiduciary Funds:</i>	
Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds-----	15
Notes of Financial Statements -----	16
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards -----	22
Findings and Recommendations-----	24
Schedule of Prior Year Audit Findings-----	26

INTRODUCTORY SECTION

CHARITON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Tony McCollum

Associate Commissioner – Gail Brown

Associate Commissioner – Ray Dowell

Other Elected Officials

Assessor – Darrin Gladbach

Circuit Clerk / Recorder – Eric Stallo

Collector/ Treasurer – Beverly Vasser

Coroner – Larry Breshears

County Clerk – Susan Littleton

Prosecuting Attorney – Renae Ehler

Public Administrator – Patti Yung

Sheriff – Christopher Hughes

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Chariton County, Missouri

We have audited the accompanying financial statements of Chariton County, Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Chariton County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Chariton County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Chariton County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 25, 2008 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

(Original signed by Auditor)

McBride, Lock & Associates
July 25, 2008

FINANCIAL SECTION

CHARITON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Fund	\$ 165,298	1,115,170	1,073,765	206,703	1,201,484	1,117,135	291,052
Road and Bridge Fund	645,959	986,812	974,839	657,932	1,049,579	885,311	822,200
Assessment Fund	9,846	167,447	155,100	22,193	175,791	156,945	41,039
Law Enforcement Sales Tax Fund	-	495,893	495,893	-	496,732	497,022	(290)
Election Services Fund	17,962	9,097	8,319	18,740	169,040	182,325	5,455
Tax Maintenance Fund	7,159	6,642	8,748	5,053	6,718	6,481	5,290
Law Enforcement Training Fund	1,228	3,177	2,193	2,212	3,029	2,820	2,421
Prosecuting Attorney Training Fund	195	552	282	465	518	494	489
Prosecuting Attorney Tax Fee Fund	4,001	184	1,030	3,155	124	2,131	1,148
Victims of Domestic Violence Fund	193	252	200	245	293	300	238
Prosecuting Attorney Bad Check Fund	15,666	4,789	6,329	14,126	2,601	3,868	12,859
Recorder Fund	18,354	10,258	9,979	18,633	8,306	7,154	19,785
Sheriff Fund	648	6,716	7,102	262	12,691	5,832	7,121
Local Emergency Planning Commission Fund	22,086	5,374	5,965	21,495	4,951	4,777	21,669
Grant Fund	-	-	-	-	43,043	43,043	-
Drainage District #3 Fund	9,543	1,075	-	10,618	1,123	400	11,341
Drainage District #4 Fund	136,572	24,347	4,277	156,642	27,929	-	184,571
Drainage District #6 Fund	1,291	261	6	1,546	273	-	1,819
Drainage District #7 Fund	8,856	1,267	170	9,953	1,364	-	11,317
Drainage District #18 Fund	15,596	1,426	2,067	14,955	1,379	-	16,334
Drainage District #19 Fund	12,873	634	-	13,507	646	-	14,153
Drainage District #20 Fund	15,273	7,662	300	22,635	3,894	-	26,529
Drainage District #8 Fund	69	4	-	73	4	-	77
Drainage District #17 Fund	102	6	-	108	6	-	114
Total	\$ 1,108,599	2,849,035	2,756,564	1,201,070	3,211,508	2,916,038	1,496,540

The accompanying Notes to the Financial Statements are an integral part of this statement.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 325,900	320,224	317,000	360,239
Sales taxes	360,000	380,793	385,000	384,910
Intergovernmental	69,950	73,455	71,400	55,131
Charges for services	147,300	148,542	173,850	163,885
Interest	10,000	21,052	20,000	22,613
Other	112,210	104,964	151,595	148,652
Transfers in	66,050	66,140	66,200	66,054
Total Receipts	<u>1,091,410</u>	<u>1,115,170</u>	<u>1,185,045</u>	<u>1,201,484</u>
DISBURSEMENTS				
County Commission	75,216	72,946	74,716	75,200
County Clerk	102,068	94,930	101,274	92,879
Elections	25,290	34,056	10,400	20,807
Buildings and grounds	104,718	83,617	204,650	91,495
Employee fringe benefits	128,650	107,895	122,600	116,833
County Treasurer	74,832	64,738	88,151	84,095
Collector	3,250	3,908	-	-
Circuit Court	36,812	30,110	39,217	32,367
Court administration	23,411	17,532	23,001	14,635
Public Administrator	20,500	19,277	20,200	18,780
Sheriff	157,065	135,144	205,205	173,812
Jail	83,000	41,346	71,500	31,552
Prosecuting Attorney	62,998	61,706	65,883	64,211
Juvenile Officer	17,870	9,795	17,870	13,643
Coroner	18,449	11,104	18,449	13,711
Other	87,900	87,234	94,950	88,034
Transfers out	205,000	198,427	196,890	185,081
Emergency fund	32,750	-	35,600	-
Total Disbursements	<u>\$ 1,259,779</u>	<u>1,073,765</u>	<u>1,390,556</u>	<u>1,117,135</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(168,369)	41,405	(205,511)	84,349
CASH, JANUARY 1	<u>165,298</u>	<u>165,298</u>	<u>206,703</u>	<u>206,703</u>
CASH, DECEMBER 31	<u>\$ (3,071)</u>	<u>206,703</u>	<u>1,192</u>	<u>291,052</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,229,950	951,700	1,334,600	1,003,202	161,337	163,594	165,138	170,915
Charges for services	-	-	-	-	-	-	-	-
Interest	22,000	32,343	32,000	41,923	1,400	2,580	2,500	3,438
Other	6,000	2,769	3,000	4,454	1,250	1,273	1,050	1,438
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,257,950	986,812	1,369,600	1,049,579	163,987	167,447	168,688	175,791
DISBURSEMENTS								
Salaries	136,712	124,886	138,792	104,353	97,354	96,959	99,538	98,859
Employee fringe benefits	54,900	49,651	56,700	37,142	35,261	35,078	36,162	35,132
Materials and Supplies	800	628	900	1,229	12,500	6,736	13,500	8,183
Services and Other	160,850	89,120	476,900	110,694	22,750	16,327	23,300	14,771
Capital Outlay	166,500	125,901	206,500	13,526	-	-	-	-
Construction	790,750	518,653	870,750	552,367	-	-	-	-
Transfers out	66,000	66,000	66,000	66,000	-	-	-	-
Total Disbursements	1,376,512	974,839	1,816,542	885,311	167,865	155,100	172,500	156,945
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(118,562)	11,973	(446,942)	164,268	(3,878)	12,347	(3,812)	18,846
CASH, JANUARY 1	645,959	645,959	657,932	657,932	9,846	9,846	22,193	22,193
CASH, DECEMBER 31	\$ 527,397	657,932	210,990	822,200	5,968	22,193	18,381	41,039

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				ELECTION SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	270,000	263,520	265,000	268,585	-	-	-	-
Intergovernmental	11,500	14,650	16,500	19,950	171,550	2,599	166,650	168,030
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	904	1,000	1,596	800	1,142	1,000	1,002
Other	18,700	18,660	21,060	21,520	1,350	5,356	4,500	-
Transfers in	205,000	198,159	196,890	185,081	-	-	-	8
Total Receipts	506,200	495,893	500,450	496,732	173,700	9,097	172,150	169,040
DISBURSEMENTS								
Salaries	380,862	373,992	375,200	375,684	-	-	-	-
Employee fringe benefits	125,000	121,611	125,250	121,338	-	-	-	-
Materials and Supplies	-	-	-	-	500	-	200	17
Services and Other	-	290	-	-	182,650	8,319	182,300	182,308
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	505,862	495,893	500,450	497,022	183,150	8,319	182,500	182,325
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	338	-	-	(290)	(9,450)	778	(10,350)	(13,285)
CASH, JANUARY 1	-	-	-	-	17,962	17,962	18,740	18,740
CASH, DECEMBER 31	\$ 338	-	-	(290)	8,512	18,740	8,390	5,455

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	TAX MAINTENANCE FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,165	6,167	6,170	6,319	2,650	3,078	3,150	2,921
Interest	425	395	395	246	50	99	100	108
Other	163	80	100	153	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	6,753	6,642	6,665	6,718	2,700	3,177	3,250	3,029
DISBURSEMENTS								
Salaries	150	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,560	7,607	6,000	5,409	-	-	-	-
Services and Other	1,050	848	1,150	1,072	1,850	1,269	1,850	1,891
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	293	-	-	850	924	950	929
Total Disbursements	6,760	8,748	7,150	6,481	2,700	2,193	2,800	2,820
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(7)	(2,106)	(485)	237	-	984	450	209
CASH, JANUARY 1	7,159	7,159	5,053	5,053	1,228	1,228	2,212	2,212
CASH, DECEMBER 31	\$ 7,152	5,053	4,568	5,290	1,228	2,212	2,662	2,421

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY TAX FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	445	545	450	497	-	-	-	-
Interest	5	7	5	21	150	184	200	124
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	450	552	455	518	150	184	200	124
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	3,300	1,030	3,000	2,131
Services and Other	450	282	450	494	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	450	282	450	494	3,300	1,030	3,000	2,131
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	270	5	24	(3,150)	(846)	(2,800)	(2,007)
CASH, JANUARY 1	195	195	465	465	4,001	4,001	3,155	3,155
CASH, DECEMBER 31	\$ 195	465	470	489	851	3,155	355	1,148

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	VICTIMS OF DOMESTIC VIOLENCE FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	200	245	200	285	1,500	4,073	3,000	1,932
Interest	10	7	10	8	400	716	600	661
Other	-	-	-	-	-	-	-	8
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	210	252	210	293	1,900	4,789	3,600	2,601
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	5,303	1,484	1,475	447
Services and Other	200	200	300	300	5,419	4,129	3,300	3,171
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	250	716	600	250
Total Disbursements	200	200	300	300	10,972	6,329	5,375	3,868
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	10	52	(90)	(7)	(9,072)	(1,540)	(1,775)	(1,267)
CASH, JANUARY 1	193	193	245	245	15,666	15,666	14,126	14,126
CASH, DECEMBER 31	\$ 203	245	155	238	6,594	14,126	12,351	12,859

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER FUND				SHERIFF FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,300	8,529	6,900	7,401	8,500	6,191	7,000	9,522
Interest	425	750	525	905	30	46	50	184
Other	-	979	-	-	900	479	2,100	2,985
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	6,725	10,258	7,425	8,306	9,430	6,716	9,150	12,691
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,750	6,149	4,250	2,582	3,980	2,737	3,780	2,305
Services and Other	3,900	3,830	5,020	4,572	5,450	4,365	5,270	3,527
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	9,650	9,979	9,270	7,154	9,430	7,102	9,050	5,832
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(2,925)	279	(1,845)	1,152	-	(386)	100	6,859
CASH, JANUARY 1	18,354	18,354	18,633	18,633	648	648	262	262
CASH, DECEMBER 31	\$ 15,429	18,633	16,788	19,785	648	262	362	7,121

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	LOCAL EMERGENCY PLANNING COMMITTEE FUND				GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	8,500	4,591	4,600	4,951	-	-	300,000	43,043
Charges for services	-	-	-	-	-	-	-	-
Interest	650	683	-	-	-	-	-	-
Other	-	100	200	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	9,150	5,374	4,800	4,951	-	-	300,000	43,043
DISBURSEMENTS								
Salaries	3,000	3,000	3,000	3,000	-	-	-	-
Employee fringe benefits	805	766	830	798	-	-	-	-
Materials and Supplies	5,195	1,757	5,650	578	-	-	-	-
Services and Other	5,100	442	1,400	401	-	-	300,000	43,043
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	14,100	5,965	10,880	4,777	-	-	300,000	43,043
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(4,950)	(591)	(6,080)	174	-	-	-	-
CASH, JANUARY 1	22,086	22,086	21,495	21,495	-	-	-	-
CASH, DECEMBER 31	\$ 17,136	21,495	15,415	21,669	-	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	DRAINAGE DISTRICT #3 FUND				DRAINAGE DISTRICT #4 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 566	564	566	582	18,150	16,920	18,100	19,426
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	324	511	394	541	4,850	7,427	6,700	8,503
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	890	1,075	960	1,123	23,000	24,347	24,800	27,929
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	100	-	100	-	2,500	101	2,500	-
Services and Other	2,000	-	1,500	400	63,970	-	60,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	4,176	-	-
Total Disbursements	2,100	-	1,600	400	66,470	4,277	62,500	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,210)	1,075	(640)	723	(43,470)	20,070	(37,700)	27,929
CASH, JANUARY 1	9,543	9,543	10,618	10,618	136,572	136,572	156,642	156,642
CASH, DECEMBER 31	\$ 8,333	10,618	9,978	11,341	93,102	156,642	118,942	184,571

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	DRAINAGE DISTRICT #6 FUND				DRAINAGE DISTRICT #7 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 180	179	180	179	780	778	780	827
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	45	82	70	94	280	489	420	537
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	225	261	250	273	1,060	1,267	1,200	1,364
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	50	6	50	-	200	-	200	-
Services and Other	500	-	500	-	1,000	170	1,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	550	6	550	-	1,200	170	1,200	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(325)	255	(300)	273	(140)	1,097	-	1,364
CASH, JANUARY 1	1,291	1,291	1,546	1,546	8,856	8,856	9,953	9,953
CASH, DECEMBER 31	\$ 966	1,546	1,246	1,819	8,716	9,953	9,953	11,317

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	DRAINAGE DISTRICT #18 FUND				DRAINAGE DISTRICT #19			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 615	616	617	626	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	485	810	723	753	420	634	505	646
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,100	1,426	1,340	1,379	420	634	505	646
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	200	-	200	-	50	-	50	-
Services and Other	1,000	2,067	4,000	-	500	-	500	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,200	2,067	4,200	-	550	-	550	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS		(641)	(2,860)	1,379	(130)	634	(45)	646
CASH, JANUARY 1	15,596	15,596	14,955	14,955	12,873	12,873	13,507	13,507
CASH, DECEMBER 31	\$ 15,596	14,955	12,095	16,334	12,743	13,507	13,462	14,153

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	DRAINAGE DISTRICT #20				DRAINAGE DISTRICT #8 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 6,330	6,333	2,360	2,600	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	500	1,329	1,200	1,294	5	4	5	4
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	6,830	7,662	3,560	3,894	5	4	5	4
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	100	-	100	-	-	-	-	-
Services and Other	5,000	300	5,000	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	5,100	300	5,100	-	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,730	7,362	(1,540)	3,894	5	4	5	4
CASH, JANUARY 1	15,273	15,273	22,635	22,635	69	69	73	73
CASH, DECEMBER 31	\$ 17,003	22,635	21,095	26,529	74	73	78	77

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

DRAINAGE DISTRICT #17 FUND				
Year Ended December 31,				
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	5	6	5	6
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>5</u>	<u>6</u>	<u>5</u>	<u>6</u>
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	5	6	5	6
CASH, JANUARY 1	<u>102</u>	<u>102</u>	<u>108</u>	<u>108</u>
CASH, DECEMBER 31	<u>\$ 107</u>	<u>108</u>	<u>113</u>	<u>114</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
County School Interest	\$ 40,025	40,025	39,593	39,593
Land Sales Surplus	6,408	6,408	5,319	5,319
Unclaimed Fees	693	693	225	225
911 Escrow Account	21,358	21,358	20,382	20,382
Collector	6,935,729	6,935,729	1,944,479	1,944,479
County Employee Retirement Fund	710	710	585	585
Total	\$ 7,004,923	7,004,923	2,010,583	2,010,583

The accompanying Notes to the Financial Statements are an integral part of these statements.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chariton County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, County Surveyor, Prosecuting Attorney, Public Administrator, Sheriff and Collector-Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Chariton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting

differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law, the county did adopt a formal budget for all required funds.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures did not materially exceed budget amounts for any funds.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 54,715,050	50,448,860
Personal Property	28,019,490	26,925,940
Railroad and Utilities	38,525,782	37,659,113

During 2007 and 2006 the County Commission approved a \$0.285 and \$0.285 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.285</u>	<u>\$0.285</u>

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions.

Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as

"Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$8,501,463 and \$3,211,653 the bank balance was \$7,875,796 and \$2,867,431, respectively. Of the bank balance, \$200,000 at December 31, 2007 and December 31, 2006 was covered by federal depository insurance and \$7,675,796 and \$2,667,431, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1994, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 — 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible full time employees hired after 2002 are required to contribute 4% of their annual salary. Eligible part time employees hired before February 2002 are required to contribute 2% of their annually salary, while part time employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$42,519 and \$42,191 respectively, for the years then ended.

The County's full-time employees are required to contribute 4% to the LAGERS pension plan. The County is required by State Statute to contribute at an actuarially determined rate; the rate for 2007 was 9.9% (general) and 7% (sheriff) and in 2006 the rate contributed was 10.8% (general) and 6% (sheriff) of annual covered payroll. During 2007 and 2006, the County contributed \$76,942 and \$83,489 respectively, for the years then ended. 21

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 60 days of total leave time – sick leave accrues at the rate of one day per calendar month of employment up to 30 days. Vacation time is accrued for every full time employee, and accrues at the rate of .417 days per calendar month up to 1.25 days per month up to 30 days depending on the length of the employee's term of employment. Upon termination, the employee may receive reimbursement for all unused accrued vacation time if employment has been at least one year.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditures of federal awards did not exceed \$500,000 in either 2007 or 2006 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. Change in Reporting Entity

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Chariton County, Missouri

We have audited the accompanying financial statements of Chariton County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Chariton County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chariton County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chariton County, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Chariton County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Chariton County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Chariton County, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Chariton County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider

to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chariton County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that is identified as item 1.

We noted certain matters that we reported to management of Chariton County, Missouri, in the findings and recommendations section as items 2 through 4.

Chariton County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Chariton County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 25, 2008

FINDINGS AND RECOMMENDATIONS

CHARITON COUNTY, MISSOURI
Findings and Recommendations

ITEM OF NONCOMPLIANCE

1. Bidding Procedures

Condition: The County used one engineering firm for various construction projects and did not solicit proposals from other firms for these projects. The County Commission indicated that the other engineering firms had been considered and that the firm was selected based on the County's prior experience with that firm. However, documentation was not available to support the selection process. A similar condition was reported in the State Auditor's prior report for the two year period ended December 31, 2003. Engineering costs for various bridge construction projects during the audit period totaled \$79,151.

Sections 8.289 and 8.291, RSMo 2007, provide that at least three firms should be considered when obtaining engineering services for any capital improvement project. The firms should be evaluated based upon specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

Recommendation: We recommend that the County Commission obtain statements of qualifications and performance data from at least three engineering firms before contracting for engineering services and that selection process be documented.

County's Response: We will start documenting the information we receive from engineering firms as we obtain it and get updated information before contracting for engineering services.

OTHER MATTERS

In planning and performing our audit of the financial statements of Chariton County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 25, 2008. (A separate report dated July 25, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 25, 2008.

2. Payroll Personnel Files

Condition: The County does not keep an updated record of each employee's pay rate in their personnel file. When an employee receives an increase in compensation there is no evidence of the effective date of the increase, the amount of the increase or whether the increase was properly approved. Currently the Deputy Clerk keeps an informal list of salary levels at her

desk to use as a reference during payroll processing.

Recommendation: We recommend that the County Clerk's Office maintain records of each employee's compensation level in their personnel file along with supporting documentation from the County Commission approving compensation increases.

County's Response: The County Clerk's Office will maintain compensation levels of each employee by placing the information in each employee file.

3. Employee Pay

Condition: Documentation is not maintained to adequately support employee salaries. Employee personnel files do not contain documentation supporting employee current or prior years' salary and a current approved salary schedule is not maintained. Salary pay increases are documented in the County Commission minutes. However, there is no formal system for tracking cumulative pay increases other than the payroll system and approval for current pay levels is unclear.

Recommendation: We recommend the County Commission establish a system for tracking employee's salary and place this information in each employee's personnel file. We also recommend the County Commission consider establishing a salary schedule for all employees.

County's Response: The County Clerk's Office will adopt a system of tracking employee salaries and place in each file. Adopting a salary schedule is a decision to be made by the County Commission.

4. Personnel Policies

The County's personnel policies manual has not been updated for approximately 20 years. Some of the policies included in the manual are no longer applicable or have been changed. The policy covering retirement benefits, for example, includes information only on LAGERS (Local Government Employees Retirement System). County employees have been included on the CERF (County Employees Retirement Fund) since February 2002. However, the manual makes no mention of this retirement system.

Recommendation: We recommend the County Commission establish and formally adopt a personnel policy manual that includes applicable updated information and ensure that it is updated periodically as appropriate.

County's Response: We will continue working on a new personnel policy which will include all benefits.

CHARITON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Chariton County, Missouri, (County) on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

1. The County used one engineering firm for the various projects and did not solicit proposals from other firms as required by state law. See finding No. 1.

Status- Not implemented.

2. The County Commission sometimes approves expenditures without reviewing detailed supporting documentation and ensuring goods or services have been received.

Status- Implemented.

3. The County's personnel policies manual has not been updated since 1989. Some policies are not being followed and additional guidelines are needed for some county procedures. See finding No. 4.

Status- Not implemented.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Gentry County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Gentry County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-11

GENTRY COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

GENTRY COUNTY, MISSOURI

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
List of Elected Officials-----	i
FINANCIAL SECTION	
Independent Auditors' Report-----	ii
BASIC FINANCIAL STATEMENTS:	
<i>Governmental Funds:</i>	
Statements of Receipts, Disbursements and Changes in Cash – All Governmental Funds-----	1
Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds -----	2
<i>Fiduciary Funds:</i>	
Statements of Assets and Liabilities Arising From Cash Transactions – Agency Funds --	15
Notes of Financial Statements -----	16
COMPLIANCE SECTION	
AUDITORS' REPORTS PURSUANT TO GOVERNMENTAL AUDITING STANDARDS	
Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards -----	22
Findings and Recommendations-----	24
Schedule of Prior Year Audit Findings-----	27

INTRODUCTORY SECTION

GENTRY COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Rod Dollars

Associate Commissioner – Gary Carlson

Associate Commissioner – Larry Wilson

Other Elected Officials

Assessor – Sheryl Coburn

Circuit Clerk / Recorder – John Whitaker

Collector/ Treasurer – Sue Hopkins

Coroner – C. Bryan Polley

County Clerk – Carol Reidlinger

Prosecuting Attorney – Roger Combs

Public Administrator – Judy Pickering

Sheriff – Eugene Lupfer

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221.4559
FACSIMILE: (816) 221.4563
EMAIL: McBRIDELOCK@EARTHLINK.NET
CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Gentry County, Missouri

We have audited the accompanying financial statements of Gentry County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Gentry County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Gentry County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Gentry County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 29, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

FINANCIAL SECTION

GENTRY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 79,952	1,202,685	1,228,374	54,263	1,116,420	986,374	184,309
Special Road and Bridge	44,191	777,931	713,472	108,650	788,961	876,561	21,050
Assessment	20,799	115,019	131,879	3,939	109,190	97,639	15,490
Special Election	-	14,550	14,550	-	17,599	17,599	-
Law Enforcement Training	193	886	876	203	912	888	227
Prosecuting Attorney Training	1,518	225	-	1,743	231	439	1,535
Bad Check	13,566	9,469	4,875	18,160	10,689	5,589	23,260
Emergency Preparedness	30,517	20,304	17,816	33,005	13,976	14,291	32,690
Children's Trust	3,200	260	-	3,460	350	-	3,810
Prosecuting Attorney's Tax Collection	6,181	139	-	6,320	-	-	6,320
Peace Officer Standards & Training Commission	348	39	378	9	500	400	109
Emergency	73,235	30,000	-	103,235	40,000	-	143,235
Sheriff's Civil Fees	7,951	9,964	11,600	6,315	12,202	14,726	3,791
Recorder User Fees	4,461	3,522	5,400	2,583	3,120	577	5,126
Victim's Assistance	2,393	-	-	2,393	-	-	2,393
Tax Maintenance	18,441	7,314	4,458	21,297	6,977	16,704	11,570
Recorder Technology	9,643	1,922	5,121	6,444	1,762	2,930	5,276
County Clerks Election	19,275	2,246	7,602	13,919	1,977	734	15,162
Emergency Dispatch	196,661	204,494	249,292	151,863	227,506	215,042	164,327
Community Development Block Grant	41	1	-	42	2	-	44
Missouri Office of Prosecution Services	138	1,650	1,468	320	1,790	1,975	135
Sheriffs Revolving	841	200	-	1,041	625	-	1,666
Law Enforcement Restitution	1,060	866	-	1,926	19,850	2,313	19,463
War Memorial	-	1,875	-	1,875	-	-	1,875
Senior Citizens Services	-	-	-	-	39,113	21,700	17,413
Total	\$ 534,605	2,405,561	2,397,161	543,005	2,413,752	2,276,481	680,276

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 363,500	352,722	366,000	379,330
Sales taxes	280,000	262,963	264,000	299,406
Intergovernmental	421,156	394,284	257,120	215,678
Charges for services	116,850	98,609	121,690	115,286
Interest	16,000	17,993	18,000	20,749
Other	20,565	28,151	18,746	30,596
Transfers in	47,963	47,963	55,375	55,375
Total Receipts	<u>1,266,034</u>	<u>1,202,685</u>	<u>1,100,931</u>	<u>1,116,420</u>
DISBURSEMENTS				
County Commission	70,460	69,949	71,960	70,301
County Clerk	83,876	79,692	111,750	85,381
Elections	139,900	137,656	11,200	11,191
Buildings and grounds	81,150	78,183	42,650	34,406
Employee fringe benefits	110,500	96,414	112,000	102,337
County Treasurer	72,642	71,224	68,500	65,982
Circuit Clerk	7,000	5,561	5,150	5,923
Associate Circuit Court - Probate	13,625	5,722	13,725	8,836
Associate Circuit Court	-	-	-	-
Court administration	26,200	292	1,200	-
Public Administrator	27,515	26,839	28,739	27,150
Sheriff	313,130	296,141	296,995	285,475
Jail	-	-	-	-
Prosecuting Attorney	64,271	60,889	70,100	68,463
Juvenile Officer	9,852	8,055	9,692	7,416
Coroner	11,628	11,096	10,998	10,248
Other	217,539	208,803	182,596	136,813
Debt Services	13,800	13,786	14,000	14,402
Health and welfare	18,000	13,072	18,100	12,050
Transfers out	15,000	15,000	7,500	-
Emergency fund	40,000	30,000	40,000	40,000
Total Disbursements	<u>\$ 1,336,088</u>	<u>1,228,374</u>	<u>1,116,855</u>	<u>986,374</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(70,054)	(25,689)	(15,924)	130,046
CASH, JANUARY 1	<u>79,952</u>	<u>79,952</u>	<u>54,263</u>	<u>54,263</u>
CASH, DECEMBER 31	<u>\$ 9,898</u>	<u>54,263</u>	<u>38,339</u>	<u>184,309</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 18,000	15,968	17,000	15,982	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	923,000	703,219	945,500	737,992	104,900	97,912	101,200	107,233
Charges for services	-	-	-	180	600	674	500	439
Interest	3,500	5,794	5,800	5,732	1,300	1,410	1,000	1,311
Other	28,500	52,950	18,500	29,075	-	23	-	207
Transfers in	-	-	-	-	15,000	15,000	7,500	-
Total Receipts	973,000	777,931	986,800	788,961	121,800	115,019	110,200	109,190
DISBURSEMENTS								
Salaries	145,000	126,950	132,000	129,121	32,000	32,000	32,000	32,000
Employee fringe benefits	48,700	37,646	44,700	37,400	15,743	15,180	16,185	16,014
Materials and Supplies	326,000	292,876	321,000	357,770	3,570	1,334	3,785	3,365
Services and Other	35,551	22,409	25,803	6,382	89,966	81,526	56,953	45,810
Capital Outlay	60,000	600	75,000	72,577	700	1,839	1,200	450
Construction	344,000	185,028	355,000	223,936	-	-	-	-
Transfers out	47,963	47,963	49,375	49,375	-	-	-	-
Total Disbursements	1,007,214	713,472	1,002,878	876,561	141,979	131,879	110,123	97,639
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(34,214)	64,459	(16,078)	(87,600)	(20,179)	(16,860)	77	11,551
CASH, JANUARY 1	44,191	44,191	108,650	108,650	20,799	20,799	3,939	3,939
CASH, DECEMBER 31	\$ 9,977	108,650	92,572	21,050	620	3,939	4,016	15,490

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ELECTION FUND				L.E.T. FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	22,540	14,550	21,940	17,599	-	-	-	-
Charges for services	-	-	-	-	1,200	886	1,200	912
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	22,540	14,550	21,940	17,599	1,200	886	1,200	912
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	12,125	6,952	12,125	8,948	-	-	-	-
Services and Other	8,815	7,598	8,815	8,651	1,300	876	1,100	888
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,600	-	1,000	-	-	-	-	-
Total Disbursements	22,540	14,550	21,940	17,599	1,300	876	1,100	888
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	(100)	10	100	24
CASH, JANUARY 1	-	-	-	-	193	193	203	203
CASH, DECEMBER 31	\$ -	-	-	-	93	203	303	227

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	200	225	225	231	6,000	9,469	7,000	10,689
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	200	225	225	231	6,000	9,469	7,000	10,689
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	500	483
Services and Other	-	-	500	439	4800	3910	2100	3861
Capital Outlay	-	-	-	-	1000	965	3000	1245
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	500	439	5,800	4,875	5,600	5,589
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	200	225	(275)	(208)	200	4,594	1,400	5,100
CASH, JANUARY 1	1,518	1,518	1,743	1,743	13,566	13,566	18,160	18,160
CASH, DECEMBER 31	\$ 1,718	1,743	1,468	1,535	13,766	18,160	19,560	23,260

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	EMERGENCY PREPAREDNESS				CHILDREN'S TRUST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	13,905	20,304	13,180	13,922	-	-	-	-
Charges for services	-	-	-	-	-	260	275	350
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	54	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	13,905	20,304	13,180	13,976	-	260	275	350
DISBURSEMENTS								
Salaries	9,100	9,160	9,100	9,030	-	-	-	-
Employee fringe benefits	725	689	730	688	-	-	-	-
Materials and Supplies	217	205	420	177	-	-	-	-
Services and Other	4,190	3,582	4,565	4,396	-	-	-	-
Capital Outlay	3,550	4,180	2,250	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	17,782	17,816	17,065	14,291	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,877)	2,488	(3,885)	(315)	-	260	275	350
CASH, JANUARY 1	30,517	30,517	33,005	33,005	3,200	3,200	3,460	3,460
CASH, DECEMBER 31	\$ 26,640	33,005	29,120	32,690	3,200	3,460	3,735	3,810

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TAX COLLECTION FUND				POST COMMISSION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	250	139	-	-	675	39	540	500
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	250	139	-	-	675	39	540	500
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	675	378	540	400
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	675	378	540	400
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	250	139	-	-	-	(339)	-	100
CASH, JANUARY 1	6,181	6,181	6,320	6,320	348	348	9	9
CASH, DECEMBER 31	\$ 6,431	6,320	6,320	6,320	348	9	9	109

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	EMERGENCY FUND				SHERIFF'S CIVIL FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	12,000	9,964	11,000	12,202
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	40,000	30,000	40,000	40,000	-	-	-	-
Total Receipts	40,000	30,000	40,000	40,000	12,000	9,964	11,000	12,202
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	12,500	11,600	5,000	6,291
Capital Outlay	-	-	-	-	-	-	10,500	8,435
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	12,500	11,600	15,500	14,726
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	40,000	30,000	40,000	40,000	(500)	(1,636)	(4,500)	(2,524)
CASH, JANUARY 1	73,235	73,235	103,235	103,235	7,951	7,951	6,315	6,315
CASH, DECEMBER 31	\$ 113,235	103,235	143,235	143,235	7,451	6,315	1,815	3,791

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER USER FEES FUND				VICTIM'S ASSISTANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,000	3,522	3,500	3,120	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>4,000</u>	<u>3,522</u>	<u>3,500</u>	<u>3,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,000	5,400	650	577	2,393	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>3,000</u>	<u>5,400</u>	<u>650</u>	<u>577</u>	<u>2,393</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,000	(1,878)	2,850	2,543	(2,393)	-	-	-
CASH, JANUARY 1	<u>4,461</u>	<u>4,461</u>	<u>2,583</u>	<u>2,583</u>	<u>2,393</u>	<u>2,393</u>	<u>2,393</u>	<u>2,393</u>
CASH, DECEMBER 31	<u>\$ 5,461</u>	<u>2,583</u>	<u>5,433</u>	<u>5,126</u>	<u>-</u>	<u>2,393</u>	<u>2,393</u>	<u>2,393</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	TAX MAINTENANCE FUND				RECORDER TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,000	7,314	8,000	6,977	2,200	1,922	2,000	1,762
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	6,000	7,314	8,000	6,977	2,200	1,922	2,000	1,762
DISBURSEMENTS								
Salaries	5,000	57	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	5,500	371	13,400	8,534	-	-	3,000	2,930
Capital Outlay	6,695	4,030	6,500	8,170	5,350	5,121	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	17,195	4,458	19,900	16,704	5,350	5,121	3,000	2,930
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(11,195)	2,856	(11,900)	(9,727)	(3,150)	(3,199)	(1,000)	(1,168)
CASH, JANUARY 1	18,441	18,441	21,297	21,297	9,643	9,643	6,444	6,444
CASH, DECEMBER 31	\$ 7,246	21,297	9,397	11,570	6,493	6,444	5,444	5,276

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	COUNTY CLERK'S ELECTION FUND				EMERGENCY DISPATCH FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	210,000	198,768	190,500	221,675
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	1,000	1,400	-	-	-	-
Interest	-	-	665	577	4,000	5,126	4,800	6,426
Other	-	2,246	-	-	-	600	-	(595)
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	2,246	1,665	1,977	214,000	204,494	195,300	227,506
DISBURSEMENTS								
Salaries	-	-	-	-	165,964	124,067	168,120	130,370
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	7,602	-	-	-	8,130	-	6,308
Services and Other	568	-	2500	304	57,992	117,095	58,472	78,364
Capital Outlay	7034	-	9000	430	20,000	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	7,602	7,602	11,500	734	243,956	249,292	226,592	215,042
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(7,602)	(5,356)	(9,835)	1,243	(29,956)	(44,798)	(31,292)	12,464
CASH, JANUARY 1	19,275	19,275	13,919	13,919	196,661	196,661	151,863	151,863
CASH, DECEMBER 31	\$ 11,673	13,919	4,084	15,162	166,705	151,863	120,571	164,327

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	COMMUNITY DEVELOPMENT BLOCK GRANT				MOPS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,500	1,650	1,650	1,790
Charges for services	-	-	-	-	-	-	-	-
Interest	-	1	2	2	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	1	2	2	1,500	1,650	1,650	1,790
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	1500	1468	1,900	1,975
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	1,500	1,468	1,900	1,975
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1	2	2	-	182	(250)	(185)
CASH, JANUARY 1	41	41	42	42	138	138	320	320
CASH, DECEMBER 31	\$ 41	42	44	44	138	320	70	135

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	500	200	200	625	1,500	-	1,500	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	866	2,000	19,850
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	500	200	200	625	1,500	866	3,500	19,850
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	500	-	-	-	3,000	2,313
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	500	-	-	-	3,000	2,313
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	500	200	(300)	625	1,500	866	500	17,537
CASH, JANUARY 1	841	841	1,041	1,041	1,060	1,060	1,926	1,926
CASH, DECEMBER 31	\$ 1,341	1,041	741	1,666	2,560	1,926	2,426	19,463

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	WAR MEMORIAL FUND				SENIOR CITIZENS SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	40,000	38,551
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	562
Other	-	1,875	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	1,875	-	-	-	-	40,000	39,113
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	38,700	21,700
Services and Other	-	-	1,000	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	1,000	-	-	-	38,700	21,700
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1,875	(1,000)	-	-	-	1,300	17,413
CASH, JANUARY 1	-	-	1,875	1,875	-	-	-	-
CASH, DECEMBER 31	\$ -	1,875	875	1,875	-	-	1,300	17,413

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2006		December 31, 2007	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
School	\$ 42,429	42,429	44,928	44,928
Medical Reimbursement	2,816	2,816	4,617	4,617
County Employees' Retirement Fund	3,598	3,598	2,059	2,059
Collector's Account	384,002	384,002	4,270,714	4,270,714
Total	\$ 432,845	432,845	4,322,318	4,322,318

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gentry County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are eight elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector-Treasurer, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Gentry County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles

require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, typically during the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following fund:
 - a. Children's Trust Fund – 2006

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds.

Fund	Year Ended December 31,	
	2007	2006
Emergency Preparedness	N/A	34
Recorder User Fees	N/A	2,400
Emergency Dispatch	N/A	5,336
MOPS	\$ 75	N/A

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 50,376,050	44,460,060
Personal Property	22,259,195	21,426,287
Railroad and Utilities	4,661,566	4,830,963

During 2007 and 2006 the County Commission approved a \$0.5249 and \$0.5200 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.5249</u>	<u>\$0.5200</u>

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized

investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$5,002,594 and \$975,850 and the bank balance was \$3,575,738 and \$912,554, respectively. Of the bank balance \$221,964 and \$219,441 at December 31, 2007 and December 31, 2006, respectively, were covered by federal depository insurance and \$3,353,774 and \$693,113, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department

personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. In Gentry County, the CERF is funded entirely by the employees of the County.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Litigation

The County has a lawsuit pending against them in regards to the wind turbines that were installed in the western part of the County. A court date has been set for September 2009. Management feels as though any outcome from this lawsuit will be immaterial. This yields no impact on the current audit.

The former Assessor brought suit against the County for refusing to grant her request for a raise in salary. The County was ordered to pay back wages and interest totaling \$33,600 to the former Assessor in 2006. The court order, check and invoice were examined by the audit team. This amount was deemed to be immaterial.

B. Compensated Absences

County employees accrue sick time at a rate of one and one-half days per complete calendar month of employment, accumulated without limit. Upon termination, no payment will be made for unused sick days. Vacation time is accrued for every full time employee and accrues at a rate of two weeks for each full year of employment and an additional day for every year employed after ten full years of employment. Upon termination, no more than two weeks unused vacation shall be paid to an employee.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

The County's expenditure of Federal Awards did not exceed \$500,000 in either 2006 or 2007 and, accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Gentry County, Missouri

We have audited the accompanying financial statements of Gentry County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Gentry County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gentry County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gentry County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Gentry County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Gentry County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Gentry County, Missouri's internal control. We consider the deficiency described in the schedule of findings and recommendations as item 1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Gentry County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gentry County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are identified as items 2-4.

We noted a certain matter that we reported to management of Gentry County, Missouri, in the findings and recommendations section as item 5.

Gentry County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Gentry County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

FINDINGS AND RECOMMENDATIONS

GENTRY COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. **Procurement Practices**

Condition: During our review of the purchasing and payments functions, we noted internal control weaknesses that could allow erroneous payments or improper purchases to occur and remain undetected. These control weaknesses include:

- The process for payment of goods does not include noting “Paid” on actual invoices. As a result, an invoice could be accidentally or intentionally presented for payment more than once.
- The County does not have a control to ensure that materials and equipment for which the County was invoiced were actually received, used for County operations and are properly invoiced. There is no standard process to affix accountability for receipt of goods or for their approval for payment. Invoices are not consistently signed or initialed by the County official or employee who actually receives them.

Recommendation: We recommend the County implement a purchasing process that is documented, communicated to all those involved in purchasing, and includes the following internal controls:

- All invoices are to be noted as “Paid” at the time they are approved. We have observed that in many counties a County Commissioner stamps the invoice paid at the time it is reviewed and approved.
- All bills of lading, receiving reports or invoices are to be signed by the receiver of the item purchased.

County Response: We will ensure that all invoices are signed by the appropriate official and invoices will be marked as paid when checks are mailed.

ITEMS OF NONCOMPLIANCE

In planning and performing our audit of the financial statements of Gentry County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County’s internal control in our report dated July 25, 2008. (A separate report dated July 25, 2008 contains our report on significant deficiencies in the County’s internal control). This document does not affect our report dated July 25, 2008.

2. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however, an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County' Response: The County will research and adopt an investment policy and review it annually to make any needed changes.

3. Budgetary Overages

Condition: Disbursements exceeded budgeted amounts for two funds during the year ended December 31, 2006 and for one fund during the year ended December 31, 2007. Although budgets were apparently monitored on a regular basis, the County Commission did not ensure that budget amendments were prepared for these funds in accordance with state statute. Actual disbursements exceeded budgeted amounts for the following funds:

Fund	Year Ended December 31,	
	2007	2006
Emergency Preparedness	N/A	34
Recorder User Fees	N/A	2,400
Emergency Dispatch	N/A	5,336
MOPS	\$ 75	N/A

Strict compliance with county budget law is required by county officials. Such compliance helps ensure that county funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: We will ensure that all budgets are monitored and stay within budgeted amounts or amended as necessary. However, the Emergency Dispatch Fund is monitored by a separate Board of Directors and we do not receive copies of their amendments.

4. Budgetary Practices

Condition: The County did not prepare and publish an annual budget for the Sheriff's Civil Fees Fund or the Children's Trust Fund in 2006. The County Commission is responsible for the preparation and approval of budgets for various County funds in accordance with Section 50.525 through 50.745, RSMo 2007, the County Budget Law.

Recommendation: We recommend the County Commission ensure that a budget is adopted for all funds of the County, as required by the County Budget Law.

County's Response: The County will ensure that budgets are prepared for every fund.

OTHER MATTERS

In planning and performing our audit of the financial statements of Gentry County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 29, 2008. (A separate report dated July 29, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 29, 2008.

5. Financial Reporting Practices

Condition: The published financial statements of the County contain certain inaccuracies. We noted that the reported cash balance at the beginning of 2006 for the Emergency Dispatch (911) Fund differed from the ending cash at 2005, as reported in the audited financial statements, by \$100. We also noted that the 2006 financial statements for the Law Enforcement Restitution Fund reported a year-end cash balance of \$1,926, while the cash balance for the same date as reported in the 2007 financial statements was \$1,875. While these differences are minor in amount, greater care should be taken to ensure that all County financial transactions are reported as required by State Statute.

Recommendation: While the differences noted are minor in amount, greater care should be taken to ensure that all County financial transactions are reported as required by State Statute. We recommend the Clerk ensure that all changes to cash balances are recorded as either a receipt or disbursement, and that all such transactions are included in the published financial statements.

County Response: The County Clerk will ensure that all changes in cash balances are recorded as a receipt or disbursement.

GENTRY COUNTY, MISSOURI

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Gentry County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

There were no prior audit findings within our audit scope.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Montgomery County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-10

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – All Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – All Governmental Funds	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Modified Cash Basis	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds	12
Notes to the Financial Statements	13-28
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Modified Cash Basis General Fund – Unaudited	29
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual Modified Cash Basis General Fund – Unaudited	30-31
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Modified Cash Basis Special Revenue – Unaudited Road and Bridge Fund	32

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION: (CONTINUED)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Modified Cash Basis Special Revenue – Unaudited Reserve Fund	33
Notes to Required Supplementary Information.....	34
 SUPPLEMENTARY INFORMATION:	
Combining Fund Financial Statements And Schedule Non-Major Governmental Funds	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	35-36
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	37-38
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	39-40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	41-42
 Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007	43
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2006	44
 STATE COMPLIANCE SECTION:	
Schedule of Findings.....	45

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONCLUDED)

PAGE

FEDERAL COMPLIANCE SECTION:

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*..... 46-47

Schedule of Findings and Questioned Cost 48-49



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Montgomery, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Montgomery, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Primary Government, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of The Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Montgomery County, and the Montgomery County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Montgomery County Health Department, or the Agency for Developmental Disabilities.

As described in Note 1, the basic financial statements of Primary Government, were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2008 on our consideration for the Primary Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – Modified Cash Basis – Budget and Actual and related notes on pages 29 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 35 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2008

BASIC FINANCIAL STATEMENTS

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	1,152,266.99	1,389,471.78
Investment	<u>682,625.41</u>	<u>535,918.37</u>
TOTAL ASSETS	<u><u>1,834,892.40</u></u>	<u><u>1,925,390.15</u></u>
 NET ASSETS:		
Restricted For a Specific Purpose	1,783,951.73	1,875,066.65
Unrestricted	<u>50,940.67</u>	<u>50,323.50</u>
Total Net Assets	<u>1,834,892.40</u>	<u>1,925,390.15</u>
 TOTAL FUND BALANCE	<u><u>1,834,892.40</u></u>	<u><u>1,925,390.15</u></u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
General county government	1,411,881.01	162,642.30	1,229,805.62	-
Road & Bridge	1,193,112.71	487,882.01	58,602.37	-
Financial administration	129,483.17	-	-	-
Planning & Zoning	40,213.98	-	-	-
Property valuation and recording	77,163.08	-	-	-
Administration of justice and law enforcement	2,149,037.73	-	-	-
Other	-	-	42,041.50	-
Debt Service:				-
Principal	235,016.91	-	-	-
Interest and Fiscal charges	81,795.07	-	-	-
Capital Outlay:				-
Construction of roads and bridges	134,579.49	-	-	-
Property, equipment and buildings	195,579.49	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,647,862.64</u>	<u>650,524.31</u>	<u>1,330,449.49</u>	<u>-</u>

General Revenues:

Taxes

Property taxes, levied

1,628,798.39

Sales tax

1,656,209.55

Other taxes

-

Investment income

84,416.25

Miscellaneous

206,966.90

TOTAL GENERAL REVENUES

3,576,391.09

CHANGE IN NET ASSETS

(90,497.75)

NET ASSETS, BEGINNING OF YEAR

1,925,390.15

NET ASSETS, END OF YEAR

1,834,892.40

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for	Operating	
		Services	Grants and	
			Contributions	
			Capital	
			Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES:				
General county government	1,524,588.19	157,439.02	1,231,834.53	-
Road & Bridge	1,576,263.20	487,377.32	351,545.99	-
Financial administration	106,768.05	-	-	-
Planning & Zoning	40,389.15	-	-	-
Property valuation and recording	67,571.64	-	-	-
Administration of justice and law enforcement	2,223,909.68	-	-	-
Other	-	-	15,488.00	-
Debt Service:				
Principal	223,446.28	-	-	-
Interest and Fiscal charges	96,723.30	-	-	-
Capital Outlay:				
Construction of roads and bridges	86,653.65	-	-	-
Property, equipment and buildings	86,653.65	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,032,966.79</u>	<u>644,816.34</u>	<u>1,598,868.52</u>	<u>-</u>

General Revenues:

Taxes	
Property taxes, levied	1,623,005.92
Sales tax	1,543,564.20
Other taxes	
Investment income	140,601.28
Miscellaneous	176,862.98
TOTAL GENERAL REVENUES	<u>3,484,034.38</u>
CHANGE IN NET ASSETS	(305,247.55)
NET ASSETS, BEGINNING OF YEAR	<u>2,230,637.70</u>
NET ASSETS, END OF YEAR	<u>1,925,390.15</u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds	General	Road and Bridge	Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	50,940.67	220,532.79	298,242.76	582,550.77	1,152,266.99	50,323.50	294,139.04	532,737.22	512,272.02	1,389,471.78
Investments		417,014.64	260,675.08	4,935.69	682,625.41	-	322,954.98	208,027.70	4,935.69	535,918.37
					-					-
TOTAL ASSETS	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>
FUND BALANCES										
FUND BALANCES:										
Unreserved:										
General Fund	50,940.67	-		-	50,940.67	50,323.50	-		-	50,323.50
Special revenue funds	-	637,547.43	558,917.84	587,486.46	1,783,951.73	-	617,094.02	740,764.92	517,207.71	1,875,066.65
Total Fund Balances	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>
TOTAL										
FUND BALANCES	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY,
MONTGOMERY CITY, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Road and Bridge	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:										
Property tax	419,594.68	1,209,203.71	-	-	1,628,798.39	430,052.27	1,192,953.65	-	-	1,623,005.92
Sales tax	1,098,096.55	118,918.33	-	439,194.67	1,656,209.55	1,065,535.74	104,507.98	-	373,520.48	1,543,564.20
Intergovernmental Revenue	-	-	-	-	-	-	-	-	15,488.00	15,488.00
Changes for Services	-	-	-	162,642.30	162,642.30	-	-	-	157,439.02	157,439.02
Grants, distributions and reimbursements	943,744.15	100,643.87	-	286,061.47	1,330,449.49	950,722.69	351,545.99	-	281,111.84	1,583,380.52
Fees, licenses and permits	365,371.97	58,602.37	-	63,907.67	487,882.01	363,805.73	66,545.30	-	57,026.29	487,377.32
Interest	7,148.88	35,682.11	24,956.81	16,628.45	84,416.25	15,292.22	28,737.55	27,870.48	68,701.03	140,601.28
Contributions	-	-	-	125,678.45	125,678.45	-	-	-	69,736.61	69,736.61
Other	54,857.47	860.34	-	25,570.64	81,288.45	42,144.22	47,315.16	-	17,666.99	107,126.37
Total Revenues	2,888,813.70	1,523,910.73	24,956.81	1,119,683.65	5,557,364.89	2,867,552.87	1,791,605.63	27,870.48	1,040,690.26	5,727,719.24
EXPENDITURES:										
Current:										
General county government	662,587.73	-	-	749,293.28	1,411,881.01	729,389.85	-	-	795,198.34	1,524,588.19
Road & Bridge	-	1,327,692.20	-	-	1,327,692.20	-	1,662,916.85	-	-	1,662,916.85
Financial Administration	129,483.17	-	-	-	129,483.17	106,768.05	-	-	-	106,768.05
Planning & Zoning	40,213.98	-	-	-	40,213.98	40,389.15	-	-	-	40,389.15
Property Valuation and Recording:	77,163.08	-	-	-	77,163.08	67,571.64	-	-	-	67,571.64
Administration of Justice and Law	2,149,037.73	-	-	-	2,149,037.73	2,223,909.68	-	-	-	2,223,909.68
Capital Outlay:	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	61,000.00	134,579.49	-	-	195,579.49	-	86,653.65	-	-	86,653.65
Debt Service:										
Principal payments	-	-	-	235,016.91	235,016.91	-	-	-	223,446.28	223,446.28
Interest and fiscal charges	-	-	-	72,325.41	72,325.41	-	-	-	87,750.24	87,750.24
Other charges	-	-	-	9,469.66	9,469.66	-	-	-	8,973.06	8,973.06
Total Expenditures	3,119,485.69	1,462,271.69	-	1,066,105.26	5,647,862.64	3,168,028.37	1,749,570.50	-	1,115,367.92	6,032,966.79
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(230,671.99)	61,639.04	24,956.81	53,578.39	(90,497.75)	(300,475.50)	42,035.13	27,870.48	(74,677.66)	(305,247.55)
OTHER FINANCING SOURCES (USES):										
Transfers in	277,889.16	-	-	46,600.00	324,489.16	130,128.17	-	100,000.00	46,600.00	276,728.17
Transfers out	(46,600.00)	(41,185.63)	(206,803.89)	(29,899.64)	(324,489.16)	(146,600.00)	(49,228.53)	(51,000.00)	(29,899.64)	(276,728.17)
Debt Service										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	231,289.16	(41,185.63)	(206,803.89)	16,700.36	-	(16,471.83)	(49,228.53)	49,000.00	16,700.36	-
NET CHANGE IN FUND BALANCE	617.17	20,453.41	(181,847.08)	70,278.75	(90,497.75)	(316,947.33)	(7,193.40)	76,870.48	(57,977.30)	(305,247.55)
FUND BALANCE - BEGINNING OF YEAR	50,323.50	617,094.02	740,764.92	517,207.71	1,925,390.15	367,270.83	624,287.42	663,894.44	575,185.01	2,230,637.70
FUND BALANCE - END OF YEAR	50,940.67	637,547.43	558,917.84	587,486.46	1,834,892.40	50,323.50	617,094.02	740,764.92	517,207.71	1,925,390.15

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 1,834,892.40
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 1,834,892.40</u></u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 1,925,390.15
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 1,925,390.15</u></u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ (90,497.75)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (90,497.75)</u></u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (305,247.55)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u>\$ (305,247.55)</u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007 AND 2006

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>8,198,282.50</u>	<u>2,643,819.98</u>
TOTAL ASSETS	<u><u>8,198,282.50</u></u>	<u><u>2,643,819.98</u></u>
LIABILITIES		
Due to other funds	<u>8,198,282.50</u>	<u>2,643,819.98</u>
TOTAL LIABILITIES	<u><u>8,198,282.50</u></u>	<u><u>2,643,819.98</u></u>

See accompanying notes to financial statements

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Montgomery, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Montgomery County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Montgomery County as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Montgomery County, Missouri, and the Montgomery County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Montgomery County Health Department at (573) 564-2495 (or write to 400 North Salisbury Montgomery City, MO 63361), or the Agency for Developmental Disabilities at (573)564-5045 (or write to P.O. Box 63, Montgomery City, MO 63361).

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Montgomery County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Montgomery County at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, The Reserve Fund, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Reserve Fund – The Reserve Fund is related to the general operating fund of the County. It is used as a "backup" fund for certain projects and for when the general fund is getting low.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 118,266,160	\$107,395,420
Personal Property	33,899,824	31,389,781
Railroad and Utilities	29,639,526	29,393,499
	<u>\$ 181,805,510</u>	<u>\$168,178,700</u>

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (continued)

During 2007 and 2006, the County Commission approved a \$0.7590 and \$0.7598 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$.2606	\$.2454
Road and Bridge	.2817	.2862
Developmental D.A. Board	.0967	.0982
Montgomery County Health Dept.	.1200	.1300
	<u>\$ 0.7590</u>	<u>\$ 0.7598</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considers investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$2,147,849.44 and \$2,212,010.61, the bank balance was \$1,834,892.40 and \$1,925,390.15 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,152,266.99
Investments	682,625.41
Restricted cash	-
Total Deposits & Investments as of December 31, 2007	\$ 1,834,892.40

As of December 31, 2007, the county's investments were as follows:

Fund	Investments 2007 Type	Maturities	Cost
Reserve	Certificate of Deposit	2/11/2008	\$ 260,675.08
Road and Bridge	Certificate of Deposit	2/16/2008	208,626.49
Road and Bridge	Certificate of Deposit	2/16/2008	208,388.15
Johnson Grass Admin	Certificate of Deposit	5/18/2008	1,935.69
Johnson Grass Eradication	Certificate of Deposit	3/23/2008	3,000.00
	Total Investments		\$ 682,625.41

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,389,471.78
Investments	535,918.37
Restricted cash	-
Total Cash & Investment as of December 31, 2006	\$ 1,925,390.15

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. CASH AND INVESTMENTS (continued)

As of December 31, 2006, the county's investments were as follows:

Investments 2006			
Fund	Type	Maturities	Amount
Reserve	Certificate of Deposit	1/1/2007	\$ 208,027.70
Road and Bridge	Certificate of Deposit	7/2/2007	108,317.17
Road and Bridge	Certificate of Deposit	7/2/2007	108,317.17
Road and Bridge	Certificate of Deposit	4/5/2007	106,320.64
Johnson Grass Admin	Certificate of Deposit	5/18/2007	1,935.69
Johnson Grass Eradication	Certificate of Deposit	3/23/2007	3,000.00
Total Investments			\$ 535,918.37

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (concluded)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

3. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	General Obligation Bonds	Lease Purchase	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2006	\$ 2,530,000	\$ 103,067.43	\$ 98,684.21	\$ 2,731,751.64
Add-issued	0.00	0.00	19,609.37	19,608.37
Less Payments	<u>(200,000)</u>	<u>(23,479.26)</u>	<u>(40,743.42)</u>	<u>(264,222.68)</u>
Long-Term Debt – December 31, 2006	<u>\$ 2,330,000</u>	<u>\$ 79,588.17</u>	<u>\$ 77,550.16</u>	<u>\$ 2,487,138.33</u>

Bonds payable at December 31, 2006, consists of:

\$3,680,000 Original Principal Montgomery County General Obligation Bonds Series 1998-due in varying annual principal installments ranging from \$60,000 to \$160,000 through August 15, 2015, interest rate is variable from 3.70 percent to 5.10 percent.

\$ 2,330,000.00

Automobile Lease Purchase at December 31, 2006, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Ford Credit. These vehicles have been purchased in 2005 and 2006 and they make various annual payments that do not exceed 36 months. The interest rate on all of the Lease Purchases is 5.85%.

\$ 77,550.16

Lease Purchase at December 31, 2006, consists of:

\$200,000 Original Principal Montgomery County Lease Purchase Series 2000; due in varying annual principal and interest installments ranging from \$7,764 to \$14,477 through August 1, 2009, interest rate is 6.5 percent.

\$ 79,588.17

Total Long-Term Debt

\$ 2,487,138.33

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all General Obligation Bonds outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 210,000.00	\$ 112,683.76	\$ 322,683.76
2008	220,000.00	102,827.50	322,827.50
2009	235,000.00	92,312.50	327,312.50
2010	245,000.00	80,882.50	325,882.50
2011	255,000.00	68,847.50	323,847.50
2012-2015	<u>1,165,000.00</u>	<u>137,572.50</u>	<u>1,302,572.50</u>
Totals	<u>\$ 2,330,000.00</u>	<u>\$ 595,126.26</u>	<u>\$ 2,925,126.26</u>

The annual requirements to amortize all Lease Purchase Agreements outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 25,122.19	\$ 4,882.73	\$ 30,004.92
2008	26,579.88	3,214.48	29,794.36
2009	<u>27,886.10</u>	<u>1,419.29</u>	<u>29,305.39</u>
Totals	<u>\$ 79,588.17</u>	<u>\$ 9,516.50</u>	<u>\$ 89,104.67</u>

The annual requirements to amortize the Automobile Lease Purchase Agreements outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 41,901.06	\$ 4,746.98	\$ 46,648.04
2008	<u>35,649.10</u>	<u>2,193.92</u>	<u>37,843.02</u>
Totals	<u>\$ 77,550.16</u>	<u>\$ 6,940.90</u>	<u>\$ 84,491.06</u>

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	General Obligation Bonds	Lease Purchase	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2007	\$ 2,330,000	\$ 79,588.17	\$ 77,550.16	\$ 2,487,138.33
Add-issued	0.00	0.00	0.00	0.00
Less Payments	(210,000)	(25,122.19)	(41,901.06)	(277,023.25)
Long-Term Debt – December 31, 2007	<u>\$ 2,120,000</u>	<u>\$ 54,465.98</u>	<u>\$ 35,649.10</u>	<u>\$ 2,210,115.08</u>

Bonds payable at December 31, 2007, consist of:

\$3,680,000 Original Principal Montgomery County General Obligation Bonds Series 1998-due in varying annual principal installments ranging from \$60,000 to \$160,000 through August 15, 2015, interest rate is variable from 3.70 percent to 5.10 percent.

\$ 2,120,000

Automobile Lease Purchase at December 31, 2007, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Ford Credit. These vehicles have been purchased in 2005 and 2006 and they make various annual payments that do not exceed 36 months. The interest rate on all of the Lease Purchases is 5.85%.

\$ 35,649.10

Lease Purchase at December 31, 2007, consist of:

\$200,000 Original Principal Montgomery County Lease Purchase Series 2000; due in varying annual principal and interest installments ranging from \$7,764 to \$14,477 through August 1, 2009, interest rate is 6.5 percent.

\$ 54,465.98

Total Long-Term Debt

\$2,210,115.08

The annual requirements to amortize all General Obligation Bonds outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 220,000.00	\$ 102,827.50	\$ 322,827.50
2009	235,000.00	92,312.50	327,312.50
2010	245,000.00	80,882.50	325,882.50
2011	255,000.00	68,847.50	323,847.50
2012	270,000.00	55,972.50	325,972.50
2013 - 2015	<u>895,000.00</u>	<u>81,600.00</u>	<u>976,600.00</u>
Totals	<u>\$ 2,120,000.00</u>	<u>\$ 482,442.50</u>	<u>\$ 2,602,442.50</u>

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONCLUDED)

The annual requirements to amortize all Lease Purchase Agreements outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 26,579.88	\$ 3,214.48	\$ 29,794.36
2009	<u>27,886.10</u>	<u>1,419.29</u>	<u>29,305.39</u>
Totals	<u>\$ 54,465.98</u>	<u>\$ 4,633.77</u>	<u>\$ 59,099.75</u>

The annual requirements to amortize the Automobile Lease Purchase Agreements outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	<u>\$ 35,649.10</u>	<u>\$ 2,193.92</u>	<u>\$ 37,843.02</u>
Totals	<u>\$ 35,649.10</u>	<u>\$ 2,193.92</u>	<u>\$ 37,843.02</u>

4. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:				
General Fund	\$ 277,889.16	\$ 46,600.00	\$ 130,128.17	\$ 146,600.00
Reserve Fund	-	206,803.89	100,000.00	51,000.00
Road & Bridge Fund	-	41,185.63	-	49,228.53
Non-major Funds	<u>46,600.00</u>	<u>29,899.64</u>	<u>46,600.00</u>	<u>29,899.64</u>
Total	<u>\$ 324,489.16</u>	<u>\$ 324,489.16</u>	<u>\$ 276,728.17</u>	<u>\$ 276,728.17</u>

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (Concluded)

per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$41,057.81 and \$34,404.68, respectively, for the years then ended.

6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Montgomery County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)
(Continued)

retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P. O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status

Montgomery County's full time employees contribute 4.0% of annual payroll to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 1.5% (general), 1.8% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2007, the political subdivision's annual pension cost of \$128,509 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and /or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a open basis. The amortization period at February 28, 2007, was 15 years.

Fiscal Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage Of APC Contribute d	Net Pension Obligation
6/30/2005	\$ 104,858	100%	\$ 0
6/30/2006	123,950	100%	0
6/30/2007	128,509	100%	0

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

**6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)
(Concluded)**

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll
2/28/2005	\$ 3,299,369	\$ 2,354,052	\$ (945,317)	140%	\$ 1,891,889
2/28/2006	3,622,964	2,625,330	(997,634)	138%	2,117,615
2/29/2007	4,056,352	2,936,140	(1,120,212)	138%	2,159,977

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

7. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,444, respectively, for the years ended December 31, 2007 and 2006.

8. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

9. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not involved in any lawsuits at this time.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at 1 a day per month after the first 180 days of employment, with a maximum 60

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

9. CLAIMS COMMITMENTS AND CONTINGENCIES (Concluded)

days. An employee is not reimbursed for unused sick time upon termination of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

10. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	448,827.00	448,827.00	419,594.68	(29,232.32)	421,300.00	421,300.00	430,052.27	8,752.27
Sales tax	1,100,000.00	1,100,000.00	1,098,096.55	(1,903.45)	1,110,200.00	1,110,200.00	1,065,535.74	(44,664.26)
Intergovernmental revenues	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	930,380.00	930,380.00	943,744.15	13,364.15	850,000.00	850,000.00	950,722.69	100,722.69
Fees, licenses and permits	360,000.00	360,000.00	365,371.97	5,371.97	439,630.00	439,630.00	363,805.73	(75,824.27)
Interests	17,000.00	17,000.00	7,148.88	(9,851.12)	15,000.00	15,000.00	15,292.22	292.22
Other	70,500.00	70,500.00	54,857.47	(15,642.53)	113,630.00	113,630.00	42,144.22	(71,485.78)
Total Revenues	2,926,707.00	2,926,707.00	2,888,813.70	(37,893.30)	2,949,760.00	2,949,760.00	2,867,552.87	(82,207.13)
EXPENDITURES:								
Current:								
General county government	668,203.00	668,203.00	662,587.73	(5,615.27)	709,140.00	709,140.00	729,389.85	20,249.85
Financial Administration:	134,425.00	134,425.00	129,483.17	(4,941.83)	113,340.00	113,340.00	106,768.05	(6,571.95)
Planning & Zoning	43,360.00	43,360.00	40,213.98	(3,146.02)	45,030.00	45,030.00	40,389.15	(4,640.85)
Property Valuation and Recording:	77,890.00	77,890.00	77,163.08	(726.92)	77,150.00	77,150.00	67,571.64	(9,578.36)
Administration of Justice and Law	2,337,483.00	2,337,483.00	2,149,037.73	(188,445.27)	2,349,410.00	2,349,410.00	2,223,909.68	(125,500.32)
Capital Outlay:								
Property, equipment and buildings	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	3,360,243.00	3,360,243.00	3,119,485.69	(240,757.31)	3,294,070.00	3,294,070.00	3,168,028.37	(126,041.63)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(433,536.00)	(433,536.00)	(230,671.99)	202,864.01	(344,310.00)	(344,310.00)	(300,475.50)	43,834.50
OTHER FINANCING SOURCES (USES):								
Transfers in	449,000.00	449,000.00	277,889.16	(171,110.84)	170,000.00	170,000.00	130,128.17	(39,871.83)
Transfers out	(47,100.00)	(47,100.00)	(46,600.00)	500.00	(147,340.00)	(147,340.00)	(146,600.00)	740.00
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	401,900.00	401,900.00	231,289.16	(170,610.84)	22,660.00	22,660.00	(16,471.83)	(39,131.83)
NET CHANGE IN FUND BALANCE	(31,636.00)	(31,636.00)	617.17	32,253.17	(321,650.00)	(321,650.00)	(316,947.33)	4,702.67
FUND BALANCE - BEGIN OF YEAR	50,323.50	50,323.50	50,323.50	-	367,270.83	367,270.83	367,270.83	-
FUND BALANCE - END OF YEAR	18,687.50	18,687.50	50,940.67	32,253.17	45,620.83	45,620.83	50,323.50	4,702.67

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL MODIFIED CASH BASIS - GENERAL FUND
UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 99,950.00	99,950.00	98,507.32	\$ (1,442.68)	\$ 99,180.00	99,180.00	98,235.04	\$ (944.96)
County Clerk	111,400.00	111,400.00	107,593.60	(3,806.40)	113,560.00	113,560.00	105,646.78	(7,913.22)
Elections	12,000.00	12,000.00	11,813.25	(186.75)	22,000.00	22,000.00	36,127.80	14,127.80
Buildings and grounds	156,383.00	156,383.00	159,814.95	3,431.95	185,530.00	185,530.00	201,787.07	16,257.07
Employee fringe benefits	11,350.00	11,350.00	11,193.24	(156.76)	8,300.00	8,300.00	11,079.67	2,779.67
Other Expenses	277,120.00	277,120.00	273,665.37	(3,454.63)	280,570.00	280,570.00	276,513.49	(4,056.51)
	668,203.00	668,203.00	662,587.73	(5,615.27)	709,140.00	709,140.00	729,389.85	20,249.85
Financial Administration:								
Collector	81,005.00	81,005.00	79,470.15	(1,534.85)	74,430.00	74,430.00	72,027.50	(2,402.50)
Treasurer	53,420.00	53,420.00	50,013.02	(3,406.98)	38,910.00	38,910.00	34,740.55	(4,169.45)
	134,425.00	134,425.00	129,483.17	(4,941.83)	113,340.00	113,340.00	106,768.05	(6,571.95)
Planning & Zoning								
Planning & Zoning	43,360.00	43,360.00	40,213.98	(3,146.02)	45,030.00	45,030.00	40,389.15	(4,640.85)
	43,360.00	43,360.00	40,213.98	(3,146.02)	45,030.00	45,030.00	40,389.15	(4,640.85)

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL MODIFIED CASH BASIS - GENERAL FUND - (CONTINUED)
UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording:								
Recorder of Deeds	77,890.00	77,890.00	77,163.08	(726.92)	77,150.00	77,150.00	67,571.64	(9,578.36)
Administration of Justice and Law Enforcement:								
Associate Circuit	27,850.00	27,850.00	25,796.00	(2,054.00)	27,910.00	27,910.00	24,122.06	(3,787.94)
Children's Detention Home	-	-	-	-	-	-	-	-
Circuit Clerk	40,280.00	40,280.00	32,019.33	(8,260.67)	32,160.00	32,160.00	30,578.50	(1,581.50)
Court Administrator	18,810.00	18,810.00	16,933.58	(1,876.42)	23,610.00	23,610.00	19,202.66	(4,407.34)
Dispatch	267,448.00	267,448.00	252,663.17	(14,784.83)	274,850.00	274,850.00	269,176.13	(5,673.87)
Family Court	-	-	-	-	-	-	-	-
Jail	1,032,700.00	1,032,700.00	924,471.30	(108,228.70)	1,059,300.00	1,059,300.00	1,004,981.22	(54,318.78)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	53,045.00	53,045.00	51,875.08	(1,169.92)	53,050.00	53,050.00	59,366.27	6,316.27
Medical Examiner	23,460.00	23,460.00	21,883.44	(1,576.56)	23,460.00	23,460.00	19,197.08	(4,262.92)
Sheriff's Office	629,000.00	629,000.00	596,382.67	(32,617.33)	598,800.00	598,800.00	575,567.70	(23,232.30)
Surveyor	1,600.00	1,600.00	1,600.00	-	2,000.00	2,000.00	1,600.00	(400.00)
Police Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	208,480.00	208,480.00	190,933.69	(17,546.31)	217,340.00	217,340.00	185,205.82	(32,134.18)
Prosecuting Attorney Retirement	2,250.00	2,250.00	2,244.00	(6.00)	4,500.00	4,500.00	2,244.00	(2,256.00)
Public Administrator	32,560.00	32,560.00	32,235.47	(324.53)	32,430.00	32,430.00	32,668.24	238.24
	2,337,483.00	2,337,483.00	2,149,037.73	(188,445.27)	2,349,410.00	2,349,410.00	2,223,909.68	(125,500.32)
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
Total Expenditures	\$ 3,360,243.00	3,360,243.00	3,119,485.69	(240,757.31)	\$ 3,294,070.00	3,294,070.00	3,168,028.37	(126,041.63)

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - SPECIAL REVENUE FUND - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	1,162,775.00	1,162,775.00	1,209,203.71	46,428.71	808,580.00	808,580.00	1,192,953.65	384,373.65
Sales tax	61,000.00	61,000.00	118,918.33	57,918.33	50,550.00	50,550.00	104,507.98	53,957.98
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	94,000.00	94,000.00	100,643.87	6,643.87	765,690.00	765,690.00	351,545.99	(414,144.01)
Fees, licenses and permits	56,800.00	56,800.00	58,602.37	1,802.37	67,260.00	67,260.00	66,545.30	(714.70)
Interest	30,000.00	30,000.00	35,682.11	5,682.11	35,000.00	35,000.00	28,737.55	(6,262.45)
Other	500.00	500.00	860.34	360.34	500.00	500.00	47,315.16	46,815.16
Total Revenues	1,405,075.00	1,405,075.00	1,523,910.73	118,835.73	1,727,580.00	1,727,580.00	1,791,605.63	64,025.63
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	475,143.00	475,143.00	481,475.99	6,332.99	476,650.00	476,650.00	479,119.38	2,469.38
Employee Benefits	121,660.00	121,660.00	114,037.47	(7,622.53)	119,540.00	119,540.00	124,557.26	5,017.26
Supplies	185,000.00	185,000.00	196,995.86	11,995.86	185,500.00	185,500.00	205,200.59	19,700.59
Insurance	15,000.00	15,000.00	20,357.12	5,357.12	20,000.00	20,000.00	10,347.56	(9,652.44)
Materials	301,500.00	301,500.00	303,358.83	1,858.83	346,500.00	346,500.00	296,862.50	(49,637.50)
Equipment Repairs	65,000.00	65,000.00	52,832.90	(12,167.10)	65,000.00	65,000.00	60,250.15	(4,749.85)
Rentals	500.00	500.00	70.00	(430.00)	2,500.00	2,500.00	42.16	(2,457.84)
R&B Construction, repair & maint. Projects	271,500.00	271,500.00	158,564.03	(112,935.97)	593,500.00	593,500.00	486,537.25	(106,962.75)
Other Expenses	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	150,000.00	150,000.00	134,579.49	(15,420.51)	100,000.00	100,000.00	86,653.65	(13,346.35)
Total Expenditures	1,585,303.00	1,585,303.00	1,462,271.69	(123,031.31)	1,909,190.00	1,909,190.00	1,749,570.50	(159,619.50)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,228.00)	(180,228.00)	61,639.04	241,867.04	(181,610.00)	(181,610.00)	42,035.13	223,645.13
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(49,000.00)	(49,000.00)	(41,185.63)	7,814.37	(44,080.00)	(44,080.00)	(49,228.53)	(5,148.53)
Debt Service								
Total Other Financing Sources (Uses)	(49,000.00)	(49,000.00)	(41,185.63)	7,814.37	(44,080.00)	(44,080.00)	(49,228.53)	(5,148.53)
NET CHANGE IN FUND BALANCE	(229,228.00)	(229,228.00)	20,453.41	249,681.41	(225,690.00)	(225,690.00)	(7,193.40)	218,496.60
FUND BALANCE - BEGINNING OF YEAR	617,094.02	617,094.02	617,094.02	-	624,287.42	624,287.42	624,287.42	-
FUND BALANCE - END OF YEAR	387,866.02	387,866.02	637,547.43	249,681.41	398,597.42	398,597.42	617,094.02	218,496.60

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - SPECIAL REVENUE FUND - MODIFIED CASH BASIS
RESERVE FUND - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	27,000.00	27,000.00	24,956.81	(2,043.19)	11,000.00	11,000.00	27,870.48	16,870.48
Other	-	-	-	-	-	-	-	-
Total Revenues	27,000.00	27,000.00	24,956.81	(2,043.19)	11,000.00	11,000.00	27,870.48	16,870.48
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
R&B Construction, repair & maint. Projects	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	76,720.00	76,720.00	-	(76,720.00)
Total Expenditures	-	-	-	-	76,720.00	76,720.00	-	(76,720.00)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,000.00	27,000.00	24,956.81	(2,043.19)	(65,720.00)	(65,720.00)	27,870.48	93,590.48
OTHER FINANCING SOURCES(USES):								
Transfers in	500.00	500.00	-	(500.00)	500.00	500.00	100,000.00	99,500.00
Transfers out	(400,000.00)	(400,000.00)	(206,803.89)	193,196.11	(160,000.00)	(160,000.00)	(51,000.00)	109,000.00
Debt Service								
Total Other Financing Sources (Uses)	(399,500.00)	(399,500.00)	(206,803.89)	192,696.11	(159,500.00)	(159,500.00)	49,000.00	208,500.00
NET CHANGE IN FUND BALANCE	(372,500.00)	(372,500.00)	(181,847.08)	190,652.92	(225,220.00)	(225,220.00)	76,870.48	302,090.48
FUND BALANCE - BEGINNING OF YEAR	740,764.92	740,764.92	740,764.92	-	663,894.44	663,894.44	663,894.44	-
FUND BALANCE - END OF YEAR	368,264.92	368,264.92	558,917.84	190,652.92	438,674.44	438,674.44	740,764.92	302,090.48

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Fund	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
ASSETS															
Cash and Cash Equivalents	117,692.65	3,261.49	24,788.30	6,007.46	22,633.24	94,461.35	5,750.81	13,997.59	838.60	34,311.15	6,374.24	32,509.91	11,186.48	6,334.44	1,502.36
Investments	-	-	-	-	-	-	-	-	4,935.69	-	-	-	-	-	-
TOTAL ASSETS	<u>117,692.65</u>	<u>3,261.49</u>	<u>24,788.30</u>	<u>6,007.46</u>	<u>22,633.24</u>	<u>94,461.35</u>	<u>5,750.81</u>	<u>13,997.59</u>	<u>5,774.29</u>	<u>34,311.15</u>	<u>6,374.24</u>	<u>32,509.91</u>	<u>11,186.48</u>	<u>6,334.44</u>	<u>1,502.36</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>117,692.65</u>	<u>3,261.49</u>	<u>24,788.30</u>	<u>6,007.46</u>	<u>22,633.24</u>	<u>94,461.35</u>	<u>5,750.81</u>	<u>13,997.59</u>	<u>5,774.29</u>	<u>34,311.15</u>	<u>6,374.24</u>	<u>32,509.91</u>	<u>11,186.48</u>	<u>6,334.44</u>	<u>1,502.36</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>117,692.65</u>	<u>3,261.49</u>	<u>24,788.30</u>	<u>6,007.46</u>	<u>22,633.24</u>	<u>94,461.35</u>	<u>5,750.81</u>	<u>13,997.59</u>	<u>5,774.29</u>	<u>34,311.15</u>	<u>6,374.24</u>	<u>32,509.91</u>	<u>11,186.48</u>	<u>6,334.44</u>	<u>1,502.36</u>

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
ASSETS												
Cash and Cash Equivalents	0.00	100,829.95	8,428.32	1,741.06	5,289.51	26,582.94	32,268.19	5,646.68	4,711.30	12,294.16	3,108.59	582,550.77
Investments	-	-	-	-	-	-	-	-	-	-	-	4,935.69
TOTAL ASSETS	<u>0.00</u>	<u>100,829.95</u>	<u>8,428.32</u>	<u>1,741.06</u>	<u>5,289.51</u>	<u>26,582.94</u>	<u>32,268.19</u>	<u>5,646.68</u>	<u>4,711.30</u>	<u>12,294.16</u>	<u>3,108.59</u>	<u>587,486.46</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>0.00</u>	<u>100,829.95</u>	<u>8,428.32</u>	<u>1,741.06</u>	<u>5,289.51</u>	<u>26,582.94</u>	<u>32,268.19</u>	<u>5,646.68</u>	<u>4,711.30</u>	<u>12,294.16</u>	<u>3,108.59</u>	<u>587,486.46</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>0.00</u>	<u>100,829.95</u>	<u>8,428.32</u>	<u>1,741.06</u>	<u>5,289.51</u>	<u>26,582.94</u>	<u>32,268.19</u>	<u>5,646.68</u>	<u>4,711.30</u>	<u>12,294.16</u>	<u>3,108.59</u>	<u>587,486.46</u>

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Govt)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR YEAR ENDED DECEMBER, 2007

	Assessment Fund	DARE	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission	Special Election	Sheriff Operations
REVENUES:																	
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	439,194.67	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes for Services	1,642.16	-	-	100,327.83	15,915.18	-	3,763.50	981.95	-	6,459.00	-	-	10,438.67	-	-	-	-
Grants, distributions and reimbursements	209,591.64	-	52,792.01	4,622.34	-	-	-	-	-	-	-	-	-	-	-	-	15,924.48
Fees, licenses and permits	-	74.65	-	280.00	-	-	-	-	-	-	-	-	-	2,185.00	-	-	49,934.77
Interest	3,077.89	-	1,108.33	151.42	484.82	3,066.13	111.14	327.17	-	776.87	145.93	2,277.05	97.08	110.36	-	-	2,269.28
Contributions	-	-	-	-	-	-	-	-	-	-	-	3,755.87	-	-	-	32,125.37	-
Other	3,640.95	-	4,658.57	-	-	-	120.00	-	-	-	-	-	-	440.00	1,794.12	-	12,323.00
Total Revenues	217,952.64	74.65	58,558.91	105,381.59	16,400.00	442,260.80	3,994.64	1,309.12	-	7,235.87	145.93	6,032.92	10,535.75	2,735.36	1,794.12	32,125.37	80,451.53
EXPENDITURES																	
Current:																	
Salary	172,449.97	-	36,085.18	48,693.64	4,569.09	29,286.04	-	-	-	-	-	-	-	-	-	-	-
Benefits	34,251.78	-	8,571.60	11,116.69	378.31	6,971.96	-	-	-	-	-	-	-	-	-	-	-
Office supplies	4,757.76	-	300.00	1,088.15	2,956.41	-	-	-	-	-	-	-	-	-	1,759.74	-	6,367.08
Equipment	35,305.21	-	-	1,439.55	2,646.11	26,408.97	350.00	1,593.91	-	6,422.59	-	-	956.50	-	-	-	32,425.57
Mileage and training	8,950.85	-	1,465.28	4,657.54	-	-	-	-	-	-	-	173.48	-	-	-	-	-
Other	377.70	-	1,344.68	-	901.88	-	1,840.00	-	-	-	-	-	-	-	-	32,125.37	34,857.95
Telephone	1,397.93	-	1,438.69	39,933.56	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	3,162.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	6,300.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,827.99	-	1,243.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:																	
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service																	
Principal payment	-	-	-	-	-	235,016.91	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	72,325.41	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	9,469.66	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	265,619.19	-	53,611.00	106,929.13	11,451.80	379,478.95	2,190.00	1,593.91	-	6,422.59	-	173.48	956.50	-	1,759.74	32,125.37	73,650.60
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,666.55)	74.65	4,947.91	(1,547.54)	4,948.20	62,781.85	1,804.64	(284.79)	-	813.28	145.93	5,859.44	9,579.25	2,735.36	34.38	-	6,800.93
OTHER FINANCING SOURCES (USES):																	
Transfers in	46,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	46,600.00	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,066.55)	74.65	4,947.91	(1,547.54)	4,948.20	32,882.21	1,804.64	(284.79)	-	813.28	145.93	5,859.44	9,579.25	2,735.36	34.38	-	6,800.93
FUND BALANCES - BEGINNING OF YEAR	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	5,774.29	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98	0.00	94,029.02
FUND BALANCES - END OF YEAR	117,692.65	3,261.49	24,788.30	6,007.46	22,633.24	94,461.35	5,750.81	13,997.59	5,774.29	34,311.15	6,374.24	32,509.91	11,186.48	6,334.44	1,502.36	0.00	100,829.95

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Govt)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR YEAR ENDED DECEMBER, 2007

	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
REVENUES:										
Property taxes	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	439,194.67
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Changes for Services	-	1,976.88	-	-	21,137.13	-	-	-	-	162,642.30
Grants, distributions and reimbursements	-	-	-	-	3,131.00	-	-	-	-	286,061.47
Fees, licenses and permits	-	-	-	3,651.25	-	-	-	7,290.00	492.00	63,907.67
Interest	211.68	30.19	130.34	588.14	738.55	119.38	784.11	-	22.59	16,628.45
Contributions	89,797.21	-	-	-	-	-	-	-	-	125,678.45
Other	-	-	-	-	-	-	-	-	2,594.00	25,570.64
Total Revenues	90,008.89	2,007.07	130.34	4,239.39	25,006.68	119.38	784.11	7,290.00	3,108.59	1,119,683.65
EXPENDITURES										
Current:										-
Salary	-	-	-	-	2,633.53	-	-	-	-	293,717.45
Benefits	-	-	8.52	-	-	-	-	-	-	61,298.86
Office supplies	3,780.44	-	540.75	1,329.02	2,318.00	-	-	-	-	25,197.35
Equipment	90,634.30	-	-	-	4,151.13	3,859.02	-	9,350.71	-	215,543.57
Mileage and training	-	-	-	-	447.80	-	-	-	-	15,694.95
Other	3,145.17	1,000.00	-	-	6,418.87	-	-	-	-	82,011.62
Telephone	171.49	-	-	-	354.25	-	-	-	-	43,295.92
Utilities	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	3,162.00
Postage	-	-	-	-	-	-	-	-	-	6,300.00
Rentals	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	3,071.56
Capital Outlay:										-
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-
Debt Service										-
Principal payment	-	-	-	-	-	-	-	-	-	235,016.91
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	72,325.41
Other Charges	-	-	-	-	-	-	-	-	-	9,469.66
Total Expenditures	97,731.40	1,000.00	549.27	1,329.02	16,323.58	3,859.02	-	9,350.71	-	1,066,105.26
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,722.51)	1,007.07	(418.93)	2,910.37	8,683.10	(3,739.64)	784.11	(2,060.71)	3,108.59	53,578.39
OTHER FINANCING SOURCES (USES):										-
Transfers in	-	-	-	-	-	-	-	-	-	46,600.00
Transfers out	-	-	-	-	-	-	-	-	-	(29,899.64)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	16,700.36
NET CHANGE IN FUND BALANCES	(7,722.51)	1,007.07	(418.93)	2,910.37	8,683.10	(3,739.64)	784.11	(2,060.71)	3,108.59	70,278.75
FUND BALANCES - BEGINNING OF YEAR	16,150.83	733.99	5,708.44	23,672.57	23,585.09	9,386.32	3,927.19	14,354.87	-	517,207.71
FUND BALANCES - END OF YEAR	8,428.32	1,741.06	5,289.51	26,582.94	32,268.19	5,646.68	4,711.30	12,294.16	3,108.59	587,486.46

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Fund	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
ASSETS															
Cash and Cash Equivalents	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	838.60	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98
Investments	-	-	-	-	-	-	-	-	4,935.69	-	-	-	-	-	-
	<u>118,759.20</u>	<u>3,186.84</u>	<u>19,840.39</u>	<u>7,555.00</u>	<u>17,685.04</u>	<u>61,579.14</u>	<u>3,946.17</u>	<u>14,282.38</u>	<u>5,774.29</u>	<u>33,497.87</u>	<u>6,228.31</u>	<u>26,650.47</u>	<u>1,607.23</u>	<u>3,599.08</u>	<u>1,467.98</u>
TOTAL ASSETS	<u>118,759.20</u>	<u>3,186.84</u>	<u>19,840.39</u>	<u>7,555.00</u>	<u>17,685.04</u>	<u>61,579.14</u>	<u>3,946.17</u>	<u>14,282.38</u>	<u>5,774.29</u>	<u>33,497.87</u>	<u>6,228.31</u>	<u>26,650.47</u>	<u>1,607.23</u>	<u>3,599.08</u>	<u>1,467.98</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	5,774.29	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98
TOTAL LIABILITIES AND FUND BALANCES	<u>118,759.20</u>	<u>3,186.84</u>	<u>19,840.39</u>	<u>7,555.00</u>	<u>17,685.04</u>	<u>61,579.14</u>	<u>3,946.17</u>	<u>14,282.38</u>	<u>5,774.29</u>	<u>33,497.87</u>	<u>6,228.31</u>	<u>26,650.47</u>	<u>1,607.23</u>	<u>3,599.08</u>	<u>1,467.98</u>

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
ASSETS												
Cash and Cash Equivalents	0.00	94,029.02	16,150.83	733.99	5,708.44	23,672.57	23,585.09	9,386.32	3,927.19	14,354.87	-	512,272.02
Investments	-	-	-	-	-	-	-	-	-	-	-	4,935.69
TOTAL ASSETS	<u>0.00</u>	<u>94,029.02</u>	<u>16,150.83</u>	<u>733.99</u>	<u>5,708.44</u>	<u>23,672.57</u>	<u>23,585.09</u>	<u>9,386.32</u>	<u>3,927.19</u>	<u>14,354.87</u>	<u>-</u>	<u>517,207.71</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>0.00</u>	<u>94,029.02</u>	<u>16,150.83</u>	<u>733.99</u>	<u>5,708.44</u>	<u>23,672.57</u>	<u>23,585.09</u>	<u>9,386.32</u>	<u>3,927.19</u>	<u>14,354.87</u>	<u>-</u>	<u>517,207.71</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>0.00</u>	<u>94,029.02</u>	<u>16,150.83</u>	<u>733.99</u>	<u>5,708.44</u>	<u>23,672.57</u>	<u>23,585.09</u>	<u>9,386.32</u>	<u>3,927.19</u>	<u>14,354.87</u>	<u>-</u>	<u>517,207.71</u>

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Govt)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	DARE	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
REVENUES:															
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	373,520.48	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes for Services	2,203.55	-	-	99,852.01	12,840.01	-	3,655.00	925.06	-	7,623.00	-	-	-	-	-
Grants, distributions and reimbursements	209,204.20	-	19,648.20	1,307.54	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	275.00	-	-	-	-	-	-	-	-	-	630.00	-
Interest	3,363.03	75.56	1,038.20	226.36	525.79	55,567.16	60.63	343.41	-	747.80	196.93	647.50	40.96	77.86	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	6,876.20	-	-	-
Other	140.00	-	3,389.08	-	60.00	-	4.00	-	5.79	-	-	-	-	-	1,841.12
Total Revenues	214,910.78	75.56	24,075.48	101,660.91	13,425.80	429,087.64	3,719.63	1,268.47	5.79	8,370.80	196.93	7,523.70	40.96	707.86	1,841.12
EXPENDITURES															
Current:															
Salary	152,363.11	-	30,917.72	45,911.81	1,000.00	28,740.69	-	-	-	-	-	-	-	-	-
Benefits	24,873.06	-	8,113.97	11,824.69	-	8,789.73	-	-	-	-	-	-	-	-	-
Office supplies	3,272.54	-	17,018.62	47,019.53	21,391.70	-	-	-	-	-	-	-	-	-	1,806.30
Equipment	44,297.19	-	-	-	-	57,013.33	-	-	-	7,926.76	2,088.45	14,250.00	120.00	-	-
Mileage and training	6,172.77	-	-	-	-	-	1,104.67	1,521.16	-	-	-	172.84	-	-	-
Other	539.07	-	5,000.00	-	-	-	824.94	-	-	-	-	175.00	-	-	-
Telephone	1,125.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	5,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rentals	1,188.01	-	-	-	-	-	-	-	-	550.00	-	-	-	-	-
Miscellaneous	78.27	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Principal payment	-	-	-	-	-	223,446.28	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	87,750.24	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	8,973.06	-	-	-	-	-	-	-	-	-
Total Expenditures	238,909.40	-	61,050.31	104,756.03	22,391.70	414,713.33	1,929.61	1,521.16	-	8,476.76	2,088.45	14,597.84	120.00	-	1,806.30
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,998.62)	75.56	(36,974.83)	(3,095.12)	(8,965.90)	14,374.31	1,790.02	(252.69)	5.79	(105.96)	(1,891.52)	(7,074.14)	(79.04)	707.86	34.82
OTHER FINANCING SOURCES (USES):															
Transfers in	46,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	46,600.00	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	22,601.38	75.56	(36,974.83)	(3,095.12)	(8,965.90)	(15,525.33)	1,790.02	(252.69)	5.79	(105.96)	(1,891.52)	(7,074.14)	(79.04)	707.86	34.82
FUND BALANCES - BEGINNING OF YEAR	96,157.82	3,111.28	56,815.22	10,650.12	26,650.94	77,104.47	2,156.15	14,535.07	5,768.50	33,603.83	8,119.83	33,724.61	1,686.27	2,891.22	1,433.16
FUND BALANCES - END OF YEAR	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	5,774.29	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Govt)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	373,520.48
Intergovernmental Revenue	-	15,488.00	-	-	-	-	-	-	-	-	-	15,488.00
Changes for Services	-	-	6,074.32	350.00	-	-	23,916.07	-	-	-	-	157,439.02
Grants, distributions and reimbursements	-	50,951.90	-	-	-	-	-	-	-	-	-	281,111.84
Fees, licenses and permits	-	43,967.54	-	-	-	4,098.75	-	-	-	8,055.00	-	57,026.29
Interest	-	3,425.19	130.52	32.37	512.92	517.63	763.60	155.36	252.25	-	-	68,701.03
Contributions	62,860.41	-	-	-	-	-	-	-	-	-	-	69,736.61
Other	-	-	12,227.00	-	-	-	-	-	-	-	-	17,666.99
Total Revenues	62,860.41	113,832.63	18,431.84	382.37	512.92	4,616.38	24,679.67	155.36	252.25	8,055.00	-	1,040,690.26
EXPENDITURES												
Current:												
Salary	-	-	-	-	19,287.29	-	2,080.25	-	-	-	-	280,300.87
Benefits	-	-	-	-	6,792.12	-	-	-	-	-	-	60,393.57
Office supplies	-	1,014.26	688.32	-	-	-	2,495.87	5,855.04	-	-	-	100,562.18
Equipment	-	68,939.20	5,210.10	1,000.00	-	1,290.52	11,620.77	-	-	8,878.82	-	222,635.14
Mileage and training	-	-	-	-	-	-	421.64	-	-	-	-	9,393.08
Other	63,228.58	23,339.01	3,070.32	-	-	-	12,896.68	-	-	-	-	109,073.60
Telephone	-	-	-	-	-	-	343.98	-	-	-	-	1,469.36
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	292.76	-	-	-	-	-	-	292.76
Postage	-	-	-	-	-	-	-	-	-	-	-	5,000.00
Rentals	-	-	-	-	-	-	-	-	-	-	-	1,738.01
Miscellaneous	-	4,261.50	-	-	-	-	-	-	-	-	-	4,339.77
Capital Outlay:												
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service												
Principal payment	-	-	-	-	-	-	-	-	-	-	-	223,446.28
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	87,750.24
Other Charges	-	-	-	-	-	-	-	-	-	-	-	8,973.06
Total Expenditures	63,228.58	97,553.97	8,968.74	1,000.00	26,372.17	1,290.52	29,859.19	5,855.04	-	8,878.82	-	1,115,367.92
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(368.17)	16,278.66	9,463.10	(617.63)	(25,859.25)	3,325.86	(5,179.52)	(5,699.68)	252.25	(823.82)	-	(74,677.66)
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	46,600.00
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(29,899.64)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	16,700.36
NET CHANGE IN FUND BALANCES	(368.17)	16,278.66	9,463.10	(617.63)	(25,859.25)	3,325.86	(5,179.52)	(5,699.68)	252.25	(823.82)	-	(57,977.30)
FUND BALANCES - BEGINNING OF YEAR	368.17	77,750.36	6,687.73	1,351.62	31,567.69	20,346.71	28,764.61	15,086.00	3,674.94	15,178.69	-	575,185.01
FUND BALANCES - END OF YEAR	0.00	94,029.02	16,150.83	733.99	5,708.44	23,672.57	23,585.09	9,386.32	3,927.19	14,354.87	-	517,207.71

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2007

	Prosecuting Attorney	Circuit Clerk	Sheriff Account	Jury Account	Juvenile Account	Collector Accounts	Recorder	Rhineland Special Road District	County Schools	Surplus Land Sales	CERF	Welsville Special Road District	Hinton Interest	Unclaimed Fees	Cemetery Interest	Ambulance, Cities, and Fire	Total
ASSETS																	
Cash and Cash Equivalents	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50
TOTAL ASSETS	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50
LIABILITIES AND FUND BALANCES																	
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50
TOTAL LIABILITIES AND FUND BALANCES	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
DECEMBER 31, 2006

	Prosecuting Attorney	Circuit Clerk	Sheriff Account	Jury Account	Juvenile Account	Collector Accounts	Recorder	Rhineland Special Road District	County Schools	Surplus Land Sales	CERF	Welsville Special Road District	Hinton Interest	Unclaimed Fees	Cemetery Interest	Ambulance, Cities, and Fire	Total
ASSETS																	
Cash and Cash Equivalents	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98
TOTAL ASSETS	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98
LIABILITIES AND FUND BALANCES																	
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98
TOTAL LIABILITIES AND FUND BALANCES	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98

STATE COMPLIANCE SECTION

THE COUNTY OF MONTGOMERY, MISSOURI
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

There were no state findings.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Montgomery, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Montgomery, (the Primary Government), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated June 17, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01 06/07-02, and 06/07-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated June 17, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

June 17, 2008

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF MONTGOMERY
MONTGOMERY CITY, MISSOURI
(the Primary Government)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

June 17, 2008

To the County Commissioners
Montgomery County of Missouri

In planning and performing our audit of the basic financial statements of the Montgomery County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of the Montgomery County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Montgomery County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Montgomery County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Cedar County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Cedar County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-09

**THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006**

THE COUNTY OF CEDAR, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1-2
 BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	3
Statement of Activities – Cash Basis	4-5
 <i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Governmental Funds	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds	12
Notes to the Financial Statements	13-23
 REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Budget and Actual – General Fund – Unaudited	24
Departmental Schedule of Expenditures – Cash Basis – Budget and Actual – General Fund – Unaudited	25-26
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Special Revenue Major Fund – Budget and Actual – Unaudited Road and Bridge Fund	27
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Special Revenue Major Fund – Budget and Actual – Unaudited Law Enforcement Sales Tax Fund	28

THE COUNTY OF CEDAR, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONTINUED)

	PAGE
Notes to Required Supplementary Information	29
SUPPLEMENTARY INFORMATION:	
Combining Fund Financial Statements And Schedule Non-Major Governmental Funds	
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	30-31
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	32-33
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	34-35
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	36-37
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007	38
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2006	39
STATE COMPLIANCE SECTION:	
Schedule of State Findings	40
FEDERAL COMPLIANCE SECTION:	
Report Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	41-42
Schedule of Findings	43-45



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Cedar, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Cedar, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the primary government of Cedar County, Missouri, basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Cedar County has issued separate reporting entity financial statements. For information on this component unit, please contact the Cedar County Health Department.

As described in Note 1, the basic financial statements of the Primary Government were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2008 on our consideration for the Primary Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – Cash Basis – Budget and Actual and related notes on pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 30 through 39 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2008

FINANCIAL STATEMENTS

THE COUNTY OF CEDAR, MISSOURI
STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
ASSETS		
Cash and cash equivalents	<u>1,757,177.91</u>	<u>1,595,083.86</u>
TOTAL ASSETS	<u><u>1,757,177.91</u></u>	<u><u>1,595,083.86</u></u>
LIABILITIES		
Bank Overdraft	<u>186.70</u>	<u>2,976.62</u>
TOTAL LIABILITIES	186.70	2,976.62
NET ASSETS		
Unrestricted	1,251,816.73	930,413.14
Restricted for special purpose	<u>505,174.48</u>	<u>661,694.10</u>
Total Net Assets	<u>1,756,991.21</u>	<u>1,592,107.24</u>
TOTAL FUND BALANCE	<u><u>1,757,177.91</u></u>	<u><u>1,595,083.86</u></u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services			
GOVERNMENTAL ACTIVITIES:					
General county government	482,231.31	263,326.66	161,306	-	(57,598.80)
CDBG Cleanup Grant	-	-	-	-	-
Checks Written By Treasurer	-	-	-	-	-
Financial administration	-	-	-	-	-
Property valuation and recording	245,012.57		63,163.58	-	(181,848.99)
Administration of justice and law enforcement	1,367,839.88	92,104.10	337,320.25	-	(938,415.53)
Health and welfare	43,766.02	1,527.00	33,213.94	-	(9,025.08)
Special Services	-	-	-	-	-
Surveyor	2,403.74	-	-	-	(2,403.74)
Maintenance of roads	1,055,094.62	-	755,649.09	-	(299,445.53)
Justice Center	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	76,462.38	-	-	-	(76,462.38)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:					
Construction of roads and bridges	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>3,272,810.52</u>	<u>356,957.76</u>	<u>1,350,652.71</u>	<u>-</u>	<u>(1,565,200.05)</u>

General Revenues:

Taxes	
Property taxes, levied	421,283.31
Sales tax	938,340.06
Investment income	94,952.41
Miscellaneous	<u>275,508.24</u>
TOTAL GENERAL REVENUES	<u>1,730,084.02</u>
CHANGE IN NET ASSETS	<u>164,883.97</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,592,107.24</u>
NET ASSETS, END OF YEAR	<u>1,756,991.21</u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for	Operating	
		Services	Grants and	
			Contributions	
			Capital	
			Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES:				
General county government	2,076,083.08	287,327.80	554,702.73	(1,234,052.55)
CDBG Cleanup Grant	1,306.17	-	-	(1,306.17)
Checks Written By Treasurer	12,730.80	-	-	(12,730.80)
Financial administration	-	-	-	-
Property valuation and recording	167,437.83	-	59,268.98	(108,168.85)
Administration of justice and law enforcement	113,536.82	97,274.67	381,785.09	365,522.94
Health and welfare	43,856.83	1,576.00	339,456.71	297,175.88
Special Services	-	-	-	-
Surveyor	3,375.52	-	-	(3,375.52)
Maintenance of roads	1,939,207.09	-	1,469,816.49	(469,390.60)
Justice Center	-	-	-	-
Park Maintenance	-	-	-	-
Other	106,863.75	-	-	(106,863.75)
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal charges	-	-	-	-
Capital Outlay:				
Construction of roads and bridges	-	-	-	-
Property, equipment and buildings	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,464,397.89</u>	<u>386,178.47</u>	<u>2,805,030.00</u>	<u>(1,273,189.42)</u>

General Revenues:

Taxes

Property taxes, levied	354,076.15
Sales tax	1,004,861.36
Investment income	87,845.04
Miscellaneous	<u>208,360.95</u>
TOTAL GENERAL REVENUES	<u>1,655,143.50</u>
CHANGE IN NET ASSETS	<u>381,954.08</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,210,153.16</u>
NET ASSETS, END OF YEAR	<u>1,592,107.24</u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR, MISSOURI
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Law Enforcement Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds	General	Road and Bridge	Law Enforcement Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	1,251,816.73	199,998.77	87,243.48	218,118.93	1,757,177.91	930,413.14	274,569.72	200,290.01	189,810.99	1,595,083.86
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>1,251,816.73</u>	<u>199,998.77</u>	<u>87,243.48</u>	<u>218,118.93</u>	<u>1,757,177.91</u>	<u>930,413.14</u>	<u>274,569.72</u>	<u>200,290.01</u>	<u>189,810.99</u>	<u>1,595,083.86</u>
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank Overdraft	-	-	-	186.70	186.70	-	-	-	2,976.62	2,976.62
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>186.70</u>	<u>186.70</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976.62</u>	<u>2,976.62</u>
FUND BALANCES:										
Unreserved:										
General Fund	1,251,816.73	-	-	-	1,251,816.73	930,413.14	-	-	-	930,413.14
Special revenue funds	-	199,998.77	87,243.48	217,932.23	505,174.48	-	274,569.72	200,290.01	186,834.37	661,694.10
Total Fund Balances	<u>1,251,816.73</u>	<u>199,998.77</u>	<u>87,243.48</u>	<u>217,932.23</u>	<u>1,756,991.21</u>	<u>930,413.14</u>	<u>274,569.72</u>	<u>200,290.01</u>	<u>186,834.37</u>	<u>1,592,107.24</u>
TOTAL FUND BALANCES	<u>1,251,816.73</u>	<u>199,998.77</u>	<u>87,243.48</u>	<u>218,118.93</u>	<u>1,757,177.91</u>	<u>930,413.14</u>	<u>274,569.72</u>	<u>200,290.01</u>	<u>189,810.99</u>	<u>1,595,083.86</u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Law Enforcement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds	General	Road and Bridge	Law Enforcement Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:										
Property taxes	200,494.80	144,733.84	-	76,054.67	421,283.31	203,345.31	139,107.27	-	11,623.57	354,076.15
Sales tax	448,893.15	-	489,446.91	-	938,340.06	480,155.02	-	524,706.34	-	1,004,861.36
Grants, distributions and reimbursements	138,164.90	755,649.09	313,543.83	143,294.89	1,350,652.71	480,080.92	1,469,816.49	346,592.31	508,540.28	2,805,030.00
Fees, licenses, and permits	243,308.41	-	75,447.11	38,202.24	356,957.76	270,011.66	-	66,625.11	49,541.70	386,178.47
Interest	59,044.35	16,882.79	5,990.99	13,034.28	94,952.41	54,782.18	12,379.92	9,224.60	11,458.34	87,845.04
Recorder HB 288 Refund	-	-	-	-	-	-	-	-	-	-
Other	76,751.28	63,257.95	50,975.80	84,523.21	275,508.24	82,550.61	3,348.64	19,818.67	102,643.03	208,360.95
Total Revenues	1,166,656.89	980,523.67	935,404.64	355,109.29	3,437,694.49	1,570,925.70	1,624,652.32	966,967.03	683,806.92	4,846,351.97
EXPENDITURES:										
Current:										
General county government	422,193.39	-	-	60,037.92	482,231.31	448,520.08	-	1,173,070.12	454,492.88	2,076,083.08
CDBG Cleanup Grant	-	-	-	-	-	1,306.17	-	-	-	1,306.17
Checks Written By Treasurer	-	-	-	-	-	12,730.80	-	-	-	12,730.80
Financial administration	-	-	-	-	-	-	-	-	-	-
Property valuation and recording	52,634.05	-	-	192,378.52	245,012.57	48,892.26	-	-	118,545.57	167,437.83
Administration of justice and enforcement	90,346.66	-	1,238,070.51	39,422.71	1,367,839.88	89,607.63	-	-	23,929.19	113,536.82
Health and welfare	11,342.00	-	-	32,424.02	43,766.02	11,343.00	-	-	32,513.83	43,856.83
Surveyor	2,403.74	-	-	-	2,403.74	3,375.52	-	-	-	3,375.52
Special Services	-	-	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	1,055,094.62	-	-	1,055,094.62	-	1,939,207.09	-	-	1,939,207.09
Justice Center	-	-	-	-	-	-	-	-	-	-
Park Maintenance	-	-	-	-	-	-	-	-	-	-
Other	76,462.38	-	-	-	76,462.38	106,863.75	-	-	-	106,863.75
Capital outlay:										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-
Total Expenditures	655,382.22	1,055,094.62	1,238,070.51	324,263.17	3,272,810.52	722,639.21	1,939,207.09	1,173,070.12	629,481.47	4,464,397.89
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	511,274.67	(74,570.95)	(302,665.87)	30,846.12	164,883.97	848,286.49	(314,554.77)	(206,103.09)	54,325.45	381,954.08
OTHER FINANCING SOURCES (USES):										
Transfers in	8,027.47	-	200,432.34	6,762.69	215,222.50	629.45	354,690.20	192,980.00	3,410.35	551,710.00
Transfers out	(197,898.55)	-	(10,813.00)	(6,510.95)	(215,222.50)	(550,794.31)	-	-	(915.69)	(551,710.00)
Debt Service:	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	(189,871.08)	-	189,619.34	251.74	-	(550,164.86)	354,690.20	192,980.00	2,494.66	-
NET CHANGE IN FUND BALANCE	321,403.59	(74,570.95)	(113,046.53)	31,097.86	164,883.97	298,121.63	40,135.43	(13,123.09)	56,820.11	381,954.08
FUND BALANCE - BEGINNING OF YEAR	930,413.14	274,569.72	200,290.01	186,834.37	1,592,107.24	632,291.51	234,434.29	213,413.10	130,014.26	1,210,153.16
FUND BALANCE - END OF YEAR	1,251,816.73	199,998.77	87,243.48	217,932.23	1,756,991.21	930,413.14	274,569.72	200,290.01	186,834.37	1,592,107.24

See accompanying notes to the financial statements

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 1,756,991.21
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 1,756,991.21</u></u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 1,592,107.24
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u>\$ 1,592,107.24</u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ 164,883.97
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 164,883.97</u></u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ 381,954.08
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 381,954.08</u></u>

See accompanying notes to the financial statements

THE COUNTY OF CEDAR, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007 AND 2006

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>4,340,629.58</u>	<u>159,271.03</u>
TOTAL ASSETS	<u><u>4,340,629.58</u></u>	<u><u>159,271.03</u></u>
LIABILITIES		
Due to other funds	<u>4,340,629.58</u>	<u>159,271.03</u>
TOTAL LIABILITIES	<u><u>4,340,629.58</u></u>	<u><u>159,271.03</u></u>

See accompanying notes to financial statements

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Cedar, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1845 an Act of the Missouri Territory. In addition to the three board members, there are nine elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, Assessor, Coroner, Surveyor and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financially accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Cedar County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County of Cedar, Missouri as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Cedar County, Missouri has issued separate reporting entity financial statements. For information on this component unit, please contact the Cedar County Health Department at 417-876-5477 or write to 1317 S. State Highway 32 Eldorado Springs, Missouri 64744.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Cedar County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The statement of net assets presents the financial condition of the governmental activities of the primary government of Cedar County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Law Enforcement Sales Tax, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (continued)

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A special Revenue Fund used to account for receipts of the county property tax levy and related expenditures for road maintenance and improvement projects.

Law Enforcement Sales Tax Fund- A Special Revenue Fund used to account for receipts of the county property tax levy and related expenditures for the law enforcement complex.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

other governmental units. Agency funds are accounted for and reported similar to the governmental funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (continued)

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 105,063,072	\$ 89,320,632
Personal Property	42,790,431	40,445,745
Railroad and Utilities	5,587,700	5,637,693
	<u>\$ 153,441,203</u>	<u>\$ 135,404,070</u>

During 2007 and 2006 the County Commission approved a \$0.16 and \$0.14 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$ 0.1594	\$ 0.1399
Road and Bridge	\$ 0.2274	\$ 0.2399
	<u>\$ 0.3868</u>	<u>\$ 0.3798</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or are legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. CASH AND INVESTMENTS (continued)

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$6,097,620.79 and \$1,751,378.27. The bank balance was \$5,945,892.38 and \$4,955,345.69, respectively.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash \$ 1,756,991.21

Balance Sheet – Agency Funds

Cash 4,340,629.58

Total Cash & Investments as of December 31, 2007 \$ 6,097,620.79

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2006, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash \$ 1,592,107.24

Balance Sheet – Agency Funds

Cash 159,271.03

Total Cash & Investments as of December 31, 2006 \$ 1,751,378.27

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. CASH AND INVESTMENTS (concluded)

Investment Interest Rate Risk

The County has no policy in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Maturities of investment held at December 31, 2007 and 2006 are provided in the schedule above.

Investment Credit Risk

The County has no policy in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer.

As of December 31, 2007 and 2006, all investments of the County were rated AAA.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities.

At December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U.S. Government.

3. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	Transfers In	Transfers Out	Transfers In	Transfers Out
Major Funds				
General Fund	\$ 8,027.47	\$ 197,898.55	\$ 629.45	\$ 550,794.31
Road and Bridge	0.00	0.00	354,690.20	0.00
Law Enforcement				
Sales Tax	200,432.34	10,813.00	192,980.00	0.00
Non-major Funds	6,762.69	6,510.95	3,410.35	915.69
Total	<u>\$ 215,222.50</u>	<u>\$ 215,222.50</u>	<u>\$ 551,710.00</u>	<u>\$ 551,710.00</u>

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

4. COUNTY EMPLOYEE'S RETIRMENT FUND (CERF) (concluded)

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$68,417.97 and \$63,656.88, respectively, for the years then ended.

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752 and \$7,752, respectively, for the years ended December 31, 2007 and 2006.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

At this time there are no litigation matters for years ended December 31, 2007 and 2006.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at ½ a day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

7. CLAIMS COMMITMENTS AND CONTINGENCIES (concluded)

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF CEDAR, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS BUDGET AND ACTUAL GENERAL FUND
UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property taxes	210,000.00	210,000.00	200,494.80	(9,505.20)	205,207.00	205,207.00	203,345.31	(1,861.69)
Sales tax	494,600.00	494,600.00	448,893.15	(45,706.85)	500,000.00	500,000.00	480,155.02	(19,844.98)
Grants, distributions and reimbursements	243,312.00	243,312.00	138,164.90	(105,147.10)	522,781.00	522,781.00	480,080.92	(42,700.08)
Fees, licenses and permits	280,778.00	280,778.00	243,308.41	(37,469.59)	256,530.00	256,530.00	270,011.66	13,481.66
Interests	37,000.00	37,000.00	59,044.35	22,044.35	47,000.00	47,000.00	54,782.18	7,782.18
Recorder HB 288 Refund	-	-	-	-	-	-	0.00	-
Other	23,450.00	23,450.00	76,751.28	53,301.28	79,746.00	79,746.00	82,550.61	2,804.61
Total Revenues	1,289,140.00	1,289,140.00	1,166,656.89	(122,483.11)	1,611,264.00	1,611,264.00	1,570,925.70	(40,338.30)
EXPENDITURES:								
Current:								
General county government	487,662.00	487,662.00	422,193.39	65,468.61	479,764.00	479,764.00	448,520.08	31,243.92
CDBG Cleanup Grant	-	-	-	-	1,307.00	1,307.00	1,306.17	0.83
Checks Written By Treasurer	-	-	-	-	-	-	12,730.80	(12,730.80)
Public Safety	-	-	-	-	-	-	-	-
Property valuation and recording	53,425.00	53,425.00	52,634.05	790.95	50,135.00	50,135.00	48,892.26	1,242.74
Administration of justice	-	-	-	-	-	-	-	-
and law enforcement	99,796.00	102,296.00	90,346.66	11,949.34	91,263.00	91,263.00	89,607.63	1,655.37
Health and welfare	11,343.00	11,343.00	11,342.00	1.00	11,343.00	11,343.00	11,343.00	-
Surveyor	2,500.00	2,500.00	2,403.74	96.26	10,500.00	10,500.00	3,375.52	7,124.48
Special Services	-	-	-	-	-	-	-	-
Emergency Fund	40,000.00	40,000.00	-	40,000.00	37,237.00	37,237.00	-	37,237.00
Justice Center	-	-	-	-	-	-	-	-
Other	80,805.00	80,805.00	76,462.38	4,342.62	114,863.00	114,863.00	106,863.75	7,999.25
Capital Outlay:								
Property, equipment and buildings	-	-	-	-	-	-	-	-
Total Expenditures	775,531.00	778,031.00	655,382.22	122,648.78	796,412.00	796,412.00	722,639.21	73,772.79
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	513,609.00	511,109.00	511,274.67	165.67	814,852.00	814,852.00	848,286.49	33,434.49
OTHER FINANCING SOURCES (USES):								
Transfers in	44,000.00	44,000.00	8,027.47	(35,972.53)	629.00	629.00	629.45	0.45
Transfers out	(352,555.00)	(194,980.00)	(197,898.55)	(2,918.55)	(196,104.00)	(196,104.00)	(550,794.31)	(354,690.31)
Debt Service:								
Principal	(100,000.00)	(159,575.00)	-	159,575.00	(354,690.00)	(354,690.00)	-	354,690.00
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(408,555.00)	(310,555.00)	(189,871.08)	120,683.92	(550,165.00)	(550,165.00)	(550,164.86)	0.14
NET CHANGE IN FUND BALANCE	105,054.00	200,554.00	321,403.59	120,849.59	264,687.00	264,687.00	298,121.63	33,434.63
FUND BALANCE - BEGINNING OF YEAR	930,413.14	930,413.14	930,413.14	-	632,291.51	632,291.51	632,291.51	-
FUND BALANCE - END OF YEAR	1,035,467.14	1,130,967.14	1,251,816.73	120,849.59	896,978.51	896,978.51	930,413.14	33,434.63

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS BUDGET AND ACTUAL GENERAL FUND
UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
DECEMBER 31, 2007

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
Animal Control	\$	-		\$ -	\$	-		\$ -
Auditor		-		-		-		-
Board of Equalization		-		-		-		-
Boonslick Reg PI Comm		-		-		-		-
Buildings and Grounds	113,535.00	113,535.00	56,908.05	56,626.95	71,600.00	71,600.00	57,872.71	13,727.29
CDBG Cleanup Grant	-	-	-	-	1,307.00	1,307.00	1,306.17	0.83
Checks Written by Treasurer	-	-	-	-	-	-	12,730.80	(12,730.80)
County Clerk	106,280.00	106,280.00	107,370.17	(1,090.17)	96,000.00	96,000.00	95,943.54	56.46
County Commission	72,104.00	72,104.00	71,730.42	373.58	70,212.00	70,212.00	66,591.17	3,620.83
Dues and Allocations		-		-		-		-
Employee Fringe Benefits	67,650.00	67,650.00	61,674.15	5,975.85	62,738.00	62,738.00	59,353.82	3,384.18
Emergency	40,000.00	40,000.00	-	40,000.00	37,237.00	37,237.00		37,237.00
Emergency Management	2,410.00	2,410.00	2,308.71	101.29	3,210.00	3,210.00	2,115.00	1,095.00
Elections	22,400.00	22,400.00	21,784.74	615.26	72,925.00	72,925.00	69,362.33	3,562.67
Extension Service		-		-		-		-
Facility Services		-		-		-		-
Fleet Services		-		-		-		-
General Services		-		-		-		-
Grant Projects		-		-		-		-
Information Technology		-		-		-		-
Insurance		-		-		-		-
Insurance - Other		-		-		-		-
Insurance - Workmen's Comp.		-		-		-		-
Land Use and Development		-		-		-		-
Legal Fees		-		-		-		-
Mapping for Assessors Office		-		-		-		-
Mo Assoc Co-Dues		-		-		-		-
Organizations		-		-		-		-
Other	80,805.00	80,805.00	76,462.38	4,342.62	114,863.00	114,863.00	106,863.75	7,999.25
Publications		-		-		-		-
Human Resources		-		-		-		-
Sheltered Workshop - Recycling		-		-		-		-
Solid Waste District Fees and Grants		-		-		-		-
Surveyor	2,500.00	2,500.00	2,403.74	96.26	10,500.00	10,500.00	3,375.52	7,124.48
Planning and Zoning		-		-		-		-
Voter Registration and Election		-		-		-		-
Telephone		-		-		-		-
	507,684.00	507,684.00	400,642.36	107,041.64	540,592.00	540,592.00	475,514.81	65,077.19
Financial Administration:								
Collector	65,813.00	65,813.00	63,319.77	2,493.23	69,099.00	69,099.00	63,395.34	5,703.66
Treasurer	37,470.00	37,470.00	37,097.38	372.62	33,980.00	33,980.00	33,886.17	93.83
	103,283.00	103,283.00	100,417.15	2,865.85	103,079.00	103,079.00	97,281.51	5,797.49

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
DEPARTMENTAL SCHEDULE OF EXPENDITURES
CASH BASIS BUDGET AND ACTUAL GENERAL FUND
UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
DECEMBER 31, 2007

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
Property Valuation and Recording:								
Recorder of Deeds	53,425.00	53,425.00	52,634.05	790.95	50,135.00	50,135.00	48,892.26	1,242.74
Administration of Justice and Law Enforcement:								
Associate Circuit Court		-		-	-	-		-
Associate Circuit (Probate) Court		-		-	-	-		-
Children's Detention Home				-				-
Circuit Clerk	53,881.00	53,881.00	41,402.11	12,478.89	45,363.00	45,363.00	43,574.27	1,788.73
Court Administration	9,715.00	9,715.00	10,031.52	(316.52)	9,700.00	9,700.00	10,268.49	(568.49)
Family Court		-		-		-		-
Jail	-	-		-		-		-
Jury Script		-		-		-		-
Justice Center		-		-		-		-
Juvenile Officer		-		-		-		-
Lincoln County Rescue Squad		-		-		-		-
Medical Examiner		-		-		-		-
Sheriff's Office	-	-		-	-	-		-
Special Services		-		-		-		-
Patrol Cars		-		-		-		-
Prosecuting Attorney		-		-		-		-
Prosecuting Attorney Retirement		-		-		-		-
Public Administrator	36,200.00	38,700.00	38,913.03	(213.03)	36,200.00	36,200.00	35,764.87	435.13
	99,796.00	102,296.00	90,346.66	11,949.34	91,263.00	91,263.00	89,607.63	1,655.37
Health and Welfare	11,343.00	11,343.00	11,342.00	1.00	11,343.00	11,343.00	11,343.00	-
Debt Service:								
Principal payments	100,000.00	159,575.00	-	159,575.00	354,690.00	354,690.00	-	354,690.00
Interest and fiscal charges	-	-	-	-	-	-	-	-
	100,000.00	159,575.00	-	159,575.00	354,690.00	354,690.00	-	354,690.00
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	\$ 875,531.00	937,606.00	655,382.22	282,223.78	\$ 1,151,102.00	1,151,102.00	722,639.21	428,462.79

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property tax	146,600.00	146,600.00	144,733.84	(1,866.16)	138,446.00	138,446.00	139,107.27	661.27
Sales tax	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	1,045,135.00	1,045,135.00	755,649.09	(289,485.91)	1,448,062.00	1,448,062.00	1,469,816.49	21,754.49
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	6,000.00	6,000.00	16,882.79	10,882.79	10,500.00	10,500.00	12,379.92	1,879.92
Other	216,100.00	216,100.00	63,257.95	(152,842.05)	3,328.00	3,328.00	3,348.64	20.64
Total Revenues	1,413,835.00	1,413,835.00	980,523.67	(433,311.33)	1,600,336.00	1,600,336.00	1,624,652.32	24,316.32
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	227,000.00	227,000.00	237,514.04	(10,514.04)	222,000.00	222,000.00	214,172.70	7,827.30
Employee Benefits	71,765.00	71,765.00	78,712.28	(6,947.28)	67,400.00	67,400.00	68,235.23	(835.23)
Supplies	100,000.00	100,000.00	62,239.70	37,760.30	90,000.00	90,000.00	62,698.73	27,301.27
Insurance	12,000.00	12,000.00	7,665.00	4,335.00	12,000.00	12,000.00	6,363.00	5,637.00
Materials	205,500.00	205,500.00	238,152.47	(32,652.47)	205,000.00	205,000.00	176,555.94	28,444.06
Equipment Repairs	25,000.00	25,000.00	16,626.61	8,373.39	25,000.00	25,000.00	21,023.27	3,976.73
Rentals	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Checks Written by Treasurer	-	-	-	-	59.00	59.00	58.54	0.46
Other Expenses	159,575.00	288,921.00	146,014.17	142,906.83	181,161.00	173,475.00	158,031.14	15,443.86
Capital Outlay:								
Construction or roads and bridges	380,000.00	380,000.00	50,714.74	329,285.26	1,200,100.00	1,200,100.00	1,201,307.92	(1,207.92)
Property, Equipment & Buildings	247,800.00	159,975.00	217,455.61	(57,480.61)	79,810.00	79,810.00	30,760.62	49,049.38
Total Expenditures	1,428,640.00	1,470,161.00	1,055,094.62	415,066.38	2,082,530.00	2,074,844.00	1,939,207.09	135,636.91
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,805.00)	(56,326.00)	(74,570.95)	(18,244.95)	(482,194.00)	(474,508.00)	(314,554.77)	159,953.23
OTHER FINANCING SOURCES(USES):								
Transfers in	159,575.00	159,575.00	-	(159,575.00)	354,690.00	354,690.00	354,690.20	0.20
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	159,575.00	159,575.00	-	(159,575.00)	354,690.00	354,690.00	354,690.20	0.20
NET CHANGE IN FUND BALANCE	144,770.00	103,249.00	(74,570.95)	(177,819.95)	(127,504.00)	(119,818.00)	40,135.43	159,953.43
FUND BALANCE - BEGINNING OF YEAR	274,569.72	274,569.72	274,569.72	-	234,434.29	234,434.29	234,434.29	-
FUND BALANCE - END OF YEAR	419,339.72	377,818.72	199,998.77	(177,819.95)	106,930.29	114,616.29	274,569.72	159,953.43

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	525,000.00	525,000.00	489,446.91	(35,553.09)	510,000.00	510,000.00	524,706.34	14,706.34
Grants, distributions and reimbursements	364,517.00	364,517.00	313,543.83	(50,973.17)	356,711.00	356,711.00	346,592.31	(10,118.69)
Fees, licenses and permits	70,000.00	70,000.00	75,447.11	5,447.11	65,000.00	65,000.00	66,625.11	1,625.11
Interest	9,000.00	9,000.00	5,990.99	(3,009.01)	10,000.00	10,000.00	9,224.60	(775.40)
Other	13,517.00	13,517.00	50,975.80	37,458.80	19,400.00	19,400.00	19,818.67	418.67
Total Revenues	982,034.00	982,034.00	935,404.64	(46,629.36)	961,111.00	961,111.00	966,967.03	5,856.03
EXPENDITURES:								
Current:								
Public Safety	525,163.00	525,163.00	511,611.84	13,551.16	516,192.00	516,192.00	506,878.62	9,313.38
LEST Expenses	155,000.00	155,000.00	150,280.78	4,719.22	164,546.00	164,546.00	139,563.41	24,982.59
Jail	182,250.00	182,250.00	215,310.23	(33,060.23)	189,591.00	189,591.00	183,111.70	6,479.30
Prosecuting Attorney	167,338.00	178,929.00	164,520.28	14,408.72	158,624.00	158,624.00	144,982.17	13,641.83
Juvenile Officer	69,932.00	69,932.00	59,566.59	10,365.41	58,942.00	58,942.00	62,344.42	(3,402.42)
Coroner	18,601.00	18,601.00	19,669.68	(1,068.68)	21,997.00	21,997.00	21,188.67	808.33
City Sales Tax	-	-	-	-	-	-	-	-
Task Force	37,855.00	37,826.40	42,712.05	(4,885.65)	83,339.00	83,339.00	81,878.93	1,460.07
MOSMART / COMET	49,362.00	49,362.00	43,510.49	5,851.51	-	-	-	-
Lake Patrol	31,800.00	31,800.00	30,888.57	911.43	29,670.00	29,670.00	29,167.84	502.16
Checks Written by Treasurer	-	-	-	-	-	-	-	-
FEMA	-	-	-	-	4,332.00	4,332.00	3,954.36	377.64
Capitall Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	1,237,301.00	1,248,863.40	1,238,070.51	10,792.89	1,227,233.00	1,227,233.00	1,173,070.12	54,162.88
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(255,267.00)	(266,829.40)	(302,665.87)	(35,836.47)	(266,122.00)	(266,122.00)	(206,103.09)	60,018.91
OTHER FINANCING SOURCES(USES):								
Transfers in	212,980.00	212,980.00	200,432.34	(12,547.66)	200,695.00	200,695.00	192,980.00	(7,715.00)
Transfers out	-	-	(10,813.00)	(10,813.00)	-	-	-	-
Total Other Financing Sources (Uses)	212,980.00	212,980.00	189,619.34	(23,360.66)	200,695.00	200,695.00	192,980.00	(7,715.00)
NET CHANGE IN FUND BALANCE	(42,287.00)	(53,849.40)	(113,046.53)	(59,197.13)	(65,427.00)	(65,427.00)	(13,123.09)	52,303.91
FUND BALANCE - BEGINNING OF YEAR	200,290.01	200,290.01	200,290.01	-	213,413.10	213,413.10	213,413.10	-
FUND BALANCE - END OF YEAR	158,003.01	146,440.61	87,243.48	(59,197.13)	147,986.10	147,986.10	200,290.01	52,303.91

See accompanying independant auditors' report

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.
6. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF CEDAR, MISSOURI
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Assessment Fund	Senior Center Fund	Circuit Court Interest Fund	Crime Victims Advocate Fund	DARE	Election Services	Families in Crisis Shelter Fund	Law Enforcement Training Fund	Law Library Fund
ASSETS									
Cash and Cash Equivalents	60,737.59	46.48	13,653.61	-	2,192.95	11,780.35	1,527.00	400.47	15,496.87
TOTAL ASSETS	<u>60,737.59</u>	<u>46.48</u>	<u>13,653.61</u>	<u>-</u>	<u>2,192.95</u>	<u>11,780.35</u>	<u>1,527.00</u>	<u>400.47</u>	<u>15,496.87</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	-	-	-	186.70	-	-	-	-	-
UNRESERVED FUND BALANCES	60,737.59	46.48	13,653.61	(186.70)	2,192.95	11,780.35	1,527.00	400.47	15,496.87
TOTAL LIABILITIES AND FUND BALANCES	<u>60,737.59</u>	<u>46.48</u>	<u>13,653.61</u>	<u>-</u>	<u>2,192.95</u>	<u>11,780.35</u>	<u>1,527.00</u>	<u>400.47</u>	<u>15,496.87</u>

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

<u>Lepc - Local Emergency Planning Fund</u>	<u>Prosecuting Attorney Bad Check Fund</u>	<u>Prosecuting Attorney Training Fund</u>	<u>Record Preservation Fund</u>	<u>Collector Tax Maintenance Fund</u>	<u>Recorder of Technology</u>	<u>Senior Service Tax Fund</u>	<u>JAG Grant</u>	<u>Passport Fees</u>	<u>Time Payment Plan</u>	<u>Total</u>
<u>9,653.08</u>	<u>16,276.58</u>	<u>94.07</u>	<u>6,480.47</u>	<u>32,250.21</u>	<u>7,949.91</u>	<u>24,403.67</u>	<u>-</u>	<u>10,988.89</u>	<u>4,186.73</u>	<u>218,118.93</u>
<u>9,653.08</u>	<u>16,276.58</u>	<u>94.07</u>	<u>6,480.47</u>	<u>32,250.21</u>	<u>7,949.91</u>	<u>24,403.67</u>	<u>-</u>	<u>10,988.89</u>	<u>4,186.73</u>	<u>218,118.93</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186.70</u>
<u>9,653.08</u>	<u>16,276.58</u>	<u>94.07</u>	<u>6,480.47</u>	<u>32,250.21</u>	<u>7,949.91</u>	<u>24,403.67</u>	<u>-</u>	<u>10,988.89</u>	<u>4,186.73</u>	<u>217,932.23</u>
<u>9,653.08</u>	<u>16,276.58</u>	<u>94.07</u>	<u>6,480.47</u>	<u>32,250.21</u>	<u>7,949.91</u>	<u>24,403.67</u>	<u>-</u>	<u>10,988.89</u>	<u>4,186.73</u>	<u>218,118.93</u>

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Senior Center Fund	Circuit Court Interest Fund	Crime Victims	DARE	Election Services	Families in Crisis Shelter Fund	Law Enforcement Training Fund
REVENUES:								
Property taxes	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	63,163.58	-	-	33,213.94	-	4,550.28	-	-
Fees, licenses and permits	-	-	-	-	-	-	1,527.00	2,331.18
Interest	3,924.26	-	4,410.55	-	-	987.99	-	-
Other	76,380.26	-	-	-	1,347.95	-	-	-
Total Revenues	143,468.10	-	4,410.55	33,213.94	1,347.95	5,538.27	1,527.00	2,331.18
EXPENDITURES								
Current:		-						
General county government	-	72.97			-	14,957.70	-	-
Property valuation and recording	129,103.95	-		-	-	-	-	-
Administration of justice and law enforcement	-		1,095.00			-	-	2,413.49
Health and welfare	-	-		32,424.02	-	-	-	-
Maintenance of roads	-	-		-	-	-	-	-
Park maintenance	-	-		-	-	-	-	-
Other	-	-		-	-	-	-	-
Capital Outlay:		-		-	-	-	-	-
Construction of roads and bridges	-	-		-	-	-	-	-
Property, equipment and buildings	-	-		-	-	-	-	-
Total Expenditures	129,103.95	72.97	1,095.00	32,424.02	-	14,957.70	-	2,413.49
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,364.15	(72.97)	3,315.55	789.92	1,347.95	(9,419.43)	1,527.00	(82.31)
OTHER FINANCING SOURCES (USES):								
Transfers in		-		2,000.00	-	736.33	-	-
Transfers out			-	-	-	(275.47)	-	-
Total Other Financing Sources (Uses)	-	-	-	2,000.00	-	460.86	-	-
NET CHANGE IN FUND BALANCES	14,364.15	(72.97)	3,315.55	2,789.92	1,347.95	(8,958.57)	1,527.00	(82.31)
FUND BALANCES - BEGINNING OF YEAR	46,373.44	119.45	10,338.06	(2,976.62)	845.00	20,738.92	-	482.78
FUND BALANCES - END OF YEAR	60,737.59	46.48	13,653.61	(186.70)	2,192.95	11,780.35	1,527.00	400.47

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

Law Library Fund	Lepc - Local Emergency Planning Fund	Prosecuting Attorney Bad Check Fund	Prosecuting Attorney Training Fund	Record Preservation Fund	Collector Tax Maintenance Fund	Recorder of Technology	Senior Services Tax Fund	JAG Grant	Passport Fees	Time Payment Plan	Total
-	-	-	-	-	-	-	76,054.67	-	-	-	76,054.67
-	-	-	-	-	-	-	-	-	-	-	-
-	4,101.29	-	-	-	14,489.38	-	-	23,776.42	-	-	143,294.89
-	-	13,948.18	377.63	6,570.00	-	4,521.25	-	-	7,410.00	1,517.00	38,202.24
71.60	406.67	1,174.30	-	336.76	1,557.19	-	-	-	-	164.96	13,034.28
6,795.00	-	-	-	-	-	-	-	-	-	-	84,523.21
6,866.60	4,507.96	15,122.48	377.63	6,906.76	16,046.57	4,521.25	76,054.67	23,776.42	7,410.00	1,681.96	355,109.29
	1,815.34	-	-	7,960.63	14,977.27	1,329.47	-	17,540.94	1,018.60	365.00	60,037.92
-	-	-	-	-	-	-	63,274.57	-	-	-	192,378.52
5,946.36	-	28,936.46	1,031.40	-	-	-	-	-	-	-	39,422.71
-	-	-	-	-	-	-	-	-	-	-	32,424.02
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
5,946.36	1,815.34	28,936.46	1,031.40	7,960.63	14,977.27	1,329.47	63,274.57	17,540.94	1,018.60	365.00	324,263.17
920.24	2,692.62	(13,813.98)	(653.77)	(1,053.87)	1,069.30	3,191.78	12,780.10	6,235.48	6,391.40	1,316.96	30,846.12
-	10.00	4,016.36	-	-	-	-	-	-	-	-	6,762.69
-	-	-	-	-	-	-	-	(6,235.48)	-	-	(6,510.95)
-	10.00	4,016.36	-	-	-	-	-	(6,235.48)	-	-	251.74
920.24	2,702.62	(9,797.62)	(653.77)	(1,053.87)	1,069.30	3,191.78	12,780.10	-	6,391.40	1,316.96	31,097.86
14,576.63	6,950.46	26,074.20	747.84	7,534.34	31,180.91	4,758.13	11,623.57	-	4,597.49	2,869.77	186,834.37
15,496.87	9,653.08	16,276.58	94.07	6,480.47	32,250.21	7,949.91	24,403.67	-	10,988.89	4,186.73	217,932.23

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

	Assessment Fund	Senior Center Fund	Circuit Court Interest Fund	Crime Victims	DARE	Election Services Fund	Families In Crisis Shelter Fund	Law Enforcement Training Fund	Law Library Fund
ASSETS									
Cash and Cash Equivalents	46,373.44	119.45	10,338.06	-	845.00	20,738.92	-	482.78	14,576.63
TOTAL ASSETS	<u>46,373.44</u>	<u>119.45</u>	<u>10,338.06</u>	<u>-</u>	<u>845.00</u>	<u>20,738.92</u>	<u>-</u>	<u>482.78</u>	<u>14,576.63</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976.62</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>46,373.44</u>	<u>119.45</u>	<u>10,338.06</u>	<u>(2,976.62)</u>	<u>845.00</u>	<u>20,738.92</u>	<u>-</u>	<u>482.78</u>	<u>14,576.63</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>46,373.44</u>	<u>119.45</u>	<u>10,338.06</u>	<u>-</u>	<u>845.00</u>	<u>20,738.92</u>	<u>-</u>	<u>482.78</u>	<u>14,576.63</u>

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

<u>Lepc - Local Emergency Planning Fund</u>	<u>Prosecuting Attorney Bad Check Fund</u>	<u>Prosecuting Attorney Training Fund</u>	<u>Record Preservation Fund</u>	<u>Collector Tax Maintenance Fund</u>	<u>Recorder Technology Fund</u>	<u>Senior Service Tax Fund</u>	<u>JAG Grant</u>	<u>Passport Fees</u>	<u>Time Payment Plan</u>	<u>Total</u>
<u>6,950.46</u>	<u>26,074.20</u>	<u>747.84</u>	<u>7,534.34</u>	<u>31,180.91</u>	<u>4,758.13</u>	<u>11,623.57</u>	<u>-</u>	<u>4,597.49</u>	<u>2,869.77</u>	<u>189,810.99</u>
<u>6,950.46</u>	<u>26,074.20</u>	<u>747.84</u>	<u>7,534.34</u>	<u>31,180.91</u>	<u>4,758.13</u>	<u>11,623.57</u>	<u>-</u>	<u>4,597.49</u>	<u>2,869.77</u>	<u>189,810.99</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976.62</u>
<u>6,950.46</u>	<u>26,074.20</u>	<u>747.84</u>	<u>7,534.34</u>	<u>31,180.91</u>	<u>4,758.13</u>	<u>11,623.57</u>	<u>-</u>	<u>4,597.49</u>	<u>2,869.77</u>	<u>186,834.37</u>
<u>6,950.46</u>	<u>26,074.20</u>	<u>747.84</u>	<u>7,534.34</u>	<u>31,180.91</u>	<u>4,758.13</u>	<u>11,623.57</u>	<u>-</u>	<u>4,597.49</u>	<u>2,869.77</u>	<u>189,810.99</u>

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Senior Center Fund	Circuit Court Interest Fund	Crime Victims	Dare Fund	Election Services Fund	Families In Crisis Shelter Fund	Law Enforcement Training Fund
REVENUES:								
Property taxes	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	59,268.98	339,456.71	-	-	-	58,487.41	-	-
Fees, licenses and permits	-	-	-	-	-	-	1,576.00	2,855.21
Interest	2,940.36	-	4,010.93	-	-	1,281.90	-	-
Other	69,050.22	-	-	26,355.83	520.00	-	-	-
Total Revenues	131,259.56	339,456.71	4,010.93	26,355.83	520.00	59,769.31	1,576.00	2,855.21
EXPENDITURES								
Current:								
General county government	-	340,440.51	-	-	-	61,974.20	-	-
Property valuation and recording	118,545.57	-	-	-	-	-	-	-
Administration of justice and law enforcement	-	-	1,211.31	-	-	-	-	2,534.42
Health and welfare	-	-	-	30,937.83	-	-	1,576.00	-
Maintenance of roads	-	-	-	-	-	-	-	-
Park maintenance	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital Outlay:	-	-	-	-	-	-	-	-
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-
Total Expenditures	118,545.57	340,440.51	1,211.31	30,937.83	-	61,974.20	1,576.00	2,534.42
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,713.99	(983.80)	2,799.62	(4,582.00)	520.00	(2,204.89)	-	320.79
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	3,124.11	-	-
Transfers out	-	-	-	-	-	(629.45)	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	2,494.66	-	-
NET CHANGE IN FUND BALANCES	12,713.99	(983.80)	2,799.62	(4,582.00)	520.00	289.77	-	320.79
FUND BALANCES - BEGINNING OF YEAR / RESTATED	33,659.45	1,103.25	7,538.44	1,605.38	325.00	20,449.15	-	161.99
FUND BALANCES - END OF YEAR	46,373.44	119.45	10,338.06	(2,976.62)	845.00	20,738.92	-	482.78

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

Law Library Fund	Lepe - Local Emergency Planning Fund	Prosecuting Attorney Bad Check Fund	Prosecuting Attorney Training Fund	Record Preservation Fund	Collector Tax Maintenance Fund	Recorder Technology Fund	Senior Service Tax Fund	JAG Grant	Passport Fees	Time Payment Plan	Total
-	-	-	-	-	-	-	11,623.57	-	-	-	11,623.57
-	-	-	-	-	-	-	-	-	-	-	-
-	3,500.83	-	-	-	12,633.57	-	-	35,192.78	-	-	508,540.28
-	-	27,365.29	429.06	6,738.00	-	4,911.25	-	-	3,900.00	1,766.89	49,541.70
-	354.40	1,195.11	-	336.76	1,338.88	-	-	-	-	-	11,458.34
6,435.18	-	-	-	-	50.45	-	-	-	-	231.35	102,643.03
6,435.18	3,855.23	28,560.40	429.06	7,074.76	14,022.90	4,911.25	11,623.57	35,192.78	3,900.00	1,998.24	683,806.92
-	1,988.34	-	-	5,315.06	3,931.21	3,892.67	-	35,192.78	694.91	1,063.20	454,492.88
-	-	-	-	-	-	-	-	-	-	-	118,545.57
4,052.22	-	15,923.97	207.27	-	-	-	-	-	-	-	23,929.19
-	-	-	-	-	-	-	-	-	-	-	32,513.83
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
4,052.22	1,988.34	15,923.97	207.27	5,315.06	3,931.21	3,892.67	-	35,192.78	694.91	1,063.20	629,481.47
2,382.96	1,866.89	12,636.43	221.79	1,759.70	10,091.69	1,018.58	11,623.57	-	3,205.09	935.04	54,325.45
-	-	-	-	6.00	-	280.24	-	-	-	-	3,410.35
-	-	-	-	(286.24)	-	-	-	-	-	-	(915.69)
-	-	-	-	(280.24)	-	280.24	-	-	-	-	2,494.66
2,382.96	1,866.89	12,636.43	221.79	1,479.46	10,091.69	1,298.82	11,623.57	-	3,205.09	935.04	56,820.11
12,193.67	5,083.57	13,437.77	526.05	6,054.88	21,089.22	3,459.31	-	-	1,392.40	1,934.73	130,014.26
14,576.63	6,950.46	26,074.20	747.84	7,534.34	31,180.91	4,758.13	11,623.57	-	4,597.49	2,869.77	186,834.37

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 CASH BASIS - AGENCY FUNDS
 DECEMBER 31, 2007

	Collectors Account	CDBG / Elevator Fund	Surtax	Drug Court	Trustee Account	Trustee Account 2	Prosecuting Attorney Trust Acct	Sheriff Acct	Amounts Held For Other Governments	Total
ASSETS										
Cash and Cash Equivalents	4,210,871.54	1.00	17,997.50	168.85	108.13	10,096.90	8,586.60	33.25	92,765.81	4,340,629.58
TOTAL ASSETS	<u>4,210,871.54</u>	<u>1.00</u>	<u>17,997.50</u>	<u>168.85</u>	<u>108.13</u>	<u>10,096.90</u>	<u>8,586.60</u>	<u>33.25</u>	<u>92,765.81</u>	<u>4,340,629.58</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>4,210,871.54</u>	<u>1.00</u>	<u>17,997.50</u>	<u>168.85</u>	<u>108.13</u>	<u>10,096.90</u>	<u>8,586.60</u>	<u>33.25</u>	<u>92,765.81</u>	<u>4,340,629.58</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,210,871.54</u>	<u>1.00</u>	<u>17,997.50</u>	<u>168.85</u>	<u>108.13</u>	<u>10,096.90</u>	<u>8,586.60</u>	<u>33.25</u>	<u>92,765.81</u>	<u>4,340,629.58</u>

See accompanying independent auditors' report

THE COUNTY OF CEDAR, MISSOURI
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 CASH BASIS - AGENCY FUNDS
 DECEMBER 31, 2006

	Collectors Account	CDBG / Elevator Fund	Surtax	Drug Court	Trustee Account	Trustee Account 2	Prosecuting Attorney Trust Account	Sheriff Account	Amounts Held For Other Governments	Total
ASSETS										
Cash and Cash Equivalents	-	1.00	25,131.72	1,866.14	91.19	9,646.06	8,961.09	4,501.68	109,072.15	159,271.03
TOTAL ASSETS	-	1.00	25,131.72	1,866.14	91.19	9,646.06	8,961.09	4,501.68	109,072.15	159,271.03
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	1.54	-	-	-	-	-	-	-	-	1.54
UNRESERVED FUND BALANCES	(1.54)	1.00	25,131.72	1,866.14	91.19	9,646.06	8,961.09	4,501.68	109,072.15	159,269.49
TOTAL LIABILITIES AND FUND BALANCES	-	1.00	25,131.72	1,866.14	91.19	9,646.06	8,961.09	4,501.68	109,072.15	159,271.03

See accompanying independent auditors' report

STATE COMPLIANCE SECTION

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

I. Chapter 50 RSMo (Budget Statute)

There were no findings for 2007 or 2006.

FEDERAL COMPLIANCE SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Cedar, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Cedar, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our cash basis report thereon dated November 7, 2008.

Our report which was because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, 06/07-03, 06/07-04 and 06/07-05 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (concluded)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Additionally, we noted certain matters that we reported to management of the County in a separate report dated November 7, 2008.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2008

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 & 2006

1. FINANCIAL STATEMENT FINDINGS

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 & 2006

1. FINANCIAL STATEMENT FINDINGS (continued)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: Bank reconciliations should be prepared monthly on a timely basis by the Collector's office.

Condition: During our audit, we discovered that bank reconciliations were not prepared on a timely basis.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 & 2006

1. FINANCIAL STATEMENT FINDINGS (concluded)

Effect: Not preparing timely bank reconciliations does not allow timely adjustments to the County's cash accounts.

Cause: Management has not prepared bank reconciliations on a timely basis.

Recommendation: We recommend that the County Collector prepare monthly bank reconciliations and adjustments to the cash accounts.

Management Response: The County will consider the auditor's recommendation.

2. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006**

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006

TABLE OF CONTENTS

	PAGE
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards.....	6-7
Notes to Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9-15



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Cedar
Stockton, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cedar, Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated November 7, 2008. Our report was modified because the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies FS 06/07-01, FS 06/07-02, FS 06/07-03, and FS 06/07-04 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of County of Cedar, Missouri in a separate letter dated November 7, 2008.

The County of Cedar, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County of Cedar, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, other audit agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

November 7, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Cedar
Stockton, Missouri

Compliance

We have audited the compliance of Cedar County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and December 31, 2006. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Primary Government's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Primary Government as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 7, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2008

THE COUNTY OF CEDAR
(the Primary Government)
STOCKTON, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	12/31/2007	12/31/2006
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state:			
	Department of Economic Development -			
14.228	Community Development Block Grants/State's Program	02-PF-05 03-DR-15 03-DR-07	59,656.00 267,744.00 234,149.00	- 339,456.71 204,763.84
	Department of Social Services -			
14.231	Emergency Shelter Grants Program		-	-
U.S. DEPARTMENT OF JUSTICE				
	Passed through:			
	State Department of Public Safety -			
16.580	Enforcement Assistance Discretionary Grants Program	MO SMART	-	69,558.61
16.588	Crime Victim Assistance		-	13,545.92
16.579	Byrne Formula Grant Program	CASH CROP	941.84	1,442.50
16.XXX	Corridor Enforcement(DWI)	GAC065	900.84	-
16.XXX	Methamphetamine Hot Spots Program	2007-SWMMC	44,234.48	-
16.XXX	Community Oriented Policing Services	2006CKWX0014	-	-
16.XXX	Lake Patrol/US Army Corp of Engineers	W912DQ-07-P-C	48,984.60	-
	Missouri Sheriffs' Association -			
16.580	Domestic Cannabis Eradication/Suppression Program	JAG	20,077.67	25,256.40
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-020(7) BRO-020(8) BRO-020(9) BRO-020(10)	5,850.00 26,266.10 - -	- 570,763.51 317,350.51 313,118.90
	Department of Public Safety -			
20.703	Crime Victim Advocate Sector Training and Planning Grants	2007-SSVF-0014	33,213.94	-
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
	Passed through state Office of Administration -			
93.563	Child Support Enforcement	IV-D	-	957.55
93.667	Social Services Block Grant	LFL5LAT010 6LCP501SF 07LFL5ECR002 6LM0504BX 5LFL408LEL	- - - - -	1,358.00 1,344.00 585.00 4,915.00 366.00
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	LRPG HAVA	1,184.00 2,992.38	- 60,689.12
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.042	Emergency Management Performance Grants	Sheriff-20498	-	1,175.00
97.042	Emergency Management Performance Grants	Sheriff-19367	-	2,779.36
97.067	Homeland Security Grant Program	H.D. Cemetery	-	1,306.17
97.051	State and Local All Hazards Emergency Operations Planning	FEMA-LEPC FEMA-Sheriff	- -	3,500.83 2,488.24
Total Expenditures of Federal Awards			<u>\$ 746,194.85</u>	<u>\$ 1,936,721.17</u>

THE COUNTY OF CEDAR
(the Primary Government)
STOCKTON, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor and Program Title
GRANTS AWARDED FOR WHICH THERE WERE NO REVENUES OR EXPENDITURES DURING THE YEAR	
Total Grants Awarded for which there were no Revenues or Expenditures during the Year	
\$ 0.00	

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that are not considered to be material weaknesses? 2007 ☒ Yes ☐ None Reported
2006 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial statements noted? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

B. FEDERAL AWARDS

1. Internal control over major programs:
Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
2. Any significant deficiencies identified that are not considered to be material weaknesses? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
3. Type of auditor's report issued on compliance for major programs: 2007 Unqualified
2006 Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

I. SUMMARY OF AUDITOR'S RESULTS (concluded)

5. Identification of major programs:

6. Dollar threshold used to distinguish between type A and type B programs:
\$ 300,000

10

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS

A. FS 06/07-01

1. CRITERIA

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

2. CONDITION

During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

3. EFFECT

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

5. RECOMMENDATION

Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

B. FS 06/07-02

1. CRITERIA

Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

2. CONDITION

Documentation of the County's internal controls has not been prepared.

3. EFFECT

The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

5. RECOMMENDATION

We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

C. FS 06/07-03

1. CRITERIA

Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

2. CONDITION

During our audit, we noted there is no formal fraud risk assessment in place.

3. EFFECT

Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

4. CAUSE

Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

5. RECOMMENDATION

We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (concluded)

D. FS 06/07-04

1. CRITERIA

Bank reconciliations should be prepared monthly on a timely basis by the Collector's office.

2. CONDITION

During our audit, we discovered that bank reconciliations were not prepared on a timely basis.

3. EFFECT

Not preparing timely bank reconciliations does not allow timely adjustments to the County's cash accounts.

4. CAUSE

Management has not prepared bank reconciliations on a timely basis.

5. RECOMMENDATION

We recommend that the County Collector prepare monthly bank reconciliations and adjustments to the cash accounts.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 & 2007

There are no findings and questioned costs related to Federal Awards in accordance with Section .510(1) of OMB Circular A-133.

THE COUNTY OF CEDAR
STOCKTON, MISSOURI
(THE PRIMARY GOVERNMENT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

There were no prior year findings and questioned costs related to Federal Awards in accordance with Section .510(a) of OMB Circular A-133.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2008

To the County Commissioners
Cedar County of Missouri

In planning and performing our audit of the basic financial statements of the Cedar County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: Bank reconciliations should be prepared monthly on a timely basis by the Collector's office.

Condition: During our audit, we discovered that bank reconciliations were not prepared on a timely basis.

Effect: Not preparing timely bank reconciliations does not allow timely adjustments to the County's cash accounts.

Cause: Management has not prepared bank reconciliations on a timely basis.

Recommendation: We recommend that the County Collector prepare monthly bank reconciliations and adjustments to the cash accounts.

Management Response: The County will consider the auditor's recommendation.

Cause: Management has not maintained records to monitor component units no reported on its financial statements.

Recommendation: We recommend that the County maintain a separate file on each component unit and monitor its progress during the year.

Management Response: The County will consider the auditor's recommendation.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Cedar County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Cedar County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cedar County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Iron County, Missouri

The Office of the State Auditor, in cooperation with Iron County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-08

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT (the Primary Government).....	1-2
FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Modified Cash Basis	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Modified Cash Basis	10-11
Statement of Fiduciary Net Assets – Modified Cash Basis Agency Funds.....	12
Notes to the Financial Statements.....	13-26
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited	27
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual - Modified Cash Basis - General Fund – Unaudited.....	28-29
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual - Modified Cash Basis - Special Revenue – Road and Bridge Fund - Unaudited.....	30

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION: (CONCLUDED)	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Special Revenue – Hospital Sales Tax Fund – Unaudited.....	31
Schedule of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Special Revenue – Missouri Foundation for Health Fund - Unaudited.....	32
Schedule of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Special Revenue – Hospital Lease Fund – Unaudited.....	33
Notes to Required Supplementary Information.....	34
SUPPLEMENTARY INFORMATION:	
Combining Fund Financial Statements And Schedule Non-Major Governmental Funds	
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	35-36
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	37-38
Combining Balance Sheet – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	39-40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Modified Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	41-42
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2007	43
Combining Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds – 2006	44
STATE COMPLIANCE SECTION:	
Schedule of Findings.....	45

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONCLUDED)

	PAGE
FEDERAL COMPLIANCE SECTION:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements of the County of Iron, Missouri (the Primary Government) Performed in Accordance With <i>Government Auditing Standards</i>	46-47
Schedule of Findings	48-50



INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Iron, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Iron (the Primary Government), Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Iron County, and the Iron County Agency for Developmentally Disabilities, have issued separate reporting entity financial statements. For information on this component units, please contact the Iron County Health Department.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note I.

Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2008 on our consideration for the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Budget and Actual and related notes on pages 27 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 35 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 45 through 50 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2008

FINANCIAL STATEMENTS

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 FOR THE YEARS ENDED

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	478,352.03	508,881.69
Investments	<u>-</u>	<u>100,000.00</u>
TOTAL ASSETS	<u><u>478,352.03</u></u>	<u><u>608,881.69</u></u>
 NET ASSETS:		
Unrestricted	65,754.98	67,193.72
Restricted for Specific Purpose	<u>412,597.05</u>	<u>541,687.97</u>
Total Net Assets	<u>478,352.03</u>	<u>608,881.69</u>
 TOTAL FUND BALANCE	<u><u>478,352.03</u></u>	<u><u>608,881.69</u></u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
	Expenses	Charges for Services			
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES:					
General county government	725,693.24	234,573.72	2,111,205.73	1,007,840.68	2,627,926.89
Road & Bridge	946,928.18	-	-	-	(946,928.18)
Financial administration	114,212.25	-	-	-	(114,212.25)
Other Offices & Grants	248,791.79	-	-	-	(248,791.79)
Administration of justice and law enforcement	749,830.33	-	-	-	(749,830.33)
Consulting	40,914.61	-	-	-	(40,914.61)
Fees Licenses & Permits	3,342.16	-	-	-	(3,342.16)
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	15,282.44	-	-	-	(15,282.44)
Interest and Fiscal charges	9,479.76	-	-	-	(9,479.76)
Capital Outlay:					
Construction of hospital	2,270,439.86	-	-	-	(2,270,439.86)
Property, equipment and buildings	266,641.22	-	-	-	(266,641.22)
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,391,555.84</u>	<u>234,573.72</u>	<u>2,111,205.73</u>	<u>1,007,840.68</u>	<u>(2,037,935.71)</u>

General Revenues:

Taxes	
Property taxes, levied	1,000,593.97
Sales tax	701,731.11
Investment income	29,574.19
Miscellaneous	175,506.78
TOTAL GENERAL REVENUES	<u>1,907,406.05</u>
CHANGE IN NET ASSETS	(130,529.66)
NET ASSETS, BEGINNING OF YEAR	608,881.69
NET ASSETS, END OF YEAR	<u>478,352.03</u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED
 DECEMBER 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating	Capital	Total
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES:					
General county government	796,855.63	252,805.07	930,835.79	1,131,174.00	1,517,959.23
Road & bridge	961,127.52	-	-	-	(961,127.52)
Financial administration	105,132.78	-	-	-	(105,132.78)
Other offices & grants	224,469.67	-	-	-	(224,469.67)
Consulting	32,450.00	-	-	-	(32,450.00)
Permits and Fees	20,410.16	-	-	-	(20,410.16)
Administration of justice and law enforcement	740,729.57	-	-	-	(740,729.57)
Hospital Construction	-	-	6,563,300.00	-	6,563,300.00
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	65,335.51	-	65,335.51
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:					
Principal	360,341.04	-	-	-	(360,341.04)
Interest and Fiscal charges	54,804.54	-	-	-	(54,804.54)
Capital Outlay:					
Construction of hospital	7,163,652.85	-	-	-	(7,163,652.85)
Property, equipment and buildings	859,215.26	-	-	-	(859,215.26)
TOTAL GOVERNMENTAL ACTIVITIES	11,319,189.02	252,805.07	7,559,471.30	1,131,174.00	(2,375,738.65)

General Revenues:	
Taxes	
Property taxes, levied	965,208.34
Sales tax	671,991.34
Investment income	39,252.78
Miscellaneous	162,667.32
TOTAL GENERAL REVENUES	<u>1,839,119.78</u>
CHANGE IN NET ASSETS	<u>(536,618.87)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,145,500.56</u>
NET ASSETS, END OF YEAR	<u>608,881.69</u>

-

See accompanying notes to the financial statements

THE COUNTY OF IRON
JORNTON, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

DECEMBER 31, 2007								DECEMBER 31, 2006						
	General	Road and Bridge	Hospital Construction Fund	Hospital Sales Tax Fund	MFH Grant	Nonmajor Governmental Funds	Total Governmental Funds	General	Road and Bridge	Hospital Construction Fund	Hospital Sales Tax Fund	MFH Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS														
Cash and Cash Equivalents	65,754.98	2,936.21	118,214.26	131,843.80	-	159,602.78	478,352.03	67,193.72	30,436.71	1,017.77	71,528.92	212,724.37	125,980.20	508,881.69
Investments	-	-	-	-	-	-	-	-	100,000.00	-	-	-	-	100,000.00
							-							-
TOTAL ASSETS	65,754.98	2,936.21	118,214.26	131,843.80	-	159,602.78	478,352.03	67,193.72	130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	608,881.69
FUND BALANCES														
FUND BALANCES:														
Unreserved:														
General Fund	65,754.98						65,754.98	67,193.72						67,193.72
Special revenue funds	-	2,936.21	118,214.26	131,843.80	-	159,602.78	412,597.05		130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	541,687.97
Total Fund Balances	65,754.98	2,936.21	118,214.26	131,843.80	-	159,602.78	478,352.03	67,193.72	130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	608,881.69
TOTAL														
FUND BALANCES	65,754.98	2,936.21	118,214.26	131,843.80	-	159,602.78	478,352.03	67,193.72	130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	608,881.69

See accompanying notes to the financial statements

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED

	DECEMBER 31, 2007							DECEMBER 31, 2006						
	General	Road and Bridge	Hospital Construction	Hospital Sales Tax	MFH Grant	Non-Major Governmental Funds	Total Governmental Funds	General	Road and Bridge	Hospital Construction	Hospital Sales Tax	MFH Grant	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:														
Property tax	514,594.25	485,999.72	-	-	-	-	1,000,593.97	495,656.96	469,551.38	-	-	-	-	965,208.34
Sales tax	358,683.96	-	-	343,047.15	-	-	701,731.11	330,952.23	-	-	341,039.11	-	-	671,991.34
Intergovernmental Revenue	370,203.31	494,252.09	-	-	-	176,437.62	1,040,893.02	207,138.77	464,804.32	-	-	-	148,355.99	820,299.08
Changes for Services	234,573.72	-	-	-	-	-	234,573.72	252,805.07	-	-	-	-	-	252,805.07
Loans	-	-	700,000.00	-	-	-	700,000.00	-	-	6,563,300.00	-	-	-	6,563,300.00
Grants, distributions and reimbursements	-	-	987,727.68	-	20,113.00	-	1,007,840.68	-	65,335.51	-	-	998,267.00	132,907.00	1,196,509.51
Fees, licenses and permits	-	-	240,605.32	-	-	129,707.39	370,312.71	-	-	-	-	-	110,536.71	110,536.71
Interest	5,043.36	10,555.47	3,305.69	3,225.37	1,004.59	6,439.71	29,574.19	10,710.65	13,379.71	5,482.39	1,713.94	2,334.91	5,631.18	39,252.78
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	82,300.00	93,206.78	-	-	-	-	175,506.78	119,487.82	39,184.96	-	-	-	3,994.54	162,667.32
Total Revenues	1,565,398.60	1,084,014.06	1,931,638.69	346,272.52	21,117.59	312,584.72	5,261,026.18	1,416,751.50	1,052,255.88	6,568,782.39	342,753.05	1,000,601.91	401,425.42	10,782,570.15
EXPENDITURES:														
Current:														
General county government	498,686.26	-	-	-	-	227,006.98	725,693.24	533,690.93	-	-	-	-	263,164.70	796,855.63
Road & Bridge	-	946,928.18	-	-	-	-	946,928.18	-	961,127.52	-	-	-	-	961,127.52
Financial Administration	114,212.25	-	-	-	-	-	114,212.25	105,132.78	-	-	-	-	-	105,132.78
Other offices & grants	248,791.79	-	-	-	-	-	248,791.79	224,469.67	-	-	-	-	-	224,469.67
Consulting	-	-	-	-	40,914.61	-	40,914.61	-	-	-	-	32,450.00	-	32,450.00
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	2,000.00	1,342.16	3,342.16	-	-	-	-	7,294.06	13,116.10	20,410.16
Administration of Justice and Law	707,775.04	-	-	-	-	42,055.29	749,830.33	716,629.57	-	-	-	-	24,100.00	740,729.57
Capital Outlay:														
Construction	-	36,136.70	1,948,345.52	285,957.64	-	-	2,270,439.86	-	-	7,128,587.07	-	35,065.78	-	7,163,652.85
Property, equipment and buildings	-	224,449.68	-	-	32,261.83	9,929.71	266,641.22	-	196,353.05	-	-	513,067.70	149,794.51	859,215.26
Total Expenditures	1,569,465.34	1,207,514.56	1,948,345.52	285,957.64	75,176.44	280,334.14	5,366,793.64	1,579,922.95	1,157,480.57	7,128,587.07	-	587,877.54	450,175.31	10,904,043.44
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,066.74)	(123,500.50)	(16,706.83)	60,314.88	(54,058.85)	32,250.58	(105,767.46)	(163,171.45)	(105,224.69)	(559,804.68)	342,753.05	412,724.37	(48,749.89)	(121,473.29)
OTHER FINANCING SOURCES (USES):														
Transfers in	45,000.00	26,000.00	333,903.32	-	200,000.00	16,372.00	621,275.32	82,000.00	60,000.00	100,000.00	-	-	12,000.00	254,000.00
Transfers out	(42,372.00)	(30,000.00)	(200,000.00)	-	(333,903.32)	(15,000.00)	(621,275.32)	(12,000.00)	(30,000.00)	-	-	(200,000.00)	(12,000.00)	(254,000.00)
Debt Service														
Principal payment	-	-	-	-	(15,282.44)	-	(15,282.44)	-	-	(115,000.00)	(245,341.04)	-	-	(360,341.04)
Interest and fiscal charges	-	-	-	-	(9,479.76)	-	(9,479.76)	-	-	-	(54,804.54)	-	-	(54,804.54)
Total Other Financing Sources (uses)	2,628.00	(4,000.00)	133,903.32	-	(158,665.52)	1,372.00	(24,762.20)	70,000.00	30,000.00	(15,000.00)	(300,145.58)	(200,000.00)	-	(415,145.58)
NET CHANGE IN FUND BALANCE	(1,438.74)	(127,500.50)	117,196.49	60,314.88	(212,724.37)	33,622.58	(130,529.66)	(93,171.45)	(75,224.69)	(574,804.68)	42,607.47	212,724.37	(48,749.89)	(536,618.87)
FUND BALANCE - BEGINNING OF YEAR	67,193.72	130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	608,881.69	160,365.17	205,661.40	575,822.45	28,921.45	-	174,730.09	1,145,500.56
FUND BALANCE - END OF YEAR	65,754.98	2,936.21	118,214.26	131,843.80	-	159,602.78	478,352.03	67,193.72	130,436.71	1,017.77	71,528.92	212,724.37	125,980.20	608,881.69

See accompanying notes to the financial statements

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 478,352.03
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u>\$ 478,352.03</u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 608,881.69
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u>\$ 608,881.69</u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ (130,529.66)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u>\$ (130,529.66)</u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)

RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (536,618.87)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u>\$ (536,618.87)</u>

See accompanying notes to the financial statements

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 STATEMENT OF FIDUCIARY NET ASSETS
 MODIFIED CASH BASIS - AGENCY FUNDS

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>300,485.40</u>	<u>585,037.91</u>
TOTAL ASSETS	<u><u>300,485.40</u></u>	<u><u>585,037.91</u></u>
LIABILITIES		
Due to other funds	<u>300,485.40</u>	<u>585,037.91</u>
TOTAL LIABILITIES	<u><u>300,485.40</u></u>	<u><u>585,037.91</u></u>

See accompanying notes to financial statements

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Iron, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1857 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the Primary Government.

The Primary Government’s operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Iron County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Iron County, Missouri and the Iron County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Iron County Health Department at (573) 546-7121 (or write to 606 W. Russell St., Ironton, MO 63650) and the Iron County Agency for Developmental Disabilities at (573) 598-3357 (or write to PO Box 157, Vulcan, MO, 63675).

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The Primary Government does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the Primary Government's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Primary Government.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the Primary Government has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Primary Government has determined that the General Fund, Road and Bridge Fund, Missouri Foundation for Health Fund, Hospital Lease Fund, and Hospital Sales Tax Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

The fund financial statements of the Primary Government are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the Primary Government:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Primary Government's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the Primary Government's governmental major funds:

General Fund – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Missouri Foundation for Health Fund– The Missouri Foundation for Health Fund is a grant used to fund the construction of the Primary Government's hospital.

Hospital Construction Fund – The Hospital Construction Fund is used to account for the funding and expenditures from the building of the Primary Government's hospital.

Hospital Sales Tax Fund – The Hospital Sales Tax Fund is used to collect sales tax revenue to be used for the funding of the Primary Government's hospital.

The other governmental funds of the Primary Government are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the Primary Government in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the Primary Government utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$112,620,880	\$98,238,400
Personal Property	32,690,170	26,031,240
Railroad and Utilities	25,809,489	25,659,090
	<u>\$171,120,539</u>	<u>\$149,928,730</u>

During 2007 and 2006, the County Commission approved a \$1.0095 and \$0.9295, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$ 0.2960	\$ 0.3085
Special Road and Bridge Fund	0.2833	0.3017
Sur-Tax	0.2800	0.2800
	<u>\$ 0.8593</u>	<u>\$ 0.8902</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified cash basis – Governmental fund.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

F. Interfund Transactions (concluded)

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2007 and 2006.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Primary Government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The Primary Government applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The Primary Government maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the Primary Government's deposits was \$478,352.03 and \$608,881.69, the bank balance was \$655,282.80 and \$1,294,078.95 respectively. As of December 31, 2007 and 2006, 100% of the Primary Government's investments were guaranteed by the U. S. Government.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

II. DEPOSITS AND INVESTMENTS (CONTINUED)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 478,352.03
Investments	-
Restricted cash	-
Total Deposits & Investments as of December 31, 2007	\$ <u>478,352.03</u>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 508,881.69
Investments	100,000.00
Restricted cash	-
Total Deposits & Investments as of December 31, 2006	\$ <u>608,881.69</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Primary Government or of a type that are not exposed to custodial credit risk.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

II. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Government does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Primary Government has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

III. LONG-TERM DEBT

Line of Credit – This line of credit can be used for whatever needs the county has. Currently the balance is for the Iron County Hospital. The Line of Credit matures 01/31/08, the line is extended up to \$750,000, and the interest rate is variable according to the prime rate published in the wall street journal.

2007 A Bond – This bond is for the Iron County Hospital project. The bonds were closed on 2/29/05. The maturity of the bonds is 10/01/31 and the interest rate is 4.125%. The USDA is the holder of this bond.

2005 B Bonds (Sales Tax Loan) – This bond is for the Iron County Hospital project. The bonds were closed on 9/29/05. The maturity of the bonds is 03/15/11 and the interest rate is 3.51574%. First State Community Bank is the holder of this bond.

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

III. LONG-TERM DEBT (CONTINUED)

DEBT	2007				
	BALANCE AT 12/31/2006	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2007	INTEREST PD DURING YEAR
LOC	0.00	\$ 623,341.00	\$ (5,000.00)	\$ 618,341.00	0.00
Sales Tax Loan	\$ 1,124,658.96	0.00	\$ (249,860.53)	\$ 874,798.43	\$ 36,097.11
2007 A Bonds	0.00	\$ 7,500,000.00	0.00	\$ 7,500,000.00	\$ 184,765.63
TOTAL	\$ 1,124,658.96	\$ 8,123,341.00	\$ (254,860.53)	\$ 8,993,139.43	\$ 220,862.74

DEBT	2006				
	BALANCE AT 12/31/2005	AMOUNT BORROWED	PAYMENTS 2006	BALANCE AT 12/31/2006	INTEREST PD DURING YEAR
Line of Credit	\$ -	\$ 115,000.00	\$ (115,000.00)	0.00	\$ 427.70
Sales Tax Loan	\$ 1,370,000.00	0.00	\$ (245,341.04)	\$ 1,124,658.96	\$ 52,616.60
TOTAL	\$ 1,370,000.00	\$ 115,000.00	\$ (360,341.04)	\$ 1,124,658.96	\$ 53,044.30

2007 Amortizations

2007				2007			
2005 B (Sales Tax Loan) Schedule				Series 2007 A Bond Schedule			
YEAR	PRINCIPLE	INTEREST	TOTAL	YEAR	PRINCIPLE	INTEREST	TOTAL
2008	258,634.97	27,322.67	285,957.64	2008	188,850.00	309,375.00	498,225.00
2009	267,892.82	18,064.82	285,957.64	2009	196,640.06	301,584.94	498,225.00
2010	277,392.85	8,564.79	285,957.64	2010	204,751.46	293,473.54	498,225.00
2011	70,877.79	611.69	71,489.48	2011	213,197.46	285,027.54	498,225.00
				2012	221,991.86	276,233.14	498,225.00
TOTAL	874,798.43	54,563.97	929,362.40	2013-2017	1,255,109.01	1,236,015.99	2,491,125.00
				2018-2022	1,536,230.99	954,894.01	2,491,125.00
				2023-2027	1,880,319.25	610,805.75	2,491,125.00
				2028-2031	1,802,909.91	189,661.41	1,992,571.32
				TOTAL	7,500,000.00	4,457,071.32	11,957,071.32

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

III. LONG-TERM DEBT (CONCLUDED)

2006 Amortizations

YEAR	2006 2005 B (Sales Tax Loan) Schedule		
	PRINCIPLE	INTEREST	TOTAL
2007	249,860.53	36,097.11	285,957.64
2008	258,634.97	27,322.67	285,957.64
2009	267,892.82	18,064.82	285,957.64
2010	277,392.85	8,564.79	285,957.94
2011	70,877.79	611.69	71,489.48
TOTAL	<u>1,124,658.96</u>	<u>90,661.08</u>	<u>1,215,320.34</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	Transfers In	Transfers Out	Transfers In	Transfers Out
Major Funds				
General Fund	\$ 45,000.00	\$ 42,372.00	\$ 82,000.00	\$ 12,000.00
Special Road And Bridge	26,000.00	30,000.00	60,000.00	30,000.00
Hospital Lease	333,903.32	200,000.00	100,000.00	
MFH Grant	200,000.00	333,903.32		200,000.00
Non-major Funds	16,372.00	15,000.00	12,000.00	12,000.00
Total	<u>\$ 621,275.32</u>	<u>\$ 621,275.32</u>	<u>\$ 254,000.00</u>	<u>\$ 254,000.00</u>

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer of employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (CONTINUED)

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2007 and 2006, the Primary Government collected and remitted to CERF, employee contributions of approximately for \$19,680.02 and \$19,841.28, respectively, for the years then ended.

VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

A. Plan Description

Iron County participates in the Missouri Local Government Employees Retirement System (LAGERS) an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS a created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

**VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)
(CONTINUED)**

A. Plan Description (continued)

The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Policy

Iron County's full time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 0.4% (general) and 0.4% (police) of annual covered payroll for 2007. The 2006 rate was 0.7 % (general) and 0.7% (police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2007, the political subdivision's annual pension cost of \$50,146 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. For 2006, the political subdivision's annual pension cost of \$46,261 was equal to the required and actual contributions. The required contribution was determined as part of February 28, 2004 and/or February 29, 2005 annual valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on RP 2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2006 and 2007, was 15 years.

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

**VI. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)
 (CONCLUDED)**

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2005	\$ 47,262	100%	\$ 0
6/30/2006	46,261	100%	0
6/30/2007	50,146	100%	0

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2005	\$2,311,559	\$ 1,465,657	\$ (845,902)	158%	\$ 1,010,856	0%
2/28/2006	2,471,120	1,533,433	(937,687)	161%	967,036	0%
2/28/2007	2,772,402	1,740,019	(1,032,383)	159%	1,096,001	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The Primary Government has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2007 and 2006.

VIII. POST EMPLOYMENT BENEFITS

The Primary Government does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is involved in pending litigation at December 31, 2007.

B. Compensated Absences

The Primary Government provides employees with annual leave. Each employee is entitled to five days annual leave after one year of employment, is entitled to ten days annual leave after two years of employment and fifteen days after ten years of employment. Annual leave may not be accumulated in excess of leave accrued over two years. Sick time is accrued at ½ day for each full month employed, which may accumulate up to 40 days. An employee is not reimbursed for unused sick time upon termination of employment. Employees are entitled up to three days leave for a death in the immediate family. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The Primary Government has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS- BUDGET AND ACTUAL -GENERAL FUND
 UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	513,400.00	513,400.00	514,594.25	1,194.25	472,900.00	472,900.00	495,656.96	22,756.96
Sales tax	350,000.00	350,000.00	358,683.96	8,683.96	370,000.00	370,000.00	330,952.23	(39,047.77)
Intergovernmental revenues	437,924.00	437,924.00	370,203.31	(67,720.69)	262,224.00	262,224.00	207,138.77	(55,085.23)
Charges for services	256,000.00	256,000.00	234,573.72	(21,426.28)	246,900.00	246,900.00	252,805.07	5,905.07
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interests	15,000.00	15,000.00	5,043.36	(9,956.64)	12,100.00	12,100.00	10,710.65	(1,389.35)
Other	-	-	82,300.00	82,300.00	102,000.00	102,000.00	119,487.82	17,487.82
Total Revenues	1,572,324.00	1,572,324.00	1,565,398.60	(6,925.40)	1,466,124.00	1,466,124.00	1,416,751.50	(49,372.50)
EXPENDITURES:								
Current:								
General county government	523,074.00	523,074.00	498,686.26	(24,387.74)	522,858.00	522,858.00	533,690.93	10,832.93
Financial Administration	112,735.00	112,735.00	114,212.25	1,477.25	103,265.00	103,265.00	105,132.78	1,867.78
Other offices & grants	308,803.00	308,803.00	248,791.79	(60,011.21)	192,800.00	192,800.00	224,469.67	31,669.67
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording:	-	-	-	-	-	-	-	-
Administration of Justice and Law	685,122.00	685,122.00	707,775.04	22,653.04	701,637.00	701,637.00	716,629.57	14,992.57
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-
Total Expenditures	1,629,734.00	1,629,734.00	1,569,465.34	(60,268.66)	1,520,560.00	1,520,560.00	1,579,922.95	59,362.95
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,410.00)	(57,410.00)	(4,066.74)	53,343.26	(54,436.00)	(54,436.00)	(163,171.45)	(108,735.45)
OTHER FINANCING SOURCES (USES):								
Transfers in	45,000.00	45,000.00	45,000.00	-	42,000.00	42,000.00	82,000.00	40,000.00
Transfers out	(16,372.00)	(16,372.00)	(42,372.00)	(26,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	-
Emergency Fund	(30,000.00)	(30,000.00)		30,000.00	(30,000.00)	(30,000.00)		30,000.00
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,372.00)	(1,372.00)	2,628.00	4,000.00	0.00	0.00	70,000.00	70,000.00
NET CHANGE IN FUND BALANCE	(58,782.00)	(58,782.00)	(1,438.74)	57,343.26	(54,436.00)	(54,436.00)	(93,171.45)	(38,735.45)
FUND BALANCE - BEGIN OF YEAR	67,193.72	67,193.72	67,193.72	-	160,365.17	160,365.17	160,365.17	-
FUND BALANCE - END OF YEAR	8,411.72	8,411.72	65,754.98	57,343.26	105,929.17	105,929.17	67,193.72	(38,735.45)

See accompanying independent auditors' report

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPENDITURES
 MODIFIED CASH BASIS-BUDGET AND ACTUAL-GENERAL FUND
 UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 110,680.00	110,680.00	103,269.42	\$ (7,410.58)	\$ 78,289.00	78,289.00	93,385.13	\$ 15,096.13
County Clerk	83,450.00	83,450.00	70,900.62	(12,549.38)	92,545.00	92,545.00	90,072.61	(2,472.39)
Elections	7,500.00	7,500.00	7,439.85	(60.15)	26,050.00	26,050.00	26,307.86	257.86
Buildings and grounds	132,700.00	132,700.00	129,198.74	(3,501.26)	127,480.00	127,480.00	144,711.11	17,231.11
Employee fringe benefits	188,744.00	188,744.00	187,877.63	(866.37)	198,494.00	198,494.00	179,214.22	(19,279.78)
Other Expenses	-	-	-	-	-	-	-	-
	523,074.00	523,074.00	498,686.26	(24,387.74)	522,858.00	522,858.00	533,690.93	10,832.93
Financial Administration:								
Collector	71,485.00	71,485.00	73,365.97	1,880.97	71,957.00	71,957.00	75,074.63	3,117.63
Treasurer	41,250.00	41,250.00	40,846.28	(403.72)	31,308.00	31,308.00	30,058.15	(1,249.85)
	112,735.00	112,735.00	114,212.25	1,477.25	103,265.00	103,265.00	105,132.78	1,867.78
Other Offices & Grants								
Other Offices & Grants	308,803.00	308,803.00	248,791.79	(60,011.21)	192,800.00	192,800.00	224,469.67	31,669.67
	308,803.00	308,803.00	248,791.79	(60,011.21)	192,800.00	192,800.00	224,469.67	31,669.67
Health & Welfare								
Non-Institutional Care	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

See accompanying independent auditors' report

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPENDITURES
 MODIFIED CASH BASIS-BUDGET AND ACTUAL-GENERAL FUND (CONTINUED)
 UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording: Recorder of Deeds	-	-	-	-	-	-	-	-
Administration of Justice and Law Enforcement:								
Associate Circuit	7,725.00	7,725.00	6,666.32	(1,058.68)	5,725.00	5,725.00	4,038.48	(1,686.52)
Circuit Clerk	28,820.00	28,820.00	31,287.63	2,467.63	27,020.00	27,020.00	30,170.70	3,150.70
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	16,464.00	16,464.00	9,642.51	(6,821.49)	16,382.00	16,382.00	8,176.15	(8,205.85)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges & Court Reporters	-	-	-	-	-	-	-	-
Jail	74,925.00	74,925.00	96,481.08	21,556.08	76,175.00	76,175.00	93,533.47	17,358.47
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	31,753.00	31,753.00	31,753.00	-	31,396.00	31,396.00	31,396.00	-
Lincoln County Rescue Squad	-	-	-	-	-	-	-	-
Medical Examiner	13,939.00	13,939.00	13,193.30	(745.70)	13,200.00	13,200.00	12,958.54	(241.46)
Sheriff's Office	377,846.00	377,846.00	386,367.53	8,521.53	395,050.00	395,050.00	409,985.01	14,935.01
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	89,700.00	89,700.00	89,019.08	(680.92)	92,439.00	92,439.00	75,320.36	(17,118.64)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	43,950.00	43,950.00	43,364.59	(585.41)	44,250.00	44,250.00	51,050.86	6,800.86
	685,122.00	685,122.00	707,775.04	22,653.04	701,637.00	701,637.00	716,629.57	14,992.57
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total Expenditures	\$ 1,629,734.00	1,629,734.00	1,569,465.34	(60,268.66)	\$ 1,520,560.00	1,520,560.00	1,579,922.95	59,362.95

See accompanying independent auditors' report

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS-SPECIAL REVENUE MAJOR FUND-BUDGET AND ACTUAL
ROAD AND BRIDGE FUND UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	488,500.00	488,500.00	485,999.72	(2,500.28)	445,000.00	445,000.00	469,551.38	24,551.38
Sales tax	-	-	-	-	-	-	-	-
Intergovernmental revenue	526,675.00	526,675.00	494,252.09	(32,422.91)	602,600.00	602,600.00	464,804.32	(137,795.68)
Charges for services	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	65,335.51	65,335.51
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	15,000.00	15,000.00	10,555.47	(4,444.53)	13,000.00	13,000.00	13,379.71	379.71
Other	585,000.00	585,000.00	93,206.78	(491,793.22)	509,000.00	509,000.00	39,184.96	(469,815.04)
Total Revenues	1,615,175.00	1,615,175.00	1,084,014.06	(531,160.94)	1,569,600.00	1,569,600.00	1,052,255.88	(517,344.12)
EXPENDITURES:								
Current:								
Salaries	370,000.00	370,000.00	382,163.47	12,163.47	370,000.00	370,000.00	373,718.94	3,718.94
Employee Fringe Benefits	113,800.00	113,800.00	136,023.77	22,223.77	103,500.00	103,500.00	112,755.71	9,255.71
Supplies	114,500.00	114,500.00	116,927.11	2,427.11	115,000.00	115,000.00	109,395.79	(5,604.21)
Property and Equipment Insurance	32,500.00	32,500.00	32,532.07	32.07	30,000.00	30,000.00	28,947.70	(1,052.30)
Equipment Repairs	50,500.00	50,500.00	75,359.53	24,859.53	50,400.00	50,400.00	62,129.93	11,729.93
Rentals	3,000.00	3,000.00	418.96	(2,581.04)	5,000.00	5,000.00	320.00	(4,680.00)
Maintenance of Roads:								
Highway and Roads	200,000.00	200,000.00	155,601.08	(44,398.92)	200,000.00	200,000.00	228,537.51	28,537.51
Other	85,500.00	85,500.00	47,902.19	(37,597.81)	77,550.00	77,550.00	45,321.94	(32,228.06)
Capital Outlay:								
Construction of roads and bridges	450,000.00	450,000.00	36,136.70	(413,863.30)	500,000.00	500,000.00	-	(500,000.00)
Property, equipment & buildings	164,000.00	164,000.00	224,449.68	60,449.68	164,000.00	164,000.00	196,353.05	32,353.05
Total Expenditures	1,583,800.00	1,583,800.00	1,207,514.56	(376,285.44)	1,615,450.00	1,615,450.00	1,157,480.57	(457,969.43)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,375.00	31,375.00	(123,500.50)	(154,875.50)	(45,850.00)	(45,850.00)	(105,224.69)	(59,374.69)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	26,000.00	26,000.00	-	-	60,000.00	60,000.00
Transfers out	(30,000.00)	(30,000.00)	(30,000.00)	-	(30,000.00)	(30,000.00)	(30,000.00)	-
Debt Service								
Total Other Financing Sources (Uses)	(30,000.00)	(30,000.00)	(4,000.00)	26,000.00	(30,000.00)	(30,000.00)	30,000.00	60,000.00
NET CHANGE IN FUND BALANCE	1,375.00	1,375.00	(127,500.50)	(128,875.50)	(75,850.00)	(75,850.00)	(75,224.69)	625.31
FUND BALANCE - BEGINNING OF YEAR	130,436.71	130,436.71	130,436.71	-	205,661.40	205,661.40	205,661.40	-
FUND BALANCE - END OF YEAR	131,811.71	131,811.71	2,936.21	(128,875.50)	129,811.40	129,811.40	130,436.71	625.31

See accompanying independent auditors' report

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
 HOSPITAL SALES TAX FUND - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	343,047.15	343,047.15	-	-	341,039.11	341,039.11
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	-	-	3,225.37	3,225.37	-	-	1,713.94	1,713.94
Other	-	-	-	-	-	-	-	-
Total Revenues	-	-	346,272.52	346,272.52	-	-	342,753.05	342,753.05
EXPENDITURES:								
Capitail Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Construction of Hospital	-	-	285,957.64	285,957.64	-	-	-	-
Total Expenditures	-	-	285,957.64	285,957.64	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	60,314.88	60,314.88	-	-	342,753.05	342,753.05
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt Service								
Principle	-	-	-	-	-	-	(245,341.04)	(245,341.04)
Interest	-	-	-	-	-	-	(54,804.54)	(54,804.54)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(300,145.58)	(300,145.58)
NET CHANGE IN FUND BALANCE	-	-	60,314.88	60,314.88	-	-	42,607.47	42,607.47
FUND BALANCE - BEGINNING OF YEAR	-	-	71,528.92	71,528.92	-	-	28,921.45	28,921.45
FUND BALANCE - END OF YEAR	-	-	131,843.80	131,843.80	-	-	71,528.92	71,528.92

See accompanying independent auditors' report

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
 MISSOURI FOUNDATION FOR HEALTH FUND - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	20,113.00	20,113.00	-	-	998,267.00	998,267.00
Fees, Licenses & Permits	-	-	-	-	-	-	-	-
Hospital Construction Reimbursement	-	-	-	-	-	-	-	-
Interest	-	-	1,004.59	1,004.59	-	-	2,334.91	2,334.91
Other	-	-	-	-	-	-	-	-
Total Revenues	-	-	21,117.59	21,117.59	-	-	1,000,601.91	1,000,601.91
EXPENDITURES:								
Current:								
Consulting	-	-	40,914.61	40,914.61	-	-	32,450.00	32,450.00
Fees	-	-	2,000.00	2,000.00	-	-	7,294.06	7,294.06
General Government	-	-	-	-	-	-	-	-
Road and Bridge	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	32,261.83	32,261.83	-	-	513,067.70	513,067.70
Hospital Construction	-	-	-	-	-	-	35,065.78	35,065.78
Total Expenditures	-	-	75,176.44	75,176.44	-	-	587,877.54	587,877.54
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(54,058.85)	(54,058.85)	-	-	412,724.37	412,724.37
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	200,000.00	200,000.00	-	-	-	-
Transfers out	-	-	(333,903.32)	(333,903.32)	-	-	(200,000.00)	(200,000.00)
Debt Service								
Principal Payment	-	-	(15,282.44)	(15,282.44)	-	-	-	-
Interest	-	-	(9,479.76)	(9,479.76)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(158,665.52)	(158,665.52)	-	-	(200,000.00)	(200,000.00)
NET CHANGE IN FUND BALANCE	-	-	(212,724.37)	(212,724.37)	-	-	212,724.37	212,724.37
FUND BALANCE - BEGINNING OF YEAR	-	-	212,724.37	212,724.37	-	-	-	-
FUND BALANCE - END OF YEAR	-	-	-	-	-	-	212,724.37	212,724.37

See accompanying independent auditors' report

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND - BUDGET AND ACTUAL
 HOSPITAL CONSTRUCTION FUND - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Loans	-	-	700,000.00	700,000.00	-	-	6,563,300.00	6,563,300.00
Grants, distributions and reimbursements	-	-	987,727.68	987,727.68	-	-	-	-
Fees, licenses and permits	-	-	240,605.32	240,605.32	-	-	-	-
Interest	-	-	3,305.69	3,305.69	-	-	5,482.39	5,482.39
Other	-	-	-	-	-	-	-	-
Total Revenues	-	-	1,931,638.69	1,931,638.69	-	-	6,568,782.39	6,568,782.39
EXPENDITURES:								
Current:								
Hospital Construction	-	-	1,948,345.52	1,948,345.52	-	-	7,128,587.07	7,128,587.07
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	-	-	1,948,345.52	1,948,345.52	-	-	7,128,587.07	7,128,587.07
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(16,706.83)	(16,706.83)	-	-	(559,804.68)	(559,804.68)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	333,903.32	333,903.32	-	-	100,000.00	100,000.00
Transfers out	-	-	(200,000.00)	(200,000.00)	-	-	-	-
Debt Service								
Principle	-	-	-	-	-	-	(115,000.00)	(115,000.00)
Interest	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	133,903.32	133,903.32	-	-	(15,000.00)	(15,000.00)
NET CHANGE IN FUND BALANCE	-	-	117,196.49	117,196.49	-	-	(574,804.68)	(574,804.68)
FUND BALANCE - BEGINNING OF YEAR	-	-	1,017.77	1,017.77	-	-	575,822.45	575,822.45
FUND BALANCE - END OF YEAR	-	-	118,214.26	118,214.26	-	-	1,017.77	1,017.77

See accompanying independent auditors' report

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The Primary Government follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the Primary Government adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the General Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Assessment Fund	Marriage License Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Surplus Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Record Preservsation Fund	Recorders Technical Fund	Sheriff's Civil Fund	Sheriff's Special Fund
ASSETS											
Cash and Cash Equivalents	28,318.73	494.79	1,706.50	12,144.62	39,706.84	5,207.55	5,978.06	1,665.96	19,605.50	1,591.58	1,807.30
TOTAL ASSETS	<u>28,318.73</u>	<u>494.79</u>	<u>1,706.50</u>	<u>12,144.62</u>	<u>39,706.84</u>	<u>5,207.55</u>	<u>5,978.06</u>	<u>1,665.96</u>	<u>19,605.50</u>	<u>1,591.58</u>	<u>1,807.30</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>28,318.73</u>	<u>494.79</u>	<u>1,706.50</u>	<u>12,144.62</u>	<u>39,706.84</u>	<u>5,207.55</u>	<u>5,978.06</u>	<u>1,665.96</u>	<u>19,605.50</u>	<u>1,591.58</u>	<u>1,807.30</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>28,318.73</u>	<u>494.79</u>	<u>1,706.50</u>	<u>12,144.62</u>	<u>39,706.84</u>	<u>5,207.55</u>	<u>5,978.06</u>	<u>1,665.96</u>	<u>19,605.50</u>	<u>1,591.58</u>	<u>1,807.30</u>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Sheriff's Revolving Fund	Tax Maintenance Fund	Election Services Fund	Audio Fund	Emergency Radio Fund	Drug Court Fund	COWLANF Restoration Fund	Total
ASSETS								
Cash and Cash Equivalents	2,022.45	7,466.93	1,240.91	58.30	7,383.67	3,991.92	19,211.17	159,602.78
TOTAL ASSETS	<u>2,022.45</u>	<u>7,466.93</u>	<u>1,240.91</u>	<u>58.30</u>	<u>7,383.67</u>	<u>3,991.92</u>	<u>19,211.17</u>	<u>159,602.78</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>2,022.45</u>	<u>7,466.93</u>	<u>1,240.91</u>	<u>58.30</u>	<u>7,383.67</u>	<u>3,991.92</u>	<u>19,211.17</u>	<u>159,602.78</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,022.45</u>	<u>7,466.93</u>	<u>1,240.91</u>	<u>58.30</u>	<u>7,383.67</u>	<u>3,991.92</u>	<u>19,211.17</u>	<u>159,602.78</u>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Marriage License Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Surplus Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Record Preservation Fund	Recorders Technical Fund	Sheriff's Civil Fund	Sheriff's Special Fund	Sheriff's Revolving Fund
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	176,437.62	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	385.00	1,016.22	16,113.58	26,838.84	326.90	2,213.75	4,752.00	2,647.50	15,297.24	4,095.60	3,581.00
Interest	1,705.28	28.09	38.35	436.92	1,253.03	179.62	224.48	29.50	665.96	214.65	-	94.34
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	178,142.90	413.09	1,054.57	16,550.50	28,091.87	506.52	2,438.23	4,781.50	3,313.46	15,511.89	4,095.60	3,675.34
EXPENDITURES												
General government	166,270.50	-	-	12,800.42	19,843.42	-	-	-	-	-	-	-
Administration of Justice and Law	-	-	562.50	-	-	458.73	-	-	-	-	5,576.84	-
Permits, Licenses & Fees	-	500.00	-	-	-	-	842.16	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	3,546.89	-	-	-	3,291.05
Debt Service												
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	166,270.50	500.00	562.50	12,800.42	19,843.42	458.73	842.16	3,546.89	-	-	5,576.84	3,291.05
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,872.40	(86.91)	492.07	3,750.08	8,248.45	47.79	1,596.07	1,234.61	3,313.46	15,511.89	(1,481.24)	384.29
OTHER FINANCING SOURCES (USES):												
Transfers in	16,372.00	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(15,000.00)	-	-
Total Other Financing Sources (Uses)	16,372.00	-	-	-	-	-	-	-	-	(15,000.00)	-	-
NET CHANGE IN FUND BALANCES	28,244.40	(86.91)	492.07	3,750.08	8,248.45	47.79	1,596.07	1,234.61	3,313.46	511.89	(1,481.24)	384.29
FUND BALANCES - BEGINNING OF YEAR	74.33	581.70	1,214.43	8,394.54	31,458.39	5,159.76	4,381.99	431.35	16,292.04	1,079.69	3,288.54	1,638.16
FUND BALANCES - END OF YEAR	28,318.73	494.79	1,706.50	12,144.62	39,706.84	5,207.55	5,978.06	1,665.96	19,605.50	1,591.58	1,807.30	2,022.45

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Election Services Fund	Tax Maintenance Fund	Audio Fund	Emergency Radio Fund	Drug Court Fund	COLAWN Restitution Fund	Total
REVENUES:							
Property taxes	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	176,437.62
Charges for Services	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-
Fees, licenses and permits	1,225.90	11,199.61	248.50	-	27,086.31	12,679.44	129,707.39
Interest	28.46	558.61	14.04	-	435.43	532.95	6,439.71
Contributions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Revenues	<u>1,254.36</u>	<u>11,758.22</u>	<u>262.54</u>	<u>-</u>	<u>27,521.74</u>	<u>13,212.39</u>	<u>312,584.72</u>
EXPENDITURES							
General government	-	14,629.84	474.16	-	-	12,988.64	227,006.98
Public Safety	-	-	-	-	35,457.22	-	42,055.29
Permits, Licenses & Fees	-	-	-	-	-	-	1,342.16
Highways and roads	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-
Capital Outlay:							
Construction of roads and bridges	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-
Property, equipment and buildings	3,091.77	-	-	-	-	-	9,929.71
Debt Service							
Principal payment	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-
Total Expenditures	<u>3,091.77</u>	<u>14,629.84</u>	<u>474.16</u>	<u>-</u>	<u>35,457.22</u>	<u>12,988.64</u>	<u>280,334.14</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,837.41)	(2,871.62)	(211.62)	-	(7,935.48)	223.75	32,250.58
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	16,372.00
Transfers out	-	-	-	-	-	-	(15,000.00)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,372.00</u>
NET CHANGE IN FUND BALANCES	(1,837.41)	(2,871.62)	(211.62)	-	(7,935.48)	223.75	33,622.58
FUND BALANCES - BEGINNING OF YEAR	<u>3,078.32</u>	<u>10,338.55</u>	<u>269.92</u>	<u>7,383.67</u>	<u>11,927.40</u>	<u>18,987.42</u>	<u>125,980.20</u>
FUND BALANCES - END OF YEAR	<u><u>1,240.91</u></u>	<u><u>7,466.93</u></u>	<u><u>58.30</u></u>	<u><u>7,383.67</u></u>	<u><u>3,991.92</u></u>	<u><u>19,211.17</u></u>	<u><u>159,602.78</u></u>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET -MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

	Assessment Fund	Marriage License Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Surplus Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Record Preservsation Fund	Recorders Technical Fund	Sheriff's Civil Fund	Sheriff's Revolving Fund	Sheriff Special Fund
ASSETS												
Cash and Cash Equivalents	74.33	581.70	1,214.43	8,394.54	31,458.39	5,159.76	4,381.99	431.35	16,292.04	1,079.69	1,638.16	3,288.54
TOTAL ASSETS	<u>74.33</u>	<u>581.70</u>	<u>1,214.43</u>	<u>8,394.54</u>	<u>31,458.39</u>	<u>5,159.76</u>	<u>4,381.99</u>	<u>431.35</u>	<u>16,292.04</u>	<u>1,079.69</u>	<u>1,638.16</u>	<u>3,288.54</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>74.33</u>	<u>581.70</u>	<u>1,214.43</u>	<u>8,394.54</u>	<u>31,458.39</u>	<u>5,159.76</u>	<u>4,381.99</u>	<u>431.35</u>	<u>16,292.04</u>	<u>1,079.69</u>	<u>1,638.16</u>	<u>3,288.54</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>74.33</u>	<u>581.70</u>	<u>1,214.43</u>	<u>8,394.54</u>	<u>31,458.39</u>	<u>5,159.76</u>	<u>4,381.99</u>	<u>431.35</u>	<u>16,292.04</u>	<u>1,079.69</u>	<u>1,638.16</u>	<u>3,288.54</u>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET -MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

	<u>Election Services Fund</u>	<u>Tax Maintenance Fund</u>	<u>Audio Fund</u>	<u>Emergency Radio Fund</u>	<u>Drug Court Fund</u>	<u>COLAWNF Restoration fund</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	3,078.32	10,338.55	269.92	7,383.67	11,927.40	18,987.42	125,980.20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>3,078.32</u>	<u>10,338.55</u>	<u>269.92</u>	<u>7,383.67</u>	<u>11,927.40</u>	<u>18,987.42</u>	<u>125,980.20</u>
LIABILITIES AND FUND BALANCES							
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>3,078.32</u>	<u>10,338.55</u>	<u>269.92</u>	<u>7,383.67</u>	<u>11,927.40</u>	<u>18,987.42</u>	<u>125,980.20</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>3,078.32</u>	<u>10,338.55</u>	<u>269.92</u>	<u>7,383.67</u>	<u>11,927.40</u>	<u>18,987.42</u>	<u>125,980.20</u>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Marriage License Fund	Law Enforcement Training Fund	Prosecuting Attorney Bad Check Fund	Surplus Fund	Prosecuting Attorney Training Fund	Unclaimed Fees Fund	Record Preservsation Fund	Recorders Technical Fund	Sheriff's Civil Fund	Sheriff's Special Fund	Sheriff's Revolving Fund
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	148,355.99	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	500.00	905.36	11,891.24	8,493.36	301.40	1,404.76	4,546.00	2,716.25	12,849.19	5,376.98	-
Interest	1,170.88	28.02	77.74	351.18	1,177.33	186.76	510.46	15.31	556.64	230.50	-	99.04
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	340.30	-	-	-	-	-	-	-	-	-	-	3,654.24
Total Revenues	149,867.17	528.02	983.10	12,242.42	9,670.69	488.16	1,915.22	4,561.31	3,272.89	13,079.69	5,376.98	3,753.28
EXPENDITURES												
General government	170,982.65	-	-	13,736.33	58,025.71	-	-	809.30	-	-	-	-
Administration of Justice and Law	-	-	3,502.96	-	-	-	-	-	-	-	4,659.63	-
Permits and Fees	-	500.00	-	-	-	-	12,616.10	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	3,320.66	-	-	-	6,400.00
Debt Service												
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	170,982.65	500.00	3,502.96	13,736.33	58,025.71	-	12,616.10	4,129.96	-	-	4,659.63	6,400.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,115.48)	28.02	(2,519.86)	(1,493.91)	(48,355.02)	488.16	(10,700.88)	431.35	3,272.89	13,079.69	717.35	(2,646.72)
OTHER FINANCING SOURCES (USES):												
Transfers in	12,000.00	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(12,000.00)	-	-
Total Other Financing Sources (Uses)	12,000.00	-	-	-	-	-	-	-	-	(12,000.00)	-	-
NET CHANGE IN FUND BALANCES	(9,115.48)	28.02	(2,519.86)	(1,493.91)	(48,355.02)	488.16	(10,700.88)	431.35	3,272.89	1,079.69	717.35	(2,646.72)
FUND BALANCES - BEGINNING OF YEAR	9,189.81	553.68	3,734.29	9,888.45	79,813.41	4,671.60	15,082.87	-	13,019.15	-	2,571.19	4,284.88
FUND BALANCES - END OF YEAR	74.33	581.70	1,214.43	8,394.54	31,458.39	5,159.76	4,381.99	431.35	16,292.04	1,079.69	3,288.54	1,638.16

THE COUNTY OF Iron
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Election Services Fund	Tax Maintenance Fund	Audio Fund	Emergency Radio Fund	Drug Court Fund	COLAWN Restitution Fund	Total
REVENUES:							
Property taxes	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	148,355.99
Charges for Services	-	-	-	-	-	-	-
Grants, distributions and reimbursements	132,907.00	-	-	-	-	-	132,907.00
Fees, licenses and permits	-	10,669.30	196.00	-	23,723.08	26,963.79	110,536.71
Interest	925.67	295.64	6.01	-	-	-	5,631.18
Contributions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	3,994.54
Total Revenues	133,832.67	10,964.94	202.01	-	23,723.08	26,963.79	401,425.42
EXPENDITURES							
General government	-	7,310.71	-	-	-	12,300.00	263,164.70
Public Safety	-	-	-	-	15,937.41	-	24,100.00
Highways and roads	-	-	-	-	-	-	13,116.10
Health and welfare	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-
Capital Outlay:							
Construction of roads and bridges	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-
Property, equipment and buildings	130,754.35	-	-	9,319.50	-	-	149,794.51
Debt Service							
Principal payment	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-
Total Expenditures	130,754.35	7,310.71	-	9,319.50	15,937.41	12,300.00	450,175.31
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,078.32	3,654.23	202.01	(9,319.50)	7,785.67	14,663.79	(48,749.89)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	12,000.00
Transfers out	-	-	-	-	-	-	(12,000.00)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	3,078.32	3,654.23	202.01	(9,319.50)	7,785.67	14,663.79	(48,749.89)
FUND BALANCES - BEGINNING OF YEAR	-	6,684.32	67.91	16,703.17	4,141.73	4,323.63	174,730.09
FUND BALANCES - END OF YEAR	3,078.32	10,338.55	269.92	7,383.67	11,927.40	18,987.42	125,980.20

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
 DECEMBER 31, 2007

	Cemetery Fund	PA Delinquent	Special Election	Schools	Iron County Collector - Checking	Sheriff's Fund	Law Library	Associate Circuit Court	Prosecuting Attorney	Recorder of Deeds	Circuit Clerk	Total
ASSETS												
Cash and Cash Equivalents	8,176.92	836.83	3,332.37	57,873.15	48,349.07	5,335.98	27,509.19	38,667.48	3,965.69	7,473.40	98,965.32	300,485.40
TOTAL ASSETS	8,176.92	836.83	3,332.37	57,873.15	48,349.07	5,335.98	27,509.19	38,667.48	3,965.69	7,473.40	98,965.32	300,485.40
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	8,176.92	836.83	3,332.37	57,873.15	48,349.07	5,335.98	27,509.19	38,667.48	3,965.69	7,473.40	98,965.32	300,485.40
TOTAL LIABILITIES AND FUND BALANCES	8,176.92	836.83	3,332.37	57,873.15	48,349.07	5,335.98	27,509.19	38,667.48	3,965.69	7,473.40	98,965.32	300,485.40

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS
 DECEMBER 31, 2006

	Cemetery Fund	PA Delinquent	Special Election	Schools	Iron County Collector - Checking	Sheriff's Fund	Law Library	Associate Circuit Court	Prosecuting Attorney	Recorder of Deeds	Circuit Clerk	Total
ASSETS												
Cash and Cash Equivalents	8,155.73	780.11	2,629.25	56,624.55	237,359.28	4,161.63	25,112.11	63,492.62	3,910.69	6,606.90	176,205.04	585,037.91
TOTAL ASSETS	8,155.73	780.11	2,629.25	56,624.55	237,359.28	4,161.63	25,112.11	63,492.62	3,910.69	6,606.90	176,205.04	585,037.91
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	8,155.73	780.11	2,629.25	56,624.55	237,359.28	4,161.63	25,112.11	63,492.62	3,910.69	6,606.90	176,205.04	585,037.91
TOTAL LIABILITIES AND FUND BALANCES	8,155.73	780.11	2,629.25	56,624.55	237,359.28	4,161.63	25,112.11	63,492.62	3,910.69	6,606.90	176,205.04	585,037.91

STATE COMPLIANCE SECTION

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

1. For the year December 31, 2007 the actual expenditures exceeded the budgeted expenditures in the General Fund.
2. For the year ended December 31, 2006 and 2007, the County did not budget for the Hospital Sales Tax Fund, the Hospital Construction Fund or the Missouri Foundation for Health Fund.

FEDERAL COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Iron, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Iron, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated July 28, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, 06/07-03 and 06/07-04 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated July 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2008

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

1. FINANCIAL STATEMENT FINDINGS

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

1. FINANCIAL STATEMENT FINDINGS (continued)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: The County did not prepare budgets for the Hospital Lease Fund, the Hospital Sales Tax Fund, the MFH Grant Fund and the Emergency Radio Fund for the years ended December 31, 2007 and 2006.

Condition: The state requires budgets for each of the County's funds.

1. FINANCIAL STATEMENT FINDINGS (concluded)

Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Hospital Lease Fund, Hospital Sales Tax Fund, MFH Grant Fund or the Emergency Radio Fund.

Recommendation: We recommend that the county budgets all funds including the Hospital Lease Fund, the Hospital Sales Tax Fund, the MFH Grant Fund and the Emergency Radio Fund.

Management Response: The County has budgeted the accounts for which there was no budget for the year ending December 31, 2008.

2. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006**

THE COUNTY OF IRON
IRONTON, MISSOURI
(The Primary Government)
SINGLE AUDIT REPORT

TABLE OF CONTENTS

	PAGE
Report On Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs.....	8-18



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Iron, Missouri

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the County of Iron, Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated July 28, 2008. Our report was modified because the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies FS 06/07-01, FS 06/07-02 FS 06/07-03 and FS 06/07-04, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the Primary Government in a separate report dated July 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated July 28, 2008. This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, other audit agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

July 28, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Iron, Ironton Missouri

Compliance

We have audited the compliance of Iron County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and December 31, 2006. The Primary Government major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007 and 2006. However, the results of our auditing procedures disclosed findings, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA-06-07-01, SA-06-07-02 and SA-06-07-03.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA-06-07-01, SA-06-07-02 and SA-06-07-03.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Primary Government as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 28, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

July 28, 2008

The County of Iron
Ironton, Missouri
(the Primary Government)
Schedule of Expenditures of Federal Awards
December 31, 2007 and 2006

Federal CFDA Number		Pass-Through Entity Identifying Number	2007 Federal Share of Expenditures	2006 Federal Share of Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct programs:				
10.766	Community Facilities Loan and Grants	Direct program	6,548,300.00	951,500.00
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	02LE11090505050		2,357.90
		03LE11090505040	1,575.00	-
16	Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	02LE11090505050	939.95	1,950.00
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO -B047(7) BRO -B047(6)	15,473.00 19,963.00	
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property			
Passed through the Office of Secretary of State -				
39.011	Election Reform Payments			17,465.11
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payments	231S63L0000429	3,330.00	117,000.00
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.004	State Domestic Preparedness Equipment Support Program			519.84
Total Expenditures of Federal Awards			6,589,580.95	1,090,792.85

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that
are not considered to be material
weaknesses? 2007 ☒ Yes ☐ None Reported
2006 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial
statements noted? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

B. FEDERAL AWARDS

1. Internal control over major programs:
Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
2. Any significant deficiencies identified that are
not considered to be material weaknesses? 2007 ☒ Yes ☐ No
2006 ☒ Yes ☐ No
3. Type of auditor's report issued on
compliance for major programs: 2007 Unqualified
2006 Unqualified
4. Any audit findings disclosed that are
required to be reported in accordance with
section 510 (a) of Circular A-133? 2007 ☒ Yes ☐ No
2006 ☒ Yes ☐ No

I. SUMMARY OF AUDITOR'S RESULTS (continued)

5. Identification of major programs:

6. Dollar threshold used to distinguish between type A and type B programs:
\$ 300,000

9

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS

A. FS 06/07-01

1. CRITERIA

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

2. CONDITION

During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

3. EFFECT

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

5. RECOMMENDATION

Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

B. FS 06/07-02

1. CRITERIA

Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

2. CONDITION

Documentation of the County's internal controls has not been prepared.

3. EFFECT

The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

5. RECOMMENDATION

We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

C. FS 06/07-03

1. CRITERIA

Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

2. CONDITION

During our audit, we noted there is no formal fraud risk assessment in place.

3. EFFECT

Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

4. CAUSE

Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

5. RECOMMENDATION

We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (concluded)

D. FS 06/07-04

1. CRITERIA

The County did not prepare budgets for the Hospital Lease Fund, the Hospital Sales Tax Fund, the MFH Grant Fund and the Emergency Radio Fund for the years ended December 31, 2007 and 2006

2. CONDITION

The state requires budgets for each of the County's funds.

3. EFFECT

The County did not properly budget all funds.

4. CAUSE

Management did not create a budget for the Hospital Lease Fund, Hospital Sales Tax Fund, MFH Grant Fund or the Emergency Radio Fund.

5. RECOMMENDATION

We recommend that the County prepare budgets for all funds including the Hospital Lease Fund, Hospital Sales Tax Fund, MFH Grant Fund or the Emergency Radio Fund.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006

The following findings, recommendations, and questioned costs are the results of the single audit of Iron County, Missouri for the fiscal year ended December 31, 2007 and 2006. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. CATEGORY OF INTERNAL CONTROL WEAKNESS

If the finding represents a weakness in internal control, one of the following designations will appear:

1. SIGNIFICANT DEFICIENCY

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

2. MATERIAL WEAKNESS

A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. CATEGORY OF NONCOMPLIANCE FINDINGS

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. MATERIAL NONCOMPLIANCE

A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

B. CATEGORY OF NONCOMPLIANCE FINDINGS (continued)

2. QUESTIONED COST FINDING

A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
SA 06-07-1	10.766 U.S. Department of Agriculture Other Information: Significant Deficiency	<p>Weakness in Control Over Expenditures In Compliance With Single Audit Requirements.</p> <p>The County did not properly maintain separate expense accounts to account for federal expenditures. To prepare the Schedule of Expenditures of Federal Awards (SEFA) report the County used revenues instead of expenditures. Because the program is reimbursement in nature, revenues equal expenditures.</p> <p><u>Recommendation:</u> The County should track all federal expenditures in the general ledger system by adding a grant code at the end of the account code.</p> <p><u>Agency Response:</u> The County agrees with this finding.</p>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF FINDINGS & QUESTIONED COSTS
 FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 06-07-2	10.766 U.S. Department of Agriculture Procurement and Suspension and Debarment: Significant Deficiency	<p>Required contracting procedures not followed.</p> <p>The County does not have procedures in place to ensure that it does not contract with prohibited parties in administering federal funds. As a result, there is an increased risk of federal funds being spent in violation of grant requirements.</p> <p>The Commissioners did not check the Excluded Parties List System maintained by the General Services Administration to verify that parties it contracted with were not on the prohibited list. However, we did not note any instances where the Board actually contracted with prohibited parties.</p> <p>The OMB Circular A-133 Compliance Supplement and 41 CFR 105-71.135 prohibit entities from contracting with parties that are on the prohibited list.</p> <p><u>Recommendation:</u> The Board should implement procedures to ensure that parties they contract with are not on the prohibited list.</p> <p><u>Agency Response:</u> The County agrees with this finding.</p>

THE COUNTY OF IRON
IRONTON, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2007 & 2006 (continued)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
SA 06-07-3	10.766 U.S. Department of Agriculture Other Information: Significant Deficiency	<p>Schedule of Expenditures of Federal Awards contained errors.</p> <p>Controls were not in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the SEFA provide total federal awards expended for each individual federal program. It states that the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place.</p> <p>The Schedule of Expenditures of Federal Awards (SEFA) was prepared with various errors. These errors are described below:</p> <ol style="list-style-type: none">1. The SEFA schedule contained several incorrect CFDA number for federal programs.2. Expenditures listed on the SEFA schedule submitted to the State Auditors Office were incorrect. Revenue was used to prepare the SEFA instead of expenditures. Actual expenditures were not agreed to the general ledger. <p>A revised SEFA was submitted to the State Auditors Office, containing corrections for all errors described.</p>

THE COUNTY OF IRON
 IRONTON, MISSOURI
 (the Primary Government)
 SCHEDULE OF FINDINGS & QUESTIONED COSTS
 FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 06-07-3	10.766 U.S. Department of Agriculture Other Information: Significant Deficiency	<u>Recommendation:</u> The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office. <u>Agency Response:</u> The Department agrees with this finding.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 04-05-1	Other Information: Significant Deficiency	<u>Unresolved:</u> The county does not have adequate procedures in place to track Federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA)



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

July 28, 2008

To the County Commissioners
Iron County of Missouri

In planning and performing our audit of the basic financial statements of the Iron County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: The County did not prepare budgets for the Hospital Lease Fund, the Hospital Sales Tax Fund, the MFH Grant Fund and the Emergency Radio Fund for the years ended December 31, 2007 and 2006.

Condition: The State requires budgets for each of the County's funds.

Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Hospital Lease Fund, Hospital Sales Tax Fund, the MFH Grant Fund, and the Emergency Radio Fund.

Recommendation: We recommend that the County budgets all funds including the Hospital Lease Fund, Hospital Sales Tax Fund, the MFH Grant Fund, and the Emergency Radio Fund.

Management Response: The County has budgeted the funds for which there was no budget for the year ending December 31, 2008.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Iron County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Iron County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Iron County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IRON COUNTY SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2007 & 2006

IRON COUNTY SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY, MISSOURI)
TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
 <u>BASIC FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis.....	5
Statement of Revenues, Expenses, and Changes in Fund Balance – Modified Cash Basis	6
Notes to the Financial Statements.....	7-11
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis as of December 31, 2006	12
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Modified Cash Basis as of December 31, 2007	13
Notes to Required Supplementary Information	14
Schedule of Findings and Questioned Costs	15-17



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Iron County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Iron County Senate Bill 40 of Missouri, a component unit of Iron County, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Iron County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Iron County Senate Bill 40 of Missouri as of December 31, 2007 and December 31, 2006, and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2008, on our consideration of the Iron County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 11 and 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and , in our opinion, are fairly stated in al material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 12, 2008



Daniel Jones
& Associates
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Iron County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Iron County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated August 12, 2008, which was modified because the SB 40 prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iron County Senate Bill 40 of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, 06/07-03 and 06/07-04, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally,

we noted certain matters that we reported to management of Iron County Senate Bill 40 of Missouri in a separate report dated August 12, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants, P.C.

August 12, 2008

BASIC FINANCIAL STATEMENTS

IRON COUNT SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 124,067.24	\$ 93,588.24
Certificates of Deposit	58,956.90	56,902.95
Total Assets	<u>183,024.14</u>	<u>150,491.19</u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ <u>183,024.14</u>	\$ <u>150,491.19</u>
Total Fund Balance	<u>183,024.14</u>	<u>150,491.19</u>
Total Liabilities and Fund Balance	<u>183,024.14</u>	<u>150,491.19</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Property Tax Revenues	\$ 159,128.03	\$ 151,758.47
	<u>159,128.03</u>	<u>151,758.47</u>
TOTAL REVENUES	159,128.03	151,758.47
EXPENDITURES		
Senior Services Expenses	131,793.05	148,699.55
Other Expenses	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>131,793.05</u>	<u>148,699.55</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	27,334.98	3,058.92
OTHER FINANCING SOURCES (USES)		
Interest	4,747.97	4,652.41
Miscellaneous	450.00	0.00
Rents	0.00	0.00
Donations	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,197.97</u>	<u>4,652.41</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	32,532.95	7,711.33
FUND BALANCE - BEGINNING OF YEAR	<u>150,491.19</u>	<u>142,779.86</u>
FUND BALANCE - END OF YEAR	\$ <u><u>183,024.14</u></u>	\$ <u><u>150,491.19</u></u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Iron County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Iron County Senate Bill 40 is a component unit of Iron County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses, and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2007 and December 31, 2006. At December 31, 2007, the carrying amount of the District's deposits was \$ 183,024.14 with respective bank balances totaling \$ 223,314.21. At December 31, 2006, the carrying amount of the District's deposits was \$150,491.19 with respective bank balances totaling \$181,019.56. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for each year. The remainder was not even covered by collateral held by the Federal Reserve Bank in the SB 40's name under a joint safekeeping agreement for either year.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2007 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 124,067.24
Certificate of Deposit	7/9/2008	28,241.58
Certificate of Deposit	6/18/2008	30,715.32
Total Deposits		\$ <u>183,024.14</u>

The Deposits held at December 31, 2006 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2006		
	Maturity Date	Cost
Deposits:		
Checking and Money Market Accounts	N/A	\$ 93,588.24
Certificate of Deposit	7/9/2007	26,828.35
Certificate of Deposit	6/18/2007	30,074.60
Total Deposits		\$ <u>150,491.19</u>

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was \$171,120,539 and \$171,050,468 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was .0939 and .0939 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2007 or December 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

IRON COUNTY SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 140,000.00	151,758.47	\$ 11,758.47
TOTAL REVENUES	<u>140,000.00</u>	<u>151,758.47</u>	<u>11,758.47</u>
EXPENDITURES			
Senior Services Expenses	168,380.78	148,699.55	(19,681.23)
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>168,380.78</u>	<u>148,699.55</u>	<u>(19,681.23)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(28,380.78)	3,058.92	31,439.70
OTHER FINANCING SOURCES (USES)			
Interest	2,500.00	4,652.41	2,152.41
Miscellaneous	0.00	0.00	0.00
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,500.00</u>	<u>4,652.41</u>	<u>2,152.41</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(25,880.78)	7,711.33	33,592.11
FUND BALANCE BEGINNING OF YEAR	<u>142,779.86</u>	<u>142,779.86</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u><u>\$ 116,899.08</u></u>	<u><u>\$ 150,491.19</u></u>	<u><u>\$ 33,592.11</u></u>

IRON COUNTY SENATE BILL 40
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 145,000.00	\$ 159,128.03	\$ 14,128.03
TOTAL REVENUES	<u>145,000.00</u>	<u>159,128.03</u>	<u>14,128.03</u>
EXPENDITURES			
Senior Services Expenses	162,750.86	131,793.05	(30,957.81)
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>162,750.86</u>	<u>131,793.05</u>	<u>(30,957.81)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	(17,750.86)	27,334.98	45,085.84
OTHER FINANCING SOURCES (USES)			
Interest	4,000.00	4,747.97	747.97
Miscellaneous	0.00	450.00	
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000.00</u>	<u>5,197.97</u>	<u>747.97</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	(13,750.86)	32,532.95	45,833.81
FUND BALANCE BEGINNING OF YEAR	<u>150,491.19</u>	<u>150,491.19</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 136,740.33</u>	<u>\$ 183,024.14</u>	<u>\$ 45,833.81</u>

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Accounting

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the modified cash basis of accounting.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Continued)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 will consider the auditors' recommendation.

IRON COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF IRON COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

- 06/07-04** **Criteria:** Assets of the Senate Bill 40 Board should be safeguarded against losses from outside events that are out of their control.
- Condition:** During our audit, we noted there were no securities pledged on banks where their were over \$100,000 in deposits.
- Effect:** Lack of sufficient Pledged securities could cause a catastrophic loss of assets if a bank were to go out of business.
- Cause:** Management has put Pledged Securities in place to safeguard assets.
- Recommendation:** We recommend that the Senate Bill 40 address this issue and ensure that securities are pledged.
- Management Response:** The Senate Bill 40 Board will consider the auditors' recommendation.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 12, 2008

To the Board of Directors
Iron County Senate Bill 40 of Missouri

In planning and performing our audit of the basic financial statements of the Iron County Senate Bill 40 of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Board's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the region, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the board's annual budget document and annual financial statement. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The Board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: Assets of the Senate Bill 40 Board should be safeguarded against losses from outside events that are out of their control.

Condition: During our audit, we noted there were no securities pledged on banks where their were over \$100,000 in deposits.

Effect: Lack of sufficient Pledged securities could cause a catastrophic loss of assets if a bank were to go out of business.

Cause: Management has put Pledged Securities in place to safeguard assets.

Recommendation: We recommend that the Senate Bill 40 address this issue and ensure that securities are pledged.

Management Response: The Senate Bill 40 Board will consider the auditors' recommendation.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Iron County Senate Bill 40 of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Iron County Senate Bill 40 of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Iron County Senate Bill 40 of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Reynolds County, Missouri

The Office of the State Auditor, in cooperation with Reynolds County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-07

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	3
Statement of Activities – Cash Basis	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – All Governmental Funds	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds	12
Notes to the Financial Statements	13-23
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis General Fund – Unaudited	24
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual Cash Basis General Fund – Unaudited	25-26
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis Special Revenue – Unaudited Special Road and Bridge Fund	27

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION: (CONTINUED)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis Special Revenue – Unaudited 911 Fund	28
Notes to Required Supplementary Information	29

SUPPLEMENTARY INFORMATION:

**Combining Fund Financial Statements And Schedule
Non-Major Governmental Funds**

Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	30-31
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	32-33
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	34-35
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	36-37

Fiduciary Funds

Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007	38
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2006	39

STATE COMPLIANCE SECTION:

Schedule of Findings	40
----------------------------	----

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONCLUDED)

FEDERAL COMPLIANCE SECTION:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	41-42
Schedule of Findings and Questioned Cost	43-44



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITORS' REPORT

To the County Commission
The County of Reynolds, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Reynolds, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Primary Government, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of The Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Reynolds County, and the Reynolds County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Reynolds County Health Department, or the Agency for Developmental Disabilities.

As described in Note 1, the basic financial statements of Primary Government, were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2008 on our consideration for the Primary Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – cash Basis – Budget and Actual and related notes on pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 30 through 37 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2008

BASIC FINANCIAL STATEMENTS

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEARS ENDED

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	320,135.75	299,915.12
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>320,135.75</u></u>	<u><u>299,915.12</u></u>
 NET ASSETS:		
Restricted for a Specific Purpose	295,440.24	181,164.35
Unrestricted	<u>24,695.51</u>	<u>118,750.77</u>
Total Net Assets	<u>320,135.75</u>	<u>299,915.12</u>
 TOTAL FUND BALANCE	<u><u>320,135.75</u></u>	<u><u>299,915.12</u></u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Total
FUNCTIONS/PROGRAMS	Expenses	Charges for Services			Governmental Activities
GOVERNMENTAL ACTIVITIES:					
General county government	534,866.44	358,019.41	516,749.55	55,064.31	394,966.83
Road & bridge	1,106,750.39	-	-	-	(1,106,750.39)
Financial administration	93,975.13	-	-	-	(93,975.13)
Other offices & grants	61,260.11	-	-	-	(61,260.11)
Health and welfare	30,131.49	-	-	-	(30,131.49)
Property valuation and recording	-	-	-	-	-
Administration of justice and law enforcement	613,874.67	120,656.70	-	-	(493,217.97)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of roads and bridges	-	-	-	-	-
Property, equipment and buildings	188,234.75	-	-	-	(188,234.75)
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,629,092.98</u>	<u>478,676.11</u>	<u>516,749.55</u>	<u>55,064.31</u>	<u>(1,578,603.01)</u>

General Revenues:

Taxes	
Property taxes, levied	479,624.36
Sales tax	246,580.73
Other taxes	842,446.54
Investment income	28,331.04
Sale of Bonds	-
Miscellaneous	1,840.97
TOTAL GENERAL REVENUES	<u>1,598,823.64</u>
CHANGE IN NET ASSETS	20,220.63
NET ASSETS, BEGINNING OF YEAR	<u>299,915.12</u>
NET ASSETS, END OF YEAR	<u>320,135.75</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for	Operating	
		Services	Grants and	
			Contributions	
			Capital	
			Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES:				
General county government	438,722.59	262,094.50	422,815.97	180,942.16
Road & bridge	916,983.97	-	-	-
Financial administration	77,212.93	-	-	-
Other offices & grants	97,591.10	-	-	-
Health and welfare	-	-	-	-
Property valuation and recording	-	-	-	-
Administration of justice and law enforcement	541,324.70	-	-	-
Special Services	-	-	-	-
Surveyor	-	-	-	-
Maintenance of roads	-	-	-	-
Park Maintenance	-	-	-	-
Other	-	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest and Fiscal charges	-	-	-	-
Capital Outlay:	-	-	-	-
Construction of roads and bridges	-	-	-	-
Property, equipment and buildings	327,686.43	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,399,521.72</u>	<u>262,094.50</u>	<u>422,815.97</u>	<u>180,942.16</u>

General Revenues:	
Taxes	
Property taxes, levied	438,295.39
Sales tax	212,680.70
Other taxes	834,861.23
Investment income	34,297.99
Miscellaneous	2,134.43
TOTAL GENERAL REVENUES	<u>1,522,269.74</u>
CHANGE IN NET ASSETS	<u>(11,399.35)</u>
NET ASSETS, BEGINNING OF YEAR	<u>311,314.47</u>
NET ASSETS, END OF YEAR	<u>299,915.12</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS
ALL GOVERNMENTAL FUNDS

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Special Road and Bridge Fund	911 Fund	Nonmajor Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	911 Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	24,695.51	31,234.61	120,656.70	143,548.93	320,135.75	118,750.77	63,953.51	-	117,210.84	299,915.12
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>
FUND BALANCES										
FUND BALANCES:										
Unreserved:										
General Fund	24,695.51	-	-	-	24,695.51	118,750.77	-	-	-	118,750.77
Special revenue funds	-	31,234.61	120,656.70	143,548.93	295,440.24	-	63,953.51	-	117,210.84	181,164.35
Total Fund Balances	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>
TOTAL FUND BALANCES	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Special Road and Bridge Fund	911 Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	911 Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:										
Property tax	156,770.32	292,393.15	-	30,460.89	479,624.36	198,396.10	209,491.92	-	30,407.37	438,295.39
Sales tax	246,580.73	-	-	-	246,580.73	212,680.70	-	-	-	212,680.70
Other taxes	113,807.37	668,491.21	-	60,147.96	842,446.54	106,796.12	670,466.26	-	57,598.85	834,861.23
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	135,653.73	-	-	6,999.14	142,652.87	131,553.34	-	-	7,223.51	138,776.85
Grants	52,787.93	-	-	2,276.38	55,064.31	48,914.71	-	-	132,027.45	180,942.16
Reimbursements	159,926.97	259,945.80	-	96,876.78	516,749.55	186,605.88	182,963.84	-	53,246.25	422,815.97
Fees, licenses and permits	153,144.48	-	120,656.70	62,222.06	336,023.24	70,820.19	-	-	52,497.46	123,317.65
Interest	12,748.34	12,163.86	-	3,418.84	28,331.04	24,409.79	8,647.14	-	1,241.06	34,297.99
Contributions	-	-	-	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,840.97	1,840.97	-	-	-	2,134.43	2,134.43
Total Revenues	1,031,419.87	1,232,994.02	120,656.70	264,243.02	2,649,313.61	980,176.83	1,071,569.16	-	336,376.38	2,388,122.37
EXPENDITURES:										
Current:										
General county government	358,181.96	-	-	176,684.48	534,866.44	320,716.10	-	-	118,006.49	438,722.59
Road & Bridge	-	1,106,750.39	-	-	1,106,750.39	-	912,076.62	-	4,907.35	916,983.97
Financial Administration	93,975.13	-	-	-	93,975.13	77,212.93	-	-	-	77,212.93
Other offices & grants	61,260.11	-	-	-	61,260.11	73,183.10	-	-	24,408.00	97,591.10
Health & welfare	-	-	-	30,131.49	30,131.49	-	-	-	-	-
Planning & Zoning	-	-	-	-	-	-	-	-	-	-
Property Valuation and Recording:	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	612,057.93	-	-	1,816.74	613,874.67	541,324.70	-	-	-	541,324.70
Capital Outlay:										
Property, equipment and buildings	-	158,962.53	-	29,272.22	188,234.75	-	161,878.30	-	165,808.13	327,686.43
Debt Service:										
Principal payments	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,125,475.13	1,265,712.92	-	237,904.93	2,629,092.98	1,012,436.83	1,073,954.92	-	313,129.97	2,399,521.72
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(94,055.26)	(32,718.90)	120,656.70	26,338.09	20,220.63	(32,260.00)	(2,385.76)	-	23,246.41	(11,399.35)
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(94,055.26)	(32,718.90)	120,656.70	26,338.09	20,220.63	(32,260.00)	(2,385.76)	-	23,246.41	(11,399.35)
FUND BALANCE - BEGINNING OF YEAR	118,750.77	63,953.51	-	117,210.84	299,915.12	151,010.77	66,339.27	-	93,964.43	311,314.47
FUND BALANCE - END OF YEAR	24,695.51	31,234.61	120,656.70	143,548.93	320,135.75	118,750.77	63,953.51	-	117,210.84	299,915.12

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 320,135.75
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 320,135.75</u></u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 299,915.12
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 299,915.12</u></u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
 STATEMENT OF ACTIVITIES
 CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ 20,220.63
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 20,220.63</u></u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
 STATEMENT OF ACTIVITIES
 CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (11,399.35)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u>\$ (11,399.35)</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>4,620,210.09</u>	<u>3,845,496.32</u>
TOTAL ASSETS	<u><u>4,620,210.09</u></u>	<u><u>3,845,496.32</u></u>
LIABILITIES		
Due to other funds	<u>4,620,210.09</u>	<u>3,845,496.32</u>
TOTAL LIABILITIES	<u><u>4,620,210.09</u></u>	<u><u>3,845,496.32</u></u>

See accompanying notes to financial statements

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Reynolds, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Reynolds County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Reynolds County as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Reynolds County, Missouri, and the Reynolds County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Reynolds County Health Department at (573) 648-2498 (or write to P.O. Box 40 Centerville, MO 63633), or the Agency for Developmental Disabilities at (573)663-2394 (or write to P.O. Box 474, Ellington, MO 63638).

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Reynolds County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Reynolds County at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, 911 Fund, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

911 Fund – A Special Revenue Fund used to account for the County money received to setup and maintain the 911 emergency system.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 99,140,038	\$73,212,564
Personal Property	22,436,765	23,932,253
Railroad and Utilities	5,721,036	5,811,807
	<u>\$ 127,297,839</u>	<u>\$ 102,956,624</u>

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (continued)

During 2007 and 2006, the County Commission approved a \$0.4648 and \$0.4393 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$.2037	\$.1480
Road and Bridge	.2611	.2913
	<u>\$ 0.4648</u>	<u>\$ 0.4393</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considers investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$320,135.75 and \$299,915.12, the bank balance was \$595,209.06 and \$586,165.51 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 320,135.75
Investments	-
Restricted cash	-
Total Deposits & Investments as of December 31, 2007	\$ <u>320,135.75</u>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 299,915.12
Investments	-
Restricted cash	-
Total Cash & Investment as of December 31, 2006	\$ <u>299,915.12</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

3. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	Tractor Loan
Long-Term Debt – January 1, 2007	\$ 0.00
Add-issued	86,347.00
Less Payments	<u>(4,367.95)</u>
Long-Term Debt – December 31, 2007	<u>\$ 81,979.05</u>

Tractor Loan at December 31, 2007, consists of:

The tractor loan is for a new Case tractor. The loan matures on 11/1/2010, the original principle balance was \$86,347, and the interest rate is fixed 5.4% with Sun Security Bank.

Total Long-Term Debt

<u>\$ 81,979.05</u>
<u>\$ 81,979.05</u>

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONCLUDED)

The annual requirements to amortize all Loans outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 25,210.62	\$ 3,499.38	\$ 28,710.00
2009	28,965.39	2,354.61	31,320.00
2010	<u>27,803.04</u>	<u>751.87</u>	<u>28,554.91</u>
Totals	<u>\$ 81,979.05</u>	<u>\$ 6,605.86</u>	<u>\$ 88,584.91</u>

4. INTERFUND TRANSFERS

There were no transfers between funds for the year ended December 31, 2007 and 2006.

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (Concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for all county employees. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$49,726.19 and \$43,509.59, respectively, for the years then ended.

6. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,444, respectively, for the years ended December 31, 2007 and 2006.

7. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

8. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is involved in a lawsuit at this time, all damages should be covered by the counties insurance, or the case will be dropped.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

8. CLAIMS COMMITMENTS AND CONTINGENCIES (Concluded)

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuing service. This ranges from getting one week after the first year of service, and four weeks after fifteen years of service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. County employees receive two personal days when they start, after one year they get five days. An employee is not reimbursed for unused personal time upon termination of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

9. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	187,000.00	187,000.00	156,770.32	(30,229.68)	213,000.00	213,000.00	198,396.10	(14,603.90)
Sales tax	212,699.00	212,699.00	246,580.73	33,881.73	190,845.00	190,845.00	212,680.70	21,835.70
Other taxes	110,000.00	110,000.00	113,807.37	3,807.37	113,000.00	113,000.00	106,796.12	(6,203.88)
Intergovernmental revenues	-	-	-	-	-	-	-	-
Charges for services	134,693.70	134,693.70	135,653.73	960.03	153,756.00	153,756.00	131,553.34	(22,202.66)
Grants	62,941.00	62,941.00	52,787.93	(10,153.07)	182,837.12	182,837.12	48,914.71	(133,922.41)
Reimbursements	182,825.00	182,825.00	159,926.97	(22,898.03)	114,177.56	114,177.56	186,605.88	72,428.32
Fees, licenses and permits	78,192.00	78,192.00	153,144.48	74,952.48	40,433.00	40,433.00	70,820.19	30,387.19
Interests	24,000.00	24,000.00	12,748.34	(11,251.66)	12,800.00	12,800.00	24,409.79	11,609.79
Other	-	-	-	-	-	-	-	-
Total Revenues	992,350.70	992,350.70	1,031,419.87	39,069.17	1,020,848.68	1,020,848.68	980,176.83	(40,671.85)
EXPENDITURES:								
Current:								
General county government	295,953.00	295,953.00	358,181.96	62,228.96	323,938.42	323,938.42	320,716.10	(3,222.32)
Financial Administration:	93,936.67	93,936.67	93,975.13	38.46	79,085.00	79,085.00	77,212.93	(1,872.07)
Other offices & grants	66,640.00	66,640.00	61,260.11	(5,379.89)	73,150.00	73,150.00	73,183.10	33.10
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording:	-	-	-	-	-	-	-	-
Administration of Justice and Law	591,225.99	591,225.99	612,057.93	20,831.94	548,428.02	548,428.02	541,324.70	(7,103.32)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	1,047,755.66	1,047,755.66	1,125,475.13	77,719.47	1,024,601.44	1,024,601.44	1,012,436.83	(12,164.61)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,404.96)	(55,404.96)	(94,055.26)	(38,650.30)	(3,752.76)	(3,752.76)	(32,260.00)	(28,507.24)
OTHER FINANCING SOURCES (USES):								
Transfers in	10,000.00	10,000.00	-	(10,000.00)	6,000.00	6,000.00	-	(6,000.00)
Transfers out	-	-	-	-	-	-	-	-
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	10,000.00	10,000.00	-	(10,000.00)	6,000.00	6,000.00	-	(6,000.00)
NET CHANGE IN FUND BALANCE	(45,404.96)	(45,404.96)	(94,055.26)	(48,650.30)	2,247.24	2,247.24	(32,260.00)	(34,507.24)
FUND BALANCE - BEGIN OF YEAR	118,750.77	118,750.77	118,750.77	-	151,010.77	151,010.77	151,010.77	-
FUND BALANCE - END OF YEAR	73,345.81	73,345.81	24,695.51	(48,650.30)	153,258.01	153,258.01	118,750.77	(34,507.24)

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPEDITURES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 72,160.00	72,160.00	116,272.95	\$ 44,112.95	\$ 73,172.62	73,172.62	69,511.72	\$ (3,660.90)
County Clerk	72,933.00	72,933.00	72,199.97	(733.03)	65,150.80	65,150.80	67,840.32	2,689.52
Elections	16,150.00	16,150.00	14,373.71	(1,776.29)	31,130.00	31,130.00	46,231.70	15,101.70
Buildings and grounds	44,310.00	44,310.00	70,077.26	25,767.26	59,650.00	59,650.00	49,735.60	(9,914.40)
Employee fringe benefits	90,400.00	90,400.00	85,258.07	(5,141.93)	94,835.00	94,835.00	87,396.76	(7,438.24)
Other Expenses		-	-	-	-	-	-	-
	<u>295,953.00</u>	<u>295,953.00</u>	<u>358,181.96</u>	<u>62,228.96</u>	<u>323,938.42</u>	<u>323,938.42</u>	<u>320,716.10</u>	<u>(3,222.32)</u>
Financial Administration:								
Collector	59,706.67	59,706.67	60,418.16	711.49	56,070.00	56,070.00	55,014.92	1,055.08
Treasurer	34,230.00	34,230.00	33,556.97	(673.03)	23,015.00	23,015.00	22,198.01	(816.99)
	<u>93,936.67</u>	<u>93,936.67</u>	<u>93,975.13</u>	<u>38.46</u>	<u>79,085.00</u>	<u>79,085.00</u>	<u>77,212.93</u>	<u>238.09</u>
Other Offices & Grants								
Other Offices & Grants	66,640.00	66,640.00	61,260.11	(5,379.89)	73,150.00	73,150.00	73,183.10	(33.10)
	<u>66,640.00</u>	<u>66,640.00</u>	<u>61,260.11</u>	<u>(5,379.89)</u>	<u>73,150.00</u>	<u>73,150.00</u>	<u>73,183.10</u>	<u>(33.10)</u>
Health & Welfare								
Public Health and Welfare	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPEDITURES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND (CONTINUED) - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording: Recorder of Deeds		-		-		-		-
Administration of Justice and Law Enforcement:								
Associate Circuit	4,526.00	4,526.00	3,015.88	(1,510.12)	4,526.00	4,526.00	4,028.21	(497.79)
Circuit Clerk	22,696.80	22,696.80	22,618.39	(78.41)	22,076.18	22,076.18	21,322.61	(753.57)
Surveyor	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Court Administrator	8,052.00	8,052.00	3,926.86	(4,125.14)	5,939.21	5,939.21	3,613.47	(2,325.74)
Dispatch	-	-	-	-	-	-	-	-
Special Services	-	-	-	-	-	-	-	-
Jail	10,500.00	10,500.00	8,162.59	(2,337.41)	9,800.00	9,800.00	10,237.90	437.90
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	19,967.70	19,967.70	19,946.79	(20.91)	19,722.70	19,722.70	19,722.72	0.02
Lincoln County Rescue Squad	-	-	-	-	-	-	-	-
Coroner's Office	19,500.00	19,500.00	18,546.44	(953.56)	13,280.00	13,280.00	20,126.04	6,846.04
Sheriff's Office	380,101.94	380,101.94	439,957.64	59,855.70	347,162.13	347,162.13	371,151.91	23,989.78
Drug Task Force	-	-	-	-	-	-	-	-
Emergency Fund	30,000.00	30,000.00	-	(30,000.00)	30,000.00	30,000.00	-	(30,000.00)
Prosecuting Attorney	74,637.55	74,637.55	75,205.79	568.24	75,327.80	75,327.80	71,120.85	(4,206.95)
Prosecuting Attorney Retirement	2,244.00	2,244.00	2,244.00	-	2,244.00	2,244.00	2,244.00	-
Public Administrator	19,000.00	19,000.00	18,433.55	(566.45)	18,350.00	18,350.00	17,756.99	(593.01)
	591,225.99	591,225.99	612,057.93	20,831.94	548,428.02	548,428.02	541,324.70	(7,103.32)
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total Expenditures	\$ 1,047,755.66	1,047,755.66	1,125,475.13	77,719.47	\$ 1,024,601.44	1,024,601.44	1,012,436.83	(12,164.61)

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE
UNAUDITED - SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	295,478.00	295,478.00	292,393.15	(3,084.85)	208,157.96	208,157.96	209,491.92	1,333.96
Sales tax	-	-	-	-	-	-	-	-
Other taxes	670,360.00	670,360.00	668,491.21	(1,868.79)	670,777.66	670,777.66	670,466.26	(311.40)
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursement	180,546.00	180,546.00	259,945.80	79,399.80	192,904.38	192,904.38	182,963.84	(9,940.54)
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	8,647.00	8,647.00	12,163.86	3,516.86	6,260.25	6,260.25	8,647.14	2,386.89
Other	-	-	-	-	-	-	-	-
Total Revenues	1,155,031.00	1,155,031.00	1,232,994.02	77,963.02	1,078,100.25	1,078,100.25	1,071,569.16	(6,531.09)
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	340,000.00	340,000.00	377,134.46	37,134.46	365,000.00	365,000.00	332,856.30	(32,143.70)
Employee Benefits	118,800.00	118,800.00	119,148.75	348.75	100,580.00	100,580.00	115,155.53	14,575.53
Supplies	187,500.00	187,500.00	238,566.00	51,066.00	196,500.00	196,500.00	184,596.32	(11,903.68)
Insurance	30,000.00	30,000.00	24,584.68	(5,415.32)	30,000.00	30,000.00	28,215.52	(1,784.48)
Materials	193,000.00	193,000.00	251,912.65	58,912.65	193,000.00	193,000.00	153,602.25	(39,397.75)
Equipment Repairs	70,000.00	70,000.00	67,668.44	(2,331.56)	70,000.00	70,000.00	71,805.17	1,805.17
Rentals	-	-	-	-	-	-	-	-
Other Expenditures	26,000.00	26,000.00	27,735.41	1,735.41	27,150.00	27,150.00	25,845.53	(1,304.47)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	7,000.00	7,000.00	-	(7,000.00)
Property, equipment & buildings	165,000.00	165,000.00	158,962.53	(6,037.47)	65,000.00	65,000.00	161,878.30	96,878.30
Total Expenditures	1,130,300.00	1,130,300.00	1,265,712.92	135,412.92	1,054,230.00	1,054,230.00	1,073,954.92	19,724.92
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,731.00	24,731.00	(32,718.90)	(57,449.90)	23,870.25	23,870.25	(2,385.76)	(26,256.01)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	24,731.00	24,731.00	(32,718.90)	(57,449.90)	23,870.25	23,870.25	(2,385.76)	(26,256.01)
FUND BALANCE - BEGINNING OF YEAR	63,953.51	63,953.51	63,953.51	-	66,339.27	66,339.27	66,339.27	-
FUND BALANCE - END OF YEAR	88,684.51	88,684.51	31,234.61	(57,449.90)	90,209.52	90,209.52	63,953.51	(26,256.01)

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE FUND
UNAUDITED - 911 FUND
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts			Over (Under) Final Budget	Budgeted Amounts			Over (Under) Final Budget
	Original	Final	Actual		Original	Final	Actual	
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	120,656.70	120,656.70	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenues	-	-	120,656.70	120,656.70	-	-	-	-
EXPENDITURES:								
Current:								
Administration of Justice and Law:								
Salaries	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-	-	-
Jail and Kitchen	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	120,656.70	120,656.70	-	-	-	-
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	120,656.70	120,656.70	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	-	-	120,656.70	120,656.70	-	-	-	-

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Special Road and Bridge Fund. During the year December 31, 2006, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
ASSETS										
Cash and Cash Equivalents	28,863.18	120.07	81.76	26,672.93	75.00	12,395.36	1,867.01	742.05	6,857.83	1,667.18
TOTAL ASSETS	<u>28,863.18</u>	<u>120.07</u>	<u>81.76</u>	<u>26,672.93</u>	<u>75.00</u>	<u>12,395.36</u>	<u>1,867.01</u>	<u>742.05</u>	<u>6,857.83</u>	<u>1,667.18</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>28,863.18</u>	<u>120.07</u>	<u>81.76</u>	<u>26,672.93</u>	<u>75.00</u>	<u>12,395.36</u>	<u>1,867.01</u>	<u>742.05</u>	<u>6,857.83</u>	<u>1,667.18</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>28,863.18</u>	<u>120.07</u>	<u>81.76</u>	<u>26,672.93</u>	<u>75.00</u>	<u>12,395.36</u>	<u>1,867.01</u>	<u>742.05</u>	<u>6,857.83</u>	<u>1,667.18</u>

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
ASSETS								
Cash and Cash Equivalents	4,118.87	1,116.82	-	29,938.85	2,961.80	24,629.47	1,440.75	143,548.93
								-
TOTAL ASSETS	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
REVENUES:										
Property taxes	-	-	-	-	-	30,460.89	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-
Other taxes	60,147.96	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	3,471.65	-	-	-	310.00	-	-	-	-	373.76
Grants	-	-	-	-	-	-	-	-	-	-
Reimbursements	94,865.62	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	387.25	6,507.43	-	-	-	-	7,648.60	-
Interest	1,593.83	-	-	-	-	234.68	1,276.01	314.32	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other	-	1,840.97	-	-	-	-	-	-	-	-
Total Revenues	160,079.06	1,840.97	387.25	6,507.43	310.00	30,695.57	1,276.01	314.32	7,648.60	373.76
EXPENDITURES										
General government	138,097.38	-	376.29	2,963.74	331.00	-	29.56	-	10,000.00	674.16
Public Safety	-	1,816.74	-	-	-	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	30,131.49	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	138,097.38	1,816.74	376.29	2,963.74	331.00	30,131.49	29.56	-	10,000.00	674.16
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,981.68	24.23	10.96	3,543.69	(21.00)	564.08	1,246.45	314.32	(2,351.40)	(300.40)
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	21,981.68	24.23	10.96	3,543.69	(21.00)	564.08	1,246.45	314.32	(2,351.40)	(300.40)
FUND BALANCES - BEGINNING OF YEAR	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58
FUND BALANCES - END OF YEAR	28,863.18	120.07	81.76	26,672.93	75.00	12,395.36	1,867.01	742.05	6,857.83	1,667.18

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
REVENUES:								
Property taxes	-	-	-	-	-	-	-	30,460.89
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	60,147.96
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	2,843.73	-	-	-	-	-	6,999.14
Grants	-	-	2,276.38	-	-	-	-	2,276.38
Reimbursements	-	-	-	-	2,011.16	-	-	96,876.78
Fees, licenses and permits	3,329.43	-	-	32,911.86	-	8,895.49	2,542.00	62,222.06
Interest	-	-	-	-	-	-	-	3,418.84
Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,840.97
Total Revenues	3,329.43	2,843.73	2,276.38	32,911.86	2,011.16	8,895.49	2,542.00	264,243.02
EXPENDITURES								
General government	1,066.91	4,056.49	16,357.99	-	337.95	2,393.01	-	176,684.48
Public Safety	-	-	-	-	-	-	-	1,816.74
Highways and roads	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	30,131.49
Capital outlay	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	25,872.22	-	-	3,400.00	29,272.22
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
Total Expenditures	1,066.91	4,056.49	16,357.99	25,872.22	337.95	2,393.01	3,400.00	237,904.93
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,262.52	(1,212.76)	(14,081.61)	7,039.64	1,673.21	6,502.48	(858.00)	26,338.09
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	2,262.52	(1,212.76)	(14,081.61)	7,039.64	1,673.21	6,502.48	(858.00)	26,338.09
FUND BALANCES - BEGINNING OF YEAR	1,856.35	2,329.58	14,081.61	22,899.21	1,288.59	18,126.99	2,298.75	117,210.84
FUND BALANCES - END OF YEAR	4,118.87	1,116.82	-	29,938.85	2,961.80	24,629.47	1,440.75	143,548.93

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
ASSETS										
Cash and Cash Equivalents	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58
TOTAL ASSETS	<u>6,881.50</u>	<u>95.84</u>	<u>70.80</u>	<u>23,129.24</u>	<u>96.00</u>	<u>11,831.28</u>	<u>620.56</u>	<u>427.73</u>	<u>9,209.23</u>	<u>1,967.58</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>6,881.50</u>	<u>95.84</u>	<u>70.80</u>	<u>23,129.24</u>	<u>96.00</u>	<u>11,831.28</u>	<u>620.56</u>	<u>427.73</u>	<u>9,209.23</u>	<u>1,967.58</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>6,881.50</u>	<u>95.84</u>	<u>70.80</u>	<u>23,129.24</u>	<u>96.00</u>	<u>11,831.28</u>	<u>620.56</u>	<u>427.73</u>	<u>9,209.23</u>	<u>1,967.58</u>

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
ASSETS								
Cash and Cash Equivalents	1,856.35	2,329.58	14,081.61	22,899.21	1,288.59	18,126.99	2,298.75	117,210.84
								-
TOTAL ASSETS	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Sheriff's Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
REVENUES:										
Property taxes	-	-	-	-	-	30,407.37	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-
Other taxes	57,598.85	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	4,965.65	-	280.81	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Reimbursements	51,184.32	-	-	-	-	1,483.23	-	-	-	-
Fees, licenses and permits	-	-	-	5,964.39	304.00	-	-	-	9,209.23	280.00
Interest	863.27	-	-	-	-	178.16	130.50	69.13	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other	276.13	1,858.30	-	-	-	-	-	-	-	-
Total Revenues	114,888.22	1,858.30	280.81	5,964.39	304.00	32,068.76	130.50	69.13	9,209.23	280.00
EXPENDITURES										
General government	113,064.40	-	376.29	1,700.00	539.00	-	207.00	310.00	-	-
Public Safety	-	2,081.29	-	-	-	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	24,408.00	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	6,796.69	-
Debt Service										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	113,064.40	2,081.29	376.29	1,700.00	539.00	24,408.00	207.00	310.00	6,796.69	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,823.82	(222.99)	(95.48)	4,264.39	(235.00)	7,660.76	(76.50)	(240.87)	2,412.54	280.00
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,823.82	(222.99)	(95.48)	4,264.39	(235.00)	7,660.76	(76.50)	(240.87)	2,412.54	280.00
FUND BALANCES - BEGINNING OF YEAR	5,057.68	318.83	166.28	18,864.85	331.00	4,170.52	697.06	668.60	6,796.69	1,687.58
FUND BALANCES - END OF YEAR	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
REVENUES:								
Property taxes	-	-	-	-	-	-	-	30,407.37
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	57,598.85
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	1,977.05	-	-	-	-	-	7,223.51
Grants	-	-	132,027.45	-	-	-	-	132,027.45
Reimbursements	-	-	-	-	578.70	-	-	53,246.25
Fees, licenses and permits	1,794.38	-	-	22,359.00	-	9,586.46	3,000.00	52,497.46
Interest	-	-	-	-	-	-	-	1,241.06
Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,134.43
Total Revenues	1,794.38	1,977.05	132,027.45	22,359.00	578.70	9,586.46	3,000.00	336,376.38
EXPENDITURES								
General government	1,079.00	-	-	-	-	730.80	-	118,006.49
Public Safety	-	2,826.06	-	-	-	-	-	4,907.35
Highways and roads	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	24,408.00
Capital outlay	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	133,011.44	23,000.00	-	-	3,000.00	165,808.13
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
Total Expenditures	1,079.00	2,826.06	133,011.44	23,000.00	-	730.80	3,000.00	313,129.97
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	715.38	(849.01)	(983.99)	(641.00)	578.70	8,855.66	-	23,246.41
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	715.38	(849.01)	(983.99)	(641.00)	578.70	8,855.66	-	23,246.41
FUND BALANCES - BEGINNING OF YEAR	1,140.97	3,178.59	15,065.60	23,540.21	709.89	9,271.33	2,298.75	93,964.43
FUND BALANCES - END OF YEAR	1,856.35	2,329.58	14,081.61	22,899.21	1,288.59	18,126.99	2,298.75	117,210.84

THE COUNTY OF REYNOLDS
 CENTERVILLE MISSOURI
 (the Primary Government)
 COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
 DECEMBER 31, 2007

	Sheriff Calender	Prosecuting Attorney Restitution	Sur-Charge Fund	Overplus Fund	Capital School Fund	Unclaimed Fees	CERF Retirement	Hospital Escrow	Sweet Water Cemetery	Collectors Funds	Total
ASSETS											
Cash and Cash Equivalents	1,006.38	257.50	-	63,483.00	6,559.36	1,095.68	3,658.36	-	4,591.56	4,539,558.25	4,620,210.09
TOTAL ASSETS	<u>1,006.38</u>	<u>257.50</u>	<u>-</u>	<u>63,483.00</u>	<u>6,559.36</u>	<u>1,095.68</u>	<u>3,658.36</u>	<u>-</u>	<u>4,591.56</u>	<u>4,539,558.25</u>	<u>4,620,210.09</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,006.38	257.50	-	63,483.00	6,559.36	1,095.68	3,658.36	-	4,591.56	4,539,558.25	4,620,210.09
TOTAL LIABILITIES AND FUND BALANCES	<u>1,006.38</u>	<u>257.50</u>	<u>-</u>	<u>63,483.00</u>	<u>6,559.36</u>	<u>1,095.68</u>	<u>3,658.36</u>	<u>-</u>	<u>4,591.56</u>	<u>4,539,558.25</u>	<u>4,620,210.09</u>

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -CASH BASIS
DECEMBER 31, 2006

	Sheriff Calender	Prosecuting Attorney Restitution	Sur-Charge Fund	Overplus Fund	Capital School Fund	Unclaimed Fees	CERF Retirement	Hospital Escrow	Sweet Water Cemetery	Collectors Funds	Total
ASSETS											
Cash and Cash Equivalents	367.28	507.50	-	64,550.93	12,113.07	658.50	3,088.43	57,008.60	4,635.65	3,702,566.36	3,845,496.32
TOTAL ASSETS	<u>367.28</u>	<u>507.50</u>	<u>-</u>	<u>64,550.93</u>	<u>12,113.07</u>	<u>658.50</u>	<u>3,088.43</u>	<u>57,008.60</u>	<u>4,635.65</u>	<u>3,702,566.36</u>	<u>3,845,496.32</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	367.28	507.50	-	64,550.93	12,113.07	658.50	3,088.43	57,008.60	4,635.65	3,702,566.36	3,845,496.32
TOTAL LIABILITIES AND FUND BALANCES	<u>367.28</u>	<u>507.50</u>	<u>-</u>	<u>64,550.93</u>	<u>12,113.07</u>	<u>658.50</u>	<u>3,088.43</u>	<u>57,008.60</u>	<u>4,635.65</u>	<u>3,702,566.36</u>	<u>3,845,496.32</u>

STATE COMPLIANCE SECTION

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

- I. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Special Road and Bridge Fund.
- II. During the year December 31, 2006, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Reynolds, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Reynolds, (the Primary Government), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our cash basis report thereon dated July 28, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, and 06/07-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated July 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

July 28, 2008

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-03

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements For the years ended 12/31/04 and 12/31/05.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

July 28, 2008

To the County Commissioners
Reynolds County of Missouri

In planning and performing our audit of the basic financial statements of the Reynolds County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of the Reynolds County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Reynolds County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2007 & 2006

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY, MISSOURI)
TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
 <u>BASIC FINANCIAL STATEMENTS</u>	
Statement of Assets, Liabilities, and Fund Balance – Cash Basis.....	5
Statement of Revenues, Expenses, and Changes in Fund Balance – Cash Basis	6
Notes to the Financial Statements.....	7-10
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis as of December 31, 2006	11
Statement of Revenue, Expenditures and Changes in Fund Balance– Budget Basis to Actual – Non-GAAP – Cash Basis as of December 31, 2007	12
Notes to Required Supplementary Information	13
Schedule of Findings and Questioned Costs	14-15



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Reynolds County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Reynolds County Senate Bill 40 of Missouri, a component unit of Reynolds County, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Reynolds County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Reynolds County Senate Bill 40 of Missouri as of December 31, 2007 and December 31, 2006, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2008, on our consideration of the Reynolds County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 11 and 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and , in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 12, 2008



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Reynolds County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Reynolds County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated August 12, 2008, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Reynolds County Senate Bill 40 of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, and 06/07-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of Reynolds County Senate Bill 40 of Missouri in a separate report dated August 12, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reynolds County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants, P.C.

August 12, 2008

BASIC FINANCIAL STATEMENTS

REYNOLDS COUNT SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 15,275.87	\$ 15,153.75
Certificates of Deposit	-	-
Total Assets	<u>15,275.87</u>	<u>15,153.75</u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unrestricted	\$ 15,275.87	\$ 15,153.75
Total Fund Balance	<u>15,275.87</u>	<u>15,153.75</u>
Total Liabilities and Fund Balance	<u>15,275.87</u>	<u>15,153.75</u>

The notes to the financial statements are an integral part of this statement.

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Property Tax Revenues	\$ 101,508.42	\$ 101,341.41
	<u>101,508.42</u>	<u>101,341.41</u>
TOTAL REVENUES	101,508.42	101,341.41
EXPENDITURES		
Senior Services Expenses	101,508.42	101,341.41
Other Expenses		
	<u>101,508.42</u>	<u>101,341.41</u>
TOTAL EXPENDITURES	101,508.42	101,341.41
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	0.00	0.00
OTHER FINANCING SOURCES (USES)		
Interest	122.12	109.75
Miscellaneous	0.00	5,100.00
Rents	0.00	0.00
Donations		
TOTAL OTHER FINANCING SOURCES (USES)	<u>122.12</u>	<u>5,209.75</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	122.12	5,209.75
FUND BALANCE - BEGINNING OF YEAR	<u>15,153.75</u>	<u>9,944.00</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,275.87</u>	<u>\$ 15,153.75</u>

The notes to the financial statements are an integral part of this statement.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reynolds County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Reynolds County Senate Bill 40 is a component unit of Reynolds County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses, and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2007 and December 31, 2006. At December 31, 2007, the carrying amount of the District's deposits was \$ 15,275.87 with respective bank balances totaling \$ 15,275.87. At December 31, 2006, the carrying amount of the District's deposits was \$15,153.75 with respective bank balances totaling \$15,153.75. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for each year. The remainder was covered by collateral held by the Federal Reserve Bank in the SB 40's name under a joint safekeeping agreement for both years.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2007 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	15,275.87
Total Deposits		\$ <u>15,275.87</u>

The Deposits held at December 31, 2006 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2006		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	\$ 15,153.75
Total Deposits		\$ <u>15,153.75</u>

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was \$127,297,839 and \$127,105,221 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was .0896 and .0896 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2007 or December 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 98,000.00	101,341.41	\$ 3,341.41
TOTAL REVENUES	<u>98,000.00</u>	<u>101,341.41</u>	<u>3,341.41</u>
EXPENDITURES			
Senior Services Expenses	98,000.00	101,341.41	3,341.41
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>98,000.00</u>	<u>101,341.41</u>	<u>3,341.41</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)			
Interest	0.00	109.75	109.75
Miscellaneous	0.00	5,100.00	5,100.00
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>0.00</u>	<u>5,209.75</u>	<u>5,209.75</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	0.00	5,209.75	5,209.75
FUND BALANCE BEGINNING OF YEAR	<u>9,944.00</u>	<u>9,944.00</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 9,944.00</u>	<u>\$ 15,153.75</u>	<u>\$ 5,209.75</u>

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 101,500.00	\$ 101,508.42	\$ 8.42
TOTAL REVENUES	<u>101,500.00</u>	<u>101,508.42</u>	<u>8.42</u>
EXPENDITURES			
Senior Services Expenses	101,500.00	101,508.42	8.42
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>101,500.00</u>	<u>101,508.42</u>	<u>8.42</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)			
Interest	2,100.00	122.12	(1,977.88)
Miscellaneous	0.00	0.00	
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,100.00</u>	<u>122.12</u>	<u>(1,977.88)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	2,100.00	122.12	(1,977.88)
FUND BALANCE BEGINNING OF YEAR	<u>15,153.75</u>	<u>15,153.75</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 17,253.75</u>	<u>\$ 15,275.87</u>	<u>\$ (1,977.88)</u>

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Accounting

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 will consider the auditors' recommendation.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 12, 2008

To the Board of Directors
Reynolds County Senate Bill 40 of Missouri

In planning and performing our audit of the basic financial statements of the Reynolds County Senate Bill 40 of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Board's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the region, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the board's annual budget document and annual financial statement. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The Board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of the Reynolds County Senate Bill 40 of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds County Senate Bill 40 of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Reynolds County Senate Bill 40 of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Lincoln County, Missouri

The Office of the State Auditor, in cooperation with Lincoln County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-06

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	3
Statement of Activities – Cash Basis	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet – Cash Basis – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – All Governmental Funds	7
Reconciliation of the County Funds Balance Sheet With the Statement of Net Assets – Cash Basis	8-9
Reconciliation of the County Funds Statement of Revenues, Expenditures, and Changes in Fund Balances With Government-Wide Statement of Activities – Cash Basis	10-11
Statement of Fiduciary Net Assets – Cash Basis Agency Funds	12
Notes to the Financial Statements	13-25
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis General Fund – Unaudited	26
Departmental Schedule of Expenditures Non-GAAP Budget Basis and Actual Cash Basis General Fund – Unaudited	27-28
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis Special Revenue – Unaudited Special Road and Bridge Fund	29

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION: (CONCLUDED)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis Special Revenue – Unaudited Law Enforcement Trust Fund	30
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budget Basis and Actual Cash Basis Special Revenue – Unaudited Jail Improvement Fund	31
Notes to Required Supplementary Information.....	32

SUPPLEMENTARY INFORMATION:

**Combining Fund Financial Statements And Schedule
Non-Major Governmental Funds**

Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	33-34
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2007	35-36
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	37-38
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Cash Basis – Non-Major Governmental Funds (Special Revenue Funds) – 2006	39-40

Fiduciary Funds

Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2007	41
Combining Statement of Fiduciary Net Assets – Cash Basis – Agency Funds – 2006	42

STATE COMPLIANCE SECTION:

Schedule of Findings.....	43
---------------------------	----

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS (CONCLUDED)

FEDERAL COMPLIANCE SECTION:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	44-45
Schedule of Findings.....	46-47



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Lincoln, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Lincoln, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Primary Government, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of The Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Lincoln County, and the Lincoln County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Lincoln County Health Department, or the Agency for Developmental Disabilities.

As described in Note 1, the basic financial statements of Primary Government, were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2008 on our consideration for the Primary Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – Cash Basis – Budget and Actual and related notes on pages 26 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 33 through 40 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

August 13, 2008

BASIC FINANCIAL STATEMENTS

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEARS ENDED

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	6,082,094.26	7,419,245.25
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>6,082,094.26</u></u>	<u><u>7,419,245.25</u></u>
 NET ASSETS:		
Restricted for a Specific Purpose	2,739,945.37	3,294,586.68
Unrestricted	<u>3,342,148.89</u>	<u>4,124,658.57</u>
Total Net Assets	<u><u>6,082,094.26</u></u>	<u><u>7,419,245.25</u></u>
 TOTAL FUND BALANCE	<u><u>6,082,094.26</u></u>	<u><u>7,419,245.25</u></u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS	Expenses				
GOVERNMENTAL ACTIVITIES:					
General county government	2,156,864.66	1,541,372.00	1,153,605.30	258,486.19	796,598.83
Road & bridge	3,224,739.45	-	-	-	(3,224,739.45)
Financial administration	358,230.07	-	-	-	(358,230.07)
Other offices & grants	318,049.90	-	-	-	(318,049.90)
Health and welfare	-	-	-	-	-
Public Safety	1,053,840.49	-	-	-	(1,053,840.49)
Property valuation and recording	211,985.22	-	-	-	(211,985.22)
Administration of justice and law enforcement	6,437,729.47	2,612,224.55	-	54,092.21	(3,771,412.71)
Building Expenses:					
Building Expenses and Repairs	259,195.16	-	-	-	(259,195.16)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of roads and bridges	1,903,502.56	-	-	-	(1,903,502.56)
Property, equipment and buildings	2,477,242.54	-	-	-	(2,477,242.54)
TOTAL GOVERNMENTAL ACTIVITIES	<u>18,401,379.52</u>	<u>4,153,596.55</u>	<u>1,153,605.30</u>	<u>312,578.40</u>	<u>(12,781,599.27)</u>

General Revenues:

Taxes

Property taxes, levied	2,270,430.06
Sales tax	6,630,360.57
Other taxes	2,030,685.05
Investment income	323,291.64
Sale of Bonds	-
Miscellaneous	189,680.96
TOTAL GENERAL REVENUES	<u>11,444,448.28</u>
CHANGE IN NET ASSETS	<u>(1,337,150.99)</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,419,245.25</u>
NET ASSETS, END OF YEAR	<u>6,082,094.26</u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for	Operating	
		Services	Grants and	
			Contributions	
			Capital	
			Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES:				
General county government	2,197,688.06	3,315,318.34	566,750.79	1,058,766.14
Road & bridge	2,574,105.92	-	85,810.41	-
Financial administration	319,527.20	-	-	-
Other offices & grants	475,542.96	-	-	-
Health and welfare	6,215.25	-	-	-
Public Safety	1,121,281.38	-	-	-
Property valuation and recording	220,104.53	-	-	-
Administration of justice and law enforcement	6,017,631.86	259,857.76	-	220,556.65
Building Expenses:				
Building Expenses and Repairs	263,072.03	-	-	-
Special Services	-	-	-	-
Surveyor	-	-	-	-
Maintenance of roads	-	-	-	-
Park Maintenance	-	-	-	-
Other	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal charges	-	-	-	-
Capital Outlay:				
Construction of roads and bridges	1,721,308.88	-	-	-
Property, equipment and buildings	2,177,294.39	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	17,093,772.46	3,575,176.10	652,561.20	1,279,322.79

General Revenues:

Taxes	
Property taxes, levied	2,060,804.93
Sales tax	6,592,971.58
Other taxes	1,906,378.20
Investment income	316,603.11
Miscellaneous	350,447.77
TOTAL GENERAL REVENUES	11,227,205.59
CHANGE IN NET ASSETS	(359,506.78)
NET ASSETS, BEGINNING OF YEAR	7,778,752.03
NET ASSETS, END OF YEAR	7,419,245.25

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS
ALL GOVERNMENTAL FUNDS

	DECEMBER 31, 2007						DECEMBER 31, 2006					
	General	Special Road and Bridge Fund	Law Enforcement Trust Fund	Jail Improvements Funds	Nonmajor Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	Law Enforcement Trust Fund	Jail Improvements Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS												
Cash and Cash Equivalents	3,342,148.89	(179,118.83)	74,332.95	2,191,798.00	652,933.25	6,082,094.26	4,124,658.57	210,840.02	20,454.67	2,409,043.27	654,248.72	7,419,245.25
Investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>3,342,148.89</u>	<u>(179,118.83)</u>	<u>74,332.95</u>	<u>2,191,798.00</u>	<u>652,933.25</u>	<u>6,082,094.26</u>	<u>4,124,658.57</u>	<u>210,840.02</u>	<u>20,454.67</u>	<u>2,409,043.27</u>	<u>654,248.72</u>	<u>7,419,245.25</u>
FUND BALANCES												
FUND BALANCES:												
Unreserved:												
General Fund	3,342,148.89	-	-	-	-	3,342,148.89	4,124,658.57	-	-	-	-	4,124,658.57
Special revenue funds	-	(179,118.83)	74,332.95	2,191,798.00	652,933.25	2,739,945.37	-	210,840.02	20,454.67	2,409,043.27	654,248.72	3,294,586.68
Total Fund Balances	<u>3,342,148.89</u>	<u>(179,118.83)</u>	<u>74,332.95</u>	<u>2,191,798.00</u>	<u>652,933.25</u>	<u>6,082,094.26</u>	<u>4,124,658.57</u>	<u>210,840.02</u>	<u>20,454.67</u>	<u>2,409,043.27</u>	<u>654,248.72</u>	<u>7,419,245.25</u>
TOTAL												
FUND BALANCES	<u>3,342,148.89</u>	<u>(179,118.83)</u>	<u>74,332.95</u>	<u>2,191,798.00</u>	<u>652,933.25</u>	<u>6,082,094.26</u>	<u>4,124,658.57</u>	<u>210,840.02</u>	<u>20,454.67</u>	<u>2,409,043.27</u>	<u>654,248.72</u>	<u>7,419,245.25</u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007						DECEMBER 31, 2006					
	General	Special Road and Bridge Fund	Law Enforcement Trust Fund	Jail Improvements Funds	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	Law Enforcement Trust Fund	Jail Improvements Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:												
Property tax	773,499.44	1,496,930.62	-	-	-	2,270,430.06	713,662.64	1,347,142.29	-	-	-	2,060,804.93
Sales tax	2,154,892.69	2,155,262.35	2,318,460.42	1,745.11	-	6,630,360.57	2,143,773.03	2,143,766.79	2,297,442.58	7,989.18	-	6,592,971.58
Other taxes	-	1,170,869.03	-	-	859,816.02	2,030,685.05	-	1,128,928.69	-	-	777,449.51	1,906,378.20
Intergovernmental Revenue	-	-	-	-	4,273.81	4,273.81	-	-	-	-	246,150.66	246,150.66
Charges for Services	1,011,029.34	-	2,217,785.84	-	329,761.42	3,558,576.60	995,975.21	-	1,835,342.59	-	370,347.50	3,201,665.30
Grants	249,735.83	-	54,092.21	-	8,750.36	312,578.40	971,142.29	-	220,556.65	-	87,623.85	1,279,322.79
Reimbursements	68,619.61	94,912.89	-	-	990,072.80	1,153,605.30	54,743.62	109,134.62	-	-	402,872.55	566,750.79
Fees, licenses and permits	-	-	394,438.71	-	200,581.24	595,019.95	-	-	259,857.76	-	113,653.04	373,510.80
Interest	157,776.75	28,412.74	1,941.84	90,017.79	45,142.52	323,291.64	157,076.97	21,361.48	5,471.88	88,487.31	44,205.47	316,603.11
Contributions	-	-	-	-	-	-	-	85,810.41	-	-	-	85,810.41
Sale of Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other	83,296.82	93,080.02	-	29.25	9,001.06	185,407.15	103,705.68	-	-	146.46	444.97	104,297.11
Total Revenues	4,498,850.48	5,039,467.65	4,986,719.02	91,792.15	2,447,399.23	17,064,228.53	5,140,079.44	4,836,144.28	4,618,671.46	96,622.95	2,042,747.55	16,734,265.68
EXPENDITURES:												
Current:												
General county governmen	973,679.80	-	-	49,842.26	1,133,342.60	2,156,864.66	1,119,561.05	-	-	47,777.21	1,030,349.80	2,197,688.06
Maintenance of Roads	-	2,615,428.50	-	-	609,310.95	3,224,739.45	-	2,456,491.71	-	-	117,614.21	2,574,105.92
Financial Administration	358,230.07	-	-	-	-	358,230.07	319,527.20	-	-	-	-	319,527.20
Other offices & grants	318,049.90	-	-	-	-	318,049.90	475,542.96	-	-	-	-	475,542.96
Health & welfare	-	-	-	-	-	-	-	-	-	-	6,215.25	6,215.25
Public Safety	-	-	-	-	1,053,840.49	1,053,840.49	-	-	-	-	1,121,281.38	1,121,281.38
Property Valuation and Recording	211,985.22	-	-	-	-	211,985.22	220,104.53	-	-	-	-	220,104.53
Administration of Justice and Law	1,504,737.42	-	4,932,992.05	-	-	6,437,729.47	1,382,464.24	-	4,635,167.62	-	-	6,017,631.86
Building Expenses:												
Building Expenses and Repairs	-	-	-	259,195.16	-	259,195.16	-	-	-	263,072.03	-	263,072.03
Capital Outlay:												
Construction of roads and bridges	-	1,903,502.56	-	-	-	1,903,502.56	-	1,701,143.23	-	-	20,165.65	1,721,308.88
Property, equipment and buildings	1,190,677.75	910,495.44	288,848.69	-	87,220.66	2,477,242.54	1,009,048.25	839,542.43	328,703.71	-	-	2,177,294.39
Debt Service:												
Principal payments	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,557,360.16	5,429,426.50	5,221,840.74	309,037.42	2,883,714.70	18,401,379.52	4,526,248.23	4,997,177.37	4,963,871.33	310,849.24	2,295,626.29	17,093,772.46
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,509.68)	(389,958.85)	(235,121.72)	(217,245.27)	(436,315.47)	(1,337,150.99)	613,831.21	(161,033.09)	(345,199.87)	(214,226.29)	(252,878.74)	(359,506.78)
OTHER FINANCING SOURCES (USES):												
Transfers in	15,000.00	-	289,000.00	-	450,000.00	754,000.00	-	30,000.00	80,000.00	-	425,000.00	535,000.00
Transfers out	(739,000.00)	-	-	-	(15,000.00)	(754,000.00)	(535,000.00)	-	-	-	-	(535,000.00)
Total Other Financing Sources (uses)	(724,000.00)	-	289,000.00	-	435,000.00	-	(535,000.00)	30,000.00	80,000.00	-	425,000.00	-
NET CHANGE IN FUND BALANCE	(782,509.68)	(389,958.85)	53,878.28	(217,245.27)	(1,315.47)	(1,337,150.99)	78,831.21	(131,033.09)	(265,199.87)	(214,226.29)	172,121.26	(359,506.78)
FUND BALANCE - BEGINNING OF YEAR	4,124,658.57	210,840.02	20,454.67	2,409,043.27	654,248.72	7,419,245.25	4,045,827.36	341,873.11	285,654.54	2,623,269.56	482,127.46	7,778,752.03
FUND BALANCE - END OF YEAR	3,342,148.89	(179,118.83)	74,332.95	2,191,798.00	652,933.25	6,082,094.26	4,124,658.57	210,840.02	20,454.67	2,409,043.27	654,248.72	7,419,245.25

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 6,082,094.26
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 6,082,094.26</u></u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 7,419,245.25
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u><u>\$ 7,419,245.25</u></u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
STATEMENT OF ACTIVITIES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ (1,337,150.99)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (1,337,150.99)</u></u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
STATEMENT OF ACTIVITIES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (359,506.78)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u>\$ (359,506.78)</u>

See accompanying notes to the financial statements

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>28,556,440.88</u>	<u>27,288,656.10</u>
TOTAL ASSETS	<u><u>28,556,440.88</u></u>	<u><u>27,288,656.10</u></u>
LIABILITIES		
Due to other funds	<u>28,556,440.88</u>	<u>27,288,656.10</u>
TOTAL LIABILITIES	<u><u>28,556,440.88</u></u>	<u><u>27,288,656.10</u></u>

See accompanying notes to financial statements

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Lincoln, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Lincoln County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Lincoln County as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Lincoln County, Missouri, and the Lincoln County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Lincoln County Health Department at (636) 528-6117 (or write to 5 Health Drive Troy, MO 63379), or the Agency for Developmental Disabilities at (636)528-7695 (or write to P.O. Box 420, Troy, MO 63379).

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Lincoln County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Lincoln County at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Law Enforcement Trust, Jail Improvement, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Law Enforcement Trust Fund – A Special Revenue Fund used to account for the County Sales tax levy and related expenditures for law enforcement for the county.

Jail Improvement Fund – A Special Revenue Fund used to account for the County Sales tax levy and related expenditures for the jail of the county.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 417,458,650	\$372,648,940
Personal Property	139,521,634	137,065,210
Railroad and Utilities	45,583,728	44,974,489
	<u>\$ 602,564,012</u>	<u>\$554,688,639</u>

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (continued)

During 2007 and 2006, the County Commission approved a \$0.4085 and \$0.3824 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$.1528	\$.1239
Road and Bridge	.2557	.2585
	<u>\$ 0.4085</u>	<u>\$ 0.3824</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considers investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$6,082,094.26 and \$7,419,245.25, the bank balance was \$6,086,748.33 and \$8,668,668.25 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 6,082,094.26
Investments	-
Restricted cash	-
Total Deposits & Investments as of December 31, 2007	\$ <u>6,082,094.26</u>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 7,419,245.25
Investments	-
Restricted cash	-
Total Cash & Investment as of December 31, 2006	\$ <u>7,419,245.25</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

3. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	Certificates of Participation	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2006	\$ 2,200,000.00	\$ 70,818.02	\$ 2,270,818.02
Add-issued	-	114,521.16	114,521.16
Less Payments	<u>(800,000.00)</u>	<u>(34,749.26)</u>	<u>(834,749.26)</u>
Long-Term Debt – December 31, 2006	<u>\$ 1,400,000.00</u>	<u>\$ 150,589.92</u>	<u>\$ 1,550,589.92</u>

Certificates of Participation at December 31, 2006, consists of:

\$2,500,000 Original Principal Lincoln County Certificates of Participation Series 2001B-due in varying annual principal installments ranging from \$95,000 to \$165,000 through April 1, 2022, interest rate is 3.0 percent. Extra payments were made to pay off the COPS in March of 2008.

\$ 1,400,000.00

Automobile Lease Purchase at December 31, 2006, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Peoples Bank and Trust. These vehicles have been purchased in 2005 and 2006 and they make various annual payments that do not exceed 36 months. The interest rate varies on all of the Lease Purchases from 3.50% to 5.813%.

\$ 150,589.92

Total Long-Term Debt

\$ 1,550,589.92

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all Certificates of Participation outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,100,000.00	\$ 48,886.25	\$ 1,148,886.25
2008	<u>300,000.00</u>	<u>12,548.75</u>	<u>312,548.75</u>
Totals	<u>\$ 1,400,000.00</u>	<u>\$ 61,435.00</u>	<u>\$ 1,461,435.00</u>

The annual requirements to amortize all Automobile Lease Purchase Agreements outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 95,763.79	\$ 9,606.45	\$ 105,370.24
2008	98,157.89	12,647.81	110,805.70
2009	79,767.70	6,962.08	86,729.78
2010	<u>40,446.35</u>	<u>2,337.80</u>	<u>42,784.15</u>
Totals	<u>\$ 314,135.73</u>	<u>\$ 31,554.14</u>	<u>\$ 345,689.87</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	Certificates of Participation	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2007	\$1,400,000.00	\$ 150,589.92	\$ 1,550,589.92
Add-issued	-	163,545.82	163,545.82
Less Payments	<u>(1,100,000.00)</u>	<u>(95,763.79)</u>	<u>(1,195,763.79)</u>
Long-Term Debt – December 31, 2007	<u>\$300,000.00</u>	<u>\$ 218,371.95</u>	<u>\$ 518,371.95</u>

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONCLUDED)

Certificates of Participation at December 31, 2007, consists of:

\$2,500,000 Original Principal Lincoln County Certificates of Participation Series 2001B-due in varying annual principal installments ranging from \$95,000 to \$165,000 through April 1, 2022, interest rate is 3.0 percent. Extra payments were made to pay off the COPS in March of 2008.

\$ 300,000.00

Automobile Lease Purchase at December 31, 2007, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Peoples Bank and Trust. These vehicles have been purchased in 2005, 2006 and 2007 and they make various annual payments that do not exceed 36 months. The interest rate varies on all of the Lease Purchases from 3.50% to 5.813%.

\$ 218,371.95

Total Long-Term Debt

\$ 518,371.95

The annual requirements to amortize all Certificates of Participation outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	<u>\$ 300,000.00</u>	<u>\$ 12,548.75</u>	<u>\$ 312,548.75</u>
Totals	<u>\$ 300,000.00</u>	<u>\$ 12,548.75</u>	<u>\$ 312,548.75</u>

The annual requirements to amortize all Automobile Lease Purchase Agreements outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 98,157.89	\$ 12,647.81	\$ 110,805.70
2009	79,767.70	6,962.08	86,729.78
2010	<u>40,446.35</u>	<u>2,337.80</u>	<u>42,784.15</u>
Totals	<u>\$ 218,371.94</u>	<u>\$ 21,947.69</u>	<u>\$ 240,319.63</u>

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

4. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:				
General Fund	\$ 15,000.00	\$ 739,000.00	\$ -	\$ 535,000.00
Law Enforcement Trust Fund	289,000.00	-	80,000.00	-
Road & Bridge Fund	-	-	30,000.00	-
Non-major Funds	450,000.00	15,000.00	425,000.00	-
Total	<u>\$ 754,000.00</u>	<u>\$ 754,000.00</u>	<u>\$ 535,000.00</u>	<u>\$ 535,000.00</u>

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer of employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)(Concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$45,964.79 and \$43,153.59, respectively, for the years then ended.

6. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752 and \$7,752, respectively, for the years ended December 31, 2007 and 2006.

7. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

8. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is involved various lawsuits at this time, all of which will be covered by the counties insurance, or will be dropped.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

8. CLAIMS COMMITMENTS AND CONTINGENCIES (Concluded)

B. Compensated Absences

The County provides employees with up to three weeks of paid leave based upon the number of years of continuing service. Upon termination from county employment, an employee is reimbursed for half of the unused leave time. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

9. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	722,000.00	722,000.00	773,499.44	51,499.44	677,000.00	677,000.00	713,662.64	36,662.64
Sales tax	2,207,000.00	2,207,000.00	2,154,892.69	(52,107.31)	2,230,000.00	2,230,000.00	2,143,773.03	(86,226.97)
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-	-
Charges for services	1,029,100.00	1,029,100.00	1,011,029.34	(18,070.66)	1,050,200.00	1,050,200.00	995,975.21	(54,224.79)
Grants	195,814.00	195,814.00	249,735.83	53,921.83	194,035.00	194,035.00	971,142.29	777,107.29
Reimbursements	56,006.40	56,006.40	68,619.61	12,613.21	17,130.40	17,130.40	54,743.62	37,613.22
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interests	130,000.00	130,000.00	157,776.75	27,776.75	120,000.00	120,000.00	157,076.97	37,076.97
Other	71,000.00	71,000.00	83,296.82	12,296.82	119,700.00	119,700.00	103,705.68	(15,994.32)
Total Revenues	4,410,920.40	4,410,920.40	4,498,850.48	87,930.08	4,408,065.40	4,408,065.40	5,140,079.44	732,014.04
EXPENDITURES:								
Current:								
General county government	1,422,879.50	1,422,879.50	973,679.80	(449,199.70)	1,321,583.00	1,321,583.00	1,119,561.05	(202,021.95)
Financial Administration:	355,020.00	355,020.00	358,230.07	3,210.07	361,063.00	361,063.00	319,527.20	(41,535.80)
Other offices & grants	554,677.55	554,677.55	318,049.90	(236,627.65)	520,189.00	520,189.00	475,542.96	(44,646.04)
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording:	223,132.53	223,132.53	211,985.22	(11,147.31)	273,568.00	273,568.00	220,104.53	(53,463.47)
Administration of Justice and Law	1,688,245.62	1,688,245.62	1,504,737.42	(183,508.20)	1,543,290.11	1,543,290.11	1,382,464.24	(160,825.87)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	1,781,150.00	1,781,150.00	1,190,677.75	(590,472.25)	695,444.00	695,444.00	1,009,048.25	313,604.25
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	6,025,105.20	6,025,105.20	4,557,360.16	(1,467,745.04)	4,715,137.11	4,715,137.11	4,526,248.23	(188,888.88)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,614,184.80)	(1,614,184.80)	(58,509.68)	1,555,675.12	(307,071.71)	(307,071.71)	613,831.21	920,902.92
OTHER FINANCING SOURCES (USES):								
Transfers in	15,000.00	15,000.00	15,000.00	-	-	-	-	-
Transfers out	(1,250,882.00)	(1,250,882.00)	(739,000.00)	511,882.00	(855,745.00)	(855,745.00)	(535,000.00)	320,745.00
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,235,882.00)	(1,235,882.00)	(724,000.00)	511,882.00	(855,745.00)	(855,745.00)	(535,000.00)	320,745.00
NET CHANGE IN FUND BALANCE	(2,850,066.80)	(2,850,066.80)	(782,509.68)	2,067,557.12	(1,162,816.71)	(1,162,816.71)	78,831.21	1,241,647.92
FUND BALANCE - BEGIN OF YEAR	4,124,658.57	4,124,658.57	4,124,658.57	-	4,045,827.36	4,045,827.36	4,045,827.36	-
FUND BALANCE - END OF YEAR	1,274,591.77	1,274,591.77	3,342,148.89	2,067,557.12	2,883,010.65	2,883,010.65	4,124,658.57	1,241,647.92

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPEDITURES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 244,622.00	244,622.00	160,861.20	\$ (83,760.80)	\$ 170,333.00	170,333.00	142,957.58	\$ (27,375.42)
County Clerk	170,440.00	170,440.00	149,056.45	(21,383.55)	178,400.00	178,400.00	162,841.32	(15,558.68)
Elections	137,400.00	137,400.00	81,421.28	(55,978.72)	316,600.00	316,600.00	237,306.37	(79,293.63)
Buildings and grounds	269,135.50	269,135.50	164,360.61	(104,774.89)	281,350.00	281,350.00	192,148.77	(89,201.23)
Employee fringe benefits	420,400.00	420,400.00	417,980.26	(2,419.74)	374,900.00	374,900.00	384,307.01	9,407.01
Other Expenses	180,882.00	180,882.00	-	(180,882.00)	-	-	-	-
	<u>1,422,879.50</u>	<u>1,422,879.50</u>	<u>973,679.80</u>	<u>(449,199.70)</u>	<u>1,321,583.00</u>	<u>1,321,583.00</u>	<u>1,119,561.05</u>	<u>(202,021.95)</u>
Financial Administration:								
Collector	267,900.00	267,900.00	275,932.31	(8,032.31)	263,917.00	263,917.00	255,993.04	(7,923.96)
Treasurer	87,120.00	87,120.00	82,297.76	4,822.24	97,146.00	97,146.00	63,534.16	(33,611.84)
	<u>355,020.00</u>	<u>355,020.00</u>	<u>358,230.07</u>	<u>(3,210.07)</u>	<u>361,063.00</u>	<u>361,063.00</u>	<u>319,527.20</u>	<u>(41,535.80)</u>
Other Offices & Grants								
Other Offices & Grants	554,677.55	554,677.55	318,049.90	(236,627.65)	520,189.00	520,189.00	475,542.96	(44,646.04)
	<u>554,677.55</u>	<u>554,677.55</u>	<u>318,049.90</u>	<u>(236,627.65)</u>	<u>520,189.00</u>	<u>520,189.00</u>	<u>475,542.96</u>	<u>(44,646.04)</u>
Health & Welfare								
Public Health and Welfare	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
GENERAL FUND (CONTINUED) - UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording:								
Recorder of Deeds	223,132.53	223,132.53	211,985.22	(11,147.31)	273,568.00	273,568.00	220,104.53	(53,463.47)
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	137,216.72	137,216.72	129,562.57	(7,654.15)	144,424.00	144,424.00	128,111.26	(16,312.74)
Surveyor	4,500.00	4,500.00	988.80	(3,511.20)	4,500.00	4,500.00	1,651.47	(2,848.53)
Assessor	-	-	-	-	-	-	-	-
Court Administrator	239,014.00	239,014.00	151,813.69	(87,200.31)	213,822.00	213,822.00	177,951.39	(35,870.61)
Dispatch	-	-	-	-	-	-	-	-
Special Services	124,903.00	124,903.00	99,430.35	(25,472.65)	106,301.00	106,301.00	86,769.89	(19,531.11)
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	228,221.00	228,221.00	183,784.70	(44,436.30)	232,064.00	232,064.00	171,226.82	(60,837.18)
Juvenile Office	185,482.50	185,482.50	176,382.52	(9,099.98)	193,649.11	193,649.11	180,113.66	(13,535.45)
Lincoln County Rescue Squad	-	-	-	-	-	-	-	-
Coroner's Office	50,774.40	50,774.40	36,528.63	(14,245.77)	50,480.00	50,480.00	36,556.75	(13,923.25)
Sheriff's Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Prosecuting Attorney	665,194.00	665,194.00	674,146.15	8,952.15	547,000.00	547,000.00	550,065.74	3,065.74
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	52,940.00	52,940.00	52,100.01	(839.99)	51,050.00	51,050.00	50,017.26	(1,032.74)
	1,688,245.62	1,688,245.62	1,504,737.42	(183,508.20)	1,543,290.11	1,543,290.11	1,382,464.24	(160,825.87)
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	1,781,150.00	1,781,150.00	1,190,677.75	(590,472.25)	695,444.00	695,444.00	1,009,048.25	313,604.25
	1,781,150.00	1,781,150.00	1,190,677.75	(590,472.25)	695,444.00	695,444.00	1,009,048.25	313,604.25
Total Expenditures	\$ 6,025,105.20	6,025,105.20	4,557,360.16	(1,467,745.04)	\$ 4,715,137.11	4,715,137.11	4,526,248.23	(188,888.88)

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE
UNAUDITED - SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	1,436,000.00	1,436,000.00	1,496,930.62	60,930.62	1,397,000.00	1,397,000.00	1,347,142.29	(49,857.71)
Sales tax	2,207,000.00	2,207,000.00	2,155,262.35	(51,737.65)	2,230,000.00	2,230,000.00	2,143,766.79	(86,233.21)
Other taxes	1,143,000.00	1,143,000.00	1,170,869.03	27,869.03	1,156,000.00	1,156,000.00	1,128,928.69	(27,071.31)
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursement	100,000.00	100,000.00	94,912.89	(5,087.11)	108,600.00	108,600.00	109,134.62	534.62
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	25,000.00	25,000.00	28,412.74	3,412.74	25,000.00	25,000.00	21,361.48	(3,638.52)
Other	366,500.00	366,500.00	93,080.02	(273,419.98)	71,000.00	71,000.00	85,810.41	14,810.41
Total Revenues	5,277,500.00	5,277,500.00	5,039,467.65	(238,032.35)	4,987,600.00	4,987,600.00	4,836,144.28	(151,455.72)
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	947,015.00	947,015.00	869,101.80	(77,913.20)	997,988.00	997,988.00	881,336.12	(116,651.88)
Employee Benefits	353,360.00	353,360.00	333,503.39	(19,856.61)	350,200.00	350,200.00	296,516.88	(53,683.12)
Supplies	488,000.00	488,000.00	511,223.64	23,223.64	439,000.00	439,000.00	441,197.73	2,197.73
Insurance	35,000.00	35,000.00	42,036.28	7,036.28	40,000.00	40,000.00	26,534.94	(13,465.06)
Materials	215,000.00	215,000.00	119,420.58	(95,579.42)	380,000.00	380,000.00	356,620.54	(23,379.46)
Equipment Repairs	275,000.00	275,000.00	371,390.85	96,390.85	275,000.00	275,000.00	238,253.48	(36,746.52)
Rentals	400,000.00	400,000.00	289,170.00	(110,830.00)	300,000.00	300,000.00	136,848.25	(163,151.75)
Other Expenditures	130,000.00	130,000.00	79,581.96	(50,418.04)	105,000.00	105,000.00	79,183.77	(25,816.23)
Capital Outlay:								
Construction of roads and bridges	1,663,600.00	1,663,600.00	1,903,502.56	239,902.56	1,510,000.00	1,510,000.00	1,701,143.23	191,143.23
Property, equipment & buildings	950,000.00	950,000.00	910,495.44	(39,504.56)	900,000.00	900,000.00	839,542.43	(60,457.57)
Total Expenditures	5,456,975.00	5,456,975.00	5,429,426.50	(27,548.50)	5,297,188.00	5,297,188.00	4,997,177.37	(300,010.63)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(179,475.00)	(179,475.00)	(389,958.85)	(210,483.85)	(309,588.00)	(309,588.00)	(161,033.09)	148,554.91
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	30,000.00	30,000.00
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	30,000.00	30,000.00
NET CHANGE IN FUND BALANCE	(179,475.00)	(179,475.00)	(389,958.85)	(210,483.85)	(309,588.00)	(309,588.00)	(131,033.09)	178,554.91
FUND BALANCE - BEGINNING OF YEAR	210,840.02	210,840.02	210,840.02	-	341,873.11	341,873.11	341,873.11	-
FUND BALANCE - END OF YEAR	31,365.02	31,365.02	(179,118.83)	(210,483.85)	32,285.11	32,285.11	210,840.02	178,554.91

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE FUND
UNAUDITED - LAW ENFORCEMENT TRUST FUND
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	2,350,000.00	2,350,000.00	2,318,460.42	(31,539.58)	2,250,000.00	2,250,000.00	2,297,442.58	47,442.58
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	2,200,000.00	2,200,000.00	2,217,785.84	17,785.84	2,200,000.00	2,200,000.00	1,835,342.59	(364,657.41)
Grants	111,000.00	111,000.00	54,092.21	(56,907.79)	141,500.00	141,500.00	220,556.65	79,056.65
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	351,500.00	351,500.00	394,438.71	42,938.71	234,000.00	234,000.00	259,857.76	25,857.76
Interest	5,000.00	5,000.00	1,941.84	(3,058.16)	8,500.00	8,500.00	5,471.88	(3,028.12)
Other	-	-	-	-	-	-	-	-
Total Revenues	5,017,500.00	5,017,500.00	4,986,719.02	(30,780.98)	4,834,000.00	4,834,000.00	4,618,671.46	(215,328.54)
EXPENDITURES:								
Current:								
Administration of Justice and Law:								
Salaries	3,484,911.00	3,484,911.00	3,435,760.33	(49,150.67)	3,284,895.00	3,284,895.00	3,269,559.57	(15,335.43)
Employee Benefits	969,500.00	969,500.00	966,118.78	(3,381.22)	909,000.00	909,000.00	880,493.29	(28,506.71)
Office Supplies	114,738.00	114,738.00	75,229.34	(39,508.66)	100,000.00	100,000.00	60,918.74	(39,081.26)
Jail and Kitchen	245,000.00	245,000.00	251,577.27	6,577.27	290,000.00	290,000.00	228,128.52	(61,871.48)
Other	226,500.00	226,500.00	204,306.33	(22,193.67)	231,500.00	231,500.00	196,067.50	(35,432.50)
Capital Outlay:								
Property, Equipment & Buildings	282,176.00	282,176.00	288,848.69	6,672.69	463,500.00	463,500.00	328,703.71	(134,796.29)
Total Expenditures	5,322,825.00	5,322,825.00	5,221,840.74	(100,984.26)	5,278,895.00	5,278,895.00	4,963,871.33	(315,023.67)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(305,325.00)	(305,325.00)	(235,121.72)	70,203.28	(444,895.00)	(444,895.00)	(345,199.87)	99,695.13
OTHER FINANCING SOURCES(USES):								
Transfers in	285,000.00	285,000.00	289,000.00	4,000.00	160,000.00	160,000.00	80,000.00	(80,000.00)
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	285,000.00	285,000.00	289,000.00	4,000.00	160,000.00	160,000.00	80,000.00	(80,000.00)
NET CHANGE IN FUND BALANCE	(20,325.00)	(20,325.00)	53,878.28	74,203.28	(284,895.00)	(284,895.00)	(265,199.87)	19,695.13
FUND BALANCE - BEGINNING OF YEAR	20,454.67	20,454.67	20,454.67	-	285,654.54	285,654.54	285,654.54	-
FUND BALANCE - END OF YEAR	129.67	129.67	74,332.95	74,203.28	759.54	759.54	20,454.67	19,695.13

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE FUND
UNAUDITED - JAIL IMPROVEMENT FUND
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	2,000.00	2,000.00	1,745.11	(254.89)	65,000.00	65,000.00	7,989.18	(57,010.82)
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	70,000.00	70,000.00	90,017.79	20,017.79	50,000.00	50,000.00	88,487.31	38,487.31
Sale of Bonds	-	-	-	-	-	-	-	-
Other	-	-	29.25	29.25	-	-	146.46	146.46
Total Revenues	72,000.00	72,000.00	91,792.15	19,792.15	115,000.00	115,000.00	96,622.95	(18,377.05)
EXPENDITURES:								
Current:								
General County Government:								
Salaries	49,265.00	49,265.00	49,842.26	577.26	47,455.00	47,455.00	47,777.21	322.21
Building Expenses:								
Building Expenses and Repairs	321,000.00	321,000.00	259,195.16	(61,804.84)	330,015.00	330,015.00	263,072.03	(66,942.97)
Capital Outlay:								
Property, Equipment & Buildings	300,000.00	300,000.00	-	(300,000.00)	-	-	-	-
Total Expenditures	670,265.00	670,265.00	309,037.42	(361,227.58)	377,470.00	377,470.00	310,849.24	(66,620.76)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(598,265.00)	(598,265.00)	(217,245.27)	381,019.73	(262,470.00)	(262,470.00)	(214,226.29)	48,243.71
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(598,265.00)	(598,265.00)	(217,245.27)	381,019.73	(262,470.00)	(262,470.00)	(214,226.29)	48,243.71
FUND BALANCE - BEGINNING OF YEAR	2,409,043.27	2,409,043.27	2,409,043.27	-	2,623,269.56	2,623,269.56	2,623,269.56	-
FUND BALANCE - END OF YEAR	1,810,778.27	1,810,778.27	2,191,798.00	381,019.73	2,360,799.56	2,360,799.56	2,409,043.27	48,243.71

See accompanying independent auditors' report

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Sheltercare Fund	BRO Fund	Ridge Road NID Fund	Walker Road Fund	Civil Fee Fund	Prosecuting Attorney Bad Check Fund	Recorder User Fees	Prosecuting Attorney Delinquent Tax Fund	Election Service Fund	Sheriff's Revolving Fund	Law Enforcement Restitution Fund	Wildoradoe Road Improvement Fund
ASSETS																
Cash and Cash Equivalents	33,392.44	39,982.27	480.89	993.72	22,030.94	912.32	-	1,374.45	5,108.97	5,597.29	92,692.81	939.97	29,390.54	20,128.10	9.78	11,446.27
TOTAL ASSETS	<u>33,392.44</u>	<u>39,982.27</u>	<u>480.89</u>	<u>993.72</u>	<u>22,030.94</u>	<u>912.32</u>	<u>-</u>	<u>1,374.45</u>	<u>5,108.97</u>	<u>5,597.29</u>	<u>92,692.81</u>	<u>939.97</u>	<u>29,390.54</u>	<u>20,128.10</u>	<u>9.78</u>	<u>11,446.27</u>
LIABILITIES AND FUND BALANCES																
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	33,392.44	39,982.27	480.89	993.72	22,030.94	912.32	-	1,374.45	5,108.97	5,597.29	92,692.81	939.97	29,390.54	20,128.10	9.78	11,446.27
TOTAL LIABILITIES AND FUND BALANCES	<u>33,392.44</u>	<u>39,982.27</u>	<u>480.89</u>	<u>993.72</u>	<u>22,030.94</u>	<u>912.32</u>	<u>-</u>	<u>1,374.45</u>	<u>5,108.97</u>	<u>5,597.29</u>	<u>92,692.81</u>	<u>939.97</u>	<u>29,390.54</u>	<u>20,128.10</u>	<u>9.78</u>	<u>11,446.27</u>

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Wetmier Estates NID Project Fund	Clarks Pointe NID Project	Tax Maintenance Fund	Boonslick Regional Planning Fund	Supervised Visitation Program	Circuit Clerk Interest Fund	Time Fee Payment Fund	Family Court Fund	Drug Court Fund	Law Library Fund	Springhaven NID District Fund	Orchardview Road Project NID Fund	Total
ASSETS													
Cash and Cash Equivalents	34,410.31	20,062.99	132,905.78	-	13,619.35	41,246.24	6,205.02	54,652.60	10,673.64	56,947.92	12,038.83	5,689.81	652,933.25
													-
TOTAL ASSETS	<u>34,410.31</u>	<u>20,062.99</u>	<u>132,905.78</u>	<u>-</u>	<u>13,619.35</u>	<u>41,246.24</u>	<u>6,205.02</u>	<u>54,652.60</u>	<u>10,673.64</u>	<u>56,947.92</u>	<u>12,038.83</u>	<u>5,689.81</u>	<u>652,933.25</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>34,410.31</u>	<u>20,062.99</u>	<u>132,905.78</u>	<u>-</u>	<u>13,619.35</u>	<u>41,246.24</u>	<u>6,205.02</u>	<u>54,652.60</u>	<u>10,673.64</u>	<u>56,947.92</u>	<u>12,038.83</u>	<u>5,689.81</u>	<u>652,933.25</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>34,410.31</u>	<u>20,062.99</u>	<u>132,905.78</u>	<u>-</u>	<u>13,619.35</u>	<u>41,246.24</u>	<u>6,205.02</u>	<u>54,652.60</u>	<u>10,673.64</u>	<u>56,947.92</u>	<u>12,038.83</u>	<u>5,689.81</u>	<u>652,933.25</u>

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Sheltercare Fund	BRO Fund	Ridge Road NID Fund	Walker Road Fund	Civil Fee Fund	Prosecuting Attorney Bad Check Fund	Recorder User Fees	Prosecuting Attorney Delinquent Tax Fund	Election Service Fund	Sheriffs Revolving Fund	Law Enforcement Restitution Fund
REVENUES:															
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other taxes	375,591.55	428,030.62	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	4,273.81	-	-
Charges for Services	6,989.00	197,699.88	13,259.49	2,189.66	30,682.57	-	-	-	-	36,131.46	-	7,045.28	5,015.00	-	-
Grants	-	-	-	-	-	8,750.36	-	-	-	-	-	-	-	-	-
Reimbursements	179,721.51	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	1,287.78	50,000.00	-	49,627.75	-	-	25,710.00	42,247.71
Interest	5,892.58	2,704.94	32.54	42.68	836.94	-	-	43.05	199.59	266.48	3,576.46	10.41	694.29	289.92	222.25
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	394.98	-	-	-	-	-	-	-	-	63.60	-	-	-	-	5,897.50
Total Revenues	568,589.62	628,435.44	13,292.03	2,232.34	31,519.51	8,750.36	-	1,330.83	50,199.59	36,461.54	53,204.21	7,055.69	9,983.10	25,999.92	48,367.46
EXPENDITURES															
General government	584,047.93	-	-	3,327.05	47,253.00	-	-	-	-	40,924.20	90,652.33	6,621.82	3,782.33	-	64,323.55
Public Safety	-	977,523.61	13,117.44	-	-	-	-	-	49,407.44	-	-	-	-	13,792.00	-
Highways and roads	-	-	-	-	-	8,750.36	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	82,248.50	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	584,047.93	1,059,772.11	13,117.44	3,327.05	47,253.00	8,750.36	-	-	49,407.44	40,924.20	90,652.33	6,621.82	3,782.33	13,792.00	64,323.55
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,458.31)	(431,336.67)	174.59	(1,094.71)	(15,733.49)	-	-	1,330.83	792.15	(4,462.66)	(37,448.12)	433.87	6,200.77	12,207.92	(15,956.09)
OTHER FINANCING SOURCES (USES):															
Transfers in	-	450,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	450,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(15,458.31)	18,663.33	174.59	(1,094.71)	(15,733.49)	-	-	1,330.83	792.15	(4,462.66)	(37,448.12)	433.87	6,200.77	12,207.92	(15,956.09)
FUND BALANCES - BEGINNING OF YEAR	48,850.75	21,318.94	306.30	2,088.43	37,764.43	912.32	-	43.62	4,316.82	10,059.95	130,140.93	506.10	23,189.77	7,920.18	15,965.87
FUND BALANCES - END OF YEAR	33,392.44	39,982.27	480.89	993.72	22,030.94	912.32	-	1,374.45	5,108.97	5,597.29	92,692.81	939.97	29,390.54	20,128.10	9.78

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Wildoradoe Road Improvement Fund	Wetmier Estates NID Project Fund	Clarks Pointe NID Project	Tax Maintenance Fund	Boonslick Regional Planning Fund	Supervised Visitation Program	Circuit Clerk Interest Fund	Time Fee Payment Fund	Family Court Fund	Drug Court Fund	Law Library Fund	Springhaven NID District Fund	Orchardview Road Project NID Fund	Total
REVENUES:														
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	56,193.85	-	-	-	-	-	-	-	-	-	859,816.02
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	4,273.81
Charges for Services	-	-	-	-	-	-	-	-	-	-	30,749.08	-	-	329,761.42
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	8,750.36
Reimbursements	7,910.06	29,404.52	25,834.45	-	148,265.00	-	-	-	-	10,000.00	-	475,271.26	113,666.00	990,072.80
Fees, licenses and permits	-	-	-	-	-	1,147.50	-	-	14,549.50	16,011.00	-	-	-	200,581.24
Interest	404.45	1,132.26	852.50	3,213.64	-	6.47	22,989.96	78.17	828.35	277.19	133.62	299.26	114.52	45,142.52
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,644.98	-	-	-	-	-	9,001.06
Total Revenues	8,314.51	30,536.78	26,686.95	59,407.49	148,265.00	1,153.97	22,989.96	2,723.15	15,377.85	26,288.19	30,882.70	475,570.52	113,780.52	2,447,399.23
EXPENDITURES														
General government	-	-	-	34,902.01	195,496.00	1,470.00	1,693.72	6.35	16,040.91	31,488.45	11,312.95	-	-	1,133,342.60
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	1,053,840.49
Highways and roads	7,448.00	10,846.77	10,643.42	-	-	-	-	-	-	-	-	463,531.69	108,090.71	609,310.95
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:														
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	3,016.02	-	-	-	1,956.14	-	-	87,220.66
Debt Service														
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	7,448.00	10,846.77	10,643.42	34,902.01	195,496.00	1,470.00	4,709.74	6.35	16,040.91	31,488.45	13,269.09	463,531.69	108,090.71	2,883,714.70
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	866.51	19,690.01	16,043.53	24,505.48	(47,231.00)	(316.03)	18,280.22	2,716.80	(663.06)	(5,200.26)	17,613.61	12,038.83	5,689.81	(436,315.47)
OTHER FINANCING SOURCES (USES):														
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	450,000.00
Transfers out	-	-	-	(15,000.00)	-	-	-	-	-	-	-	-	-	(15,000.00)
Total Other Financing Sources (Uses)	-	-	-	(15,000.00)	-	-	-	-	-	-	-	-	-	435,000.00
NET CHANGE IN FUND BALANCES	866.51	19,690.01	16,043.53	9,505.48	(47,231.00)	(316.03)	18,280.22	2,716.80	(663.06)	(5,200.26)	17,613.61	12,038.83	5,689.81	(1,315.47)
FUND BALANCES - BEGINNING OF YEAR	10,579.76	14,720.30	4,019.46	123,400.30	47,231.00	13,935.38	22,966.02	3,488.22	55,315.66	15,873.90	39,334.31	-	-	654,248.72
FUND BALANCES - END OF YEAR	11,446.27	34,410.31	20,062.99	132,905.78	-	13,619.35	41,246.24	6,205.02	54,652.60	10,673.64	56,947.92	12,038.83	5,689.81	652,933.25

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Sheltercare Fund	BRO Fund	Ridge Road NID Fund	Walker Road Fund	Civil Fee Fund	Prosecuting Attorney Bad Check Fund	Recorder User Fees	Prosecuting Attorney Delinquent Tax Fund	Election Service Fund	Sheriffs Revolving Fund	Law Enforcement Restitution Fund
ASSETS															
Cash and Cash Equivalents	48,850.75	21,318.94	306.30	2,088.43	37,764.43	912.32	-	43.62	4,316.82	10,059.95	130,140.93	506.10	23,189.77	7,920.18	15,965.87
TOTAL ASSETS	<u>48,850.75</u>	<u>21,318.94</u>	<u>306.30</u>	<u>2,088.43</u>	<u>37,764.43</u>	<u>912.32</u>	<u>-</u>	<u>43.62</u>	<u>4,316.82</u>	<u>10,059.95</u>	<u>130,140.93</u>	<u>506.10</u>	<u>23,189.77</u>	<u>7,920.18</u>	<u>15,965.87</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>48,850.75</u>	<u>21,318.94</u>	<u>306.30</u>	<u>2,088.43</u>	<u>37,764.43</u>	<u>912.32</u>	<u>-</u>	<u>43.62</u>	<u>4,316.82</u>	<u>10,059.95</u>	<u>130,140.93</u>	<u>506.10</u>	<u>23,189.77</u>	<u>7,920.18</u>	<u>15,965.87</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>48,850.75</u>	<u>21,318.94</u>	<u>306.30</u>	<u>2,088.43</u>	<u>37,764.43</u>	<u>912.32</u>	<u>-</u>	<u>43.62</u>	<u>4,316.82</u>	<u>10,059.95</u>	<u>130,140.93</u>	<u>506.10</u>	<u>23,189.77</u>	<u>7,920.18</u>	<u>15,965.87</u>

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET -CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Wildoradoe Road Improvement Fund	Wetmier Estates NID Project Fund	Clarks Pointe NID Project	Tax Maintenance Fund	Boonslick Regional Planning Fund	Supervised Visitation Program	Circuit Clerk Interest Fund	Time Fee Payment Fund	Family Court Fund	Drug Court Fund	Law Library Fund	Total
ASSETS												
Cash and Cash Equivalents	10,579.76	14,720.30	4,019.46	123,400.30	47,231.00	13,935.38	22,966.02	3,488.22	55,315.66	15,873.90	39,334.31	654,248.72
												-
TOTAL ASSETS	<u>10,579.76</u>	<u>14,720.30</u>	<u>4,019.46</u>	<u>123,400.30</u>	<u>47,231.00</u>	<u>13,935.38</u>	<u>22,966.02</u>	<u>3,488.22</u>	<u>55,315.66</u>	<u>15,873.90</u>	<u>39,334.31</u>	<u>654,248.72</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	10,579.76	14,720.30	4,019.46	123,400.30	47,231.00	13,935.38	22,966.02	3,488.22	55,315.66	15,873.90	39,334.31	654,248.72
TOTAL LIABILITIES AND FUND BALANCES	<u>10,579.76</u>	<u>14,720.30</u>	<u>4,019.46</u>	<u>123,400.30</u>	<u>47,231.00</u>	<u>13,935.38</u>	<u>22,966.02</u>	<u>3,488.22</u>	<u>55,315.66</u>	<u>15,873.90</u>	<u>39,334.31</u>	<u>654,248.72</u>

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Sheltercare Fund	BRO Fund	Ridge Road NID Fund	Walker Road Fund	Civil Fee Fund	Prosecuting Attorney Bad Check Fund	Recorder User Fees	Prosecuting Attorney Delinquent Tax Fund	Election Service Fund	Sheriffs Revolving Fund	Law Enforcement Restitution Fund
REVENUES:															
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other taxes	352,871.28	377,197.07	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	246,150.66	-	-
Charges for Services	10,349.00	169,244.91	15,030.57	2,506.68	30,964.99	-	-	-	49,029.12	37,245.14	-	4,739.06	-	-	-
Grants	-	-	-	-	-	20,165.50	-	-	-	-	-	-	-	-	47,458.35
Reimbursements	202,709.85	-	-	-	-	-	-	-	-	790.00	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	14,733.50	-	-	54,439.00	-	-	6,800.00	-
Interest	6,930.45	2,802.28	82.28	72.43	1,988.71	-	-	638.27	328.51	174.82	2,555.54	11.99	1,231.45	130.27	437.98
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	344.97	-	-	-	-	-	-	-	-	5.00	-	95.00	-	-	-
Total Revenues	573,205.55	549,244.26	15,112.85	2,579.11	32,953.70	20,165.50	-	15,371.77	49,357.63	38,214.96	56,994.54	4,846.05	247,382.11	6,930.27	47,896.33
EXPENDITURES															
General government	563,470.14	-	-	1,755.00	27,818.78	-	-	-	-	31,297.88	53.41	4,498.06	253,881.88	-	-
Public Safety	-	953,897.86	17,127.07	-	-	-	-	-	60,510.37	-	-	-	-	12,685.24	48,534.72
Highways and roads	-	-	-	-	-	-	8,578.71	18,040.02	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:															
Construction of roads and bridges	-	-	-	-	-	20,165.65	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	563,470.14	953,897.86	17,127.07	1,755.00	27,818.78	20,165.65	8,578.71	18,040.02	60,510.37	31,297.88	53.41	4,498.06	253,881.88	12,685.24	48,534.72
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,735.41	(404,653.60)	(2,014.22)	824.11	5,134.92	(0.15)	(8,578.71)	(2,668.25)	(11,152.74)	6,917.08	56,941.13	347.99	(6,499.77)	(5,754.97)	(638.39)
OTHER FINANCING SOURCES (USES):															
Transfers in	-	425,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	425,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	9,735.41	20,346.40	(2,014.22)	824.11	5,134.92	(0.15)	(8,578.71)	(2,668.25)	(11,152.74)	6,917.08	56,941.13	347.99	(6,499.77)	(5,754.97)	(638.39)
FUND BALANCES - BEGINNING OF YEAR	39,115.34	972.54	2,320.52	1,264.32	32,629.51	912.47	8,578.71	2,711.87	15,469.56	3,142.87	73,199.80	158.11	29,689.54	13,675.15	16,604.26
FUND BALANCES - END OF YEAR	48,850.75	21,318.94	306.30	2,088.43	37,764.43	912.32	-	43.62	4,316.82	10,059.95	130,140.93	506.10	23,189.77	7,920.18	15,965.87

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Wildoradoc Road Improvement Fund	Wetmier Estates NID Project Fund	Clarks Pointe NID Project	Tax Maintenance Fund	Boonslick Regional Planning Fund	Supervised Visitation Program	Circuit Clerk Interest Fund	Time Fee Payment Fund	Family Court Fund	Drug Court Fund	Law Library Fund	Total
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	47,381.16	-	-	-	-	-	-	-	777,449.51
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	246,150.66
Charges for Services	-	-	-	-	-	150.00	-	-	25,038.20	-	26,049.83	370,347.50
Grants	-	-	-	-	-	20,000.00	-	-	-	-	-	87,623.85
Reimbursements	12,716.49	17,344.42	81,326.79	-	84,100.00	-	-	-	-	-	3,885.00	402,872.55
Fees, licenses and permits	-	-	-	-	-	-	-	3,499.67	-	34,180.87	-	113,653.04
Interest	259.07	423.09	81.57	2,628.17	-	0.63	22,277.25	44.53	702.12	245.20	158.86	44,205.47
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	444.97
Total Revenues	12,975.56	17,767.51	81,408.36	50,009.33	84,100.00	20,150.63	22,277.25	3,544.20	25,740.32	34,426.07	30,093.69	2,042,747.55
EXPENDITURES												
General government	-	-	-	16,416.36	79,556.00	-	13,560.82	-	15,205.00	-	22,836.47	1,030,349.80
Public Safety	-	-	-	-	-	-	-	2,520.00	-	26,006.12	-	1,121,281.38
Highways and roads	4,709.81	8,896.77	77,388.90	-	-	-	-	-	-	-	-	117,614.21
Health and welfare	-	-	-	-	-	6,215.25	-	-	-	-	-	6,215.25
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	20,165.65
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service												
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,709.81	8,896.77	77,388.90	16,416.36	79,556.00	6,215.25	13,560.82	2,520.00	15,205.00	26,006.12	22,836.47	2,295,626.29
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,265.75	8,870.74	4,019.46	33,592.97	4,544.00	13,935.38	8,716.43	1,024.20	10,535.32	8,419.95	7,257.22	(252,878.74)
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	425,000.00
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	425,000.00
NET CHANGE IN FUND BALANCES	8,265.75	8,870.74	4,019.46	33,592.97	4,544.00	13,935.38	8,716.43	1,024.20	10,535.32	8,419.95	7,257.22	172,121.26
FUND BALANCES - BEGINNING OF YEAR	2,314.01	5,849.56	-	89,807.33	42,687.00	-	14,249.59	2,464.02	44,780.34	7,453.95	32,077.09	482,127.46
FUND BALANCES - END OF YEAR	10,579.76	14,720.30	4,019.46	123,400.30	47,231.00	13,935.38	22,966.02	3,488.22	55,315.66	15,873.90	39,334.31	654,248.72

THE COUNTY OF LINCOLN
TROY MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Medical Insurance	Distribution Fund	Circuit Court Account	Prosecuting Attorney	Circuit Clerk JCV Account	Sheriff	Drainage Fund	Recorder	Family Dependency Treatment	Unclaimed Fees	Fines	Overplus Land Sales	Prosecuting Attorney Retirement	CERF	Cemetery	Investment	Special Election	Collectors Funds	Total
ASSETS																			
Cash and Cash Equivalents	95,506.80	5.00	521,324.39	9,326.93	4,440.07	629.07	(11.32)	43,190.38	7,713.94	9,188.82	218,223.50	56,519.50	472.82	30.48	6,798.43	17,130.71	519.65	27,565,431.71	28,556,440.88
TOTAL ASSETS	95,506.80	5.00	521,324.39	9,326.93	4,440.07	629.07	(11.32)	43,190.38	7,713.94	9,188.82	218,223.50	56,519.50	472.82	30.48	6,798.43	17,130.71	519.65	27,565,431.71	28,556,440.88
LIABILITIES AND FUND BALANCES																			
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	95,506.80	5.00	521,324.39	9,326.93	4,440.07	629.07	(11.32)	43,190.38	7,713.94	9,188.82	218,223.50	56,519.50	472.82	30.48	6,798.43	17,130.71	519.65	27,565,431.71	28,556,440.88
TOTAL LIABILITIES AND FUND BALANCES	95,506.80	5.00	521,324.39	9,326.93	4,440.07	629.07	(11.32)	43,190.38	7,713.94	9,188.82	218,223.50	56,519.50	472.82	30.48	6,798.43	17,130.71	519.65	27,565,431.71	28,556,440.88

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -CASH BASIS
DECEMBER 31, 2006

	Medical Insurance	Distribution Fund	Circuit Court Account	Prosecuting Attorney	Circuit Clerk JCV Account	Sheriff	Drainage Fund	Recorder	Family Dependency Treatment	Unclaimed Fees	Fines	Overplus Land Sales	Prosecuting Attorney Retirement	CERF	Cemetery	Investment	Special Election	Collectors Funds	Total
ASSETS																			
Cash and Cash Equivalents	7,818.37	5.00	576,803.32	9,426.72	4,363.98	477.87	5.02	48,209.88	6,178.88	10,688.64	255,536.53	55,897.99	1,094.05	10,768.27	6,617.33	20,638.49	613.60	26,273,512.16	27,288,656.10
TOTAL ASSETS	7,818.37	5.00	576,803.32	9,426.72	4,363.98	477.87	5.02	48,209.88	6,178.88	10,688.64	255,536.53	55,897.99	1,094.05	10,768.27	6,617.33	20,638.49	613.60	26,273,512.16	27,288,656.10
LIABILITIES AND FUND BALANCES																			
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	7,818.37	5.00	576,803.32	9,426.72	4,363.98	477.87	5.02	48,209.88	6,178.88	10,688.64	255,536.53	55,897.99	1,094.05	10,768.27	6,617.33	20,638.49	613.60	26,273,512.16	27,288,656.10
TOTAL LIABILITIES AND FUND BALANCES	7,818.37	5.00	576,803.32	9,426.72	4,363.98	477.87	5.02	48,209.88	6,178.88	10,688.64	255,536.53	55,897.99	1,094.05	10,768.27	6,617.33	20,638.49	613.60	26,273,512.16	27,288,656.10

STATE COMPLIANCE SECTION

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

- I.** There were no state findings.

FEDERAL COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Lincoln, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Lincoln, (the Primary Government), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our cash basis report thereon dated August 13, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02 and 07-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated August 13, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 13, 2008

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006

I. Financial Statement Findings

- 06/07-01** **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition:** Documentation of the County's internal controls has not been prepared.
- Effect:** The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.
- Cause:** Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.
- Recommendation:** We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.
- Management's Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.
- 06/07-02** **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- Condition:** During our audit, we noted there is no formal fraud risk assessment in place.
- Effect:** Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.
- Cause:** Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF LINCOLN, MISSOURI
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006

I. Financial Statement Findings (Concluded)

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

07-03

Criteria: For the year ended December 31, 2007 the ending fund balance in the Special Road and Bridge fund was negative.

Condition: The Special Road and Bridge fund was negative.

Effect: The fund will show as a negative in the financial statements.

Cause: Due to the extensive expenditures for roads and bridges the fund went negative.

Recommendation: We recommend that the County transfers money from the General Revenue Fund to cover the negative balance in the Special Road and Bridge fund.

Management's Response: The County Commission writes a letter to the Treasurer discussing the money loaned to the Special Road and Bridge from the General fund and that the money will be paid back when funds become available.

II. Follow-Up Prior Year Financial Statement Findings

There were no prior year findings related to Government Auditing Standards for an audit of financial statements.

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)

TABLE OF CONTENTS

	PAGE
Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs	8-11



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Lincoln, Missouri

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the County of Lincoln, Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Primary Government's basic financial statements, and have issued our cash basis report thereon dated August 13, 2008. Our report was modified because the County prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies FS 06/07-01, FS 06/07-02 and FS 07-03, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the Primary Government in a separate report dated August 13, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated August 13, 2008. This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, other audit agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 13, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
The County of Lincoln, Troy Missouri

Compliance

We have audited the compliance of Lincoln County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and December 31, 2006. The Primary Government major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Primary Government as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 13, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 13, 2008

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	12/31/2007 Federal Expenditures	12/31/2006 Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state:			
14.228	Department of Economic Development - Community Development Block Grants/State's	2002PF32		2,060
	Community Development Block Grants/State's	2003PF14	28,711	
	Community Development Block Grants/State's	2003PF10	1,300	
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grants	2003UMWX0179		146,803
	Public Safety Partnership and Community Policing Grants	2006CKWX0580	23,150	
	Passed through:			
	State Department of Public Safety -			
16.523	Juvenile Accountability Incentive Block Grants	2006EUDL32	1,274	
16.579	Byrne Formula Grant Program	2006OJBX0157		17,087
	Edward Byrne Memorial Formula Grant Program	2005DJBX0767	1,900	
16.588	Violence Against Women Formula Grants	2005VAWA0010		12,500
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2006DDBX0204 2005DJB X0767	44,247	4,344
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	SD-2002-08		45,162
	Secure our Schools Grant	2006CKWX0580	11,922	
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state:			
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO -057(11)	8,750	15,649
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	SC 231 57EL 0000	3,280	245,200
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.004	State Domestic Preparedness Equipment Support Program	2003-MU-T3-0003		26,059
97.036	Public Assistance Grants	FEMA 1676	28,329	
97.042	Emergency Management Performance Grants		12,673	
97.051	State and Local All Hazards Emergency Operations			20,244
Total Expenditures of Federal Awards			<u>\$ 165,536</u>	<u>\$ 535,108</u>

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified?

2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
 - b. Any significant deficiencies identified that are not considered to be material weaknesses?

2007	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
2006	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
3. Any noncompliance material to financial statements noted?

2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

B. Federal Awards

1. Internal control over major programs:

Any material weakness(es) identified?	2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2. Any significant deficiencies identified that are not considered to be material weaknesses?

2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
3. Type of auditor's report issued on compliance for major programs:

2007	Unqualified
2006	Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?

2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
5. Identification of major programs:

Year	CFDA Number(s)	Name of Federal Program or Cluster
2006	16.710	Public Safety Partnership and Community Policing Grants
2006	90.401	Help America Vote Act Requirements Payments
2007	16.580	Edward Byrne Memorial State and Local Law

6. Dollar threshold used to distinguish between type A and type B programs:
\$ 300,000
7. Auditee qualified as low-risk auditee?

2007	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2006	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. FINANCIAL STATEMENT FINDINGS

FS 06/07-01 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County will consider the auditors' recommendation.

FS 06/07-02 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. FINANCIAL STATEMENT FINDINGS - (concluded)

FS 06/07-02

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County will consider the auditors' recommendation.

FS 07-03

Criteria: For the year ended December 31, 2007 the ending fund balance in the Special Road and Bridge fund was negative.

Condition: The Special Road and Bridge fund was negative.

Effect: The fund will show as a negative in the financial statements.

Cause: Due to the extensive expenditures for roads and bridges the fund went negative.

Recommendation: We recommend that the County transfers money from the General Revenue Fund to cover the negative balance in the Special Road and Bridge fund.

Management's Response: The County Commission writes a letter to the Treasurer discussing the money loaned to the Special Road and Bridge from the General fund and that the money will be paid back when funds become available.

II. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 & 2007

There were no findings and questioned costs related to Federal Awards in accordance with Section .510(1) of OMB Circular A-133.

THE COUNTY OF LINCOLN
TROY, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

FINDING NUMBER	TYPE OF FINDING / QUESTIONE D COSTS	FINDINGS AND RECOMMENDATIONS
SA 04-05-1	Other Information: Significant Deficiency	<u>Resolved:</u> The county does not have adequate procedures in place to track Federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA)



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 13, 2008

To the County Commissioners
Lincoln County of Missouri

In planning and performing our audit of the basic financial statements of the Lincoln County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (Concluded)

07-03

Criteria: For the year ended December 31, 2007 the ending fund balance in the Special Road and Bridge fund was negative.

Condition: The Special Road and Bridge fund was negative.

Effect: The fund will show as a negative in the financial statements.

Cause: Due to the extensive expenditures for roads and bridges the fund went negative.

Recommendation: We recommend that the County transfers money from the General Revenue Fund to cover the negative balance in the Special Road and Bridge fund.

Management's Response: The County Commission writes a letter to the Treasurer discussing the money loaned to the Special Road and Bridge from the General fund and that the money will be paid back when funds become available.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Lincoln County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Lincoln County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

by the Lincoln County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Missouri State Auditor

Home

Reports

News

Contact

About Us

Report Request

This report is available online [here](#).

To request a paper copy of the report, please contact the Office of Administration at the following number: 573-751-4761.

Audit Information

Audit Process
Petition Audit Information
Audits in Progress
Rapid Response & Audit Follow-up

About Us

Thomas A. Schweich
Auditor's Office
Contact Us
Peer Review
Strategic Plan
Historical Listing - State Auditors

Employment

Join MO State Auditor's Office
Open Positions
Benefits

Local Government Forms and Reports

Property Tax Forms
County Budget Forms and Templates
Local Tax Increment Financing Reports
Political Subdivision Financial Report
County Collectors Annual Settlement

[Privacy Policy](#) | [Missouri Accountability Portal](#) | [State of Missouri Home](#)



Susan Montee, CPA
Missouri State Auditor

TRANSPORTATION

Carrier Express System Data Security



January 2009

Report No. 2009-04

auditor.mo.gov



Important Security Controls Are in Place, but Work Remains to Ensure the Confidentiality and Integrity of System Data and Information

This audit reviewed the Missouri Department of Transportation (MoDOT) Carrier Express System. Auditors found MoDOT management established many of the security controls necessary to protect the confidentiality, integrity and availability of data and information in the Carrier Express System. However, MoDOT management needs to establish additional controls to better ensure the confidentiality and integrity of data.

System has been operating as designed

The Carrier Express System had been operating as MoDOT management designed. The critical functions of collecting, processing, storing and reporting motor carrier data have been reliably performed. Except as noted in the following two sections, data confidentiality and integrity have been ensured through controls over the input, processing, storage and output of system data. (See page 5)

Review of user account access rights needed

MoDOT Motor Carrier Services management had not ensured user access rights remained commensurate with job responsibilities by performing regular reviews of user accounts and related access rights or privileges. Requiring a review of all user accounts ensures the right type and level of access has been provided. Without reviewing user access rights, management cannot ensure access rights are appropriate for the user's responsibilities resulting in an increased risk of unauthorized access, modification, use or disclosure of data. (See page 5)

Insurance agents' access should be restricted

Insurance agents had access to change insurance policy information in the Carrier Express System for all motor carriers, including carriers not insured with the agent. Accepted standards require information systems to enforce the most restrictive set of rights, privileges or accesses needed by users. Without a control to restrict access, insurance agents had the ability to make unauthorized changes and motor carriers could have been granted the authority to operate without having the required insurance. (See page 6)

All reports are available on our Web site: www.auditor.mo.gov

Contents

State Auditor's Letter	2
<hr/>	
Important Security Controls Are in Place, but Work Remains to Ensure the Confidentiality and Integrity of System Data and Information	3
Background	3
Scope and Methodology	4
System Was Operating As Designed	5
Review Of User Account Access Rights Needed	5
Insurance Agents' Access Should Be Restricted	6
Conclusions	7
Recommendations	7
Agency Comments	7

Abbreviations

ISD	Missouri Department of Transportation Information Systems Division
MCS	Motor Carrier Services
MoDOT	Missouri Department of Transportation
SAO	State Auditor's Office



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Missouri Highways and Transportation Commission
and
Pete K. Rahn, Director
Department of Transportation
Jefferson City, MO

The Missouri Department of Transportation (MoDOT) Motor Carrier Services Division is responsible for the oversight of commercial motor carriers in Missouri, including licensing, registration, safety and compliance. The MoDOT Carrier Express System was audited based on the results of a risk assessment performed during our recent audit at the MoDOT titled *Information Systems Security Controls (Report No. 2008-49)*. Our audit objective included determining whether MoDOT management established adequate security controls to ensure the confidentiality, integrity and availability of data and information in the MoDOT Carrier Express System.

We concluded MoDOT management established many of the security controls necessary to protect the confidentiality, integrity and availability of data and information in the Carrier Express System. However, MoDOT management needs to establish additional controls to better ensure the confidentiality and integrity of data. Management had not periodically reviewed user accounts to ensure access remained appropriate and had not established controls to restrict the access of insurance agents.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer. Key contributors to this report included Jeff Thelen, Lori Melton, and Richard Mosha.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Important Security Controls Are in Place, but Work Remains to Ensure the Confidentiality and Integrity of System Data and Information

Missouri Department of Transportation (MoDOT) management established the Carrier Express System, an online information system, to collect, process, store and output motor carrier data and information. Management established many of the security controls necessary to protect the confidentiality, integrity and availability of data and information in the system. However, additional controls need to be established to better ensure the confidentiality and integrity of data. Management had not (1) reviewed user accounts to ensure access remained appropriate and (2) restricted access of insurance agents to motor carrier policy information to only those carriers covered by each insurance agency. These access control weaknesses reduce the MoDOT's ability to ensure the confidentiality and integrity of data and information in the system.

Background

The MoDOT Motor Carrier Services (MCS) Division provides motor carriers¹ with the information, credentials and permits needed to conduct business in Missouri, according to the MCS website.² MCS also enforces commercial vehicle safety and economic regulations, including insurance requirements.

The Carrier Express System maintains confidential data including carriers' Social Security and Federal Identification Numbers. MoDOT management paid a contractor a total of approximately \$15 million during fiscal years 2005 through 2008, for the creation, implementation and maintenance of the system. The system was accepted by MoDOT management in February 2007, according to an Information Systems Division (ISD) official. According to MCS staff, the system processed transactions totaling approximately \$164 million in fiscal year 2008.

The Carrier Express System was designed to meet the needs of various users:

- Motor carriers access the system to update contact information; apply and pay for licensing, registration and permits; provide required information such as miles driven and fuel tax paid; and print necessary permits.
- MCS employees access the system to perform job duties to support motor carriers and enforce regulations.

¹ According to Missouri Revised Statutes, a motor carrier is any person engaged in the transportation of property or passengers, or both, for compensation or hire, over the public roads of this state by motor vehicle (Section 390.020, RSMo).

² "Who We Are, What We Do, Key Programs," MoDOT Motor Carrier Services, <<http://www.modot.mo.gov/mcs/documents/WhoWeAre2006.pdf>>, accessed October 30, 2008.

-
- Insurance agents access the system to update insurance policy information for motor carrier customers.
 - Department of Natural Resources employees access the system to review and approve applications to haul hazardous waste and waste tires.
 - ISD employees support the system.

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system³ to protect the confidentiality, integrity, and availability of the system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction and availability ensures timely and reliable access to and use of information.

Scope and Methodology

To determine whether MoDOT management had established adequate security controls to ensure the confidentiality, integrity and availability of data and information in the MoDOT Carrier Express System, we conducted interviews with appropriate MoDOT officials and staff; requested and reviewed available policies, procedures and other information; obtained and reviewed financial reports prepared by the system; obtained and reviewed the system's disaster recovery plan; and performed testing.

We obtained data files from the ISD containing the various user accounts having access to the system as of August and September 2008. These files contained over 35,000 user accounts, of which 34,000 had been assigned to motor carrier users. To verify completeness of the data, we ensured all MCS employees had been accounted for by comparing the MCS organization chart to the listing of user accounts.

We obtained the employment records for MoDOT employees for fiscal years 2001 through 2008 from the statewide accounting system for human resources. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered insignificant. We matched this data to the user accounts to determine if any terminated employees had active user accounts. We provided an ISD official with a list of all user accounts we identified that were associated with terminated employees.

³ Accepted standards define an information system as a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information.

We based our work on accepted state, federal, national and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture⁴
- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)
- IT Governance Institute Control Objectives for Information and related Technology (COBIT)

We limited our review to the specific matters described above and based it on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in the report.

System Was Operating As Designed

We found the Carrier Express System had been operating as MoDOT management designed. The critical functions of collecting, processing, storing and reporting motor carrier data had been reliably performed. Except as noted in the following two sections, data confidentiality and integrity had been ensured through controls over the input, processing, storage and output of system data. Audit trails were available for review, if needed, to trace transactions through the system. In addition to internal reviews of financial transactions, individuals from the MoDOT Controller's Office reconciled revenues received to bank information and reviewed payments processed by the system. ISD management had documented a disaster recovery plan to ensure system availability.

Review Of User Account Access Rights Needed

MCS management had not ensured user access rights remained commensurate with job responsibilities.⁵ According to accepted standards, there should be regular reviews of all user accounts and related access rights or privileges. Requiring a review of all user accounts ensures the right type and level of access has been provided. Otherwise, user accounts and accesses can be granted to or maintained for users who should not have

⁴ The Enterprise Architecture includes standards, policies and guidelines established by the Office of Administration, Information Technology Services Division. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains are not fully developed, but define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets.

⁵ This situation was addressed department-wide during our recent audit at MoDOT, titled *Information Systems Security Controls*, SAO, August 2008 (Report No. 2008-49).

access, according to accepted standards. During our review of system user accounts, we identified:

- User accounts assigned to 12 motor carriers with access to financial groups that allow users to process cash or check transactions, a function that motor carriers should be restricted from performing, according to an ISD official.
- User accounts assigned to 6 ISD employees with access to financial transactions. This access was removed for 3 accounts after we discussed technology employees having access to financial transactions with ISD officials. According to the officials, the 3 remaining ISD accounts need access for system troubleshooting purposes. According to accepted standards, technology personnel should not have end user responsibilities. However, the MoDOT Controller's Office staff reconciles the revenues and bank accounts daily, which reduces the risk of financial transactions being processed without the accompanying revenue flow.
- A shared user account. According to ISD officials, this account had been shared by 4 or 5 people. This account had administrative access and access to override transactions.
- User accounts granted access rights not needed to perform job duties. Of the 115 user accounts assigned to security groups or groups with access to override transactions, 8 (7 percent) should not have been assigned to the group reviewed, according to MoDOT officials.
- A user account for a terminated employee. This account had access to override transactions.
- A MCS employee with a second user account.
- Accounts for 22 users not assigned to any security group. These accounts could not access any system functions and were unnecessary, according to an ISD official.

Without periodically reviewing user access rights, management cannot ensure access rights are appropriate for each user's responsibilities resulting in an increased risk of unauthorized access, modification, use or disclosure of data.

Insurance Agents' Access Should Be Restricted

Insurance agents had access to change insurance policy information for all motor carriers, including carriers not insured with the agent. Accepted standards require information systems to enforce the most restrictive set of rights, privileges or accesses needed by users.

Motor carriers are required to have insurance to be granted authority to operate in Missouri and the insurance must be verified by the issuing insurance agent, according to MCS staff. Insurance agents are granted access to the Carrier Express System to provide this verification. However,

this access did not restrict agents to only information for carriers insured with the agent. Instead, each insurance agent had access to update insurance policy information for all motor carriers in the system. A mechanism or control had not been established to ensure insurance agents could only change the insurance information of each agent's customers, according to MCS staff. Without a control to restrict access, insurance agents had the ability to make unauthorized changes and motor carriers could have been granted the authority to operate without the required insurance.

Conclusions

The Carrier Express System had been operating as MoDOT management designed, reliably performing the critical functions of collecting, processing, storing and reporting motor carrier data and information. MoDOT management had done an effective job establishing many of the security controls needed to protect the confidentiality, integrity and availability of data. However, to better protect the confidentiality and integrity of data and information in the system, MoDOT management needs to establish controls for the periodic review of user accounts and to restrict the access of insurance agents.

Recommendations

We recommend the Director of the Department of Transportation:

- 1.1 Periodically review user accounts to ensure access remains appropriate. Access should be modified or removed as necessary.
- 1.2 Restrict the access of insurance agents to only the policy information for those motor carriers insured with the agent. If a system control cannot be established to restrict access, MoDOT officials should implement a process to review and monitor changes to insurance data.

Agency Comments

- 1.1 *MoDOT concurs with the recommendation to periodically review user accounts to ensure access remains appropriate. MoDOT Motor Carrier Services user accounts have been manually reviewed to ensure current access is appropriate. In addition, an ongoing review of MCS user accounts will be conducted annually.*
- 1.2 *MoDOT concurs with the recommendation to restrict the access of insurance agents to only the policy information for those motor carriers insured with the agent. New functionality was implemented on December 8, 2008, that prohibits insurance agents from accessing any motor carrier information other than the ones they represent.*



Susan Montee, CPA
Missouri State Auditor

Wayne County



January 2009
Report No. 2009-03

auditor.mo.gov



Office of
State Auditor Of Missouri
Susan Montee, CPA

January 2009

The following findings were included in our audit report on Wayne County:

The General Revenue Fund's financial condition is declining. This financial condition would be worse if the general revenue property tax levy had been properly rolled back during the four years ended December 31, 2007. In addition, the county is proceeding with the construction of a new jail facility with a lease purchase arrangement which may further strain the General Revenue Fund's financial condition

Personnel and payroll records and procedures are not adequate. Not all county officials follow the county policies for time and leave accumulation and the Circuit Clerk/Ex Officio Recorder did not require employees to enter time worked and/or leave taken on timesheets. Officials do not always review and approve timesheets; instead, a facsimile stamp of the official signature is applied by employees, reducing internal controls over payroll. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. In addition, some individuals who appear to be county employees were paid as contractors circumventing Internal Revenue Service (IRS) rules and regulations.

Bids were not always solicited or advertised by the county, nor was bid documentation always retained for some purchases. Adequate supporting documentation was not always obtained and reviewed for some disbursements. Disbursements for some funds are approved only by the Treasurer and an elected official which is not the normal county disbursement process. Further, IRS rules and regulations were not followed for some mileage reimbursements. Finally, some county contracts are not in writing as required.

Problems with the county's budgetary practices have been noted in the past several audit reports and budgetary problems continue to exist. The Special Road and Bridge Fund budget was unrealistic and did not adequately project the anticipated financial activity and ending cash balance. Actual disbursements exceeded budgeted amounts for several funds. Although budget amendments were prepared for some funds, some amendments were prepared after actual disbursements had exceeded the original budgeted amounts.

Formal policies and procedures over both the sale of culverts and providing grading services to the public have not been adopted. In addition, the county does not maintain a record of all culvert sales or grading services provided. Further, while the county maintains mileage, vehicle, and equipment logs, we noted one instance where such records were not maintained when a culvert was installed on a private road. As a result, the full cost of providing the services on the private road could not be determined.

(over)

YELLOW SHEET

The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate.

There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of assessments made in consideration for reduced charges filed on traffic tickets. Other concerns in the Prosecuting Attorney's office include accounting duties are not adequately segregated, bad checks fees are not transmitted to the County Treasurer on a timely basis, and money orders received are not recorded and restrictively endorsed immediately upon receipt. Also, receipt slips are not issued for court ordered restitution payments, no sequential summary record of restitution receipts and disbursements is maintained, and a log or other record is not maintained to account for all bad check complaints filed and their ultimate disposition.

A shortage of \$345 was not detected in the Recorder of Deeds' office on a timely basis due to various weaknesses including bank reconciliations were not prepared since September 2007, the method of payment received was not always accurately recorded in the accounting records, and the composition of the receipts was not reconciled to the composition of deposits. Receipts are not deposited intact on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Receipts are not always entered into the electronic accounting system and some monthly disbursements were not disbursed on a timely basis. Copy monies received and monies received for compact discs are not recorded upon receipt in a log and the method of payment for these fees is not recorded. In addition, written contracts do not exist to support agreements between the Recorder of Deeds and local abstract companies and no records are maintained to account for overpayments that are retained and not refunded.

The Sheriff's procedures relating to processing of monies and accounting for commissary inventories are in need of improvement. Receipts for civil process fees are not recorded or deposited on a timely basis. The method of payment is not consistently indicated on receipt slips, and checks are not restrictively endorsed immediately upon receipt. Personal checks were cashed out of cash receipts, causing receipts to not be deposited intact. Monthly listings of liabilities are not prepared for the Sheriff's accounts and reconciled to the cash balances. Profits from the Sheriff's Jail Commissary Account are used to make purchases outside the control of the normal county disbursement process. Bond forms are not prenumbered, and the recipients signature on the receipt slip is not always obtained to acknowledge receipt when a cash bond is refunded the same day. In addition, the Sheriff did not maintain a running inventory of items purchased from vendors, items sold to inmates, and inventory balances.

Also, included in the report are recommendations related to the Public Administrator's salary, the County Clerk's accounting controls and procedures, and the Senate Bill 40 Board.

All reports are available on our Web site: www.auditor.mo.gov

WAYNE COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-30
<u>Number</u>	<u>Description</u>
1.	County Sales Tax and Financial Condition5
2.	Personnel and Payroll Records and Procedures.....6
3.	County Disbursements.....9
4.	Budgetary Procedures12
5.	Road and Bridge Policies and Procedures14
6.	Public Administrator's Salary.....15
7.	Property Records and Procedures16
8.	County Clerk's Accounting Controls and Procedures17
9.	Prosecuting Attorney's Accounting Controls and Procedures.....18
10.	Recorder of Deeds' Accounting Controls and Procedures21
11.	Sheriff's Accounting Controls and Procedures.....25
12.	Senate Bill 40 Board29
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	31-41
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	42-44

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County

We have audited certain operations of Wayne County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Wayne County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Wayne County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Daniel Vandersteen, CPA
Audit Staff:	Terese Summers, CPA
	Matthew Schulenberg
	Tina Gildehaus

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

WAYNE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Sales Tax and Financial Condition
--

The General Revenue Fund's financial condition is declining. This financial condition would be worse if the general revenue property tax levy had been properly rolled back during the 4 years ended December 31, 2007. In addition, the county is proceeding with the construction of a new jail facility with a lease purchase arrangement which may further strain the General Revenue Fund's financial condition.

The 2008 budget for the General Revenue Fund projects a zero cash balance at December 31, 2008. The General Revenue Fund's cash balance decreased from \$134,188 at December 31, 2003, to \$44,339 at December 31, 2007. In addition, the General Revenue Fund owes the Special Road and Bridge Fund \$294,937 as of December 31, 2007.

Wayne County voters enacted a ½ percent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. To meet the rollback requirement, the county reduced Special Road and Bridge tax levies to provide part of the required General Revenue Fund property tax collection reduction. Revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges. It does not appear proper to reduce property taxes restricted for use in the Special Road and Bridge Fund to account for sales tax revenues deposited to the General Revenue Fund.

In addition, the County Commission is proceeding with the construction of a new jail facility through a lease purchase arrangement which may further strain the General Revenue Fund's financial condition. While cost feasibility studies were performed for the project, such studies did not formally consider all operating costs that may be incurred such as utilities and a possible need for increased staffing for the jail. Further, no cost analysis or consideration of future billing revenues for holding prisoners for other counties has been projected nor have any written contracts been negotiated for the housing of these inmates.

It does not appear monies are sufficient to payback the amounts owed to the Special Road and Bridge Fund, adequately reduce the property tax levy in the General Revenue Fund in future years, and construct a new jail without some increase in revenues or a reduction in expenditures.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Repay the Special Road and Bridge Fund \$294,937 from the General Revenue Fund. In addition, subsequent property tax levy rollbacks should be made from the General Revenue Fund.
- B. Ensure the financial condition of the General Revenue Fund is sufficient to pay for the increased costs associated with a new jail before commencing with the jail construction project.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue working on and studying ways to resolve this problem and work towards repayment of the monies to the Special Road and Bridge Fund. However, given our current financial condition, resolution of this issue will be difficult.*
- B. *We believe the cost of the new jail will be less than the costs of continuing to operate as we currently are by paying other counties for boarding of prisoners.*

2. Personnel and Payroll Records and Procedures
--

Personnel and payroll records and procedures are not adequate. Not all county officials follow the county policies for time and leave accumulation and the Circuit Clerk/Ex Officio Recorder did not require employees to enter time worked and/or leave taken on timesheets. Officials do not always review and approve timesheets; instead, a facsimile stamp of the official signature is applied by employees, reducing internal controls over payroll. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. In addition, some individuals who appear to be county employees were paid as contractors circumventing Internal Revenue Service (IRS) rules and regulations.

- A. Although there is an established written personnel policy, county officials do not always comply with the policy. The policy indicates timesheets need to be filled out completely and timesheets should include a place to record sick leave, compensatory time, and vacation time used and accumulated totals at the end of the month. The personnel policy includes information on vacation leave, sick leave, and overtime accrual and use including the number of days of leave for employees based upon the length of employment. The following items do not comply with the county's personnel policy:
 - The Prosecuting Attorney allowed her employees to accumulate sick leave in excess of the maximums established by the county's personnel policy. One employee was allowed to accumulate 8 additional days of sick leave

in excess of the 35 day maximum allowed by county policy for this employee.

- The Prosecuting Attorney allowed her employees to accumulate vacation leave in excess of the maximums established by the county's personnel policy. One employee was allowed to accumulate 15 additional days of vacation leave in excess of the 25 day maximum allowed by county policy for this employee.
- The former Circuit Clerk/Ex Officio Recorder allowed an employee to submit timesheets that were incomplete and did not always indicate the number of hours worked or leave amounts taken. Prior to this employee assuming the position of the elected County Recorder in 2007, the county paid this individual's accumulated vacation leave of 15.5 days at a rate of \$63.92 per day, or a total of \$991. Since timesheets and leave records were not always properly completed for this individual, it is not clear whether the payment of accumulated vacation leave was proper.
- The former Circuit Clerk/Ex Officio Recorder allowed the same employee to accumulate sick leave in excess of the maximums established by the county's personnel policy. The employee was allowed to accumulate 20 additional days of sick leave in excess of the 35 day maximum allowed by the county's personnel policy.

By not requiring full compliance with the county's personnel policy, the County Commission may be putting the county at risk of incurring additional liabilities beyond what is established by the policy. In addition, the inconsistent application of the personnel policy may lead to inequitable treatment of employees.

- B. Some officials, such as the Sheriff and the Circuit Clerk/Ex Officio Recorder (for 2006), are not actually signing timesheets to show approval, but are allowing employees to apply a signature stamp to indicate supervisory approval. The personnel policy requires timesheets to be filled out and signed by the employee and the elected official.

Allowing employees to apply a signature stamp to their own timesheets to indicate supervisory review and approval reduces controls over the county payroll and could lead to improper payroll claims. Access to signature stamps should be limited to authorized persons to ensure proper supervisory review and approval of employee timesheets actually occurs.

- C. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. One department employee performed work on a private road on a day he had taken personal leave; however, the records supplied by the County Clerk's office do not provide adequate support to determine if leave was taken. Summary leave records are maintained by the Road and Bridge Supervisor

on an office calendar showing the days employees took personal leave, vacation, or sick leave. This information is not always submitted to the County Clerk's office for a centralized record of leave to allow accumulated leave amounts to be determined for each employee.

Without centralized and complete leave records, the County Commission cannot ensure that employees' vacation leave, sick leave, and overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records aid in determining final pay for employees leaving county employment or in the event disputes arise and in demonstrating compliance with the federal Fair Labor Standards Act (FLSA).

- D. The county may not have correctly identified the employment status of individuals hired to perform bailiff and cook duties for the Sheriff's department during the years ended December 31, 2007 and 2006. It is unclear whether these individuals are employees or contractors of the county. No payroll taxes were withheld from these individuals' compensation; however, the county required the individuals to complete a standard county timesheet similar to other Sheriff's employees. An IRS form 1099-MISC was issued to these individuals treating these individuals as contractors; however, the county did not request an opinion from legal counsel to determine if these individuals served as contractors or as county employees. Payments to the bailiffs totaled \$7,307 for each of the years ended December 31, 2007 and 2006. Payments to the cook totaled \$926 for the year ended December 31, 2007. In addition, the payments for the cook were made to the Sheriff's department office manager and these hours could be considered overtime.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. In addition, the FLSA provides all covered employees working overtime are entitled to time and one-half in wages or in compensatory time. The county needs to ensure it complies with IRS regulations. The failure to correctly identify and handle such arrangements may result in noncompliance with the FLSA and not properly withholding and paying various taxes.

WE RECOMMEND the County Commission:

- A. Ensure county officials comply with county personnel policies including adhering to established guidelines and maximums for vacation and sick leave.
- B. Ensure access to signature stamps is limited and that employee timesheets are reviewed and approved by an appropriate supervisor.

- C. Require the Road and Bridge Supervisor submit summary leave records to the County Clerk monthly to ensure centralized leave records are maintained for all employees.
- D. Consult with legal counsel to ensure compliance with IRS regulations and the FLSA regarding independent contractors and employees.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will do our best to ensure personnel policies are adhered to, including adhering to established guidelines and maximums for vacation and sick leave.*
- B. *We are attempting to correct this problem.*
- C. *This will be done.*
- D. *We will review this issue with legal counsel.*

3.	County Disbursements
-----------	-----------------------------

Bids were not always solicited or advertised by the county, nor was bid documentation always retained for some purchases. Adequate supporting documentation was not always obtained and reviewed for some disbursements. Disbursements for some funds are approved only by the Treasurer and an elected official which is not the normal county disbursement process. Further, IRS rules and regulations were not followed for some mileage reimbursements. Finally, some county contracts are not in writing as required.

- A. Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for some purchases. In addition, each official is responsible for bidding their office purchases; however, one purchase made for the Sheriff's department was not bid. The following are examples of items purchased during the years ended December 31, 2007 and 2006, without bid documentation:

Items Purchased	Cost
County purchases:	
Gravel (amount for 2007 only)	\$29,642
Gravel screen	23,000
Dump truck	20,000
Commissary supplies	17,600
Special Law Enforcement Fund:	
Used patrol car	4,500

The County Clerk, County Commission, and Sheriff indicated bids are sometimes solicited through telephone calls or other direct contact with vendors; however, documentation of these contacts was not retained or recorded in the County Commission minutes.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- B. Adequate supporting documentation was not obtained and reviewed by the County Commission for some disbursements. For example, a travel related expense was supported only by a summary voucher requesting payment and did not include a copy of the hotel invoice. Also, a summary voucher was used to request mileage reimbursements for a contract for monitoring and patrolling the Wappapello Lake area in which the Sheriff's department did not provide supporting detail regarding the date, mileage, and purpose of the trips. The total mileage payment associated with the lake patrolling was \$25,780 in 2007 and \$14,841 in 2006.

Without obtaining and properly reviewing adequate supporting documentation, the County Commission cannot determine the validity and propriety of the disbursements.

- C. Although the County Treasurer has possession of the Drug Court, Law Enforcement Restitution, Sheriff's Agency, Sheriff's Civil, and Sheriff's Revolving Funds, the County Commission and County Clerk do not review supporting documentation or approve the disbursements. Only the Treasurer and an elected official or board approve the disbursements for these funds. In addition, some instances were noted where supporting documentation was not always adequate.

Funds handled only by the Treasurer circumvent the appropriation process and checks and balances system in place for most other county funds.

- D. The Sheriff's department office manager and dispatch supervisor received monthly reimbursement of mileage expenses for taking work home, totaling \$1,040 and \$2,415, respectively, for the year ended December 31, 2007. The Sheriff did not require these individuals to submit itemized reports indicating the date of trips, nature of business, and locations traveled for the monthly expenses

but instead only the total mileage was indicated on a voucher and the monthly payments did not vary from month to month.

We saw similar instances of inadequate support for mileage reimbursements for the County Commissioners for performing road and bridge survey work. The County Commissioners who supervise the road districts receive \$200 monthly for mileage reimbursements and the reimbursement requests only indicate the total dollar amount and do not include detailed itemization of the trips taken.

The IRS specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income and reported on the W-2 forms for these employees.

- E. Some county contracts are not in writing as required by state law. No written agreements exist with other counties for the boarding of Wayne County prisoners for which \$73,728 and \$58,974 was paid in 2007 and 2006, respectively. Payments totaling \$17,975 were made to the Wayne County Improvement Corporation, relating to the new jail construction project, without a written contract. Also, a written contract was not obtained for \$1,000 paid to an individual for preparation of a grant to help with funding for the Drug Court.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation to be provided. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

Conditions A and B were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases, including those related to the Sheriff's department purchases, in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. Ensure adequate supporting documentation is obtained for all disbursements.
- C. And County Treasurer ensure that all disbursements handled by the County Treasurer are processed through the same appropriation process and checks and balances system that are in place for other county funds and ensure adequate supporting documentation is obtained.

- D. Require individuals to submit itemized mileage expense reports or report the mileage reimbursements as compensation to the IRS.
- E. Enter into written contracts outlining the details of the various agreements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue working to improve bidding procedures and documentation thereof. We do try our best to ensure we obtain the best prices for goods and services purchased.*
- B. *We will strive to ensure adequate supporting documentation is obtained for all disbursements.*
- C. *We will try to ensure all disbursements handled by the County Treasurer are processed through the normal county disbursement process. However, it may be difficult to obtain this level of oversight for funds controlled by other officials.*
- D. *This has been implemented.*
- E. *We currently have a written contract with the Wayne County Improvement Corporation. We will attempt to ensure written contracts are obtained for other county arrangements.*

The County Treasurer provided the following response:

- C. *When I took office in January 2007, it appeared that the former County Treasurer had always worked with the elected official or agent in charge of the fund when disbursing money from these funds. When I approached the County Commission, the advice received was to make them aware of any request that I questioned, which I have done several times. I am, however, willing to work with the County Commission to develop a plan to comply with this recommendation.*

4. Budgetary Procedures

Problems with the county's budgetary practices have been noted in the past several audit reports and budgetary problems continue to exist. The Special Road and Bridge Fund budget was unrealistic and did not adequately project the anticipated financial activity and ending cash balance. Actual disbursements exceeded budgeted amounts for several funds. Although budget amendments were prepared for some funds, some amendments were prepared after actual disbursements had exceeded the original budgeted amounts.

- A. The approved budget document did not adequately project anticipated disbursements and ending cash balances of the Special Road and Bridge Fund for

the 2 years ended December 31, 2007. The budgets significantly overestimated disbursements as noted in the following table:

	Year Ended December 31,	
	2007	2006
Budgeted Disbursements	\$ 2,438,356	3,010,565
Actual Disbursements	1,379,514	2,005,053
Overestimated Disbursements	\$ 1,058,842	1,005,512

In addition, the County Clerk and County Commission annually budget to spend all available resources of the Special Road and Bridge Fund, resulting in an estimated zero ending cash balance. Actual ending cash balances of the Special Road and Bridge Fund were \$107,126 and \$57,599 at December 31, 2007 and 2006, respectively.

Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. To be of maximum assistance to the County Commission and to adequately inform the public, the budgets should accurately reflect the actual beginning balances, estimated receipts and disbursements, and projected ending balance.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2007	2006
Special Law Enforcement	\$ 12,147	858
Prosecuting Attorney Training	N/A	547
Law Enforcement Restitution	10,053	N/A
Circuit Clerk's Interest	1,124	N/A
Victims of Domestic Violence	N/A	75
Tax Maintenance	450	N/A

The County Commission receives monthly budget to actual reports from the County Clerk. However, some funds are held outside the control of the County Commission and may not be adequately monitored. In addition, although budget amendments were prepared for some funds, the budget amendments were not formally prepared until late in the year after actual disbursements had exceeded the original budgeted amounts.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual

comparison reports need to be reviewed and used when making spending decisions throughout the year.

Condition B was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure the budgets include reasonable estimates of receipts and disbursements and projected ending balances.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The overestimated disbursements are mainly due to large BRO projects that did not start in the year originally anticipated. However, we will strive to ensure budgets include reasonable estimates of receipts and disbursements and projected ending balances.*
- B. *We will attempt to monitor this situation closely. However, it may be difficult to ensure this is done for funds maintained by other officials.*

5. Road and Bridge Policies and Procedures

Formal policies and procedures over both the sale of culverts and providing grading services to the public have not been adopted. In addition, the county does not maintain a record of all culvert sales or grading services provided. Further, while the county maintains mileage, vehicle, and equipment logs, we noted one instance where such records were not maintained when a culvert was installed on a private road. As a result, the full cost of providing the services on the private road could not be determined.

Individuals may purchase culverts from the county at cost; however, they are not always required to pay the county for the labor and mileage associated with the transport and hauling of the culvert. Furthermore, the services are provided without regard to the actual cost incurred to provide such services. In addition, the county residents avoided paying sales tax on these purchases. The county should not allow such sales to be incurred using its sales tax-exempt status. Doing so violates the terms of the county's sales tax exemption letter.

The County Commission should develop formal written policies to document the procedures applicable to these services; including the maintenance of a record of all

culvert sales or grading services provided and individual mileage, vehicle, and equipment logs. Failure to adopt formal policies and procedures over sales to the public could result in lost revenues and inequitable treatment to county citizens. In addition, the County Commission should ensure that adequate reimbursement is received to ensure recovery of any associated costs for the services provided.

WE RECOMMEND the County Commission refrain from selling culverts and providing grading services to county residents. If the sale of culverts and providing grading services continues, formal policies and procedures over sales to the public should be developed. One complete record of all sales of culverts and their installation along with grading services provided should be maintained to track to whom these services have been provided and ensure adequate reimbursement is being received for such services. In addition, the County Commission should ensure mileage, vehicle, and equipment logs are maintained and reviewed by supervisors to ensure vehicles and equipment are used only for county business.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have discontinued the practice of selling culverts. Further, county policy prohibits the grading of private roads. In addition, we will ensure mileage, vehicle, and equipment logs are maintained and reviewed by supervisors to ensure vehicles and equipment are used only for county business.

6. Public Administrator's Salary

The Public Administrator began receiving an annual salary of \$25,000 in 2005 and continued receiving that salary through 2007. Per Section 473.742, RSMo, the Public Administrator's salary of \$25,000 is based upon the handling of 26 to 39 letters (cases); however, documentation indicating the number of letters handled by the Public Administrator was not retained by the Salary Commission and thus, it is unclear how the Public Administrator's salary was determined. Our review of the Public Administrator's recent case load indicated approximately 16 cases were handled. Based on 16 cases, the salary should have been \$20,000 annually. However, it is not known how many cases were handled at the time the salary was determined.

WE RECOMMEND the County Commission obtain and retain appropriate documentation to support the salary paid to the Public Administrator. In addition, the County Commission should consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will ensure appropriate documentation is obtained and retained to support the salary of the Public Administrator in the future. We will also review the issue of the Public Administrator's salary with legal counsel.

7. Property Records and Procedures

The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Although the County Clerk does maintain capital asset listings for each office, they are not complete and procedures have not been established to ensure their accuracy.

The County Clerk maintains inventory listings of capital assets held by county officials. To aid in the recordkeeping process, the County Commission had a practice of sending yearly memos to all elected officials and department heads requesting the performance of physical inventories; however, the sending of yearly memos and actual conduct of physical inventories has not been completed by all officials and department heads since 2005. As a result, the records indicate that listings have not been turned in to the County Clerk by most officials or department heads.

Capital assets are added to the inventory listings when a physical inventory is performed instead of when an item is purchased. As a result, several capital assets purchased during the 2 years ended December 31, 2007, were not added to the listing, including a gravel screener costing \$23,000, a Sheriff's patrol car costing \$11,750, and a computer costing \$1,495. Capital asset purchases are not reconciled to capital asset records and records are not maintained in a manner that balances can be reconciled from period to period. In addition, property records do not include the necessary information for assets, such as the date and method of disposal, and property items were not properly numbered, tagged, or otherwise identified.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the capital assets records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be

affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions. In addition, property control tags should be affixed to all capital asset items.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We are not sure we need a formal written capital asset policy. However, we will continue trying to ensure other officials comply with annual written requests for inventories and inspections of their capital assets. We will attempt to ensure capital asset purchases are periodically reconciled to capital asset additions. We will also strive to ensure property tags are affixed on all capital assets.

8. County Clerk's Accounting Controls and Procedures

Weaknesses were noted in controls over receipts, and inventory records are not maintained to account for plat books.

Fees collected by the County Clerk's office during the years ended December 31, 2007 and 2006, totaled approximately \$4,600 and \$5,400, respectively.

- A. The method of payment (i.e., cash, check, and money order) is not consistently indicated on receipt slips and the composition of receipts issued is not reconciled to the composition of distributions to the County Treasurer. In addition, the numerical sequence of receipt slips is not accounted for properly. As a result, three December 2007 receipts totaling \$108 were not distributed to the County Treasurer until March 2008.

Without consistently indicating the method of payment on all receipt slips, reconciling the composition of receipts issued to the composition of distributions to the County Treasurer, and accounting for the numerical sequence of receipt slips issued, the County Clerk cannot ensure all monies collected are ultimately recorded and distributed.

- B. Inventory records are not maintained to account for plat books. Five hundred plat books were purchased in May 2005 at a total cost of \$5,575 (approximately \$11 each). These plat books were sold for \$35 each. Records were not sufficient to account for the plat books as a log of plat books sold or given away was not maintained.

To ensure all monies collected are accounted for adequately, the County Clerk should reconcile the number of plat books on hand to the total number of plat books sold or given away. Any differences should be investigated.

WE RECOMMEND the County Clerk:

- A. Ensure the method of payment is recorded on receipt slips and the composition of receipts is reconciled to monthly distributions. In addition, the County Clerk should ensure the numerical sequence of receipt slips is accounted for properly.
- B. Maintain adequate and complete records of the number of plat books sold, given away, or used by the county and periodically reconcile the number of plat books reported on the inventory to the number of plat books on hand.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *The instances noted were isolated in nature; however, we have taken steps to ensure the method of payment is always recorded on receipt slips and the composition of receipts is reconciled to monthly distributions. We are also currently ensuring the numerical sequence of receipt slips is accounted for properly.*
- B. *These recommendations have been implemented with our purchase of new plat books in 2008 and we will continue maintaining adequate and complete records and procedures for plat books in the future.*

9. Prosecuting Attorney's Accounting Controls and Procedures

There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of assessments made in consideration for reduced charges filed on traffic tickets. In addition, accounting duties are not adequately segregated, bad checks fees are not transmitted to the County Treasurer on a timely basis, and money orders received are not recorded and restrictively endorsed immediately upon receipt. Also, receipt slips are not issued for court ordered restitution payments, no sequential summary record (cash control) of restitution receipts and disbursements is maintained, and a log or other record is not maintained to account for all bad check complaints filed and their ultimate disposition.

The Prosecuting Attorney received bad check processing fees totaling approximately \$25,000 and \$21,600 during the years ended December 31, 2007 and 2006, respectively. In addition, assessments received in consideration of reduced charges filed on traffic tickets totaled approximately \$36,000 and \$22,000 during the years ended December 31, 2007 and 2006, respectively. Also, court ordered restitution and bad check restitution monies are received; however, summary records were not maintained to account for restitution monies received.

- A. Defendants frequently make "assessments" to the Special Law Enforcement Fund in consideration from the Prosecuting Attorney for reduced charges filed on traffic tickets. Some of these assessments often exceed \$300, and result in no points being added to the defendants driving record. There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of such assessments. A Law Enforcement Restitution Fund has also been established, as allowed by Section 50.565, RSMo, which provides payment of assessments by defendants for certain offenses, indicates certain traffic offenses where a payment of an assessment cannot be received, and limits the amount received to not exceed \$300.
- B. Accounting duties are not adequately segregated. While one clerk usually performs the bad check duties, one clerk handles the ticket cases, and one clerk handles criminal restitution and donations, any of the three clerks may perform all of the duties of receiving, recording, and disbursing monies. In addition, the Prosecuting Attorney does not perform periodic documented reviews of the records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and disbursing monies. If proper segregations of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- C. Bad check fees are not transmitted to the County Treasurer on a timely basis. Fees are generally transmitted once or twice a month. In May 2007, no bad check fees were transmitted to the County Treasurer. In addition, money orders received for bad check fees and donations are not recorded and restrictively endorsed immediately upon receipt. These monies are recorded and endorsements are applied at the time of transmittal to the County Treasurer.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted daily or on a timely basis and money orders should be recorded and restrictively endorsed immediately upon receipt.

- D. Receipt slips are not issued for court ordered restitution payments. In addition, no sequential summary record (cash control) of restitution receipts and disbursements is maintained. Money orders received for restitution payments are

made payable to the victim and a copy of the money order is filed in the applicable case file. The transaction is recorded on an individual fee sheet within the file; however, a summary cash control record is not maintained.

To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly. In addition, a cash control should be maintained for restitution transactions and periodically reconciled to the case files to ensure accuracy.

- E. A log or other record is not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition. A bad check complaint log would provide a record of all complaints filed with the Prosecuting Attorney and provide more assurance that all receipts and disbursements related to these cases are properly handled.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequentially numbered complaint form should be assigned to each bad check received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the date the check was received by the prosecutors office, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

Conditions similar to B-E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Discontinue assessments to the Special Law Enforcement Fund. Assessments should be in accordance with state law and deposited into the Law Enforcement Restitution Fund.
- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Transmit fees to the County Treasurer intact on a timely basis and record and restrictively endorse money orders received immediately upon receipt.
- D. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, a cash control record should be established for restitution transactions and reconciled periodically to the case files.
- E. Maintain a log to account for all bad check complaints filed.

AUDITEE'S RESPONSE

The Acting Prosecuting Attorney provided the following responses:

- A. We will take this recommendation under advisement.*
- B. No funds are received by or payable to the Prosecuting Attorney. Any payments are money orders made payable to the "Wayne County Treasurer" and stamped with a restrictive endorsement for the Treasurer "For Deposit Only". However, we will ensure periodic supervisory reviews are performed and documented.*
- C. We will transmit monies weekly and restrictively endorse "For Deposit Only" on money orders payable to the Wayne County Treasurer upon receipt. Monies are now being recorded into the CARPEL (case management system) upon receipt for audit purposes.*
- D. We do not accept any cash or payments to the Prosecuting Attorney. All payments are in the form of money orders, either payable directly to the victim or to the Wayne County Treasurer. Payments to the Wayne County Treasurer are restrictively endorsed "For Deposit Only". We will maintain a log of restitution transactions using the CARPEL system and retain a photocopy of the money order.*
- E. In July 2008, we started with the CARPEL system which is a bad check tracking system that will satisfy the need to maintain a log.*

10. Recorder of Deeds' Accounting Controls and Procedures
--

A shortage of \$345 was not detected on a timely basis due to various weaknesses including bank reconciliations were not prepared since September 2007, the method of payment received was not always accurately recorded in the accounting records, and the composition of the receipts was not reconciled to the composition of deposits. Receipts are not deposited intact on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Receipts are not always entered into the electronic accounting system and some monthly disbursements were not disbursed on a timely basis. Copy monies received from the general public and monies received from abstract companies for compact discs (CDs) are not recorded upon receipt in a log and the method of payment for these fees is not recorded. Written contracts do not exist to support agreements between the Recorder of Deeds and local abstract companies. Finally, no records are maintained to account for overpayments that are retained and not refunded.

During the years ended December 31, 2007 and 2006, the Recorder of Deeds collected approximately \$101,200 and \$105,700, respectively, for recording marriage licenses, deeds, tax liens, and interest.

- A. Bank reconciliations have not been prepared since September 2007 because the Recorder of Deeds could not balance the reconciliation at that time. Since bank reconciliations had not been prepared, a \$345 shortage in the account at December 31, 2007, was not detected on a timely basis. The shortage occurred due to various weaknesses in controls (see parts B-D). The Recorder of Deeds took steps to correct the shortage in March 2008 by covering the shortage out of overpayments received. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis.
- B. Cash and checks are accepted for the payment of fees; however, the method of payment received is not always accurately recorded in the accounting records. As a result, the composition of receipts could not be reconciled to the composition of deposits. To ensure all receipts are properly accounted for and deposited, the method of payment received should be accurately recorded in the accounting records, and the composition of monies received should be reconciled to the composition of the deposits.
- C. Receipts are not deposited intact and on a timely basis. For example, a deposit dated December 24, 2007, included \$2,271 in receipts dating back to August 2007. This deposit was for receipts that were found in a desk drawer in December. Also, a deposit dated March 3, 2008, included \$986 in receipts dating back to December 2007. Again, this deposit was for receipts that were found in a desk drawer. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. Further, the Recorder of Deeds indicated she does not deposit cash until accumulating \$50 or more. This is done to allow for change funds to be on hand.

To ensure against the loss or misuse of funds, deposits should be made intact on a timely basis, and all checks and money orders should be restrictively endorsed immediately upon receipt. If a change fund is determined to be necessary, it should be maintained at a reasonable and constant amount.

- D. Receipts are not always correctly entered into the electronic accounting system, and therefore, are not always accounted for or included in the deposit. Disbursements to the state and county for fees collected and properly entered into the electronic accounting system are not always made timely.
 - 1. Numerous instances were noted where a program command to automatically enter the amount of the receipt was not used. Although the recorded document was electronically entered into the system, fees collected for the document were not accounted for when the program's receipt command was not used and the resulting receipt reports indicated no monies were collected for these transactions. This, combined with the method of payment received not always accurately recorded in the accounting records, the composition of receipts not reconciled to the

composition of deposits (see part B), and receipts not deposited intact and on a timely basis (see part C), resulted in instances where it appeared more monies were received than deposited.

2. Disbursements to the state and county for fees collected and properly entered into the electronic accounting system are not always made timely. The fees collected for August 2007 were not disbursed until the end of September 2007. The Recorder of Deeds indicated she typically waits two to three weeks after the end of the month before making the disbursements. As a result, an audit conducted by the County Employees Retirement Fund (CERF) found that monies collected were not submitted to the County Treasurer soon enough to permit the County Treasurer to remit monies to CERF by the 20th of the month following the month in which the collections were made.

State law requires that all fees collected be properly accounted for and distributed monthly to the state and the County Treasurer. Timely disbursement of fees collected is necessary to provide adequate controls over account balances and to increase the likelihood that discrepancies are detected in a timely manner.

- E. Copy monies received from the general public and monies received from abstract companies for CDs containing copies of documents are not recorded upon receipt in a log, and therefore, the method of payment for these fees is not recorded. When CD monies are received from abstract companies, the checks are endorsed and transmitted to the County Treasurer. Copy monies received from the general public are deposited with that day's receipts. Monies received from abstract companies for CDs totaled approximately \$10,250 during the two years ended December 31, 2007.

Failure to record all monies received increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner. In addition, Section 59.250, RSMo, requires the Recorder of Deeds to keep a full account of all fees of every kind received. Further, the method of payment should be indicated and reconciled to the composition of deposits or transmittals.

- F. No written contracts exist between the Recorder of Deeds and two local abstract companies. The Recorder of Deeds indicated that verbal agreements have been in place for at least four years whereby CDs containing deed information are provided, at least weekly, to two local abstract companies for \$225 per month each.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

- G. Overpayments of \$25 or less are retained and no refund is made to the payor. In addition, no record is maintained accounting for the amount of overpayments

received. Further, there are times when cash equal to the amount of an overpayment is withheld from the deposit and stored in the office vault. As previously noted (see part A), some of the accumulated overpayment monies were used to correct a shortage in the account in March 2008.

While it may not always be efficient to make refunds for some levels of overpayment, the propriety of retaining overpayments at the current level of \$25 or less is questionable. In addition, accounting controls should be established regarding overpayments, a log should be maintained, overpayments should be deposited, and these monies should be paid to the County Treasurer as an accountable fee as part of the monthly disbursements. Further, as previously discussed and recommended (see part C), all receipts should be deposited intact on a timely basis.

Due to the poor records in the Recorder of Deeds' Office as indicated above, we were unable to determine if all monies were properly accounted for and distributed.

WE RECOMMEND the Recorder of Deeds:

- A. Prepare monthly bank reconciliations to ensure accounting records agree with bank records and discrepancies are discovered and investigated on a timely basis.
- B. Ensure the method of payment is accurately recorded in the accounting records, and the composition of monies received is reconciled to the composition of the deposits.
- C. Ensure all receipts are deposited intact on a timely basis, and restrictively endorse all checks and money orders immediately upon receipt. In addition, if a change fund is determined to be necessary, it should be maintained at a reasonable and constant amount.
- D.1. Ensure all monies collected are properly entered into the electronic accounting system and deposited.
- 2. Ensure disbursements to the state and county are made on a timely basis.
- E. Ensure that copy monies received from the general public and monies received from abstract companies for CDs are recorded upon receipt in a log, the method of payment is documented, and the composition of monies received is reconciled to the composition of the deposits.
- F. Enter into written contracts with abstract companies.
- G. Review the propriety of retaining overpayments at the level of \$25 or less. In addition, a log should be maintained to account for any overpayments retained

and overpayments should be deposited and also disbursed to the County Treasurer monthly as an accountable fee.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following responses:

- A. *Bank reconciliations are now being done monthly.*
- B. *We are ensuring that when cash is received that the appropriate field is entered so that cash is shown as the type of receipt. In addition, we are ensuring that the composition of receipts is reconciled to the composition of deposits.*
- C. *Deposits are being made daily and we no longer maintain a change fund. We may have missed endorsing a few checks or money orders but normally checks and money orders are restrictively endorsed when receipted.*
- D.1. *All monies are now being properly entered into the electronic accounting system.*
 - 2. *Disbursements are made within a few days after the end of the month.*
- E. *CD monies from the abstract companies are being receipted in a manual receipt slip book and then the monies are turned over to the County Treasurer. Copy monies are now entered into the electronic accounting system along with its composition and disbursed monthly along with other receipts.*
- F. *We are in the process of getting a contract with all abstract companies.*
- G. *Overpayments are no longer accepted. The check is returned with a request for the correct amount. When the correct amount is received, the document is recorded.*

11. Sheriff's Accounting Controls and Procedures

The Sheriff's procedures relating to processing of monies and accounting for commissary inventories are in need of improvement. Receipts for civil process fees are not recorded or deposited on a timely basis, resulting in lost revenues of \$202. The method of payment is not consistently indicated on receipt slips, and checks are not restrictively endorsed immediately upon receipt. Personal checks were cashed out of cash receipts, causing receipts to not be deposited intact. Monthly listings of open items (liabilities) are not prepared for the Sheriff's accounts and reconciled to the cash balances. Profits from the Sheriff's Jail Commissary Account are used to make purchases outside the control of the normal county disbursement process. Bond forms are not prenumbered, and the recipients signature on the receipt slip is not always obtained to acknowledge receipt when a cash bond is refunded the same day. In addition, the Sheriff did not maintain a

running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

During the years ended December 31, 2007 and 2006, the Sheriff collected approximately \$166,300 and \$94,300, respectively, for bonds and civil and criminal fees. In addition, inmate commissary deposits were approximately \$20,000 annually.

- A. Receipts for civil process fees are not recorded or deposited on a timely basis. Instead, checks received as payment for process fees are held until the bookkeeper has time to properly record and deposit the monies. As a result, approximately \$1,600 was not recorded until up to over two years subsequent to the time the fees had been paid to the Sheriff. The delay in properly accounting for these monies resulted in lost revenues of \$202.

In July 2006, the bookkeeper discovered in various locations within the office approximately \$1,400 of checks held for as long as 11 months. After discovering these checks, approximately \$1,392 was recovered by depositing or rebilling the stale dated checks. The remaining \$46 was not recovered. In addition, in April 2008, the bookkeeper discovered another \$156 in checks held for as long as over two years. Because of the age of these checks, no effort was made to recover the amounts.

Failure to record and deposit all monies received on a timely basis increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner.

- B. The method of payment (i.e., cash, checks, or money orders) is not consistently indicated on receipt slips, the composition of receipts is not reconciled to the composition of deposits, and checks are not restrictively endorsed immediately upon receipt. In addition, two instances were noted where personal checks were cashed causing receipts to not be deposited intact.

Without consistently indicating the method of payment on all receipt slips, reconciling the composition of receipts to the composition of deposits, ensuring checks received are restrictively endorsed immediately upon receipt, and prohibiting the cashing of personal checks, the Sheriff cannot adequately ensure all monies collected are accounted for and deposited.

- C. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balances for the Sheriff's accounts. Open items listings prepared for the Sheriff's Special (fee) Account as of March 31, 2008, at our request, indicated the \$9,189 account balance exceeded identified open items by approximately \$4,880. Open items listings prepared for the Sheriff's Jail Commissary Account as of March 31, 2008, at our request, identified all monies in the account. We also requested the Sheriff to prepare an open items listing for the Seizure Account, but he was unable to do so. The Seizure Account has maintained an unidentified

balance of \$6,646 since August 2005, prior to the beginning of the current Sheriff's term of office.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available to meet liabilities. The Sheriff should attempt to identify all open items. Any unidentified monies should be disposed of in accordance with state law.

- D. Profits from the Sheriff's Jail Commissary Account are used to make gasoline and jail purchases outside the control of the normal county disbursement process. Fuel purchases totaling \$1,805 along with some other purchases were made from this account. Making disbursements from this account circumvents the county's normal budgeting and disbursement processes. Further, profits in the Sheriff's Jail Commissary Account represent accountable fees and there is no statutory authority for the Sheriff to make disbursements from accountable fees.
- E. Bond forms are not prenumbered. In addition, the Sheriff does not always obtain acknowledgment of receipt, such as the recipients signature on the receipt slip, when a cash bond is refunded the same day, prior to deposit.

To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, bond forms should be prenumbered. Further, to ensure cash disbursements are properly accounted for, a signed receipt slip should be obtained from individuals receiving cash payments.

- F. Commissary services are provided whereby inmates are allowed to purchase snacks and personal items. However, a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances is not maintained.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be performed periodically and reconciled to the inventory balances.

Conditions similar to A, B, C, and F were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Record and deposit all monies received on a timely basis.
- B. Indicate the method of payment on all receipt slips, restrictively endorse all checks and money orders immediately upon receipt, and ensure the composition of monies received is reconciled to the composition of the deposits. In addition,

the Sheriff should ensure receipts are deposited intact and discontinue the practice of cashing personal checks.

- C. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any unidentified monies should be disposed of in accordance with state law.
- D. Discontinue the practice of making disbursements from accountable fees.
- E. Issue prenumbered bond forms. If cash disbursements are necessary, adequate documentation should be maintained to support the transaction.
- F. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We will do this as timely as we can. However, there will be times when a few days or more may pass before we can process our civil process monies as we may have to wait for one of our clerks to be present.*
- B. *We will indicate the method of payment on all receipt slips, restrictively endorse all checks and money orders immediately upon receipt, and ensure the composition of monies received is reconciled to the composition of deposits. We will also ensure receipts are deposited intact and we will prohibit the practice of cashing personal checks out of cash receipts.*
- C. *We will prepare monthly listings of open items and reconcile the listing to the cash balance as best we can. We will investigate differences, including discussing disposition with the Prosecuting Attorney, and dispose of any unidentified monies in accordance with state law.*
- D. *We have discontinued the practice of making disbursements from accountable fees. Although this practice has been discontinued, the purchases noted above were related to either transporting of prisoners or items needed for the jail.*
- E. *If it becomes financially feasible for us to order prenumbered bond forms, we will do so. We will continue to investigate our options for how we can properly process and account for bonds.*
- F. *We will maintain inventory records for commissary items and reconcile such records to periodic inventory counts. We will then follow up on any differences noted in this process.*

The Senate Bill 40 Board does not always obtain or retain bid documentation for items bid by the sheltered workshop and paid for by the Senate Bill 40 Board. In addition, the Senate Bill 40 Board did not publish its financial statements for the years ended December 31, 2007 and 2006.

- A. The Senate Bill 40 Board does not always obtain or retain bid documentation for items bid by the sheltered workshop and paid for by the Senate Bill 40 Board. The Senate Bill 40 Board minutes indicate the sheltered workshop manager had obtained phone bids for some items; however, documentation of these bids was not always obtained or retained by the Senate Bill 40 Board. Bid documentation was not provided for the purchase of a used truck which cost \$11,000 and for the installation of fire and smoke alarm systems which cost \$7,292 for the year ended December 31, 2007.

Section 50.660, RSMo, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Senate Bill 40 Board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Senate Bill 40 Board business. Documentation of the various proposals received, and the Senate Bill 40 Board's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- B. The Senate Bill 40 Board did not publish its financial statements for the years ended December 31, 2007 and 2006. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure adequate supporting documentation is obtained for all disbursements including documentation of bids, to ensure the validity and propriety of disbursements and compliance with state purchasing laws.
- B. Publish its financial statements annually as required by state law.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. We will ensure, in the future, adequate supporting documentation is obtained for all disbursements, including documentation of bids.*
- B. We will work with the County Clerk and provide the necessary information to him so that the Senate Bill 40 information is published along with the county's other funds.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

WAYNE COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Wayne County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Sales Tax and Financial Condition

The county's General Revenue Fund financial condition was declining. Due to an inadequate general revenue property tax levy reduction in 2003 and 2002, the General Revenue Fund owed the Special Road and Bridge Fund \$68,997. In addition, the construction of a new jail was considered even though it did not appear the county had sufficient monies to construct a new jail without some increase in revenues or a reduction in expenditures.

Recommendations:

The County Commission:

- A. Repay the Special Road and Bridge Fund \$68,997 from the General Revenue Fund. In addition, subsequent property tax levy rollbacks should be in the General Revenue Fund or sufficient monies paid to the Special Road and Bridge Fund.
- B. Ensure the financial condition of the General Revenue Fund is sufficient to pay for the increased costs associated with a new jail before commencing with the jail construction project.

Status:

Not implemented. See MAR finding number 1.

2. County Expenditures and Conflict of Interest

- A. Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for numerous purchases. In addition, each official was responsible for bidding their office purchases; however, several purchases for the Sheriff's office were not bid.
- B. Adequate supporting documentation was not obtained and reviewed by the County Commission for some expenditures, while other expenditures approved by the County Commission had insufficient detail.

- C. The county paid the Western District County Road Overseer \$5,300 on October 7, 2003, for a 1992 truck to be used for road and bridge purposes. The truck was previously owned by the Western District Commissioner who sold the truck for \$2,500 to the overseer on October 6, 2003. No public notice was given and no bids were requested.

Recommendations:

The County Commission:

- A. Solicit bids for all purchases (including the Sheriff's office purchases) in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. Ensure adequate supporting documentation is obtained for all expenditures.
- C. Review the transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest.

Status:

A&B. Not implemented. See MAR finding number 3.

C. Implemented.

3. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for several funds.
- B. Actual expenditures exceeded the budgeted amounts in several funds. In addition, the County Commission amended various budgets to reflect increased expenditures made during the year; however, the expenditures of some funds exceeded the original budgets prior to the county's official budget hearing amending the budgets.
- C. The 2003 Sheriff's Donations Fund budget reflected a deficit budgeted ending fund balance of \$1,497.
- D.1. The published financial statements did not include the financial activity of several funds because these funds were not under the control of the County Commission.
- 2. Expenditures were not listed by vendor for most funds and some funds were not included in the published financial statements.

Recommendations:

The County Commission:

- A. Ensure budgets are obtained or prepared for all county funds.
- B. Refrain from authorizing expenditures in excess of budgeted amounts. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office. In addition, ensure budget amendments are made prior to incurring actual expenditures.
- C. Discontinue appropriating expenditures in excess of available resources.
- D.1. Ensure all county funds are held in the custody of the County Treasurer and disbursed through the county's expenditure system.
- 2. Ensure financial information for all county funds is properly reported in the annual published financial statements and expenditures are listed by vendor.

Status:

A&C. Implemented.

- B. Not implemented. See MAR finding number 4.
- D.1. Partially implemented. While county funds are held in the custody of the County Treasurer, some are not disbursed through the county's disbursement system. See MAR finding number 3.
- 2. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Officials' Salaries

- A. The county had not taken action on mid-term salary increases given to the Associate County Commissioners in 1999.
- B. Actions of the salary commission in approving a \$8,100 raise for the County Treasurer were not supported by a written legal opinion.
- C. The Public Administrator did not elect to receive either a salary or fees as compensation and continued to receive a salary as well as compensation from fees.
- D. The Sheriff received \$3,908 in additional compensation from overtime and other payments during the year ended December 31, 2003. These payments were received

as the Sheriff acted as the project director for the Public Safety Partnership and Community Policing Grants.

Recommendations:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.
- C. Require the Public Administrator to elect to receive either a salary or fees. In addition, consult with legal counsel to ensure proper amounts were paid and to seek reimbursement for any overpayments.
- D. Review the appropriateness of paying the Sheriff additional compensation and consider obtaining reimbursement of the additional compensation.

Status:

- A. Not implemented. The county has chosen to not pursue repayment of these amounts. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. While the county indicated they consulted with and reviewed the situation with legal counsel, no written documentation of this process was retained. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. While the Public Administrator elected to receive a salary in 2005, the county has not sought or received reimbursements for any overpayments. In addition, it is unclear how the current salary of the Public Administrator was determined. See MAR finding number 6.
- D. Partially implemented. Additional compensation was not paid to the Sheriff during the current audit period. While the County Commission stated it received a legal opinion from the Prosecuting Attorney indicating the county's actions were legal, no written documentation of this process was retained. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Personnel Policies and Procedures

The county's written personnel policies did not specifically address compensatory time and overtime related to law enforcement personnel.

Recommendation:

The County Commission work with the Sheriff to adopt personnel policies related to law enforcement personnel.

Status:

Partially implemented. The county remains in the process of formally adopting personnel policies related to law enforcement personnel. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Property Records and Procedures

The county's fixed asset records were not adequate and complete and some county offices did not conduct timely annual physical inventories. Some fixed asset purchases were not included on the fixed asset listings. Also, fixed asset purchases were not reconciled to fixed asset records, records were not maintained in a manner that balances could be reconciled from period to period, and records did not indicate the date and method of fixed assets dispositions.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting, record keeping, and reconciliation procedures, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 7.

7. Sheriff's Accounting Controls and Procedures

A. Checks and money orders received were not always restrictively endorsed immediately upon receipt.

B. Receipts were not posted to the cash control ledger on a timely basis.

- C. Receipts were not always deposited intact on a timely basis. In addition, the composition (cash, check, and money orders) of receipts was not reconciled to the composition of deposits.
- D. The Sheriff had not established procedures to routinely follow up on old outstanding checks.
- E. A listing of accrued costs owed to the county was not maintained by the Sheriff's office and monitoring procedures related to unpaid accrued cost were not adequate. In addition, some jail board costs may have been charged as court costs to the defendant if ordered by the judge, but these billings were not tracked.

Recommendations:

The Sheriff:

- A. Restrictively endorse all checks and money orders immediately upon receipt.
- B. Post all receipts to the cash control ledger on a timely basis.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, reconcile the composition of receipts to the composition of deposits.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- E. Maintain a complete listing of unpaid accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

- A-C. Not implemented. See MAR finding number 11.
- D. Partially implemented. While the Sheriff resolved the old outstanding checks, routine procedures were not established to investigate checks outstanding for a considerable time. At December 31, 2007, there were seven checks totaling \$49 which had remained outstanding for over one year. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Not implemented. While the Sheriff does not maintain a listing of unpaid accrued costs nor has he established procedures to routinely follow-up and pursue timely collection, the volume of accrued costs has diminished due to most fees being collected before the services are provided. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Sheriff's Commissary Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. Prenumbered receipt slips were not issued for some monies received. In addition, the composition of receipts was not reconciled to the composition of deposits.
- C. Receipts were not always deposited on a timely basis. In addition, checks and money orders received were not always restrictively endorsed immediately upon receipt.
- D. The Sheriff had not established procedures to routinely follow up on old outstanding checks.
- E. The Sheriff's office did not maintain inventory records of commissary items.
- F. The Sheriff did not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items were retained in the commissary account.
- G. Monthly listings of open items (liabilities) were not reconciled to cash balances.
- H. At March 16, 2004, 196 inmates had closed accounts totaling approximately \$1,932. This indicated that the inmates were released from the county jail but the balance of their commissary account was not claimed.
- I. Several purchases of flowers totaling \$535 were made during the two years ended December 31, 2003. In addition, the Sheriff's office was unable to locate commissary invoices for the year ended December 31, 2002.

Recommendations:

The Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all monies received. In addition, reconcile the composition of receipts to the composition of deposits.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, restrictively endorse all checks and money orders immediately upon receipt.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

- E. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
- F. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.
- G. Prepare and reconcile a listing of liabilities of the commissary account, including individual inmate balances, to the total monies on deposit in the commissary account on a monthly basis.
- H. Attempt to resolve unclaimed balances of closed inmate accounts and establish routine procedures to investigate inmate balances unclaimed for a considerable time.
- I. Ensure all expenditures are reasonable and necessary and a prudent use of public funds. In addition, records should be retained in a secure location in accordance with state law.

Status:

A-D,
F, H,
&I. Implemented.

E&G. Not implemented. See MAR finding number 11.

9. Prosecuting Attorney's Accounting Controls and Procedures

- A. Defendants frequently made “donations” to the Special Law Enforcement Fund in consideration for reduced charges filed on traffic tickets and other criminal cases.
- B. Accounting duties were not adequately segregated.
- C. Bad check fees were not transmitted to the County Treasurer on a timely basis. In addition, money orders received for bad check fees and donations were not recorded and restrictively endorsed immediately upon receipt.
- D. Receipt slips were not issued for court ordered restitution payments. In addition, no sequential summary record (cash control) of restitution receipts and disbursements was maintained.
- E. A log or other record was not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition.

Recommendations:

The Prosecuting Attorney:

- A. Review the practice of accepting "donations" as part of consideration for reducing charges filed or leniency.
- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Transmit fees to the County Treasurer daily or when accumulated receipts exceed \$100. In addition, record and restrictively endorse money orders received immediately upon receipt.
- D. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, establish a cash control record for restitution transactions and reconcile periodically to the case files.
- E. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office.

Status:

- A. Not implemented. Concerns related to assessments received were noted. See MAR finding number 9.
- B-E. Not implemented. See MAR finding number 9.

10. Health Center's Accounting Controls and Procedures

- A. The Health Center Board expended \$1,747 for employee incentives (Christmas dinners, employee's awards, etc.), \$770 for refreshments for Health Center Board meetings, and \$70 for flowers during the two years ended December 31, 2003. These expenditures did not appear to represent a prudent use of public funds and a necessary cost of operating the board.
- B. Additions of fixed assets were not recorded as they occurred and fixed assets disbursements were not reconciled to additions in the fixed asset records. In addition, property tags were not always affixed to assets when acquired.

Recommendations:

The Health Center Board:

- A. Ensure all expenditures are reasonable and necessary and a prudent use of public funds.
- B. Require all additions of fixed assets to be recorded as they occur, reconcile additions to the property records periodically, and affixed property tags to assets at the time of purchase.

Status:

The Health Center was not included in the scope of the current Wayne County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

11. Senate Bill 40 Board's Accounting Controls and Procedures

- A. The Senate Bill 40 Board expended approximately \$500 for gifts for employees of the Sheltered Workshop per the quarterly financial statement and \$32 for flowers during the two years ended December 31, 2003. These expenditures did not appear to represent a prudent use of public funds and a necessary cost of operating the board. In addition, adequate supporting documentation was not maintained regarding the \$500 in gifts.
- B. The Senate Bill 40 Board did not have adequate procedures to monitor and ensure monies in its various bank accounts were sufficiently collateralized.

Recommendations:

The Senate Bill 40 Board:

- A. Ensure all expenditures are reasonable and necessary and a prudent use of public funds. In addition, all expenditures should be supported by adequate supporting documentation.
- B. Develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

WAYNE COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Wayne County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Greenville.

Wayne County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 13,259 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	74,719,813
Personal property		28,516,520
Railroad and utilities		12,279,165
Total	\$	<u>115,515,498</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Wayne County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Brian M. Polk, Presiding Commissioner		23,918
James (Bill) Hovis, Associate Commissioner		21,918
Bud Snyder, Associate Commissioner		21,918
Charity Barks, Recorder of Deeds		33,210
Alan R. Lutes, County Clerk		33,210
Rebecca M. Burns, Prosecuting Attorney		39,327
Phillip P. Burton, Sheriff		36,705

Carol Hale, County Treasurer	33,210
Barbara A. Anderson, County Coroner	9,613
Harold Shrum, Public Administrator	25,000
Mary VanNoy-Hampton, County Collector, year ended February 29,	33,210
Frances K. Huitt, County Assessor (1), year ended August 31,	32,608

(1) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Darren T. Garrison, Circuit Clerk	51,197
Randy P. Schuller, Associate Circuit Judge	101,090

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2007, the balance of the leases total \$194,878. Principal and interest payments are made from the Special Road and Bridge Fund.



Susan Montee, CPA
Missouri State Auditor

Barton County



January 2009
Report No. 2009-02

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

January 2009

The following findings were included in our report on Barton County:

Undercover drug buy monies totaling \$2,500 could not be accounted for by the Sheriff. The Sheriff did not always record drug and information buy monies returned to him on the drug buy ledger or in drug buy receipt books, and it appears questionable why the Sheriff did not use the drug buy monies on hand since 2006 to purchase drugs. The Sheriff maintains exclusive control of the drug buy monies and related records. Activity reports, evidence records, and lab reports were not retained for all drug buys made, and a log of drug buy evidence and seized property is not maintained by the Sheriff.

Bids were not solicited for some items nor was bid documentation always retained for various purchases. The county did not always enter into formal written agreements and improvements are needed in the records and procedures relating to weather radio sales. Food purchases for a retirement banquet did not appear to be a prudent use of public monies. The county has not established formal policies and procedures for the use of the county's 50 credit cards.

Fuel tickets are not always submitted from employees of the Sheriff's office, and as a result, fuel tickets are not reconciled with monthly fuel bills. In addition, vehicle mileage and fuel usage logs maintained by the Sheriff's office are not reconciled to fuel purchases. The county allows a deputy who resides outside the county to commute to and from work in a county-leased patrol truck and the amount of personal (commuting) mileage is not maintained for the deputy's vehicle or reported on the deputy's W-2 form as compensation. In addition, the county has not developed a formal written policy regarding cellular phone usage, or guidelines to determine whether a cellular phone is needed or of benefit to the county. Charges were incurred for text, picture, and video messaging; however, cellular phone plans of the Sheriff's office do not provide for these features, and several personal calls were noted during our review of a cellular phone bill.

Adequate reviews of employees' timesheets were not always performed by the County Clerk's office or by the employees' supervisory official, and as a result, numerous errors were unidentified. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk's office on a monthly basis. Time sheets prepared by employees of the Sheriff's office were not always signed by the Sheriff. In addition, overtime worked for a grant was not recorded on some deputies' timesheets, the deputies were paid in excess of the regular overtime rate, and overtime was not processed through the county payroll system. As a result, payments were not reported on the deputies' W-2 forms and payroll deductions were not withheld from the payments. The county allowed an employee to share (transfer) a portion of his leave with another county employee.

(over)

YELLOW SHEET

Minutes are not prepared for the closed session of County Commission meetings, and some issues discussed in closed meetings did not appear to be allowable per the Sunshine Law. The county does not have a formal policy regarding public access to county records.

Neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes and does not prepare or verify the accuracy of the current or delinquent tax books.

Annual settlements were not prepared by the County Collector-Treasurer consistently from year to year and the County Collector-Treasurer did not always file her annual settlement in a timely manner. The County Collector did not correctly distribute current and delinquent tax commissions for the year ended February 28, 2008, resulting in approximately \$33,500 being owed to the various political subdivisions. Proposition C ratios were not used to calculate the county's withholdings on taxes collected and distributed. In addition, the County Collector-Treasurer withheld \$600 from interest earnings to establish change funds, and some protested taxes were not disbursed in a timely manner.

Accounting duties are not adequately segregated in the Sheriff's office, and controls and procedures over receipts and inmate monies need improvement. The Sheriff did not maintain records to document the average cost of meals served to inmates, and allowed employees to eat meals prepared by the jail in violation of his own office policy. Controls and procedures over seized property need improvement.

Also included in the report are recommendations related to budget procedures, the Prosecuting Attorney, and the Public Administrator.

All reports are available on our Web site: www.auditor.mo.gov

BARTON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-32
<u>Number</u>	<u>Description</u>
1.	Undercover Drug Buy and Informant Monies5
2.	County Disbursements7
3.	County Vehicles and Cellular Phones.....11
4.	Payroll Controls and Procedures.....13
5.	Budget Procedures16
6.	Commission Minutes and Public Access Policy.....18
7.	Property Tax System Controls and Procedures19
8.	County Collector Controls and Procedures.....21
9.	Sheriff Controls and Procedures25
10.	Prosecuting Attorney Controls and Procedures29
11.	Public Administrator Controls and Procedures.....31
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	33-43
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	44-46

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Barton County

We have audited certain operations of Barton County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Barton County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Barton County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Candace Copley
	David Olson
	Wayne Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BARTON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Undercover Drug Buy and Informant Monies
--

Undercover drug buy monies totaling \$2,500 could not be accounted for by the Sheriff. The Sheriff did not always record drug and information buy monies returned to him by undercover officers and informants on the drug buy ledger or in drug buy receipt books, and it appears questionable why the Sheriff did not use the drug buy monies on hand since 2006 to purchase drugs. The Sheriff maintains exclusive control of the drug buy monies and related records. Activity reports, evidence records, and lab reports were not retained for all drug buys made, and a log of drug buy evidence and seized property is not maintained by the Sheriff.

- A. Undercover drug buy monies totaling \$2,500 could not be accounted for by the Sheriff. The County Treasurer issued two checks from the Sheriff's Federal Forfeiture Fund totaling \$2,500 to the Sheriff on May 23, 2006, for drug buys and the Sheriff cashed the checks. The Sheriff did not record these drug buy monies on the ledger he maintained nor did he issue receipt slips to informants for these monies. We questioned the Sheriff about these monies on August 22 and again on September 10, 2008. On both occasions he could provide no documentation or explanation for the funds. These missing monies went undetected due to numerous control weaknesses including inadequate segregation of duties.
- B. The Sheriff did not always record drug and information buy monies returned or recovered on the ledger or receipt books. For example, three drug buy activity reports prepared by an undercover officer during the period September 10 through 19, 2006, indicate \$240 was returned to the Sheriff because it was not used to purchase drugs. An informant receipt for \$800 dated September 13, 2006, also indicated \$580 of the \$800 was recovered when the suspect was arrested on September 14, 2006. In addition, this same undercover drug officer purchased drugs for \$1,960 from monies the Sheriff provided and also received reimbursement of this same amount from Cedar County. These monies, totaling \$2,780, were not recorded as received by the Sheriff on the ledger or receipt books. When questioned on August 5, 2008, about the return of monies not used and recovered, and the apparent double reimbursement of this undercover officer's drug buy, the Sheriff could not provide any explanation. On August 12, 2008, the Sheriff indicated the undercover officer had returned \$2,780 to him in cash and that he had been holding these monies in his safe since 2006. On August 12, 2008, we attempted to perform a cash count of the drug buy monies in the Sheriff's safe; however, the Sheriff indicated he did not have the key with him. On August 22, 2008, we were provided access to the safe and \$2,770 was on hand which the Sheriff turned over that day to the County Treasurer at our request.

While the disbursement of these drug buy monies was recorded on the records maintained, the subsequent return of the monies was not. The Sheriff indicated he typically issues a receipt to the informant or undercover drug officer for monies returned and records this information on his drug buy ledger. Given the Sheriff requested drug buy monies from the County Treasurer several times after September 2006, it appears questionable why the Sheriff did not use the drug buy monies on hand in his safe to purchase drugs. To adequately safeguard monies and reduce the risk of loss or misuse of funds, drug buy monies returned or reimbursed should be promptly recorded.

- C. Duties are not adequately segregated. The Sheriff maintains exclusive control of the drug buy monies obtained from the Federal Forfeiture Fund. He cashed all drug buy checks received, recorded the monies received and expended in his drug buy ledger, and issued receipt slips to the informants for drug and information buys. He also maintained the activity reports, evidence records, evidence obtained from the drug buys, and lab reports of drugs purchased. The Sheriff received and spent \$25,440 for drug and information buys from the Federal Forfeiture Fund during the 2 years ended December 31, 2007. Internal controls would be improved by segregating the duties of receiving and disbursing monies from recording and reconciling receipts and disbursements or requiring someone independent to review the records.
- D. Activity reports, evidence records, and lab reports were not retained for all drug buys made. All disbursements of drug and information buy monies should be supported by activity reports, evidence records, and lab reports to ensure drugs and information were actually purchased.
- E. A log of drug buy evidence and seized property is not maintained by the Sheriff. Considering the often sensitive nature of evidence and seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition. In addition, periodic physical inventories should be performed and results compared to the inventory records to ensure the evidence and seized property is accounted for properly.

WE RECOMMEND the Sheriff and County Commission:

- A. Work with the Prosecuting Attorney to investigate the missing monies and take appropriate legal action.
- B. Ensure drug buy monies returned or reimbursed are recorded promptly on the records maintained.
- C. Segregate accounting duties to the extent possible.

- D. Ensure adequate supporting documentation including activity reports, evidence records, and lab reports are retained for all drug buys.
- E. Maintain an inventory log of all evidence and seized property including information such as a description, persons involved, current location, case number, and disposition and perform periodic physical inventories.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the Prosecuting Attorney to resolve this matter.*
- B&C. *We will establish new procedures and a new bank account will be opened in January 2009, when the new Sheriff takes office. We will freeze all disbursement activity of the current account immediately.*
- D&E. *We will request the new Sheriff to maintain these records.*

The Sheriff provided the following responses:

- A. *I turned in \$2,500 of the monies mentioned above and \$240 additional drug buy monies I had on hand and recorded on my ledger to the County Treasurer on October 23, 2008.*
- B&E. *These recommendations will be implemented.*
- C. *I will request the Prosecuting Attorney to oversee this fund. The drug buy monies are confidential and I am concerned about the security of related information.*
- D. *I did not always feel it was necessary to send drugs to the lab if a case was not going to be prosecuted. Lab reports will be obtained on all future drug buys since the state's crime lab will cover those costs. I will implement recommendations related to activity reports and evidence records.*

2. County Disbursements

The county did not always solicit bids nor was bid documentation always retained for various purchases. Food purchased for a retirement banquet did not appear to be a prudent use of public monies. The county has not established formal policies and procedures for the use of county credit cards, and the number of credit cards used appears excessive. The county did not always enter into formal written agreements, and improvements are needed in the records and procedures relating to weather radio sales.

- A. While a review of County Commission minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, document sole source

procurement situations, or retain bid documentation for various purchases as listed in the table:

<u>Item or Service</u>	<u>Cost</u>
911 dispatching system	\$ 23,522
2006 Ford van	20,589
Vehicle leasing	7,043
Gas powered generators	6,990

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of 90 days. Advertising for bids is required for purchases exceeding \$6,000.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement) should be retained to demonstrate compliance with the law and support decisions made.

- B. The county purchased food for a retirement banquet totaling \$1,116 which did not appear to be a prudent use of public funds. The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should ensure funds are spent only on items which are necessary and beneficial to county residents.
- C. The number of credit cards assigned to various county employees and the number of unissued cards appear to be excessive. In addition, the county has not adopted formal policies and procedures for the use of these cards. The county and the Sheriff's office maintain 50 credit cards for the purchase of supplies and expenses incurred to transport prisoners. Nineteen of the 50 cards are held by the County Clerk to be checked out by employees that do not have a card assigned to them. Charges totaling \$15,717 and \$27,586 were paid on the county's credit cards during the years ended December 31, 2007 and 2006, respectively.

Policies and procedures are necessary to help ensure these cards are used only for county business. A formal policy could also address allowable purchases, maximum dollar limit of purchases, required supporting documentation, and reconciling procedures. In addition, the county should carefully evaluate the need for each credit card.

- D. The county did not always enter into formal written agreements defining services to be provided and benefits to be received. For example, the county has not entered into a written agreement with:

- The Barton County Ambulance District regarding assets purchased for the safe room or for its use. The county purchased equipment totaling \$1,956 housed in an emergency safe room located in the Barton County Ambulance District building. According to the county, the equipment purchased and the safe room is the property of the ambulance district. In addition, the county's Local Emergency Planning Commission (LEPC) director uses the safe room.
- The Barton County Fair Board to provide portable restroom rentals for the county fair costing \$2,045.
- The Barton County Chamber of Commerce to help produce a tourism brochure costing \$4,000.
- A private organization for a square beautification project costing \$350.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, without written agreements some of these payments may violate Article VI, Section 23 and 25 of the Missouri Constitution, which prohibits the loaning or granting of public funds to private organizations.

- E. While a listing of weather radio sales was maintained by the County Commission's secretary, it was not accurate and complete, and the listing was not reconciled to monies transmitted to the County Treasurer. In addition, receipt slips were not issued for monies received for the sale of weather radios. The County Commission purchased weather radios totaling \$4,130 from the American Red Cross during the period January through August 2008 and sold them to the public at cost. To properly account for all receipts and ensure they are handled properly, receipt slips should be issued for all monies received, and the composition of receipts should be reconciled to the monies transmitted to the County Treasurer.

Conditions similar to A, B, and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Ensure all disbursements are necessary and prudent uses of public funds.

- C. Evaluate the need for each county credit card and cancel any cards which are determined unnecessary. The County Commission should adopt formal policies and procedures for credit card use.
- D. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- E. Require official prenumbered receipt slips be issued for all monies received. In addition, the composition of receipt slips should be reconciled to the composition of monies transmitted to the County Treasurer.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The first three items listed were for the Sheriff's office, and we will require the Sheriff to submit documentation of bids to us to retain in the future. The last item listed was an emergency purchase, and we will document the emergency status in the minutes in the future.*
- B. *We believe expenditures such as these are good for county morale.*
- C. *We will revisit this issue.*
- D. *We will consider implementing this recommendation.*
- E. *We have already taken steps to implement this recommendation.*

3.	County Vehicles and Cellular Phones
-----------	--

Fuel tickets are not always submitted by employees of the Sheriff's office, and as a result, fuel tickets are not reconciled with monthly fuel bills. In addition, vehicle mileage and fuel usage logs maintained by the Sheriff's office are not reconciled to fuel purchases. The county allows a deputy who resides outside the county to commute to and from work in a county-leased patrol truck, and the amount of personal (commuting) mileage is not maintained or reported on the deputy's W-2 form as compensation. The county has not developed a formal written policy regarding cellular phone use or guidelines to determine whether a cellular phone is needed or of benefit to the county. Charges were incurred for text, picture, and video messaging; however, cellular phone plans utilized by the Sheriff's office do not provide for these features, and several personal calls were noted during our review of the cellular phone bills.

- A. The county's published financial statements indicated fuel costing approximately \$49,000 was purchased for the Sheriff's office during the year ended December 31, 2007.

- Fuel tickets are not always submitted by employees of the Sheriff's office, and as a result, fuel tickets are not reconciled with monthly fuel bills. The county should develop policies which require all fuel tickets to be submitted prior to payment of the monthly fuel bills and fuel tickets be reconciled to the monthly billing to ensure expenses paid are necessary, reasonable, and adequately documented.
- Vehicle mileage and fuel usage logs maintained are not reconciled to fuel purchases. To ensure the reasonableness of fuel disbursements, the county should reconcile mileage and fuel usage logs to fuel purchased. Failure to account for fuel purchases could result in loss, theft, and misuse of fuel.

B. The county allows a deputy who resides outside the county to commute to and from work in a county-leased patrol truck. While the Sheriff indicated this officer is on-call for specific investigations, it appears unreasonable for this officer to be on-call when living outside the county. The amount of personal (commuting) mileage was not maintained for this deputy's vehicle or reported on the deputy's W-2 form as compensation. We estimated the deputy commutes 56 miles per day or 14,560 miles a year (56 miles*5 days*52 weeks) in a county vehicle.

All other deputies live in Barton County, are considered on-call for all emergencies, and are allowed to use county-owned vehicles for commuting. Given the excessive amount of commuting miles driven by the deputy and the high cost of fuel, the Sheriff and the County Commission should review the costs of allowing county-leased/owned vehicles to be used for commuting purposes. In addition, the IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit.

C. The county provides cellular phones to the Associate Circuit Judge, Sheriff, five Sheriff deputies, and two undercover drug officers. The county disbursed approximately \$5,000 during the year ended December 31, 2007, for the use of cellular phones. Our review noted the following concerns:

- The county has not developed a formal written policy regarding cellular phone use or guidelines to determine whether a cellular phone is needed or of benefit to the county. The Sheriff was allowed to contact the cellular phone company to set up his own accounts and obtain cellular phones without any review or approval by the County Commission. In addition, the Sheriff does not provide the County Commission with the detailed billings of calls made for its review.
- Cellular phone plans utilized by the Sheriff's office do not provide for text, picture, and video messaging, and as a result, additional charges are incurred when these services are used. The county paid charges totaling \$188 for these services in November 2007.

- Several personal calls were noted during our review of the cellular phone bill paid in January 2007.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment, use, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel and properly used for business purposes. In this policy, the county should consider prohibiting the personal use of cellular phones, except in case of emergency. In addition, the county should review its current and historical levels of cellular phone use and determine if there is a need for text, picture, and video messaging, and if so, it should be included in the cellular phone plans.

WE RECOMMEND the Sheriff and County Commission:

- A. Require all fuel tickets to be submitted prior to payment of monthly fuel bills and ensure a reconciliation of fuel tickets to the monthly billing is performed. The County Commission should ensure a documented periodic reconciliation of fuel purchased to amounts used as recorded on the vehicle logs is performed and investigate any discrepancies.
- B. Review the situation and ensure the county complies with IRS guidelines for reporting personal commuting mileage.
- C. Develop a formal written policy regarding the use of cellular phones, including a provision prohibiting use for personal reasons. In addition, the County Commission should establish a monitoring system for the assignment, use, and acquisition of cellular phones.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have been informed by the newly elected Sheriff that procedures will be implemented to address these concerns.*
- B. *We will discuss this with the new Sheriff.*
- C. *This concern has already been discussed with the newly elected Sheriff, and we plan to obtain one plan for all county officials and employees.*

The Sheriff provided the following responses:

- A. Sometimes there are malfunctions at the pump and an invoice is not printed.*
- B. The drug task force officer is on call for four counties involved in CNET (a multi jurisdictional task force); however, I will work with the County Commission to address this issue.*
- C. I will work with the County Commission to address these cellular phone issues.*

4. Payroll Controls and Procedures

Adequate reviews of employees' timesheets and leave records were not always performed by the County Clerk's office or by the employees' supervisory official, and as a result, numerous errors went unidentified. Centralized records of leave balances and leave used and earned are not maintained by the County Clerk's office on a monthly basis. In addition, timesheets prepared by employees of the Sheriff's office were not always signed by the Sheriff. Overtime worked for a grant was not recorded on some deputies' timesheets, the deputies were paid in excess of their regular overtime rate, and the overtime was not processed through the county payroll system. The county allowed an employee to share (transfer) a portion of his accrued sick and vacation leave with other county employees.

- A. Adequate reviews of employees' timesheets were not always performed by the County Clerk's office or by the employees' supervisory official. Timesheets are prepared by employees and submitted to the supervisory county official. Each county official then approves the timesheet and the employee submits the timesheet to the County Clerk's office.

Numerous errors were identified on employee timesheets. For example, a Sheriff deputy's timesheet indicated only 142 hours were actually worked, but he recorded 171 hours in the total column.

To ensure employees are paid correctly and receive leave benefits as allowed by law and the county's personnel policy, timesheets should be adequately reviewed by the supervisory official and the County Clerk's office for accuracy.

- B. Adequate reviews of leave records maintained were not performed by various county officials. In addition, centralized records of leave balances and leave used and earned were not maintained on a monthly basis. Employees are responsible for recording and accumulating their leave balances. Each elected official or employee's supervisor is responsible for ensuring the leave records maintained by the employee are accurate. Annually, the leave records are submitted to the County Clerk for filing.

Numerous errors were identified in leave records. For example, an Assessor's deputy used 13 hours of leave prior to the end of his 6-month probationary period. The county's personnel policy only allows an employee to receive annual and sick leave after the 6-month probationary period has ended. Although the county caught this error and corrected it the following month, the error could have been found prior to payment if centralized records of leave balances were maintained monthly. In addition, the Sheriff's chief deputy used 8 hours of holiday time for Christmas Eve (December 24) on December 11, 2007.

Leave records should be carefully reviewed for consistency and mathematical accuracy to ensure employees leave balances are correct and employees receive the proper amount of leave and overtime compensation. Without centralized leave records and strict compliance with leave policies, the County Commission cannot ensure employees' vacation and sick leave balances are accurate and all employees are treated equitably.

- C. Timesheets prepared by employees of the Sheriff's office were not always signed by the Sheriff. The Sheriff sometimes allowed his bookkeeper to sign his name to the timesheets including the bookkeeper's own timesheet. Timesheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor. The Sheriff should not allow his employees to sign his name on the timesheets.
- D. The Sheriff's office received two grants to fund overtime incurred to enforce highway safety. The grants provided for the deputies' overtime rates to be reimbursed to the county upon receiving documentation of amounts paid to the deputies and the number of violations sited during the effort. The overtime worked for the grant was not recorded on the deputies' timesheets. In addition, the deputies were paid in excess of the regular overtime rate. For example, five deputies' overtime rates ranged from \$15.53 to \$18.42 per hour, but they were all paid \$20 per hour. These deputies were paid a total of \$2,365. Further, these payments were not processed through the county's payroll system. As a result, these payments were not reported on the deputies' W-2 forms and payroll deductions were not withheld from the payments. The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on W-2 forms. In addition, to ensure compliance with the Fair Labor Standards Act and ensure propriety of payments made, time worked should be properly recorded on the monthly timesheets and paid through the regular county payroll process.
- E. The county does not have a personnel policy that allows employees to share (transfer) a portion of their accrued sick and vacation leave with other county employees; however, the county allowed an employee to share 40 hours of leave with another employee. The county should adopt a policy to address the issue of shared leave, if it desires to do so, to ensure shared leave is approved by the

employee's supervisor and County Commission and employees are treated in a fair and equitable manner.

A condition similar to B was noted in our prior report.

WE RECOMMEND the County Commission and other officials:

- A. Adequately review timesheets for accuracy.
- B. Adequately review leave records for accuracy and require centralized leave records for all county employees be filed with the County Clerk monthly.
- C. Ensure all timesheets are signed by the employees and their supervisor to document approval. The Sheriff should discontinue the practice of allowing his employees to sign his name to timesheets.
- D. Ensure all time worked is recorded on the employee's timesheet and any overtime is paid at the employee's overtime rate. In addition, the County Commission and Sheriff should ensure all salary payments and wages are subject to payroll withholdings and reported on W-2 forms. Prior years' W-2 forms should be amended as applicable.
- E. Adopt a personnel policy regarding shared leave if such a policy is desired, or ensure employees follow approved personnel policies.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *We will try to implement this recommendation periodically when time allows.*
- B. *We have implemented new procedures to monitor leave records.*
- C. *This recommendation will be addressed with the newly elected Sheriff.*
- D. *We will review this situation and take steps to implement.*
- E. *We plan to revise the personnel policy for this issue.*

The Sheriff provided the following responses:

A,B

&D. I will work with the County Clerk to address these payroll issues.

- C. *Anytime I did not sign my employees' timesheets I gave the bookkeeper the authority to do so.*

5.**Budget Procedures**

Budgets were not prepared for some county funds, and actual disbursements exceeded budgeted amounts for some funds.

- A. Formal budgets were not prepared for the Passport, Time Payment, and Federal Forfeiture Funds, for the years ended December 31, 2007 and 2006, and the Sheriff Discretionary Fund for the year ended December 31, 2006.

The Passport and Time Payment Funds are held by the Circuit Clerk outside the county treasury. The Federal Forfeiture and Sheriff Discretionary Funds are held in the county treasury. Because the Circuit Clerk and Sheriff did not provide the required budgets for these funds, the County Commissions' ability to monitor the overall county financial resources and make effective budgetary decisions was hindered. While these funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with state law.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the disbursement of public funds without an approved budget that has been filed with the State Auditor's Office. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. Actual disbursements exceeded budgeted amounts for some funds as follows:

Fund	Year Ended December 31,	
	2007	2006
Law Enforcement Sales Tax Fund	\$ 39,481	N/A
Law Enforcement Training Fund	1,308	N/A
Local Emergency Planning Commission Fund	196	N/A
Election Fund	N/A	21,435
Sheriff Discretionary Fund	53,803	N/A

For all funds listed above, monthly reports comparing budgeted and actual receipts and disbursements are available. While budget to actual data is provided to the various county officials, the county's procedures and reports are not resulting in effective monitoring of various budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual

comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared for all county funds.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budget amounts. In addition, if valid reasons necessitate excess disbursements, the County Commission should implement procedures to ensure budgets are properly amended, the amendments are made prior to incurring the actual disbursements, and the reasons for the excess disbursements are documented.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *This recommendation will be implemented.*
- B. *We will try to amend budgets in the future.*

The Circuit Clerk provided the following response:

- A. *The Circuit Court was not provided with budget forms from the County Clerk's office for the Passport Fund and Time Payment Fund. The Circuit Court was unaware budgets for these funds were needed. The balance of the Time Payment Fund was reported to the Circuit Judge annually.*

The Sheriff provided the following response:

- A. *A budget will be prepared by the new Sheriff for the Drug Forfeiture Fund.*

6. Commission Minutes and Public Access Policy

Minutes are not prepared for the closed session of meetings, and some issues discussed in closed meetings did not appear to be allowable per the Sunshine Law. The county does not have a formal policy regarding public access to county records.

- A. The County Clerk does not prepare minutes for closed session meetings of the County Commission. The County Commission held four closed sessions during the year ended December 31, 2007, and while the regular minutes disclosed the reason for entering into closed session, minutes were not maintained for the closed portion of the meeting. In addition, it is not evident the final disposition of matters discussed in closed meetings is made public. The county did not document

how some items discussed in closed session complied with the Sunshine Law. These topics included expenses and salaries.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on in an open meeting and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

- B. The county does not have a formal policy regarding public access to county records. A formal policy regarding access to county records would establish guidelines for the county to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making county records available to the public.

WE RECOMMEND the County Commission:

- A. Ensure minutes are prepared and retained for all closed meetings and only allowable topics are discussed in closed meetings.
- B. Establish a records policy to ensure compliance with the Sunshine Law. This policy should include the need for a records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *This recommendation will be implemented.*
- B. *We follow the Sunshine Law.*

7. Property Tax System Controls and Procedures

The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes and does not prepare or verify the accuracy of the current or delinquent tax books. The County Clerk did not prepare the back tax aggregate abstract for the 2007 tax year and file it with the Department of Revenue (DOR) and State Tax Commission (STC) in a timely manner. The County Collector-Treasurer advertised a piece of property at the August 2006 delinquent tax sale which listed the

delinquent taxes and costs due; however, the advertisement did not specify this property was being offered, at the discretion of the County Collector-Treasurer and County Commission, to the highest bidder regardless of the amount of the delinquent taxes due.

- A. Neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected reporting errors in the County Collector-Treasurer's settlements (See Management Advisory Report (MAR) finding number 8).

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector-Treasurer each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- B. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Collector-Treasurer.

Because the County Collector-Treasurer is responsible for collecting property tax monies, good internal controls require someone independent of the process to be responsible for generating and testing the accuracy of the property tax books.

Section 140.050, RSMo, requires the County Clerk to prepare the back tax books and charge the County Collector-Treasurer with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, she should verify the accuracy and document approval of the tax book amounts to be charged to the County Collector-Treasurer. Failure to do so could result in errors or irregularities going undetected.

- C. The County Clerk did not prepare the back tax aggregate abstract for the 2007 tax year and file it with the DOR and STC. The County Clerk received a notice from the DOR indicating the abstract had not been filed as of July 29, 2008. The County Collector-Treasurer had the information needed to prepare the back tax aggregate abstract at the beginning of March 2008. Section 137.295, RSMo, provides for the County Clerk to prepare this report and forward it to the DOR and STC.

- D. The County Collector-Treasurer advertised a piece of property at the August 2006 delinquent tax sale that had previously been offered for sale three times. The advertisement generally indicated the sale was being held and listed the delinquent taxes due on this property for the years 1999 through 2005 in the amount of \$2,159 plus sale and advertising cost of \$480 for a total of \$2,639. However, the advertisement did not specify the property was being offered, at the discretion of the County Collector-Treasurer and County Commission, to the highest bidder regardless of the amount of the delinquent taxes due. The property was sold to a land owner with neighboring property for \$500, and the County Commission wrote off the remaining taxes due of \$2,139.

By selling the property for less than the taxes due and by not clearly advertising that this property was being offered, at the discretion of the County Collector-Treasurer and County Commission, to the highest bidder regardless of the amount of the delinquent taxes due, the County Commission and the County Collector-Treasurer performed a disservice to their constituents and other taxing authorities.

WE RECOMMEND:

- A. The County Commission and the County Clerk maintain an account book with the County Collector-Treasurer and perform a thorough review of the County Collector-Treasurer's annual settlements.
- B. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector-Treasurer with the property tax amounts.
- C. The County Clerk prepare and file the back tax aggregate abstract with the DOR and STC in a timely manner.
- D. The County Collector-Treasurer should ensure the properties offered for sale are adequately advertised.

AUDITEE'S RESPONSE

The County Clerk and County Commission provided the following responses:

A&B. The County Clerk indicated she will try to implement these recommendations.

C. The County Clerk indicated the abstract was sent as soon as the information was received from the County Collector-Treasurer.

D. We will advertise properties in the manner we plan to sell them in the future.

8.**County Collector-Treasurer Controls and Procedures**

Annual settlements were not prepared by the County Collector-Treasurer consistently from year to year and the County Collector-Treasurer did not always file her annual settlement in a timely manner. The County Collector-Treasurer did not correctly distribute current and delinquent tax commissions for the year ended February 28, 2008, resulting in approximately \$33,500 being owed to the various political subdivisions. Proposition C ratios were not used to calculate the county's withholdings on taxes collected and distributed, the County Collector-Treasurer withheld \$600 from interest earnings to establish change funds, the amount of the change funds held appears excessive during some times of the year, and some protested taxes were not disbursed in a timely manner. Monies received are not always deposited intact, and the numerical sequence of transaction and transaction summary numbers assigned by the computerized property tax system are not accounted for properly. Procedures to routinely follow-up on old outstanding checks have not been established. The County Collector-Treasurer collected over \$8 million during the year ended February 28, 2008.

- A. Annual settlements were not prepared by the County Collector-Treasurer consistently from year to year, and the annual settlement for the year ended February 28, 2008, was not filed until July 21, 2008.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector-Treasurer file annual settlements consistently and on a timely basis. Section 139.160, RSMo, requires the collector to settle accounts with the County Commission by the first Monday of March.

- B. The County Collector-Treasurer did not correctly distribute current and delinquent tax commissions for the year ended February 28, 2008.

Section 54.280, RSMo, allows a 2½ percent commission on all current and current delinquent taxes collected by the County Collector-Treasurer to be withheld and distributed to the county General Revenue Fund. In addition, Section 54.320, RSMo, allows an additional ½ of 1 percent commission to be withheld on all taxes (current and delinquent), or a total of 3 percent (2½+½ percent) commission on all current and current delinquent taxes collected. The County Collector-Treasurer incorrectly withheld 3½ percent on all current and current delinquent taxes collected, resulting in approximately \$33,500 over withheld from various political subdivisions in error during the period November 2007 through February 2008.

In addition, Section 54.320, RSMo, allows a 3 percent commission on all delinquent taxes collected by the County Collector-Treasurer to be withheld and distributed to the General Revenue Fund, or a total of 3½ percent (3+½ percent above) commission on all delinquent taxes collected. The County Collector-

Treasurer incorrectly withheld 3 percent on all delinquent taxes collected during the year ended February 28, 2008.

A review of monthly commissions should be performed and any corrections should be made.

- C. The County Collector-Treasurer did not use Proposition C ratios to calculate various withholding and commissions on current and delinquent taxes collected and distributed during the year ended February 28, 2008. As a result, the county's Assessment, General Revenue, Tax Maintenance, and County Employees Retirement Funds received less withholdings than allowed. These errors apply to the Jasper School District, currently the only school district in the county whose taxes are affected by Proposition C. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings, the County Collector-Treasurer computes ratios of unadjusted and adjusted school tax levies.

The County Collector-Treasurer should review all incorrect Proposition C calculations, recalculate the proper amounts of withholdings, and make adjustments to the applicable school district and county funds.

- D. The County Collector-Treasurer withheld \$600 from interest earnings during the year ended February 28, 2008, to increase her change funds to a total of \$800. The amount of the change funds appears excessive. In addition, the change funds should be established from monies from the General Revenue Fund, and the interest should have been distributed to the various political subdivisions. While this amount of change may be needed during tax season (November-February), it appears excessive for low collection months.

The County Collector-Treasurer should review the amount of interest distributed and make applicable adjustments to the various political subdivisions. Change funds should be established from general revenue funds, and the County Collector-Treasurer should consider reducing the amount of change on hand during non-tax season to reduce the possibility of loss or misuse of funds.

- E. The County Collector-Treasurer did not distribute protested taxes to political subdivisions in a timely manner. For example, the County Collector-Treasurer did not distribute \$38,869 of \$83,078 of protested taxes collected related to a case which was ordered to be disbursed by the State Tax Commission in October 2006, until February 2007. The remaining \$44,209 was distributed in November 2006.

In addition to being required by state law, timely distributions of property tax collections to the political subdivisions are important because most political subdivisions rely heavily on property tax revenues to fund their operations.

- F. Monies received are not always deposited intact. The County Collector-Treasurer maintains four drawers to collect tax receipts. Two of the drawers are used by part-time employees. Monies collected by the part-time employees are occasionally held and not deposited until the next time they work. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact.
- G. The numerical sequence of transaction and transaction summary numbers assigned by the computerized property tax system are not accounted for by the County Collector-Treasurer. During our cash count on June 11, 2008, one transaction number and transaction summary number was missing. The County Collector-Treasurer indicated she did not know the transaction numbers existed and had never accounted for the numerical sequence. To ensure receipts are properly accounted for, the numerical sequence of transaction and transaction summary numbers should be accounted for properly.
- H. The County Collector-Treasurer has not established procedures to routinely follow-up on old outstanding checks. No attempts have been made to reissue some old outstanding checks. Several old outstanding checks issued for amounts less than \$10 have been outstanding for over a year, with two of these checks dating back to 2004. Old outstanding checks should be voided, a stop payment issued, and new checks reissued immediately to payees that can be located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

WE RECOMMEND the County Collector-Treasurer:

- A. Prepare annual settlements consistently from year to year and file annual settlements in a timely manner.
- B. Recalculate current and delinquent tax commissions withheld during the tax year ended February 28, 2008, and correct distributions from the General Revenue Fund to the various political subdivisions. In addition, the County Collector-Treasurer should ensure future commission calculations are accurate.
- C. Recalculate Proposition C commissions and the various withholdings and make corrections for amounts improperly distributed to the school and the various county funds. The County Collector-Treasurer should adopt procedures to ensure future Proposition C withholdings are computed properly.
- D. Establish change funds from the General Revenue Fund, distribute the \$600 in interest to the political subdivisions, and consider reducing the amount of change on hand during months with low collections.
- E. Ensure protested taxes are disbursed in a timely manner.

- F. Deposit all monies intact.
- G. Account for the numerical sequence of transaction numbers.
- H. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The County Collector-Treasurer provided the following responses:

- A. *I will attempt to be more consistent in labeling the reports of monies collected and distributed.*
- B. *Current and delinquent commission calculations have been made for correction of the affected settlements.*
- C. *Proposition C calculations will be made.*
- D. *I have requested the change fund to be reimbursed from the General Revenue Fund. I will distribute the \$600 with year to date earned interest. I feel it would not be in the best interest of the office to reduce the cash on hand. It is to reduce the risk of loss or misuse of funds and to protect my office and employees, that the cash drawers are not shared. It is imperative there be sufficient cash on hand to conduct business.*
- E. *The \$38,869 was "Common School" money and is typically distributed in February. As this protested amount was settled in November, and more money would be added in December, it apparently did not seem an urgent matter. The County Clerk and I will attempt to ensure all common school money is distributed on a more timely basis.*
- F. *Any money held until the next day the part-time employees work is of a minimal amount. Most collections of \$100 or more are deposited daily.*
- G. *This problem is a computer software failure. All transactions resulting in an exchange of money are fully and accurately accounted for.*
- H. *My office has repeatedly attempted to ensure all outstanding checks are ultimately cashed. In the few cases where this process has not been successful, they have been allowed to sit undisturbed. My office is properly following up on all outstanding checks and is establishing and posting a policy on refunds and outstanding checks.*

9.**Sheriff Controls and Procedures**

Accounting duties are not adequately segregated, and controls and procedures over receipts and inmate monies need improvement. The Sheriff did not maintain records to document the average cost of meals served to inmates and allowed Sheriff's office employees to eat meals prepared by the jail in violation of his own office policy. Controls and procedures over seized property need improvement.

The Sheriff's office collected civil and criminal process fees, inmate monies, and cash bonds during the 2 years ended December 31, 2007, of approximately \$120,000 annually.

- A. Accounting duties are not adequately segregated. The bookkeeper is primarily responsible for receiving, recording, and depositing all monies and for preparing all checks and bank reconciliations. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.
- B. Receipt slips for inmate monies are not always issued in sequential order or accounted for properly. In addition, the method of payment is not always indicated on receipt slips, the composition of receipts is not reconciled to the composition of deposits, and original copies of voided receipt slips are not always maintained. We also noted several instances where two receipt slips were issued for the same monies.

To ensure receipts are handled properly and deposited intact, receipt slips should be issued in sequential order and accounted for properly, the method of payment should be indicated on each receipt slip, and the composition of receipt slips issued should be reconciled to the composition of deposits. In addition, voided receipt slips should be properly mutilated and retained.

- C. Checks and money orders received are not restrictively endorsed immediately upon receipt and are kept in an unlocked desk drawer until deposited. To adequately safeguard monies and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed and kept in a secure location.
- D. Upon incarceration, any monies in the custody of an inmate are deposited into the inmate bank account. Records are maintained for each inmate to reflect monies received on the inmate's behalf and the available cash balance. The following concerns were noted related to these monies:
- Receipt slips were not issued for some monies received. For example, a receipt slip was not issued for \$94 received from an inmate on January 13,

2007. To ensure inmate receipts are handled properly, receipt slips should be issued for all monies received.

- Deposits to the inmate account are not always made intact and in a timely manner. Monies are often held in cash until the prisoner is released. For example, on June 12, 2007, \$24 was collected from an inmate, and these monies were held and returned to the prisoner when he was released on June 18, 2007. In addition, receipt slips or other documentation was not always retained to support the return of funds to the inmates. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact in a timely manner. In addition, documentation of the release of inmate funds should be maintained.
- Monthly listings of open items (liabilities) or inmate balances were not prepared, and consequently, liabilities were not reconciled with cash balances. At our request, a listing of open items was prepared for December 31, 2007, which totaled \$541. The cash balances totaled \$570, exceeding liabilities by \$29. Monthly listings of open items or inmate balances should be prepared and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities.
- Inmate records maintained by the Sheriff indicate several inmates with balances in the inmate account at December 31, 2007, have already been released from jail. At December 31, 2007, \$184 in the inmate account was held for 9 inmates who had already been released.

According to the bookkeeper, monies are refunded to the inmate at the time of release; however, inmates may be released after hours when the bookkeeper is not available to return the monies. As a result of these procedures, balances are not returned to the inmate upon release and remain a liability of the Sheriff's inmate account.

Released inmate balances create additional and unnecessary record keeping responsibilities. Various statutory provisions provide for the disposition of unclaimed monies. Routine procedures should be established to resolve and distribute unclaimed balances for released inmates.

- E. The Sheriff did not maintain records to document the average cost of meals served to inmates. During the year ended December 31, 2007, the county expended \$27,218 on food costs for the jail. In addition, several Sheriff's office employees are provided meals prepared by the jail at no cost; however, documentation of the number of meals provided to employees is not maintained. Also, the Sheriff's office policy indicates only dispatchers on duty may eat the meals prepared by the jail. To properly account for all meals and to ensure the average cost of meals served is reasonable, meal records should be maintained. In addition, office policies should be followed.

F. Controls and procedures over seized property need improvement. Under the Criminal Activity Forfeiture Act, Section 513.607.1, RSMo, the Sheriff may seize property used or intended for use in criminal activity. The Sheriff also routinely seizes property to be used as evidence for cases.

- A complete and accurate listing of seized property is not maintained, and periodic inventories of property on hand are not conducted. A computerized system is used to record seized property by case; however, it does not indicate the date the property was confiscated or the disposition of the property. In addition, seized property items are not always tagged to identify the property to a specific case.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, person involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for and tagged properly.

- Several items in the evidence room have been held for a long period of time. For example, a pistol confiscated in 2001 and another firearm confiscated in 2002 are still on hand and have not been disposed of.

Section 542.301(5), RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

- Seized property is not stored in one centralized location, but instead is stored at three locations including an evidence locker and a storage room maintained in the deputy's office and a closet located in the bookkeeper's office. In addition, the deputy's office is not secured and Sheriff's office employees have access to the evidence locker and the storage room. On March 28, 2008, \$1,365 was confiscated and held in the unlocked storage room in the deputy's office until June 25, 2008 when it was returned. To ensure seized property is more easily accounted for and adequately safeguarded, seized property should be stored in fewer locations and access should be limited.

Similar conditions were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Properly account for the numerical sequence of receipt slips issued, ensure the method of payment is indicated on all receipt slips, reconcile the composition of receipts to the composition of amounts deposited, and maintain original copies of all voided receipt slips.
- C. Restrictively endorse checks and money orders immediately upon receipt and ensure receipts are kept in a secure location until deposited.
- D. Ensure receipt slips are issued for all inmate monies received, deposit all monies intact in a timely manner, and retain documentation to support the return of funds to the inmates. In addition, the Sheriff should prepare monthly listings of open items, reconcile the listing to the bank balance, and refund inmate balances to inmates when released from jail. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- E. Periodically calculate the meal cost per prisoner for reasonableness and ensure office policies are followed.
- F. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, the Sheriff should perform a periodic inventory, compare it to the inventory listing, and investigate any differences. All seized property should be properly tagged to identify the property to a specific case. Also, the Sheriff should make timely and appropriate dispositions of seized property, store seized property in fewer locations, and limit access to the seized property.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Procedures are currently in place for me to review and sign and date accounting records and bank reconciliations.*
- B. *A greater effort will be made to ensure these procedures are done.*
- C. *Restrictive endorsements are currently being made immediately upon receipt.*
- D. *A greater effort will be made to ensure these procedures are done. I will attempt to return released inmate monies or turn them over to unclaimed fees.*

- E. *This calculation was performed but was just not documented. I will change the meal policy.*
- F. *I will try to keep a better evidence log. I do not have any other available space to store evidence. I will try to get rid of any old evidence.*

10. Prosecuting Attorney Controls and Procedures

Controls and procedures over receipts need improvement. Procedures have not been adopted to ensure bad check complaints are filed with the court in a timely manner. Computerized records are not backed up and stored off-site, and proceeds from the sale of computer equipment were not disbursed to the County Treasurer in a timely manner.

The Prosecuting Attorney maintains an account for the deposit and disbursement of court-ordered restitution and bad check fees and collected restitution and fees totaling approximately \$38,000 annually during the 2 years ended December 31, 2007.

- A. Receipt slips are not issued for monies received through the mail or from the Circuit Court, and some receipt slips are not written until after the deposit is made. In addition, the composition of receipt slips is not reconciled to the composition of deposits. Also, the original copies of voided receipt slips are not always maintained. Further, receipt slips of the Prosecuting Attorney's private practice are occasionally used for official receipts of the Prosecuting Attorney's office and generic receipt slips rather than official prenumbered receipt slips are issued.

Without issuing and accounting for official prenumbered receipt slips for all monies collected and reconciling the composition of receipts to the composition of deposits, the office cannot ensure all monies collected are ultimately deposited. In addition, all copies of voided receipt slips should be properly mutilated and retained.

- B. Procedures have not been adopted by the Prosecuting Attorney to ensure charges are filed timely with the court for unresolved bad check complaints. For example, the Prosecuting Attorney received a bad check from a local vendor on February 26, 2007, and his office issued a 10-day letter on March 1, 2007, and a subsequent letter on March 30, 2007, requesting payment of the bad check; however, charges were not filed against the bad check writer until July 5, 2007.

Procedures should be established to ensure charges are filed with the court for unresolved bad check complaints in a timely manner.

- C. Although the Prosecuting Attorney's office implemented a computerized bad check complaint log, a back-up of information maintained on the computer

system was not periodically performed. As a result, all information maintained on the system was lost when the computer system crashed in 2007.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup record should be periodically prepared to provide a means of recreating destroyed information. Backup records should be stored off-site to provide increased assurance that any lost data can be recreated.

- D. Proceeds from the sale of a county-owned computer formerly used by the Prosecuting Attorney's office were not paid to the county treasury in a timely manner. The Prosecuting Attorney sold a computer in February 2006 for \$778. The proceeds were deposited into the Prosecuting Attorney's restitution account, but were not paid to the county treasury until January 2007. Proceeds from the sale of county equipment should be disbursed to the county in a timely manner.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Require prenumbered receipt slips be issued for all monies received immediately upon receipt, and the numerical sequence of those receipt slips be accounted for properly. The composition of receipts should be reconciled to the composition of deposits. In addition, original copies of voided receipt slips should be maintained.
- B. Establish procedures to file charges with the court in a timely manner.
- C. Periodically prepare backup records and store them at an off-site location.
- D. Disburse proceeds from the sale of county equipment to the county treasury in a timely manner.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *This recommendation has already been implemented.*
- B. *Our office does not like to unnecessarily file charges if the bad check writer can pay off. Our office likes to work with the individuals to get the checks and fees paid and this may delay charges being filed.*

C&D. These recommendations will be implemented.

11.**Public Administrator Controls and Procedures**

The Public Administrator has not established procedures to monitor collateral securities pledged by a client's depository bank, and fees were not paid from various estates in a timely manner.

- A. The Public Administrator has not established procedures to monitor collateral securities pledged by a client's depository bank. The Public Administrator maintained funds in a client's bank account with a balance totaling \$135,819 as of November 2007. No collateral securities were pledged by the depository bank to cover the monies in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Section 110.020, RSMo, provides the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

- B. Fees were not paid to the Public Administrator from various estates in a timely manner. For example, fees totaling \$1,080 for the years 2004, 2005, and 2006 were not paid from an estate until July 2007. Another estate has not had fees assessed since 2005 even though funds are available. The Associate Circuit Judge typically approves an administrative fee of 5 percent based on the income of the estate to be assessed upon the request of the Public Administrator.

The Public Administrator and Associate Circuit Judge should review the annual settlements to ensure fees are paid in a timely manner.

WE RECOMMEND the Public Administrator and Associate Circuit Judge:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Ensure fees are paid in a timely manner.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *Procedures for review of collateral changes will be reviewed and implemented.*
- B. *My office is fee-based and limited staffing hours have caused time/fee applications to not be a top priority. Although time/fee orders are completed and sometimes approved by the court, I have elected to not collect fees that would cause a hardship to the protectee. Effective January 1, 2009, my office will become a salaried office and fees from estates*

will become county revenues payable on a timely basis. A meeting with the County Commission will be pursued to formulate a fee schedule and additional staffing to help with the time required to accomplish these tasks.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

BARTON COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Barton County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

- A. The county did not always solicit bids, or bid documentation was not always retained for various purchases.
- B. The county prepaid a vendor for guard rails and concrete bridge floors that were not delivered for at least 8 months.
- C. The county had not made the required payments to the Missouri Office of Prosecution Services (MOPS) since 2002 and as a result, owed the MOPS \$10,492 as of December 2004.
- D. The County Commission approved some payments to vendors without requiring acknowledgement of receipt of goods or services.
- E. The county purchased food, catered meals, and rented a room for various meetings with members of the Local Emergency Planning Committee and with township board members which did not appear to be a prudent use of county funds.
- F. The county had not adopted formal policies and procedures for the use of county credit cards, and the county and Sheriff's office maintained approximately 40 credit cards for the purchase of supplies and for expenses incurred to transport prisoners.
- G. An annual maintenance plan for the county bridges had not been prepared.
- H. The county had no formal follow up procedures for collecting unpaid prisoner board bills from surrounding counties and cities.

Recommendations:

The County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If

it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

- B. Discontinue the practice of prepaying for items.
- C. Authorize a payment of \$10,492 to the MOPS for amounts due as of December 2004, and make monthly payments as required by state law.
- D. Ensure all invoices contain an indication of receipt of goods or services.
- E. Ensure expenditures are a necessary and prudent use of public funds.
- F. Evaluate the need for each county credit card and cancel any cards which are determined unnecessary. Adopt formal policies and procedures for credit card use, including policies which prohibit the personal use of county credit cards, require all credit card slips be submitted to support payment of invoices, and require credit card purchases to comply with county bidding policies.
- G. Establish a formal annual maintenance plan for county bridges.
- H. Establish procedures to follow up on unpaid board bills including rebilling any unpaid amounts. Documentation of any subsequent billings should be maintained.

Status:

A,E

&F. Not implemented. See MAR finding number 2.

B,G,

&H. Implemented.

C. The county filed a lawsuit against MOPS regarding these payments. On October 10, 2008, the court ruled in the county's favor. The county is currently waiting to see if an appeal will be filed. The county has requested the court award all court costs and attorney fees to be reimbursed to the county by MOPS.

D. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Officials' Compensation and Employee Bond Coverage

A. Salary increases paid to some elected officials in the middle of their term of office were not supported by salary commission actions.

B. The County Clerk calculated the salary of the County Collector based on the calendar year instead of the office holder's incumbency and as a result, the County Collector was overpaid \$316.

C. Various county employees who handled monies were not bonded.

Recommendations:

The County Commission:

A. Review these salary increases, obtain a legal opinion, and consider obtaining repayment of the salary overpayments, if necessary. In addition, ensure the salary commission approves all salary increases and salary commission minutes clearly document all decisions made.

B. Review this situation and consider obtaining reimbursement of \$316 from the Treasurer/Ex Officio County Collector.

C. Review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

Status:

A. Partially implemented. The salary commission approved all salary increases, and salary commission minutes clearly documented all decisions made. However, the County Commission did not obtain a legal opinion, and they do not plan to obtain reimbursement of the salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. The County Clerk continues to calculate the salary of the County Collector-Treasurer based on the calendar year instead of the office holder's incumbency; however, the amounts of overpayments are minimal. In addition, the County Commission does not plan to obtain reimbursement of the past overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented.

3. Personnel Policies and Procedures

A. The County Clerk maintained centralized leave records only on an annual basis.

B.1. Leave records indicated two Sheriff's office employees were allowed to accumulate annual leave beyond the maximum allowed by the county's personnel policy.

2. The Sheriff allowed an employee to take annual leave beyond his accumulated balance in violation of the county's leave policy.

Recommendations:

The County Commission:

- A. Require the County Clerk to maintain centralized leave records and ensure those records reconcile to the employees' time sheets.
- B.1. Discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.
2. Follow established leave policies or review and amend those policies as warranted.

Status:

- A. Not implemented. See MAR finding number 4.
- B. Implemented.

4. General Fixed Assets

Although the county maintained a list of county property, it was not complete and procedures had not been established to ensure its accuracy. The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records, and physical inventories were not performed for assets assigned to some officials. Property records did not always include the necessary information for some assets, and property items were not always properly numbered, tagged, or otherwise identified.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and general fixed asset purchases should be periodically reconciled to general fixed asset additions. In addition, property control tags should be affixed.

Status:

Partially implemented. Inventories and inspections were performed by each county official, and the County Clerk currently updates the general capital asset listing as assets are purchased. However, property control tags are not always attached to county property. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Circuit Clerk's Controls and Procedures

- A.1. Bank reconciliations were not prepared for the fee account in a timely manner, and the Office of State Courts Administrator determined the Circuit Clerk had paid out monthly fees totaling \$2,743 to the County Treasurer twice.
- 2. Although the Circuit Clerk had established a formal written policy for his office to routinely follow up on old outstanding checks quarterly, it was not followed.
- 3. A monthly listing of open items (liabilities) was prepared by the Circuit Clerk's office; however, the listing did not properly reconcile with the cash balance of the fee account. At December 31, 2003, the open items listing exceeded the reconciled cash balance by \$1,135.
- B. A complete listing of accrued costs owed to the court was not maintained by the Circuit Clerk, and monitoring procedures related to accrued costs were not adequate.
- C. The Law Library Fund had accumulated a significant cash balance without any specific documented plans for its use.
- D. Most of the Law Library Fund was maintained in a non-interest bearing checking account. The bank balance was \$20,321 at December 31, 2003.

Recommendations:

The Circuit Clerk:

- A.1. Prepare and ensure bank reconciliations are agreed to book balances monthly, and if errors are identified, ensure corrections are made in a timely manner. In addition, the Circuit Clerk should request reimbursement of \$2,743 from the County Treasurer.
- 2. Attempt to resolve the old outstanding checks and follow the office's established outstanding check policy.
- 3. Reconcile the monthly listing of open items to the cash balance and attempt to investigate any unidentified monies or shortages.
- B. Ensure an accurate listing of accrued costs is prepared, and establish adequate procedures to monitor and collect accrued costs.

- C. Review the cash balance of the Law Library Fund, consider the court's future needs, and document the plans for expending the monies.
- D. Ensure Law Library Fund monies are deposited into an interest-bearing account.

Status:

A,C
&D. Implemented.

- B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Prosecuting Attorney's Controls and Procedures

- A. Receipt slips were not issued for some monies received. In addition, the method of payment was not always indicated on receipt slips, the composition of receipts was not reconciled to the composition of deposits, and original copies of voided receipt slips were not always maintained. Further, receipt slips of the Prosecuting Attorney's private practice were occasionally used for official receipts of the Prosecuting Attorney's office.
- B. Receipts were not deposited intact or in a timely manner, and checks and money orders were not restrictively endorsed immediately upon receipt.
- C. The Prosecuting Attorney's legal assistant and bad check unit supervisor could waive the bad check fee charged to the bad check writer without obtaining approval from the Prosecuting Attorney.
- D. An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of these bad checks, had not been established. In addition, bad checks were not always filed with the court in a timely manner.

Recommendations:

The Prosecuting Attorney:

- A. Issue receipt slips for all monies received, maintain original copies of all voided receipt slips, and ensure official receipt slips are used for county business. In addition, ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders received to the composition of amounts deposited.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100, and restrictively endorse checks and money orders immediately upon receipt.

- C. Approve and document all waivers of bad check fees.
- D. Implement procedures to adequately account for bad checks received, as well as the ultimate disposition, through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check. In addition, establish procedures to adequately follow-up on 10-day letters for bad checks received and file complaints with the Circuit Clerk in a timely manner.

Status:

A Not implemented. See MAR finding number 10.

B&C. Implemented.

D. Partially implemented. A computerized listing of bad checks is maintained; however, no procedures have been established to ensure bad checks are filed with the court in a timely manner. See MAR finding number 10.

7. Sheriff's Controls and Procedures

- A. Receipts were not always deposited in a timely manner, and checks and money orders received were not restrictively endorsed immediately upon receipt and were kept in an unlocked desk drawer until deposited.
- B. Receipt slips were not always issued in sequential order or properly accounted for, the method of payment was not always indicated on receipt slips, the composition of receipts was not reconciled to the composition of deposits, and original copies of voided receipt slips were not always maintained.
- C.1. The duties of receiving, recording, depositing, and disbursing inmate monies, and reconciling the inmate bank account were not adequately segregated. In addition, there was no indication that supervisory reviews were performed.
- 2. The Sheriff had not established procedures to routinely follow up on old outstanding checks for the inmate account.
- 3. A monthly listing of open items (liabilities) or inmate balances was not prepared and reconciled to the inmate bank account balances.
- D. Seized property items were not always tagged to identify the property to a specific case.
- E. Although the Sheriff's office maintained attendance records of prisoners housed in the county jail and retained documentation of the related food purchases from local

vendors, the Sheriff's office did not calculate the average cost of meals served to prisoners.

- F. Vehicle logs were not maintained for the ten Sheriff's vehicles.

Recommendations:

The Sheriff:

- A. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, restrictively endorse checks and money orders immediately upon receipt, and ensure receipts are kept in a secure location until deposited.
- B. Properly account for the numerical sequence of receipt slips issued, and maintain original copies of all voided receipt slips. In addition, ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders received to the composition of amounts deposited.
- C.1. Segregate accounting duties related to the handling of inmate monies to the extent possible or ensure periodic supervisory reviews are performed and documented.
 - 2. Attempt to resolve the old outstanding checks.
 - 3. Prepare monthly open items listings of inmate monies and reconcile the listings to the cash balance.
- D. Mark all seized property with prenumbered property tags and identify the property to specific cases.
- E. Calculate the average cost of prisoner meals periodically.
- F. Ensure the Sheriff's office maintains vehicle logs which include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. Ensure these logs are reviewed by a supervisor to ensure vehicles are used only for county business and to help identify vehicles and equipment which should be replaced. In addition, ensure information on the logs is periodically reconciled to fuel purchases and other maintenance charges.

Status:

- A. Partially implemented. Receipts were deposited timely; however, checks and money orders received were not restrictively endorsed immediately upon receipt and were kept in an unlocked desk drawer until deposited. See MAR finding number 9.

B,C.1,
C.3,D

- &E. Not implemented. See MAR finding number 9.

C.2
&F. Implemented.

8. Assessor's Controls and Procedures

- A. Receipt slips were only issued upon request, and some cash receipts were not transmitted to the County Treasurer and were used for a change fund. In addition, the method of payment was not indicated on the receipt slips and reconciled to the composition of the monies transmitted to the Treasurer. The change fund was not maintained at a constant amount, and checks and money orders were not restrictively endorsed upon receipt.
- B. Accounting duties were not adequately segregated.
- C. The Assessor did not file monthly reports of fees with the County Commission.

Recommendations:

The Assessor:

- A. Issue pre-numbered receipt slips for all monies received, transmit all monies received to the County Treasurer intact, and ensure the method of payment is indicated on all receipt slips. Reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer, and restrictively endorse checks and money orders immediately upon receipt. In addition, if a change fund is needed, it should be maintained at a constant amount.
- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Prepare monthly reports of fees as required by state law.

Status:

The County Assessor no longer collects or handles monies.

9. Health Center Controls and Procedures

- A. The health center did not require any software testing prior to purchasing software products or adequately research the compatibility of the software purchased to ensure it was going to meet staff needs.
- B. Health center personnel did not monitor amounts expended on comprehensive family planning services, and the average cost per client of providing such services was not periodically calculated and monitored.

Recommendations:

The Board of Trustees:

- A. Ensure adequate research into major purchases is performed to ensure resources are being expended in a wise and prudent manner.
- B. Ensure comprehensive family planning expenditures are in compliance with the contract and contact the state Department of Health and Senior Services to resolve this situation.

Status:

The health center was not included in the scope of the current Barton County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

BARTON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Barton County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Lamar.

Barton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 12,541 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 100,233,050
Personal property	59,346,380
Railroad and utilities	14,644,742
Total	<u>\$ 174,224,172</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Barton County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Mike Davis, Presiding Commissioner		29,060
John Stockdale, Associate Commissioner		27,060
Dennis Wilson, Associate Commissioner		27,060
Kathleen Dimond, Recorder of Deeds		41,000
Kristina Crockett, County Clerk		41,000
Steven H. Kaderly, Prosecuting Attorney		49,000
Shannon C. Higgins, Sheriff		45,000
Teresa E. Moore, Public Administrator (1)		46,925
Frances Cato, County Collector-Treasurer, year ended March 31,	41,043	
C. Tucker Joustra, County Coroner		13,000
Ivan Frieden, County Assessor (2), year ended August 31,		41,635

(1) Includes fees received from probate cases.

(2) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Janet Maupin, Circuit Clerk	51,197
Charles Curless, Associate Circuit Judge	101,090



Susan Montee, CPA
Missouri State Auditor

Cedar County



January 2009

Report No. 2009-01

auditor.mo.gov



Office of
State Auditor Of Missouri
Susan Montee, CPA

January 2009

The following findings were included in our audit report on Cedar County:

Task force monies totaling \$2,008 have not been accounted for. An additional \$1,960 should be billed to the Barton County Sheriff for repayment of drug buy funds erroneously reimbursed. Reimbursement requests and activity reports prepared by the officers for drug buys and information purchases totaling \$12,090 were not reviewed and approved by the Sheriff. Given the risk involved in dealing with cash and illegal drugs an adequate review process of drug and information purchases and reimbursements needs to be established.

Compensatory time earned by task force officers was not calculated in accordance with the county's personnel policy, and as a result, four officers were overpaid. Leave time (vacation, sick leave, and compensatory time taken) was used in the officers' calculations of compensatory time earned. Payroll reports prepared by a task force officer for grant reimbursements were not accurate and did not agree to timesheets prepared and submitted to the County Clerk.

The Sheriff does not have the statutory authority to hold the task force bank account outside the county treasury, and controls and procedures over task force funds need improvement. Adequate supporting documentation was not retained for operating expenses of the task force totaling \$1,260. Informants did not sign 23 receipts for \$3,965 that was provided to them to purchase drugs, as informant payments, or for phone cards and a prepaid cell phone to use in making drug buys. Some task force disbursements did not appear to be prudent and necessary uses of public funds.

Controls and procedures over evidence and seized property obtained by the task force need improvement. A complete log of evidence and seized property is not maintained, evidence records and other task force records were stolen or lost, and evidence records of drugs purchased and evidence seized were not always prepared.

The county had not updated the cost benefit analysis of the county quarry since our prior audit in 2003 or adequately tracked the cost of operating the quarry. The county's quarry is nearing exhaustion, does not appear to be operating as originally estimated, and may result in a financial loss to the county. The County did not always solicit bids nor was bid documentation always retained for various purchases. Invoices relating to the cost of housing inmates were not submitted to the county for payment by the Sheriff in a timely manner.

(over)

YELLOW SHEET

Vehicle mileage and fuel usage logs of the Sheriff's office were not adequately reviewed by the Sheriff or the County Commission until August 2007, and it appears questionable whether some fuel purchases was used solely for county business. For example, an officer frequently fueled his county owned patrol car on Friday and again on Monday when his timesheets indicated he did not work the weekend. This same officer currently uses his county patrol vehicle to take his children to and pick them up from school on a daily basis. Given the high cost of fuel and additional liability incurred with children being in a county owned vehicle, the Sheriff and the County Commission should review the costs of using county owned vehicles only when needed and discontinue allowing children to be transported in county owned vehicles. The county has not established an official domicile for the Crime Victim Advocate, and mileage claimed by the advocate appeared excessive.

The County Collector's annual settlements were incorrect, and protested taxes were not distributed in a timely manner. The County Collector did not correctly calculate and distribute surtax, and Proposition C ratios were not used to calculate various withholdings and commissions.

The DARE bank account was held outside the county treasury, and controls and procedures over DARE funds need improvement. Bank reconciliations were not performed for the Sheriff's fee account in a timely manner, and the Sheriff issued checks when sufficient funds were not available.

Numerous problems were noted relating to the Prosecuting Attorney's accounting controls and procedures. Although many of these problems were noted in our previous two audits, little progress has been made in implementing the recommendations. Procedures for the timely processing and subsequent disposition of bad check complaints have not been established, and court ordered restitution was not always disbursed to the victim in a timely manner. Additionally, weaknesses included inadequate segregation of duties and controls over receipts, and the failure to make deposits timely. No attempt has been made by the Prosecuting Attorney to identify or properly dispose of the monies held in two old bank accounts.

The report includes additional recommendations related to the task force and Sheriff. Also included in the report are recommendations related to county disbursements, budgets and annual maintenance plans, commission minutes, county property records, the property tax computer system, and the Circuit Clerk, Public Administrator, and Senior Citizens Service Board.

All reports are available on our Web site: www.auditor.mo.gov

CEDAR COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-51
<u>Number</u>	<u>Description</u>
1.	Task Force Cash Procedures.....5
2.	Task Force Officers Payroll Controls and Procedures.....8
3.	Task Force Accounting Controls and Disbursements.....11
4.	Task Force Evidence and Seized Property.....15
5.	County Disbursements.....16
6.	County Vehicles, Mileage, and Cellular Phones21
7.	Budgets and Annual Maintenance Plans.....25
8.	Commission Minutes27
9.	County Property Procedures and Records28
10.	Property Tax Computer System.....29
11.	County Collector Controls and Procedures.....30
12.	Sheriff Controls and Procedures33
13.	Prosecuting Attorney Controls and Procedures36
14.	Circuit Clerk Controls and Procedures41
15.	Public Administrator Controls and Procedures.....46
16.	Senior Citizens Service Board50
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	52-64
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	65-67
APPENDIX.....	68-70

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Cedar County

We have audited certain operations of Cedar County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Cedar County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Cedar County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Natalie McNish
	David Olson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CEDAR COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Task Force Cash Procedures

Task force monies totaling \$2,008 have not been accounted for, including \$160 erroneously reimbursed to an officer. An additional \$1,960 should be billed to the Barton County Sheriff for repayment of drug buy funds erroneously reimbursed. Periodic surprise reviews of monies held by the officers were not performed by the Sheriff or the Officer in Charge (OIC). The Task Force did not maintain a listing of funds assigned to task force officers, and receipts or other records were not maintained to track funds transferred between officers. Some reimbursement requests and activity reports prepared by the officers were not reviewed by the Sheriff or the OICs.

In May 2006, Cedar County became the host county for the multi-jurisdictional task force and established a bank account. The original task force consisted of four counties and nine cities and was established to provide citizens more effective service concerning the investigation of major crimes and for narcotics control. Membership in this task force has dwindled, and currently the Cedar County Sheriff's office is the only member. The Sheriff currently maintains the task force bank account, seized property, and evidence.

A. Task force monies totaling \$2,008 have not been accounted for. Four task force officers received a total of \$3,000 cash to be used as start up monies to fund undercover drug investigations. An additional \$13,258 was reimbursed to these officers for a total of \$16,258; however, documentation was available to support only \$14,250 expended during the period December 22, 2005 through May 2007 (See Appendix). In addition, \$1,960 should be billed to the Barton County Sheriff for repayment of drug buy funds reimbursed erroneously. Drug buy operations appear to have ceased in June 2007, when grant funds were no longer available to reimburse the officers. Our review of these monies and the related records disclosed the following problems:

- The task force and Sheriff cannot account for the remaining \$2,008 of drug buy monies. We conducted a cash count with the remaining task force officer (who received some of the original start up funds) and the Sheriff on July 16, 2008, and no monies were on hand. Neither the Sheriff nor the remaining officer could provide an explanation for the missing funds. Three of the four officers (who received some of the original start up funds) no longer work for the county and indicated their monies were turned into the remaining task force officer.
- A task force officer was reimbursed by the county on May 21, 2007, and September 5, 2006, for drug buys totaling \$150 and \$40, respectively; however, the investigation reports indicated \$160 was recovered and "placed

back into the undercover officer's buy funds" by the officer. As a result, it appears \$160 was reimbursed to the officer erroneously. The reimbursement made by the county was intended to replenish the drug buy fund for expenses incurred yet the funds had been recovered by the officer. The county should request repayment from the task force officer of the erroneous reimbursements.

- A task force officer was reimbursed by the county on October 2, 2006, for undercover drug buys purchased in September 2006 totaling \$1,960; however, the officer's activity report indicated the officer received these monies from the Barton County Sheriff rather than using the drug buy monies provided by Cedar County. The Barton County Sheriff indicated this was a Barton County case, the officer had given him the monies received from Cedar County in 2006, and he currently has these monies on hand. Cedar County should request repayment of the erroneous reimbursement of drug buy funds from the Barton County Sheriff.

These problems went undetected due to numerous control weaknesses, including little or no supervisory review.

- B. Periodic surprise reviews of monies held by the officers were not performed by the Sheriff or OIC. Surprise reviews are necessary to ensure monies are used for authorized purposes only, are still on hand, and are properly accounted for.
- C. The task force did not maintain a listing of amounts assigned to each of the officers. Each officer typically received reimbursement to replenish the established funds as they were spent. In addition, receipts or other records were not maintained to track funds transferred between officers to make large drug buys or when funds were turned in when officers left the task force. To properly account for funds, a listing of funds assigned to officers and receipts or other records should be maintained to track the transfer of funds between officers.
- D. Reimbursement requests and activity reports prepared by the officers for drug buys and information purchases totaling \$12,090 were not reviewed and approved by the Sheriff.

In addition, the OICs normally reviewed and approved the other undercover officers' reimbursement requests; however, they did not document their review of reimbursement requests totaling \$1,109. One OIC also did not document his review of an officer's detailed activity reports for drug buy purchases totaling \$400. Also, independent reviews of drug buys totaling \$3,435 conducted by the OICs were not performed by the Sheriff.

As a result of the inadequate review process noted above, inaccurate reports prepared by officers went undetected. The amounts spent for drug buys reported on the officers' activity reports did not always agree to the amounts recorded on

the receipt slips issued to the informants making the related drug buys. For example, one officer's activity reports indicated drugs were purchased for \$35 each on April 4, 27, and 28, 2007, for a total of \$105, while the receipt slips issued to the informants making the drug buys indicated only \$30 each or a total of \$90.

The County Commission reviewed and approved the reimbursement requests presented to the county for reimbursement; however, due to the confidential nature of these disbursements, the review was limited to the information provided by the officers, which included the date of purchase, type of purchase (information or drugs), amount, and a case number assigned by the officer.

Given the risk involved in dealing with cash and illegal drugs, an adequate review process of drug and information purchases and reimbursements needs to be established.

WE RECOMMEND the Sheriff and County Commission:

- A. Work with the Prosecuting Attorney to determine any legal action to be taken and to obtain restitution of the missing funds. The County Commission should request \$160 to be returned from the task force officer and bill the Barton County Sheriff for \$1,960 for funds erroneously reimbursed.
- B. Perform periodic surprise reviews of task force monies.
- C. Maintain a listing of funds assigned to task force officers and records to track the transfer of funds between officers.
- D. Adequately review reimbursement requests, activity reports, and receipts issued to informants to ensure monies are handled properly and to ensure the accuracy of all records.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We questioned the Sheriff about the accountability of drug buy monies on numerous occasions. As documented in the August 2007 minutes, we asked the Prosecuting Attorney to review the bookkeeping practices of the Sheriff and task force officers. We rescinded County Ordinance 2007-1 redacting the Sheriff's authority to enter into contracts with the intent to ensure better control of finances. We will ask that legal counsel review these concerns and recommend what legal actions to take. We will also request reimbursement of \$160 of the recovered funds from the task force officer and \$1,960 from the Barton County Sheriff.*
- B. *We plan on performing periodic surprise reviews of task force monies.*

- C. *We will request a listing of funds assigned to task force officers and records that track the transfer of funds between officers. No reimbursements for cash buys or information will be approved until such documentation has been received.*
- D. *We will review records for accuracy.*

The Sheriff provided the following responses:

- A. *I will review this situation with the Prosecuting Attorney.*
- B-D. *These concerns are no longer an issue since the task force is no longer operating.*

2. Task Force Officers Payroll Controls and Procedures

Compensatory time earned is not calculated in accordance with the county's personnel policy, and as a result, four task force officers appear to have been overpaid. Payroll reports prepared for grant reimbursements were not accurate and did not agree to timesheets prepared and submitted to the County Clerk. Adequate documentation of work performed and written agreements were not prepared and obtained for task force officers from other counties. Timesheets prepared by some of the officers were not signed by the officer, OIC, or the Sheriff.

- A. Compensatory time earned by task force officers was not calculated in accordance with the county's personnel policy, and as a result, four officers were overpaid a total of \$21,058 during the 18 months ended June 30, 2007. The officers were compensated at time and a half for work hours in excess of forty hours in a standard work week, while the county's personnel policy indicated overtime for law enforcement personnel was to be based on the provisions of the Fair Labor Standards Act (FLSA) and only work in excess of 171 hours in a twenty-eight day pay period would be compensated at time and a half. In August 2007, the County Clerk brought this concern to the attention of the County Commission. While the County Commission started requiring the officers to accrue compensatory time in accordance with county policy in August 2007, past overpayments were not required to be repaid. The Sheriff reviewed and approved each of the officer's timesheets and did not question these overpayments. All other Sheriff's office employees were compensated for overtime in accordance with county policy.

In addition, the task force officers accruing compensatory time used leave time (vacation, sick leave, and compensatory time taken) in their calculation to determine compensatory time earned. For example, one officer indicated he had worked 190 hours and accrued 30 hours of compensatory time for the work period April 6 through May 3, 2007; however, 80 of the 190 hours were compensatory hours used.

While the county currently requires these officers, as well as all other employees to accrue compensatory time in accordance with the county's personnel policy, leave time (vacation, sick leave, and compensatory time taken) should not be used in the calculation of compensatory time earned and any overpayments should be requested from current and former employees.

- B. Payroll reports prepared by a task force officer for grant reimbursements indicating hours worked and activities performed were not accurate and did not agree to timesheets prepared and submitted to the County Clerk. For example, the payroll report prepared by the officer for grant reimbursement indicated he had worked 199 hours during the time period April 5 through April 30, 2007, while his timesheet only showed 88 hours actually worked during this same time frame. The hours and activities reported on the payroll report in error were during times when the employee was off duty (weekends and when leave was taken by the employee). In June 2007, the County Clerk questioned the discrepancies between several payroll reports and grant reimbursement requests and the employee's timesheets. In July 2007, the Sheriff's office submitted amended grant reimbursement requests for the time period questioned by the County Clerk. The Sheriff had reviewed and approved the original payroll reports, grant reimbursement requests, and employee's timesheets and did not question these discrepancies. However, the Sheriff indicated that once the problem was identified he ensured it was corrected.

To ensure the county continues to only receive reimbursement for grant services provided, payroll reports and timesheets should be adequately reviewed by the Sheriff and County Clerk's office for accuracy.

- C. While timesheets were prepared by the task force officers "on loan" from other counties indicating the dates and hours worked, activity reports documenting the activities each officer performed were not obtained to ensure the officers only worked on narcotics control. In addition, neither the Sheriff nor the County Commission entered into written agreements with the other counties regarding the officers "on loan". The county paid the officers "on loan" from other counties \$22,362 during the period October 2006 through May 2007.

Adequate supporting documentation, including activity reports of officers, should be prepared and obtained to support payroll disbursements. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid.

- D. Timesheets prepared by task force officers were not always signed by the employee, OIC, or the Sheriff. Adequate control over payroll disbursements

requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence of time worked.

WE RECOMMEND the Sheriff, County Commission, and County Clerk:

- A. Continue to ensure task force officers only accrue compensatory time in accordance with the county's personnel policy and leave time is not used in the calculation of overtime. In addition, the County Commission should request all overpayments be repaid to the county.
- B. Continue to adequately review the officer's payroll reports, grant reimbursement requests, and timesheets for accuracy.
- C. Ensure adequate documentation is obtained to support payroll payments and enter into written contracts as required by state law.
- D. Ensure all timesheets are signed by the employee and their supervisor to document approval.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *We will continue to monitor overtime/compensatory time and will request all overpayments be repaid to the county.*
- B. *We will continue to review payroll reports, grant reimbursement requests, and timesheets for accuracy.*
- C. *We will request adequate documentation to verify payroll payments. In 2007, we requested verification of signed written contracts between members of the task force. The payment of annual dues to the task force was withheld until a form of documentation was provided. In 2008, when such contract was requested, the Sheriff replied he submitted the contract last year, and he would not be asking Cedar County to pay annual dues.*
- D. *Timesheets are currently being monitored to ensure required signatures are obtained.*

The Sheriff provided the following responses:

- A. *This has been implemented. During this time, I do not believe we were in violation of any grant procedures.*
- B. *This has been addressed.*
- C. *This is no longer an issue since the task force is no longer operating.*

D. *I will ensure that all timesheets are signed by me and the employee.*

3. Task Force Accounting Controls and Disbursements
--

The Sheriff does not have statutory authority to maintain the task force bank account outside the county treasury, receipt slips or other records of monies received were not maintained, bank reconciliations were not performed on the task force account in a timely manner, and most bank statements were unopened. Bids were not solicited for vehicles leased, and the task force did not enter into written lease agreements for some of these vehicles. Adequate supporting documentation was not available for some disbursements, and some disbursements did not appear to be prudent or necessary uses of public funds. The Sheriff titled and insured a car donated for use in undercover drug operations in his personal name rather than in the name of the county or task force, and the Sheriff did not enter into a written agreement with a used car dealer regarding the use and return of a donated vehicle.

A. The Sheriff currently maintains a task force bank account to receive membership dues and funding from Cedar County and to make disbursements for the task force. This account was opened in May 2006. The task force bank records reflect receipts and disbursements of \$38,923 and \$33,278, respectively, for the period May 2006 through December 31, 2007. The following concerns were identified related to the task force bank account:

- There is no statutory authority that allows the Sheriff to maintain this account outside the county treasury. Attorney General's Opinion No. 45-92 to Henderson states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.
- Receipt slips or other records of memberships or other monies received are not maintained. A record of all monies received should be maintained to establish an adequate audit trail and reduce the possibility of loss or misuse of funds.
- Bank reconciliations are not prepared for the task force account and most bank statements were unopened. A bank reconciliation was prepared by our office as of December 31, 2007, and the reconciled balance of the bank account was \$5,685. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.

B. Bids were not solicited for leased used vehicles used in undercover operations. The car dealer was paid a total of \$8,422 during the 2 years ended December 31, 2007, by the task force and county. In addition, the task force did not enter into lease agreements for some of these vehicles. Further, mileage logs were not maintained for the undercover vehicles.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement) should be retained to demonstrate compliance with state law and support decisions made. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. Fuel and usage logs are necessary to document the appropriate use of vehicles and to also support fuel charges. The logs should include the date, driver, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles.

- C. Adequate supporting documentation was not available for disbursements totaling \$1,260. The Sheriff indicated these disbursements were for a variety of items, including cellular phones, car repairs, and electronics.

In addition, receipt slips issued to informants for drug buy monies, payments, and phone cards provided to them by the officers for use in purchasing drugs were not always signed by the informant. For example, informants did not sign 23 receipts for \$3,965 provided to them to purchase drugs or as informant payments, and for phone cards and a prepaid cell phone to use in making drug buys. Further, invoices were not retained by the officers to support the purchase of phone cards totaling \$120 provided to informants.

All disbursements should be supported by paid receipts or vendor provided invoices to ensure the obligation was actually incurred and to ensure the disbursement represents an appropriate use of public funds. In addition, receipt slips issued to informants for drug buy monies, payments, and phone cards and prepaid cell phones should be signed by the informant to ensure the informant actually received the monies, phone cards, or prepaid cell phone.

- D. Some task force disbursements did not appear to be prudent and necessary uses of public funds. For example, the task force purchased six pizzas and six two liter bottles of soft drinks totaling \$108 at a local restaurant in October 2006. The Sheriff indicated a task force board meeting was held at the restaurant and the food was purchased for the attendees; however, task force board meeting minutes indicated the meeting was held several days later in another county. County residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner.

- E. The task force reimbursed the Sheriff \$118 to title a vehicle in his personal name. The Sheriff indicated a local used car dealer donated the car to him as the "Cedar County Sheriff" for use in undercover investigations with the understanding that the vehicle would be returned to the used car dealer after it was no longer needed. It is unclear why the Sheriff titled the car in his personal name rather than in the name of the county or task force.

In addition, the task force reimbursed the Sheriff \$256 for insurance for this vehicle in March 2007, while his personal insurance bill indicated only \$233 was due. The task force paid an additional \$98 to the Sheriff's personal insurance agency for insurance for this vehicle in November 2007. It is unclear why the Sheriff did not insure the vehicle using the county's insurance provider. Further, neither the task force nor the Sheriff entered into a written agreement with the used car dealer regarding the use and return of the donated vehicle.

The used vehicle should be titled in the name of the county or task force and insurance should be obtained through the county's insurance provider. In addition, written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- F. Although the task force utilized a computerized system to document drug buy reports, evidence records, and other information for each suspect's case file, it failed to periodically back-up information maintained on the system. As a result, all information maintained on the system was lost when the computer system failed on June 23, 2008. Manual case files that were generated from the computerized system were also maintained for each suspect; however, the task force building was burglarized on June 25, 2008, and some records and case files are missing. As a result, all task force information was not available for our review, and there is less assurance that all task force monies and activities have been accounted for properly. Computerized records are at risk of loss due to equipment failure or other electronic disaster. Backup records should be periodically prepared to provide a means of recreating destroyed master records. Backup records should be stored off-site to provide increased assurance that any lost data can be recreated.

WE RECOMMEND the Sheriff and County Commission:

- A. Turn the task force bank account over to the County Treasurer. In addition, the Sheriff should ensure receipt slips or other records of monies received are maintained, and bank reconciliations are performed in a timely manner.
- B. Perform a competitive procurement process for leased vehicles and maintain documentation of decisions made. In addition, the Sheriff should enter into written lease agreements and maintain logs for vehicles which include the purpose

and destination of each trip, and the daily beginning and ending odometer readings for each vehicle.

- C. Require adequate supporting documentation for all disbursements.
- D. Ensure disbursements are necessary and prudent uses of public funds.
- E. Require the donated vehicle to be titled and insured by the county. In addition, the Sheriff should enter into a written agreement with the used car dealer regarding the donation.
- F. Periodically prepare backup records and store them at an off-site location.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *As documented in our minutes, it was agreed upon by the Sheriff and the County Commission that the task force bank account would be turned over to the County Treasurer; however, the Sheriff has not turned these funds over to the County Treasurer yet nor has a budget been submitted for our review.*
- B. *We rescinded County Ordinance 2007-1 redacting the Sheriff's authority to enter into written contracts thus providing more assurance that a competitive procurement process is being performed.*
- C-D. *Once the task force monies and budget are implemented by the Sheriff, we will be able to better monitor disbursements.*
- E. *In 2007, the Sheriff was asked to provide proof of insurance to the county for the donated vehicle, at which time he did. In the future, we will request that any donated vehicles have a written agreement.*
- F. *In 2007, the County Commission purchased a computer server that automatically backs up computer data daily. The backup disc is switched out daily and stored at an off-site location. The Sheriff's Office has chosen not to participate in the provided service. We had no knowledge of any lost records or of the burglary until receipt of this report.*

The Sheriff provided the following responses:

- A. *This account was started as a multi-jurisdictional account held by a board that dissolved and was taken over by me. I plan to turn the monies in this account over to the County Treasurer before I leave office.*
- B-C. *These concerns are no longer an issue since the task force is no longer operating.*

- D. *I recall having a meeting; however, no minutes were taken.*
- E. *Putting the car title in my name was simpler and easier, and using my personal insurance provider saved money. The car has been broken down for over a year, and I have requested the used car dealer to make arrangements to pick it up.*
- F. *I will make sure that backups are performed daily.*

AUDITOR'S COMMENT

- D. The Sunshine Law, Chapter 610, RSMo, requires minutes to be maintained for all meetings.

4. Task Force Evidence and Seized Property

Controls and procedures over evidence and seized property obtained by the task force need improvement. Under the Criminal Activity Forfeiture Act, Section 513.600, RSMo, the task force may seize property after an investigation reveals the property was purchased from proceeds of drug sales. When a drug buy is made or evidence is seized by an officer, an evidence record of drugs purchased and evidence seized is prepared. The evidence record, drugs purchased, and evidence seized are turned into the task force evidence officer who places the drugs and seized evidence into the evidence room and records them on the evidence log. The following concerns were related to the evidence and property seized by the task force:

- A. A complete log of evidence and seized property is not maintained. For example, a search warrant was served on January 7, 2006, and six items were seized per the seizure report; however, only five of these items were recorded on the evidence log. In addition, as noted in MAR finding number 3, evidence records and other task force records are missing. In addition, inventories of evidence and property on hand are not conducted on a regular basis. According to a task force officer, the only physical inventory conducted was completed in December 2007, because of a change in evidence officers.

Considering the often sensitive nature of evidence and seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic physical inventories should be performed and results compared to the inventory records to ensure the evidence and seized property is accounted for properly.

- B. Evidence records of drugs purchased and evidence seized were not always prepared. In addition, most of the evidence records prepared were not signed by the officers. The evidence records were also not signed by the evidence officer

when he placed the drugs purchased in the evidence room and recorded them onto the log to properly document the chain of custody. Also, the release and subsequent return of drugs to and from the Missouri State Highway Patrol laboratory was not adequately documented on the evidence records. To ensure the proper handling of evidence, adequate documentation should be maintained to support the chain of custody.

- C. Seized property of the task force is not stored in one centralized location, but instead is stored at the Cedar County Task Force building and various other local law enforcement agencies that were once involved with the task force.

To ensure seized property is more easily accounted for and adequately safeguarded, seized property should be stored in one centralized location to ensure limited access.

WE RECOMMEND the Sheriff and County Commission require the task force to maintain a complete inventory log of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the listing and any differences investigated. Evidence records should be prepared for all drugs purchased or evidence seized, and the evidence records should be signed by both the task force officer and evidence officer to ensure the chain of custody is properly documented. Evidence records should also be signed each time evidence is removed or returned from/to the evidence room. The Sheriff should require the task force to store seized property in a centralized location.

AUDITEE'S RESPONSE

The County Commission will request the Sheriff to require the task force to maintain a complete inventory log of all seized property and request such property be stored in a centralized location. The County Commission will also request the Sheriff and Prosecuting Attorney to develop and implement a written policy and procedure to properly control and dispose of evidence and other property in possession of the Sheriff.

The Sheriff indicated the task force is no longer in operation; however, evidence collected shall remain in the custody of his office for safekeeping and safeguarding the chain of evidence and be disposed of by destruction via court order, and non-contraband items not needed for court proceedings will be returned. Records of evidence logs, destruction orders, and receipt of returned property shall be maintained.

5. County Disbursements

The county has not updated the cost benefit analysis of its quarry operation since our prior audit in 2003 or adequately tracked the costs. The county did not always solicit bids nor was bid documentation always retained for various purchases. Invoices were not

submitted to the county for payment by the Sheriff in a timely manner, and Forms 1099 were not always filed with the Internal Revenue Service (IRS) when required. The county has not established per diems or a detailed travel policy to cover and limit meal expenses for employees when traveling on county business. The county did not always enter into formal written agreements and paid a Sheriff's office deputy for vacation time earned in violation of its own personnel policy. County employees with access to money were not covered by an employee bond.

- A. The county has not updated the cost benefit analysis of its county quarry operation since our prior audit in 2003 or adequately tracked the costs. The county's quarry is nearing exhaustion according to County Commission minutes, does not appear to be operating as originally estimated by the County Commission, and may result in a financial loss. In February 2000, the county purchased 73 acres of land for \$78,810 to be used to quarry hill gravel. The County Commission originally estimated the county would quarry 333,270 cubic yards of gravel at a savings of \$1,101,011 over a fifteen year time span and would result in enough savings to pay off its original investment in just over 5 years.

At our request, the county updated the cost benefit analysis in April 2008 for the activity of the past five years. However, the analysis prepared by the county used the cost of white "chat" gravel to calculate the value of gravel quarried by the county rather than the price of a comparable gravel type, and did not provide for an increase in the costs incurred by the county to quarry the gravel over the past seven years. The county updated its analysis for these concerns at our request.

The updated cost benefit analysis indicated the county has only quarried 45,388 cubic yards, and reported estimated savings of \$87,458 and costs of \$95,420 during the 7 years since the original investment. The savings were estimated based on retail costs of gravel from neighboring quarries and the estimated costs include expenses incurred to build an access road, costs to remove dirt covering the gravel, gravel loading costs, and land reclamation costs incurred to date. The county further estimates that the property can be sold for \$87,600 after estimated reclamation costs totaling \$3,000 are incurred, resulting in a financial loss of \$2,172 on the project.

Good business practice requires the County Commission to continue to track the costs of quarrying the remaining hill gravel and reclamation of the land, and updating cost/benefit analysis periodically to support the county's continued decision making process.

- B. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as noted below:

Item or Service	Cost
Road grader lease	\$ 170,450
Prisoner board (2007)	102,384
Used patrol cars	21,000
Prisoner food (2007)	20,788
Prisoner transportation (2007)	8,875
Used truck	8,000
I-beams for bridge construction	7,700
Copiers	7,080

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement) should be retained to demonstrate compliance with the law and support decisions made.

- C. Invoices relating to the cost of housing inmates were not submitted to the county for payment by the Sheriff in a timely manner. Four invoices, dated September 15, 2005, September 30, 2005, December 15, 2005, January 15, 2006, totaling \$7,151, were held by the Sheriff and not paid until June 4, 2007. In another example, an invoice dated March 31, 2006, totaling \$701, was held by the Sheriff and not paid until March 12, 2007. As a result, these disbursements were applied to the 2007 Law Enforcement Sales Tax Fund budget. Several other instances were noted where the Sheriff held bills and did not submit them to the county for payment until the following calendar year. The Sheriff indicated he held the bills because he did not have the money in that year's budget. Good business practices require timely payments of invoices. Failure to make timely payments could result in unnecessary penalties and interest.
- D. The county did not prepare IRS Forms 1099 Miscellaneous for payments made to the Assistant Prosecuting Attorney totaling \$1,200 during the year ended December 31, 2006, and for handicap accessibility concrete work totaling \$3,900 during the year ended December 31, 2007. Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.
- E. The county has not established per diems or a detailed travel policy to cover and limit meal expenses for employees when traveling for county business and some meal costs appear excessive. For example, the Prosecuting Attorney requested

reimbursement of \$97 for three meals purchased; however, the invoice did not document who the meals were for. The County Commission should adopt travel policies to ensure the county pays for only actual and reasonable travel expenses.

- F. The county did not always enter into formal written agreements defining services to be provided and benefits to be received.
- The county has not entered into a written agreement with the city of El Dorado Springs regarding the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non routine situations. Currently, the county charges this city \$25 a day to house the prisoners. In addition, the Sheriff indicated he had a reciprocal verbal agreement with the neighboring counties to house Cedar County prisoners at no charge.
 - The county has not entered into a written agreement with the city of El Dorado Springs for free office space for the crime victim advocate's satellite office.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- G. The county paid a Sheriff's office jailer for vacation time earned in violation of its own personnel policy. In June 2007, the county paid the employee \$360 for vacation time earned. The county's personnel policy states, "Vacation leave must be taken as time off-no pay will be issued in lieu of vacation leave." Strict compliance with leave policies is necessary to ensure employees are treated equitably.
- H. County employees who handle monies were not covered by an employee bond. Proper bonding of all persons with access to monies would better protect the officials and county from risk of loss.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Continue tracking the costs of quarrying the remaining gravel and land reclamation costs and update its cost/benefit analysis to support the county's continued decision making process.
- B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

- C. Work with the Sheriff to ensure invoices are paid in a timely manner.
- D. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS.
- E. Establish a travel policy including per diems to ensure only actual and reasonable travel expenses are reimbursed to employees.
- F. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- G. Ensure compliance with the county's personnel policy.
- H. Obtain adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue to track the costs of quarrying the remaining gravel and will more frequently update the cost/benefit analysis to support the county's decision.*
- B. *We will be more mindful of retaining documentation that ensures the county has made every effort to receive the lowest and/or best price for major purchases.*
- C. *We approve bills to be paid weekly. We were unaware of the invoices which had been outstanding for two years until the company contacted the County Clerk's Office voicing their concern. Once notified of the situation, we approved the bills to be paid.*
- D. *The County Clerk inadvertently failed to prepare two IRS Forms 1099 Miscellaneous, one in 2006 and one for contract labor paid by a grant in 2007. In the future, the County Clerk shall double check to ensure all 1099's are filed.*
- E. *We plan on revising the County Handbook to include a detailed travel policy to ensure the county pays for only actual and reasonable travel expenses.*
- F. *We will request all office holders to supply us with written documents for commission approval for agreements defining services to be provided and benefits to be received.*
- G. *In the future, we will be more mindful of the county's personnel policies.*
- H. *All office holders and employees who handle money on a daily basis are properly bonded. The county is currently checking into liability insurance that would protect against misuse of monies by non-bonded employees.*

The Sheriff provided the following responses:

- C. I may have held some bills over due to some budget issues.*
- F. I understand the recommendation.*
- G. I believe the County Commission should be able to make a ruling to help an employee out with a difficult situation.*

The Prosecuting Attorney provided the following responses:

- E. This meal was for the bad check clerk, the crime victim's advocate, and myself.*
- F. The referral to the lack of a written agreement between the City of El Dorado Springs and the county for the office space for the victim advocate's office space does not meet the criteria for a contract, as the city is allowing the advocate to use that space without compensation or benefits.*

6. County Vehicles, Mileage, and Cellular Phones

Vehicle mileage and fuel usage logs of the Sheriff's office were not adequately reviewed by the Sheriff or the County Commission until August 2007, and it appears questionable whether some fuel purchased was used solely for county business. Vehicle mileage and fuel usage logs maintained by the Sheriff's office and road and bridge department are not periodically reconciled to fuel purchases. The county has not established an official domicile for the Crime Victim Advocate, and mileage claimed by the advocate appeared excessive. In addition, controls and procedures over cellular phone usage need improvement.

- A. The county's published financial statements indicated fuel costs of approximately \$57,000 and \$85,000 annually for the Sheriff's office and road and bridge department, respectively. The following concerns were identified relating to fuel usage:

- 1) Vehicle mileage and fuel usage logs of the Sheriff's office were not adequately reviewed by the Sheriff or the County Commission. In August 2007, the County Clerk brought concerns about possible misuse of fuel by employees of the Sheriff's office to the attention of the County Commission.

For example, an officer frequently fueled his county owned patrol car on Friday and again on Monday when his timesheets indicated he did not work the weekend. Fuel valued at approximately \$600 (for fuel pumped on Mondays after a Friday fueling) was used by this officer during the period January through June 2007. In addition, fuel valued at

approximately \$300 was pumped by this same employee while he was off duty for compensatory leave during this same time period. Given that this officer was not on duty during these times, it appears questionable whether the fuel pumped was solely used for county business. A similar concern was noted with one other officer.

The County Commission installed security cameras at the county's fueling station and started more thoroughly reviewing fuel usage logs of county employees in August 2007. Fuel usage decreased after these controls were implemented. Fuel usage logs should continue to be reviewed by the Sheriff and County Commission to verify the propriety of fuel used.

- 2) The same officer noted above currently uses his county patrol vehicle to take his children to and pick them up from school on a daily basis. The school district is not located within Cedar County and is 18 miles away (one way) from the Cedar County Courthouse. In addition, the amount of personal mileage was not maintained for this deputy's vehicle or included on the deputy's W-2 form as a fringe benefit.

Given the high cost of fuel and additional liability incurred with children being in a county owned vehicle, the Sheriff and the County Commission should review the costs of allowing the use of county owned vehicles for other than county business and discontinue allowing children to be transported in county owned vehicles. In addition, the Internal Revenue Service (IRS) reporting guidelines indicate personal mileage is a reportable fringe benefit. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- 3) Vehicle mileage and fuel usage logs maintained by the Sheriff's office and road and bridge department are not periodically reconciled to fuel purchases. The fuel usage logs should be periodically reconciled to fuel purchases to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel.

- B. The county has not established an official domicile for the Crime Victim Advocate, and mileage claimed by the advocate appeared excessive. The advocate maintains offices in Stockton and El Dorado Springs and often claimed mileage from her home to both offices, in addition to mileage between the two offices and within the city limits of both cities. Mileage logs prepared by the advocate were sometimes not legible and did not include the beginning and ending odometer reading as required by the county's personnel policy. The advocate was paid \$1,941 for mileage during the year ended December 31, 2007.

The county should establish an official domicile that best serves the interest of the county and not for the convenience or benefit of the employee. Any miles

incurred from the employee's residence to the official domicile should not be reimbursed, and policies and procedures should be established to define the mileage to be compensated. Mileage reimbursement claim forms should be prepared in a legible manner and personnel policies followed.

C. The county provides a cellular phone to the Sheriff, three other law enforcement officers, the Crime Victim Advocate, the Road and Bridge Supervisor, the Emergency Management Director, the Coroner and Assistant Coroner, and the Circuit Judge. The county expended approximately \$4,600 during the year ended December 31, 2007, for the use of cellular phones. Our review noted the following concerns:

- 1) While the county has established a formal written policy regarding cellular phone use, the policy does not address procedures for the review and approval needed to acquire a cellular phone or for the employees' reimbursement of personal calls. Currently, officials are allowed to contact cellular phone companies to set up their own accounts and obtain cell phones without any review or approval from the County Commission. These cellular contract relationships do not allow the County Commission access to information needed to properly review and pay county cellular phone bills. For example, the Sheriff established phone plans for his office and detailed bills documenting all calls made are provided for some employees, but not the Sheriff. The cellular phone company refused to provide the county documentation of the Sheriff's phone bills because the county is not the contracted user. The Sheriff also did not provide detailed billings to the county for his cell phone use.
- 2) In August 2007, the County Clerk brought concerns regarding personal use of county cellular phones to the attention of the County Commission. The County Commission then required personal use to be reimbursed to the county; however, this personal use is not reimbursed to the county in a consistent manner. For example, the Sheriff reimburses the county monthly for the cost of the basic cellular phone package, while other Sheriff's office employees reimburse for personal calls documented by the employee.
- 3) Cellular phone plans utilized by the Sheriff's office do not provide for text messaging, and as a result, additional charges are incurred when text messaging is used.
- 4) The county paid for cellular service for a phone assigned to the Sheriff's office from May until December 2007, totaling \$181, when it was not in use due to the termination of an employee.

While cellular phones can help increase employee productivity, they are also costly. A more detailed policy should be developed regarding cellular phones

establishing a monitoring system for the assignment, usage, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel and properly used for business purposes. The policy should also address the reimbursement of personal calls to ensure reimbursements are handled in a consistent manner. In addition, the county should review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so, include it in the cellular phone plans. Implementing such procedures should result in cost savings to the county.

A condition similar to C was noted in our prior report.

WE RECOMMEND the County Commission:

- A. And Sheriff continue to adequately review fuel usage logs for propriety and compare them to fuel purchases periodically. In addition, the County Commission should comply with IRS guidelines for reporting personal commuting mileage, and discontinue the practice of allowing children to be transported in county owned vehicles.
- B. Establish an official domicile for the Crime Victim Advocate, and policies and procedures to define mileage to be compensated. In addition, the County Commission should ensure mileage reimbursement requests are legible and are prepared in accordance with the county's personnel policy.
- C. Develop a more detailed formal written policy regarding the use of cellular phones and establish a monitoring system for the assignment, usage, and acquisition of cellular phones.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We requested the Sheriff to add odometer readings to the fuel usage logs, which has been implemented. Starting in 2007, fuel providers were required to have meter pumps on their trucks which electronically stamp invoices proving the number of gallons disbursed into county tanks. Delivery tickets are cross referenced with invoices to insure proper billing. We will continue to review fuel usage logs for propriety. On numerous occasions we have expressed concerns with personal commuting mileage and the transporting of children and unauthorized adults in county owned vehicles to the Sheriff. The County Commission will re-address these concerns.*
- B. *We plan on establishing an official domicile for the crime victim advocate, along with policies and procedures that define mileage to be compensated.*

- C. *In 2004, we adopted a formal written policy regarding the use of cellular phones. This policy clearly states that all phones including cellular phones are to be used only for county business.*

The Sheriff provided the following responses:

- A. *I investigated the fuel issue and did not find anything that raised any concerns. I will immediately address the issue with the officer regarding allowing his children to ride in his county owned patrol vehicle.*
- C. *The cell phone issue has been addressed.*

The Prosecuting Attorney provided the following response:

- B. *Mileage claimed from the advocate's home to her office is for call-outs. These are after hours when she has been contacted by law enforcement for crisis situations. The mileage claimed between offices and within city limits would be for victim transportation or again for crisis situations. For the future, I have instructed the victim's advocate to give a more detailed documentation of call-outs including times and purpose for mileage claims.*

7. Budgets and Annual Maintenance Plans
--

Budgets were not prepared for several county funds, and actual disbursements exceeded budgeted amounts for some funds. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges.

- A. Formal budgets were not prepared for several funds as follows:

Fund	Years Ended December 31,
Task Force Fund	2007 and 2006
Drug Abuse Resistance Education (DARE) Fund	2007 and 2006
Crime Victims Assistance Fund	2007 and 2006
County Law Restitution Fund	2007
Community Development Block Grant Clinic Fund	2006
Senior Center Fund	2006

The Task Force Fund and DARE Fund were held by the Sheriff outside the county treasury. In addition, the County Law Restitution Fund and Senior Center Fund were new in 2007 and 2006, respectively. Because the Sheriff did not provide the required budget for the Task Force Fund, DARE Fund, and the County Law Restitution Fund, the County Commission's ability to monitor the overall county financial resources and make effective budgetary decisions was hindered. While these funds were not under the direct control of the County Commission, budgets for these funds are needed to comply with state law.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. This chapter also requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2007	2006
Law Enforcement Training Fund	\$ 413	134
Crime Victims Advocate Fund	513	1,214
Election Services Fund	513	506
Passport Fees Fund	N/A	262
Senior Citizen Services Fund	27,787	N/A

For all funds listed above, except for the Passport Fees Fund which is held by the Circuit Clerk outside the county treasury, monthly reports comparing budgeted and actual receipts and disbursements are available. While budget to actual data is provided to the various county officials, the county's procedures and reports are not resulting in effective monitoring of various budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- C. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than \$1 million in receipts and disbursements are processed through the county's Special Road and Bridge Fund during a typical year. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. The county prioritizes bridge construction and road maintenance based on safety concerns and need. Specific projects are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the

type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared for all county funds.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. In addition, procedures should be implemented to ensure budgets are properly amended, the amendments are made prior to incurring the actual disbursements, and valid reasons which necessitate excess disbursements are documented.
- C. Establish a formal annual maintenance plan for county roads and bridges.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue to request that the Sheriff provide budgets for the following funds: Task Force Fund, DARE Fund, County Law Restitution Fund. The Community Development Block Grant Clinic Fund and Senior Center Fund have been completely expended with finished projects and were overseen by a grant administrator.*
- B. *We will continue to closely monitor all budgets.*
- C. *While we had an informal maintenance plan, maintaining roads and bridges basically on a rotational and most urgent need basis, we plan on approving a written plan.*

8. Commission Minutes

Minutes are not prepared for the closed sessions of meetings and minutes are not signed by the County Clerk and County Commission.

- A. The County Clerk does not prepare minutes for the closed sessions of meetings of the County Commission. The County Commission held six closed sessions during the year ended December 31, 2007, and while the regular minutes did

appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meeting. In addition, it is not evident that the final disposition of matters discussed in closed meetings is made public.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

- B. While commission minutes are prepared by the County Clerk and indicate that prior meeting minutes were read and approved by the County Commission at each meeting, neither the County Clerk nor the County Commission sign the minutes. The commission minutes should be signed by the County Clerk as preparer and by a member of the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the commission meetings.

WE RECOMMEND the County Commission:

- A. Ensure minutes are prepared and retained for all closed meetings.
- B. Ensure minutes are signed by the County Clerk and the County Commission.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The time and reason for entering into closed session has been documented. No decisions or motions were made or voted on in closed session, only discussion.*
- B. *County Commission minutes are currently being signed.*

9. County Property Procedures and Records
--

The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. County property records did not include county property and buildings valued at over \$1.9 million and thirteen patrol cars valued at over \$203,000. Also, while the property records included a listing of all road and bridge department equipment, the value of equipment was not included. The county's insurance policy valued this equipment at approximately \$1.2 million. In addition, the County Clerk has no procedures in place to identify property purchases and disposals

throughout the year. For example, the Coroner purchased a computer for \$1,369 during the year ended December 31, 2006, which had not been added to the property records. While each of the various county departments submitted annual physical inventory reports, these reports were not reviewed for accuracy or used to monitor property additions.

Adequate property records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets.

While some improvements to the county's property records have been made by the County Clerk, similar conditions were noted in our prior report.

WE RECOMMEND the County Clerk review physical inventory reports received from each of the county departments for accuracy and utilize them to monitor property additions and dispositions. The County Clerk should ensure all property and related information is included on the asset listing and establish procedures to ensure additions and deletions are identified during the year.

AUDITEE'S RESPONSE

The County Clerk indicated each elected official is provided forms to identify additions and disposal of property. A "purchase price" column has been added. The County Clerk's office cross references the "inventory list" with the "insured list" to help assure all assets are properly accounted for and insured. Paid invoices are also being used as a cross reference of newly purchased assets. It is requested that any property that is deemed obsolete or disposed of is documented. Buildings and property have been inspected quarterly by the County Clerk, and the inspections are reviewed by the County Commission and documented in the commission minutes. Buildings and properties have been added to the inventory list.

10.

Property Tax Computer System

While the county has established formal procedures to approve changes to the property tax system after the Board of Equalization (BOE) has met and approved the property tax data, some changes are made to the system by the County Assessor and are not handled through this formal process. Most additions and abatements made to the property tax system after the BOE meets are approved by the County Commission and filed with the County Clerk through the use of court orders; however, the County Assessor made some changes to the property tax system that were not supported by court orders. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the assessment data and that disputes or questions regarding the propriety of property valuations might arise.

WE RECOMMEND the County Commission and Assessor ensure all changes made to the property tax system are supported by court orders approved by the County Commission.

AUDITEE'S RESPONSE

The County Commission indicated it will request that all changes made to the property tax system are supported by court orders.

The Assessor indicated these personal property changes must have been overlooked.

11. County Collector Controls and Procedures

The County Collector's annual settlements were incorrect, and the County Collector did not distribute protested taxes in a timely manner. The County Collector did not correctly calculate and distribute surtax, and Proposition C ratios were not used to calculate various withholdings and commissions.

- A. The County Collector's annual settlements for the two years ended February 28, 2008 were incorrect, and the County Clerk and County Commission did not adequately review the annual settlements. The annual settlements did not include collections of \$41,043 and \$47,028 for the years ended February 28, 2008 and 2007, respectively. Also, annual settlements were not prepared consistently from year to year.

In addition, the County Collector failed to include distributions of interest earned on investments totaling \$12,412 and assessment withholdings of \$30,000 collected by her office on the annual settlement for the year ended February 28, 2008. She also included collector fees and protested tax interest twice in distributions on the annual settlement for the same year.

For the year ended February 28, 2007, the County Collector failed to include distributions of assessment withholdings of \$18,956, collector commissions of \$53,512, and city distributions of \$432 collected by her office on her annual settlement and included late fees and merchant licenses twice. The County Collector also failed to include \$22,017 of delinquent tax charges (2003 and 2002 tax years) and \$593 of bankruptcy tax charges and collections.

Section 139.600.3, RSMo, states, "...the collector shall...settle her accounts of all monies received by her on account of taxes and other sources of revenue..." By not accurately reporting all sources of revenues and distributions, the County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

- B. The County Collector did not distribute protested taxes to political subdivisions in a timely manner. The County Collector did not distribute \$49,558 of protested taxes until October 1, 2007, related to a case which was ordered to be disbursed by the State Tax Commission on February 17, 2006.

The County Collector did not distribute additional protested taxes totaling \$4,812 received on November 3, 2004, until October 1, 2007. A letter of protest was received from the taxpayer by the County Collector on December 20, 2004. However, the taxpayer did not file a petition for the recovery of the amount protested in the Cedar County Circuit Court within 90 days as is required by Section 139.031, RSMo, and as a result, these taxes should have been distributed 90 days from the date of protest or in March 2005.

In addition to being required by state law, timely distributions of property tax collections to the political subdivisions are important because most political subdivisions rely heavily on property tax revenues to fund their operations.

- C. The County Collector made errors in calculating surtaxes distributed to the various political subdivisions in Cedar County during the year ended February 28, 2008. The County Collector distributed the taxes based on an incorrect formula. The following table indicates the total amounts over or (under) paid to the various political subdivisions for 2007 tax collections:

Political Subdivision	Over (Under) Paid
Stockton R-I	\$ 121
El Dorado Springs R-II	2,894
State of Missouri	(196)
City of El Dorado Springs	2,700
Village of Jericho Springs	(149)
Bear Creek Special Road District	(20)
Caplinger Special Road District	(3)
El Dorado Springs Special Road District	807
Jericho Springs Special Road District	(8)
Koncord Special Road District	(246)
Madison Special Road District	(165)
Masters Special Road District	(6)
Rowland Special Road District	(10)
Cedar County (General Revenue Fund)	(795)
Special Road and Bridge Fund	(2,781)
Cedar County Hospital	(1,192)
Cedar County Library	(795)
Cedar County Ambulance District	(130)
Assessment Fund	(12)
Collector's Commission (General Revenue Fund)	(14)

In addition, the County Collector indicated she used the same formulas in her calculations in prior years. A review of surtax distributions should be performed for past years and any corrections should be made.

- D. The County Collector did not use Proposition C ratios to calculate various withholdings and commissions on current and delinquent taxes collected and distributed during the year ended February 28, 2008. As a result, the county's Assessment Fund, General Revenue Fund, Tax Maintenance Fund, and County Employees Retirement Fund received less than allowed. These errors apply to the El Dorado Springs R-II and Dadeville School Districts, currently the only school districts in the county whose taxes are affected by Proposition C. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school property taxes due to a statewide education sales tax known as Proposition C. For the purpose of computing Proposition C withholdings, the County Collector computes ratios of unadjusted and adjusted school tax levies.

The County Collector should review all incorrect Proposition C calculations, recalculate the proper amounts of withholdings, and make applicable adjustments to the applicable school districts and county funds.

WE RECOMMEND the County Collector:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should review the annual settlement for accuracy and completeness.
- B. Ensure that protested taxes are disbursed in a timely manner.
- C. Review surtax distribution calculations for past years and correct errors. In addition, the County Collector should ensure future surtax distribution calculations are accurate.
- D. Recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed to the schools and the various county funds. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *I have implemented new reports to compile the annual settlements to ensure the annual settlements are accurate and will review the annual settlements with the County Clerk and County Commission before submitting the reports to the state. The annual reports mentioned above have been amended and submitted to the County Clerk and state.*

- B. *I will call the State Tax Commission every year in January to determine the status of all protested taxes.*
- C. *I have made surtax corrections after the error was discovered and have implemented changes to the distribution to the surtax.*
- D. *I have made corrections for Proposition C errors for prior years and implemented new procedures to check all Proposition C calculations in the computerized system. All formulas are being checked monthly for errors.*

12.	Sheriff Controls and Procedures
------------	--

The DARE Bank Account was held outside the county treasury, receipt slips or other records of donations received were not maintained, adequate supporting documentation was not obtained for some expenses paid in cash, and the purchase and subsequent sale of an ATV gives the appearance of a conflict of interest. Bank reconciliations were not performed on the Sheriff's fee account in a timely manner, and the Sheriff issued checks when sufficient funds were not available resulting in bank charges totaling \$85. Monthly listings of open items (liabilities) were not prepared, and consequently liabilities were not reconciled with cash balances. The petty cash fund is not maintained at a set amount, and the petty cash ledger does not include change returned by the deputies. The Sheriff does not maintain records to document the number and average cost of meals served to inmates. In addition, controls and procedures over seized property need improvement.

A. A former Sheriff's deputy maintained a DARE Bank Account outside the County Treasury for the deposit of donations and to make disbursements for the DARE Program. This account was opened in 1995 and closed in September 2007, when the deputy resigned and turned the balance of the account totaling \$1,148 into the County Commission. The County Treasurer also maintains a DARE Fund for the Sheriff's office. The DARE Bank Account held by the former deputy reported receipts and disbursements totaling \$4,840 and \$4,869 during the 2 years ended December 31, 2007, respectively. The following concerns were identified related to the DARE Bank Account:

- 1) There is no statutory authority that allows the Sheriff or his deputies to hold this account outside the county treasury. Attorney General's Opinion No. 45-92 to Henderson states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. In addition, the Sheriff should establish procedures to ensure all bank accounts involving his office are identified and properly authorized.
- 2) Receipt slips or other records of donations received were not maintained. A record of all donations received should be maintained to establish an adequate audit trail and reduce the possibility of loss or misuse of funds.

- 3) Adequate supporting documentation for some disbursements was not obtained. The former officer withdrew \$700 cash from the DARE Bank Account on June 3, 2006. The officer indicated \$500 was paid to a band to perform at a fund raising function; however, a handwritten note was the only documentation maintained. The officer indicated the remaining \$200 was deposited back into the DARE Bank Account; however, due to the lack of records related to monies received, we were unable to properly account for these monies. All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.
 - 4) The former officer sold an ATV to his brother without offering it for sale to the public, which gives the appearance of a conflict of interest. In September 1999, the officer used the DARE Fund to purchase an ATV for \$350 and subsequently sold it to his brother in November 2000 for \$400 after \$19 of repair costs were incurred. To avoid the appearance of a conflict of interest, county property should be sold publicly. In addition, given the ATV was used for such a short time, the need for an ATV for the DARE Program appears questionable.
- B. Bank reconciliations are not prepared for the Sheriff's fee account in a timely manner. The reconciliations for November and December 2007, were not performed until we requested them in May 2008. In addition, bank statements for January through March 2008 were still unopened in May 2008. Also, by not effectively monitoring the balance of his account, the Sheriff issued checks when sufficient funds were not available and was assessed bank charges totaling \$85 during the two years ended December 31, 2007. Further, several differences between the Sheriff's accounting records and the bank statements were identified.
- Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- C. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. At our request, listings of monthly open items were prepared for December 31, 2007 and June 30, 2008, and were reconciled to the respective cash balances. To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities, monthly listings of open items should be prepared and reconciled to cash balances.
- D. The Sheriff maintains a \$500 petty cash fund which is used for office supplies and for travel advances to deputies when transporting prisoners. The petty cash fund is not maintained on an imprest basis, and the petty cash ledger maintained by the Sheriff does not document change returned by the deputies. During the 2 years

ended December 31, 2007, the Sheriff obtained checks totaling \$2,289 from the county which were cashed and placed in the petty cash fund.

Good internal controls require the petty cash fund be set at an established amount and reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. A complete ledger should be maintained and reconciled to records of change returned and purchase invoices submitted.

- E. The Sheriff did not maintain records to document the number and average cost of meals served to inmates. During the year ended December 31, 2007, the county expended \$20,788 on food costs for the jail. To properly account for all meals and the average cost of meals served, these records should be maintained.
- F. A complete and accurate listing of seized property is not maintained and periodic inventories of property on hand are not conducted. While a manual listing of seized property is maintained, it is not complete or accurate. For example, the listing of seized property indicated a gun should be on hand; however, neither the Chief Deputy nor the Sheriff could locate it. The Sheriff indicated he thought the gun may have been disposed of prior to his taking office. In addition, the listing included a 1978 Ford car that was seized in 1991 and no disposition was recorded; however, it was not on hand.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure the seized property is accounted for properly.

A condition similar to D was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Turn all future DARE receipts over to the County Treasurer and discontinue opening unauthorized bank accounts. In addition, the Sheriff should ensure receipt slips or other records of donations received are maintained, adequate supporting documentation of disbursements is obtained, and transactions that give the appearance of a conflict of interest are avoided.
- B. Ensure bank reconciliations are performed in a timely manner, and any differences between the accounting records and reconciliations are investigated and resolved.

- C. Prepare monthly listings of open items and reconcile to the bank balance.
- D. Maintain the petty cash fund on an imprest basis and maintain complete ledgers to account for all petty cash receipts and disbursements.
- E. Periodically calculate prisoner meal cost.
- F. Maintain a complete inventory record of all seized property including information such as description, persons involved, current location, case number and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. I was originally unaware of the DARE bank account; however, once I became aware of it, I directed the officer to close out the account. I believe the officer opened a second account which is the account in question. All funds have been turned over to the Treasurer.

B&C. These issues have been addressed.

D. I will implement this recommendation.

E&F. My office will work on these issues.

13.	Prosecuting Attorney Controls and Procedures
------------	---

Procedures for the timely processing and subsequent disposition of bad check complaints have not been established, and court ordered restitution was not always disbursed to the victim in a timely manner. The Prosecuting Attorney and Circuit Clerk have not established procedures to track amounts due and paid on cases where joint and several liability of restitution is assessed to multiple defendants by the court. Other controls and procedures regarding segregation of duties, issuing receipt slips for monies received, and depositing receipts in a timely manner have not been established. A ledger or checkbook register was not maintained for the restitution bank account, and the Prosecuting Attorney has not established procedures to routinely follow up on old outstanding checks. In addition, no attempt has been made by the Prosecuting Attorney to identify or properly dispose of monies held in two old bank accounts. Although many of these problems were noted in our previous two audits and the Prosecuting Attorney indicated he would implement the recommendations, little progress has been made. As a result, there is less assurance that all monies have been accounted for properly.

The Prosecuting Attorney's Office collected court-ordered restitution and bad check related restitution and fees totaling approximately \$60,000 and \$78,000 during the years ended December 31, 2007 and 2006, respectively. The Prosecuting Attorney maintains an account for the deposit and disbursement of court-ordered restitution. Bad check restitution is remitted directly to the merchants and bad check fees are deposited into the Prosecuting Attorney's Bad Check Fund held by the County Treasurer.

- A. Procedures have not been established to ensure charges are filed with the court for unresolved bad check complaints on a timely basis. For example, the Prosecuting Attorney received six bad check complaints from a local merchant on June 28, and sent out ten-day letters on July 9, 2007. Charges were never filed with the Circuit Court for these six checks, and subsequently, the Prosecuting Attorney lost the authority to collect these six bad checks because the statute of limitations for prosecution had expired. Numerous other instances were noted where charges were filed with the court just prior to the expiration of the statute of limitations. By filing charges with the court in an untimely manner, the Prosecuting Attorney may limit his ability to collect bad checks for merchants. Section 556.036, RSMo, indicates that the statute of limitations expires on misdemeanor offenses (bad checks written) after one year.
- B. Court ordered restitution was not always disbursed to victims in a timely manner. For example, court-ordered restitution payments received in August 2004 totaling \$6,259 were not disbursed to the victims until November 2004. Numerous other instances were noted where restitution payments were held up to three months before being disbursed to the victims. Procedures should be established to ensure court-ordered restitution is disbursed to the victims in a timely manner and to reduce unnecessary recordkeeping.
- C. The Prosecuting Attorney and Circuit Clerk have not established procedures to adequately track amounts due and paid on cases where joint and several liability of restitution is assessed to multiple defendants by the court. As a result, the Prosecuting Attorney has overpaid victims.

Joint and several liability is used in cases where two or more people are found liable for damages. The victim in the case may collect the entire judgment from any one of the parties, or from any and all of the parties in various amounts until the judgment is paid in full. (If any of the defendants do not have enough monies or assets to pay an equal share of the award, the other defendants must make up the difference.)

The Circuit Clerk collects all restitution from defendants and disburses these collections to the Prosecuting Attorney. The Prosecuting Attorney then distributes the restitution to the victims. While the Circuit Clerk tracked amounts due and paid by each defendant individually for court costs and restitution, she did not track restitution received by the defendants jointly. In addition, the Prosecuting Attorney did not track the amounts due and paid to the victims. In

one instance, the judge ordered restitution of \$1,000 to be paid jointly and severally by three defendants to a victim. Restitution received from the three defendants was not tracked jointly by the Circuit Clerk and payments made to the victim were not tracked by the Prosecuting Attorney, and as a result, the victim was overpaid \$810.

Procedures should be established by the Prosecuting Attorney and Circuit Clerk to track joint and several liabilities assessed by the court. In addition, the Prosecuting Attorney should request the victim to refund the amounts overpaid. The recovered overpayments should be applied to other court costs due or refunded to the defendants.

- D. The duties of receiving, recording, depositing, and disbursing monies, and reconciling the bank accounts are not adequately segregated. The Prosecuting Attorney's secretary performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.
- E. Prenumbered receipt slips are not issued for all monies received. Receipt slips are only issued upon request. In addition, receipts are not recorded in the electronic accounting system in a timely manner. For example, two money orders received on April 17, 2008, totaling \$97 were not recorded in the accounting system until April 22, 2008. Without issuing and accounting for prenumbered receipt slips for all monies collected and recording all receipts into the accounting records in a timely manner, the office cannot ensure all monies collected are ultimately accounted for and deposited.
- F. Monies received are not always deposited in a timely manner. Deposits are normally made only once or twice per month and average approximately \$1,100. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis.
- G. We noted the following concerns regarding the Prosecuting Attorney's bank account used to process restitution payments:
 - A ledger or checkbook register is not maintained. Without maintaining records of cash balances, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.
 - The Prosecuting Attorney has not established procedures to routinely follow up on old outstanding checks. As of December 31, 2007, 15 checks totaling \$792 were over one year old. Procedures should be established to routinely

investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

H. The Prosecuting Attorney maintains two old bank accounts, and the following concerns were noted:

- One of the bank accounts was used by the former bookkeeper, has had no activity since 2005, and had a balance of \$7,137 as of December 31, 2007. Of this amount, \$5,095 was unidentified and the remaining balance of \$2,042 is outstanding checks that date back to 2001 through 2005.
- The other bank account has had no activity since 1997, was used by the former Prosecuting Attorney, and had a balance of \$1,347 as of December 31, 2007. None of these monies have been identified.
- Bank reconciliations were not performed for either of these bank accounts, and as a result of the lack of monitoring, \$75 in "no activity" fees were charged to one of these bank accounts from September 2006 to December 2007, without the knowledge of the Prosecuting Attorney.

No attempt has been made by the Prosecuting Attorney to identify or properly dispose of the monies in these accounts. The Prosecuting Attorney should attempt to identify the monies held in these accounts and obtain written authorization from the court to dispose of all unidentified monies and close the accounts.

WE RECOMMEND the Prosecuting Attorney:

- A. Establish procedures to adequately follow-up on ten-day letters for bad checks received by filing charges with the court in a timely manner.
- B. Establish procedures to ensure court ordered restitution is disbursed to victims in a timely manner.
- C. And Circuit Clerk establish procedures to track joint and several liabilities assessed to multiple defendants. In addition, the Prosecuting Attorney should contact the victim to obtain reimbursement of the overpayment made.
- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney or an independent person should perform documented reviews of the accounting records.
- E. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition,

ensure all receipts are recorded in the electronic accounting system in a timely manner.

- F. Deposit all monies on a timely basis.
- G. Maintain a checkbook register or ledger for the restitution account and attempt to contact the payees of old outstanding checks. If the payees cannot be located, the unclaimed monies should be distributed in accordance with applicable statutory provisions.
- H. Attempt to identify the monies held in these bank accounts, and obtain written authorization from the court to dispose of all unidentified amounts and close the accounts.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *Due to our experience with the Postal Service, we have determined that a twenty day window is more appropriate as there have been many instances that the mail has not been delivered within the ten day time frame. Our policy will be to file within 20 days if not paid.*
- B. *We have additional office help and a software program where we are able to disburse all monies received in a timely manner.*
- C. *We plan to advise the Circuit Clerk that on joint and several restitution orders, she will need to hold the monies paid to be redistributed by that office to the co-defendants as overpayments are made. An alternative would be to make direct payments to the victims from the Circuit Clerk's office.*
- D. *We are addressing the matter with regard to segregating duties between staff by depositing of monies, reconciliation of accounts and the ledger, and as the Prosecuting Attorney's signature is required on all monies distributed.*
- E. *All cash receipts are deposited on the date of receipt. There may be some delay on recording money orders into the accounting program as we have designated part-time help handling that data entry.*
- F. *All cash receipts are deposited on the day of receipt. Money orders payable to the Prosecuting Attorney Bad Check Fund will be deposited within a week.*
- G. *The first item of concern has been addressed as we have a checkbook register beginning January 1, 2008. The second item will be that we are implementing a policy of transfer of outstanding check funds to the State Treasurer's office on a not less than annual basis.*

- H. *As of now, our office has gone through all of the two old accounts. We have identified the distributees of these accounts except for \$308.41 in one account and \$1,875.79 in the other. It appears that the balance remaining is for bad check fees, as bad check fees were the last to be paid out of those accounts. However, we have no record of that as bad check fees were not identified going into the accounts and therefore, those balances will be transferred to the State's Unclaimed Funds.*

The Circuit Clerk provided the following response:

- C. *I will continue to collect the restitution and turn it over to the Prosecuting Attorney at the end of each month as I have done in the past; however, due to staffing constraints and workload issues, my office cannot distribute the restitution. My office now has the capabilities of relating cases with joint and several restitution due, and procedures have been put in place to address this issue.*

14. Circuit Clerk Controls and Procedures
--

Monitoring procedures related to accrued costs are not adequate, and the Circuit Clerk does not adequately track the disposition of each case. In addition, manual receipt slips issued are not reconciled with monies posted to the electronic accounting system, receipt slips are not issued for some monies upon receipt, and monies received are not always deposited intact or in a timely manner. Bank reconciliations are not always completed in a timely manner, and no procedures have been established to follow up on old outstanding checks.

The courts collected and disbursed civil and criminal fees, fines, and bonds totaling approximately \$500,000 annually for the years ended December 31, 2007 and 2006.

- A. Monitoring procedures related to accrued costs are not adequate. The Circuit Clerk relies on the probation and parole officers to ensure that monies owed to the court are paid. In addition, the court has elected to use the state contracted collection agency to collect delinquent case costs. Upon our request, the Circuit Clerk ran a report of accrued costs totaling \$1,247,026 due to the Circuit Court as of May 2008. The following concerns were identified during our review of this listing:

- Accrued costs totaling \$229,467 assessed on 567 cases had not been turned over to the state contracted collection agency by the Circuit Clerk. The Circuit Clerk indicated these fees had not been turned over due to a misunderstanding with the Office of State Courts Administrator (OSCA) regarding which types of court costs due are allowed to be turned over to the collection agency. These fees primarily represent restitution and public defender fees.

- A defendant was released from probation/parole in March 2007, and had not paid the assessed court costs and restitution due totaling \$16,837 as of May 2008. The Circuit Clerk indicated this occurred due to lack of communication between the probation and parole officer and her office.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue. In addition, the court should contact OSCA to gain a clear understanding of which court costs are allowed to be submitted to the state contracted collection agency and submit any allowable amounts. The Circuit Clerk should also establish a system of communicating with probation and parole officers to ensure remaining financial obligations are met before a defendant is released from probation/parole.

- B. The Circuit Clerk does not adequately track the disposition of each case. For example, in February 2006 the Associate Circuit Judge ordered a seized vehicle to be disposed of under the provisions of Article IX, Section 7, of the Missouri Constitution and Section 513.620, RSMo. These provisions provide for the property to be sold by the Sheriff and for the Circuit Clerk to transmit the net proceeds to the County Treasurer for the use of the County School Fund. The Sheriff sold the vehicle for \$3,600 and turned the proceeds over to the County Treasurer with his monthly fees in June 2006. The County Treasurer was not aware the Sheriff's monthly fees included the sale proceeds and deposited the monthly fees into the Law Enforcement Sales Tax Fund. In August 2008, the Circuit Clerk realized that this case had not been closed and the proceeds had not been turned over to the County School Fund. The Circuit Clerk also indicated that she believes several more cases were handled in this manner.

The Circuit Clerk should establish procedures to track the disposition of each case and property ordered to be disposed of to ensure funds are disbursed to the schools in compliance with state law.

- C. Manual receipt slips issued are not reconciled with monies posted to the electronic accounting system to ensure that all monies received were properly recorded and deposited. The court occasionally issues manual receipt slips if the electronic system is down or if it has been closed out for the day. To ensure receipts are properly accounted for, manual receipt slips should be reconciled to the electronic accounting system and subsequent deposit.
- D. Receipt slips are not issued for some monies immediately upon receipt. For example, receipt slips are not issued for garnishments until the end of each month and are only issued for copy monies upon request. To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt.

- E. Monies received are not always deposited intact or in a timely manner. As noted above, garnishments received are held and not deposited until the end of each month, and some monies received for traffic tickets are held and not deposited until the traffic ticket is filed with the court. In addition, monies received for copy fees are held and used for petty cash disbursements, and as a result, the petty cash fund is not maintained on an imprest basis.

A cash count performed on April 16, 2008, showed garnishments totaling \$196 received between March 31 and April 9, 2008, were not deposited until April 19, 2007. The cash count also showed traffic ticket monies totaling \$80 received on April 1, and April 7, 2008, were not deposited until April 28 and April 22, 2008, respectively. Another traffic payment received in the amount of \$10 received on April 4, 2008, had not been deposited as of June 5, 2008.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. In addition, good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended.

- F. Bank reconciliations are not consistently performed each month. For example, the December 31, 2007, reconciliation was not performed until April 11, 2008. In addition, the Circuit Clerk has not established procedures to routinely follow up on old outstanding checks. As of December 31, 2007, 21 checks totaling \$644 were over one year old.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

WE RECOMMEND the Circuit Clerk:

- A. Establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court. The Circuit Clerk should turn over all allowable costs to the state contracted collection agency and establish an effective system of communicating financial obligations of defendants with probation and parole officers.
- B. Establish procedures to track the disposition of each case.
- C. Reconcile manual receipt slips issued to the electronic accounting system and subsequent deposit.

- D. Ensure receipt slips are issued for all monies immediately upon receipt.
- E. Deposit all monies intact and in a timely manner, and ensure the petty cash fund is maintained at a constant amount.
- F. Ensure bank reconciliations are performed in a timely manner and attempt to contact the payees of the old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *A complete list of accrued costs is maintained on the Justice Information System (JIS) and available at any time by running a report. A partial report is run often, and we have worked diligently to get these accounts where we can turn them over to the debt collection agency. This report can be run at any time and I had just reviewed these accounts with the County Commission earlier in the year.*

Once a criminal case is disposed of and a defendant is placed on supervised probation, there is a probation order prepared, signed by the judge and the defendant, setting out special conditions of probation (the defendant actually has until the end of their probation to pay off their debt), and in that order there is a specific payment plan set out for payment of costs, restitution, and any other cost that may be assessed against that defendant. The special condition sets out "regular monthly payments in a certain amount to be paid beginning a certain date and each month thereafter until paid in full". The Probation Officer then takes that order and discusses the special conditions with the defendant and the defendant is given a copy of the order. The court sets up a payment plan in JIS according to the probation order and a copy of the fee sheet with the payment due date on it is sent to the defendant. A docket/calendar is run daily and the payment reviews are tracked daily through those calendars. If a defendant falls delinquent, the judge is usually notified either by Probation and Parole and a warrant is issued or if they are unsupervised, the judge may order a summons issued for their appearance or a warrant for failure to appear and show cause why they were unable to make their payment on time. If the defendant does not appear and the account becomes 60 days delinquent, because it is set up on a payment plan, it will automatically roll over to the debt collection agency, and they have control of that account. Each month, if a payment is made to debt collection, I receive a report and apply that payment to their account.

My office has tracked our payments very closely for a number of years and has collected a lot of monies during that time. I believe I indicated to an auditor that the figure you see is not completely accurate due to the fact that if there is more than one defendant that has committed a crime together, the Judge may order restitution to be paid joint and severally, meaning that if one defendant does not pay their part the others would have to

pick up that portion also. So, you may see multiple amounts entered into that balance when there actually should be one figure.

The Circuit Clerk's office does not depend upon Probation and Parole to ensure payment of the court costs. Probation and Parole usually will check with my office to see if the defendant has paid their costs 60-90 days prior to the end of the probation period, but my office closely monitors collections. I have been in contact with the Probation and Parole supervisor to establish better communication between them and the courts.

A clarification for restitution and Public Defender liens has been addressed with the Office of State Courts Administrator and payment plans have been established. When we first went with the debt collection agency, they did not allow restitution and Public Defender liens to be assessed.

- B. With regard to tracking disposition of closed cases under Section 513.620, RSMo, when a civil judgment is rendered, it is the responsibility of the initiating party to pursue collection of a judgment, not the courts. The Prosecuting Attorney should have been pursuing the order of the court to turn over any proceeds that the Sheriff confiscated or that was collected from a sale of property. The sale of the vehicle by the Sheriff was not reported to my office and no proceeds were turned over to my office. If the Sheriff does not file a Proof of Publication or Report of Sale with the court, the court is not informed of any sale being had nor that the fees were turned over to the County Treasurer. I have notified the County Treasurer that these fees should be turned over to the court. I have also requested that if any CAFA funds are received by the County Treasurer, that my office be notified of such at the time they are received. A form has been established to be delivered to the Sheriff's Department upon judgment being rendered by the court for any proceeds from the sale of property, or monies confiscated at the time of the arrest to be turned over to the court to be disbursed pursuant to Article IX, Section 7, and Section 513.620, RSMo.*
- C. A procedure for manual receipts has been implemented by my office that reconciles the manual receipts with the JIS receipts on a daily basis to ensure receipts are properly accounted for.*
- D. A procedure has been implemented by my office on receipting copy money and it is to be receipted daily.*
- E. I have established a procedure for any funds received on criminal or traffic cases that monies are receipted into JIS under a shell case until proper documentation is filed by the Prosecuting Attorney. In the past, monies were not receipted, but held in the vault until the Prosecuting Attorney filed the case with the Court. I now have a procedure in place to prevent this from occurring.*

My office receipts monies for garnishments at the time payment is received daily. On one case, we receive a very small amount each week and one time we held those to make one

receipt and payout due to time constraints and staffing issues. This is not a normal practice. All receipts are taken and receipted within the same day.

- F. *With regard to bank reconciliations, I did get a little behind in 2007 due to the lack of staffing and having to cover another 40-hour position that was vacated in 2006. I worked 70-75 hours a week doing criminal and traffic court and also doing my own job which on a normal basis consists of approximately 60 hours a week regularly. I reviewed bank statements via internet on a very regular basis to ensure there was not any unusual activity in my accounts. However, the bank reconciliation referred to as not being done from December 2007 until April 2008 is incorrect. There was a \$68 discrepancy in my reconciliation that I carried forward in order to be able to keep my bank reconciliations done as quickly as humanly possible and in April 2008, I was able to resolve that discrepancy and that is when I went back to the December statement to make the correction. Any time that you go back to a bank reconciliation to make a correction, it changes the date of the reconciliation to that date. My January 31, 2008, bank reconciliation, shows it was done on March 30, 2008, February 2008 was done on May 2, 2008, March, April, and May 2008, were done on June 21, 2008, and June 2008 was done on July 15, 2008. I was under staffed from May 2006 until March 2008, and our office struggled to keep our heads above water during that time. I now have two new staff and am reaching a comfortable area where they are becoming more efficient and able to do more in the office to help take some of that load off me. I am able to schedule my time more to work on financial matters and keep more focused on what my duties entail. I have taken care of all these old outstanding checks.*

15.

Public Administrator Controls and Procedures

The Public Administrator has not established procedures to ensure adequate collateral securities are pledged by clients' depository banks. Fees assessed to the estates were not turned over to the county in a timely manner, and the Public Administrator erroneously paid court ordered fees twice from client estates on several occasions. Some annual settlements prepared by the Public Administrator's office were not complete or accurate. Checks were not always issued in numerical order, blank checks were sometimes signed in advance, several checks were post-dated, and in one instance the Public Administrator issued a check from a client's closed account. The Public Administrator did not adequately monitor the account balances of various clients, and as a result, incurred overdraft charges. In addition, the Public Administrator borrowed funds against a client's Certificate of Deposit (CD) to pay normal living expenses and subsequently lost the client's interest earnings. A duplicate purchase of a \$5,000 burial plan was made for one client.

- A. The Public Administrator has not established procedures to ensure adequate collateral securities are pledged by clients' depository banks. No collateral securities were pledged by depository banks to cover monies in excess of FDIC coverage.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

- B. Fees assessed to estates were not turned over to the county in a timely manner. For example, fees totaling \$602 (for all years) were ordered to be paid to the county for 2005, 2006, and 2007 for one estate, but were not paid by the Public Administrator until July 2008. In other examples, fees for two estates were ordered to be paid to the county for 2004, 2005, and 2006 totaling \$2,214 and \$2,098 (for all years), but were not paid until February and September 2007, respectively. Monies were available in each of these estates to pay these fees. The Associate Circuit Judge typically orders an administrative fee of five percent based on the income of the estate to be assessed and these fees are to be turned over to the county.

In addition, the Public Administrator erroneously paid court ordered fees twice from client estates on several occasions. The court ordered \$507 in fees to be paid to the county in 2007, and the Public Administrator paid these fees on May 10, 2007 and again on December 11, 2007. In another example, the court ordered \$80 and \$171 in fees to be paid to the county in 2006 and 2007, and the Public Administrator paid these fees on November 15, 2006, and November 4, 2007, and again on July 19 and August 4, 2008, respectively.

The Public Administrator and Associate Circuit Judge should review the annual settlements to ensure fees are paid to the county in a timely manner and fees are not paid erroneously.

- C. Some annual settlements prepared by the Public Administrator's office were not complete or accurate. Real estate valued at \$107,950 was not reported on one estate's annual settlement. A federal tax liability reported on a federal property seizure form totaling \$349,956 was not reported on another estate's annual settlement. In addition, check dates and numbers recorded on the annual settlements did not always match actual check dates and numbers issued. Further, the Associate Circuit Court has not established procedures to adequately monitor the activity of cases assigned to the Public Administrator.

To ensure the financial activity of the estates is accurately reported to the court, all assets, liabilities, receipts, and disbursements should be accurately reflected on the annual settlements. Failure to adequately review and monitor the activity of cases assigned to the Public Administrator by the Associate Circuit Court and Judge increases the risk that errors or misuse of funds could go undetected.

- D. Checks were not always issued in numerical order, blank checks were sometimes signed in advance, several checks were post-dated, and in one instance the Public Administrator issued a check from a client's closed account.

The Public Administrator indicated she issued checks out of numerical order from two estates because she misplaced the client's checkbooks during the periods of September 2006 through January 2007 and November 2006 through July 2007, respectively. Although her assistant is authorized to sign checks, blank checks were signed in advance by the Public Administrator while she was out of town. In addition, the Public Administrator indicated she often post-dates checks issued to her clients and other parties so they will not cash the checks prior to funds being available. Also, the Public Administrator issued a check to the County Treasurer for fees from a client's account which she had closed.

To properly account for all disbursements, checks should be issued in numerical sequence and recorded in order on the check registers and annual settlements. Signing checks in advance should be discontinued as this creates an opportunity for theft or misuse, and checks on hand for closed accounts should be voided so they cannot be used. Post dating checks decreases the established controls over disbursements and should be discontinued.

- E. The Public Administrator did not adequately monitor the account balances of various clients, and as a result, overdraft fees were incurred. While a ledger was maintained for each client's bank account, transactions were not always posted in a timely manner and a running check book balance was not maintained. The Public Administrator frequently did not post transactions or update the check book balance until a bank statement was received. Timely recording of all transactions and maintaining a running check book balance would aid in monitoring each client's account balance and eliminate the occurrence of bank service charges.
- F. The Public Administrator borrowed against one client's CD on multiple occasions to pay normal living expenses. These borrowings cost the client her interest earnings on the CD plus an additional two percent penalty. Also, the Public Administrator did not petition the court for approval of the loans until several months after they were made. The Public Administrator should establish procedures to ensure funds are available for the payment of normal living expenses of her clients. In addition, if unexpected or emergency costs are incurred and the Public Administrator needs to borrow against a client's CDs, the court should be petitioned for approval of the loan in a timely manner.
- G. The Public Administrator purchased a \$5,000 burial plan for a client that already owned a similar burial plan. The original burial plan was listed on the client's original inventory as an asset, and it is unclear why the Public Administrator bought the additional burial plan. The Public Administrator subsequently obtained a refund for the second burial plan purchased. The Public Administrator should review the activity of each client to ensure duplicate purchases of products and services are not made.

Although conditions similar to A and B were noted in our previous audit, these conditions have not improved.

WE RECOMMEND the Public Administrator and Associate Circuit Judge:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Ensure fees are paid to the county in a timely manner and are not paid erroneously.
- C. Ensure annual settlements are prepared which accurately report all estate assets, liabilities, receipts, and disbursements. In addition, the Associate Circuit Judge should establish procedures to adequately monitor the activity of cases assigned to the Public Administrator.
- D. Account for the numerical sequence of checks issued and avoid misplacing checkbooks. In addition, the practice of signing blank checks in advance and post-dating checks should be discontinued. Blank checks from closed accounts should be properly voided and maintained.
- E. Ensure transactions are recorded in a timely manner and a running check book balance is maintained to aid in monitoring client balances and eliminating unnecessary bank charges.
- F. Establish procedures to ensure funds are available for the payment of normal living expenses of clients. In addition, if a loan against a CD is necessary, the Public Administrator should petition the court in a timely manner.
- G. Review the activity of each estate to ensure duplicate purchases of products and services are not made.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

A, B,

F&G. I will monitor these issues more closely in the future.

C. It is my office's procedure not to show real estate on the annual settlement and I do not have plans to change this procedure. Real estate is only shown on the inventory list. I am aware of the tax liability, but am unsure of the exact amount of it. When I determine the proper amount, I will include it on the annual settlement.

D. I agree with this recommendation.

E. *I am doing what I think is right.*

The Associate Judge provided the following response:

The Public Administrator is an elected official and has no opponent in the upcoming November election. I require her to have an attorney in all estates. She uses an attorney in which I have confidence. I require her to be adequately bonded in case an estate actually loses money. The Probate Court has one clerk who is able to devote less than one half of her time to probate work. The Public Administrator activities are probably less than one half of the Probate Court work load. We do not have the resources to monitor the Public Administrator in the manner you seem to be suggesting. However, we will try to implement your recommendations as best as we can. We do our best to ensure the wards are not losing money and their funds are not being misappropriated. There is no indication in your report that the Public Administrator has misappropriated or lost funds. I agree that the Public Administrator's bookkeeping and reporting practices leave much to be desired. However, the clerk and I have no way of knowing about most of the findings reported, as we only see the annual reports. The \$300,000 estate has been closed, and the \$137,000 estate is moot because of the \$250,000 FDIC limit. However, we will add Section 110.020, RSMo, to our checklist in the future.

16. Senior Citizens Service Board
--

The Senior Citizens Service Board did not have written contracts with the city of El Dorado Springs and the senior care center it provided funding to and did not adequately monitor the monies provided. Minutes were not signed by the Board President or another board member, board minutes did not always record the votes cast by each individual board member, and minutes were not retained for the February 2008 board meeting.

- A. The Senior Citizens Service Board did not have written contracts with the city of El Dorado Springs and the senior care center it provided funding to and did not adequately monitor the monies provided. During the year ended December 31, 2007, the board made payments to these entities totaling approximately \$51,000.

Written contracts provide the framework necessary to detail the services to be provided and the amount of monies to be paid, and Section 432.070, RSMo, requires contracts to be in writing. In addition, to ensure the board funds are properly expended, financial reports documenting how funds are spent should be obtained from these entities and reviewed by the board.

- B. Board minutes are prepared and signed by the board treasurer, but are not always signed by the board president or another board member. In addition, board minutes did not always record the votes cast by each individual board member. The minutes typically indicate motions were approved, but a record of how each member voted was not documented. Also, minutes were not retained for the February 2008 board meeting.

The board minutes should be signed by the board treasurer as preparer and by the board president or another board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. Section 610.020, RSMo, states the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent record of decisions made by the board. Therefore, it is imperative that the minutes be prepared to clearly document all business and discussions conducted.

WE RECOMMEND the Senior Citizens Service Board:

- A. Enter into written contracts for all funding requests which clearly detail services to be performed and the compensation to be paid or benefits received, and require these entities to provide financial reports documenting how funds provided by the board are spent.
- B. Ensure minutes are signed by the board president or other board member, a record of votes taken is documented, and all minutes are retained.

AUDITEE'S RESPONSE

The Senior Citizen Service Board provided the following responses:

- A. *We will consider entering into written contracts. The entities gave an oral presentation about how funds were spent; however, written financial records were not provided.*
- B. *We will ensure minutes are signed by the board president, votes taken are recorded, and all minutes are retained.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

CEDAR COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Cedar County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Delinquent Property Tax Sale

The County Commission failed to review all applicable statutes related to the handling of delinquent property tax sales to ensure they were protecting all taxes due and to prevent any loss to other taxing authorities involved from possible inadequate bids. The County Collector also failed to adequately advertise the property for sale prior to selling the property to an Associate Commissioner.

Recommendation:

The County Commission and County Collector review all applicable statutes to ensure the county is protecting all taxes due and owing and prevent their loss to the taxing authorities involved from possible inadequate bids received during tax sales. In addition, the County Collector should ensure the properties offered for sale are adequately advertised.

Status:

Implemented.

2. County Officials' Compensation and Bonds

- A. Based upon Section 50.333.13, RSMo, enacted in 1997, the associate county commissioners were approved mid-term raises in 1999. The Supreme Court held that this section of the statute violated Article VII, Section 13, of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term in office.
- B. The Presiding Commissioner received a mid-term salary increase in January 2001 that was not authorized by the salary commission when they met in 1997 and 1999.
- C. The County Treasurer's salary was increased effective with the start of his new term of office on January 1, 2003, based upon House Bill 2137, which became effective August 28, 2002. There was no documentation supporting whether the salary commission met or that a legal opinion was obtained to approve this salary increase.
- D. The county did not have adequate bond coverage for several county officials.

Recommendation:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of salary overpayments.
- B. Review the salary increase and develop a plan for obtaining repayment for the salary overpayment. In addition, ensure all salary commission minutes clearly document all decisions made.
- C. Consult with legal counsel and review the situation to ensure the actions were taken in accordance with state law.
- D. Require all elected officials to be bonded as required by statute.

Status:

- A. Not implemented. The County Commission indicated they do not plan to obtain reimbursement of the salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Salary commission minutes currently clearly document all decisions made; however, the County Commission indicated they do not plan to obtain reimbursement of the salary overpayment. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Not implemented. A legal opinion was not obtained. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Implemented.

3. County Financial Records, Procedures, and Budgetary Practices

- A. The County Clerk did not reconcile her accounting records monthly with the County Treasurer, and numerous adjustments were made to the County Clerk's expenditures for errors made in recording health insurance expenditures.
- B. The county's budgets were not accurate. Actual expenditures were over or under stated for several funds and the budgets contained several misclassifications of receipts and disbursements.
- C.1. The County Commission and other county officials approved expenditures in excess of budgeted amounts for several funds.

- 2. Budget amendments were made after expenditures had already exceeded the original budgeted amounts.
- D. Formal budgets were not prepared for various county funds.
- E. An annual maintenance plan for the county roads was not prepared.

Recommendation:

The County Commission:

- A. Require the County Clerk to reconcile her accounting records with the County Treasurer monthly and document and fully investigate all reconciling items.
- B. Ensure the budget document contains accurate information about the county's finances and agrees to the County Treasurer's records. In addition, the County Commission should ensure all significant receipts and disbursements are properly classified on the budgets. The County Commission and County Clerk should also thoroughly review the budget document before it is finalized and filed with the State Auditor's office.
- C.1. Ensure expenditures are kept within the amounts budgeted. If additional funds are received which could not be estimated when the budget was adopted, the County Commission should amend the budget by following procedures established by state law.
- 2. Implement procedures to ensure budgets are properly amended if necessary, budget amendments are properly made prior to incurring the actual expenditures, and valid reasons which necessitate excess disbursements are provided.
- D. Ensure budgets are prepared for all county funds as required by state law.
- E. Establish a formal annual maintenance plan for county roads.

Status:

A,B,
&C.2. Implemented.

C.1,D,
& E. Not implemented. See MAR finding number 7.

4. County Expenditures

- A. The county's quarry did not appear to be operating as originally estimated by the County Commission nor had the county paid off its initial investment.
- B. The county entered into a loan agreement in 2002 for one year to purchase recording equipment for the Sheriff's department and then renewed it for the next two years. The loan agreement did not contain any provisions for the county to cancel the agreement due to lack of appropriations or other reasons. Without this type of option, the county appeared to have entered into a long term debt arrangement.
- C. The county did not always solicit bids or bid documentation was not always retained for various purchases.
- D. The county had no procedures in place to ensure Forms 1099 were filed with the IRS when required.
- E. The County Commission paid cellular telephone usage billings without reviewing supporting detailed documentation of actual telephone calls made. In addition, some billings received did not provide the detail of actual calls made, but only total charges for the month.

Recommendation:

The County Commission:

- A. Continue tracking the costs of quarrying the gravel and update their cost/benefit analysis on a regular basis. In addition, they should reevaluate the quarry's savings and the potential cubic yards of gravel to be quarried to determine whether the land is still a good investment.
- B. Ensure the county's indebtedness is in compliance with state law, and in the future, the County Commission should adequately document its evaluation of any financing arrangements, funds available, and interest costs.
- C. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- D. Ensure IRS 1099-MISC forms are prepared and submitted as required.
- E. Require all billings have the detailed listing of all telephone calls made for the month, and thoroughly review the detailed records of calls prior to approving payment of invoices. In addition, the County Commission should develop a formal

written policy regarding the use of cellular phones, including a provision prohibiting their use for personal reasons.

Status:

A,C

&D. Not implemented. See MAR finding number 5.

B. Implemented.

E. Not implemented. See MAR finding number 6.

5. Property Tax System

A. The County Clerk did not maintain an account book with the County Collector.

B. The County Clerk did not prepare or verify the current or back tax books for accuracy.

C. The County Clerk did not reconcile total additions and abatements to the County Collector's annual settlements.

D. The County Clerk did not prepare and file the Land and Personal Tax Aggregate Abstract, the Railroad and Utility Aggregate Abstract, and the Back Tax Aggregate Abstract for the 2003 tax year until February 2004. In addition, the Back Tax Aggregate Abstract was not accurate because it did not include late assessment penalties.

E. Bank balances of protested bank accounts were not reconciled to a listing of all taxes held under protest. In addition, annual settlements prepared by the County Collector did not include some protested taxes.

Recommendation:

The County Commission:

A. Ensure the County Clerk maintains an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlement.

B. Ensure the County Clerk formally verifies the accuracy of the tax books.

C. Ensure the County Clerk reconciles additions and abatements to the County Collector's annual settlements.

- D. Ensure the County Clerk accurately prepares and files the Land and Personal Tax Aggregate Abstract, the Railroad and Utility Aggregate Abstract, and the Back Tax Aggregate Abstract with the Department of Revenue and State Tax Commission.
- E. Ensure the County Collector prepares listings of all protested taxes and performs periodic reconciliations between the listings and the bank balances and files complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.

Status:

A,B

&D. Implemented.

- C. Not implemented. The County Clerk has made improvements to procedures over additions and abatements; however, see MAR finding number 10 for a related situation.
- E. Partially implemented. The County Collector prepared listings of all protested taxes and performed reconciliations between the listings and the bank balances; however, complete and accurate annual settlements were not prepared by the County Collector, and the County Clerk and County Commission did not adequately review the annual settlements for accuracy. See MAR finding number 11.

6. Personnel Policies and Procedures

- A. The Sheriff maintained timesheets and leave records for his department's full-time employees in his office, but did not file these with the County Clerk's office monthly. In addition, the Prosecuting Attorney's secretary did not always prepare a timesheet documenting actual hours worked.
- B. Records of vacation or sick leave earned, taken, and accumulated were not maintained for the Prosecuting Attorney's secretary, and the Sheriff maintained leave records for his office's employees and did not file these leave records with the County Clerk's office.

Recommendation:

The County Commission:

- A. Require the Sheriff's employees to file timesheets with the County Clerk's office, and also require the Prosecuting Attorney's secretary to prepare and file her timesheets with the County Clerk's office.
- B. Maintain centralized leave records for all county employees.

Status:

Implemented.

7. General Fixed Assets

The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records, and physical inventories were not performed for assets assigned to some officials. Several fixed assets purchased were not added to the listing, and the county did not add the cost of the addition of an elevator to the value of the court house. Property records did not always include the necessary information for some assets, such as serial number, make, model, identification number, acquisition by fund, acquisition date, and the date and method of disposal. Property items were also not always properly numbered, tagged, or otherwise identified.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Also, inventories and inspections should be performed by each county official and the County Clerk, and general fixed asset purchases should be periodically reconciled to general fixed asset additions. In addition, property control tags should be affixed.

Status:

Partially implemented. Physical inventories are now performed and property items are numbered, tagged, or otherwise identified; however, the listing is not complete. See MAR finding number 9.

8. Prosecuting Attorney Records and Procedures

A.1. Procedures had not been adopted by the Prosecuting Attorney to ensure that bad check complaints were filed with the court after the ten-day letter was sent and payments for bad checks written had not been received within the required ten-day period.

2. Court-ordered restitution payments were not disbursed to the victims in a timely manner.

B. The duties of receiving, recording, depositing, and disbursing monies, and reconciling the bank accounts were not adequately segregated, and there was no indication that supervisory reviews were performed.

- C. Receipt slips were only issued upon request.
- D. Receipts were not deposited in a timely manner.
- E. Cashiers checks and money orders received were not restrictively endorsed immediately upon receipt.
- F.1. Monthly bank reconciliations were not performed on the restitution account. In addition, the check book register was the only accounting record indicating a book balance, and it was not properly maintained. As a result, the December 31, 2003, reconciled bank balance exceeded the check book balance by \$6,656.
- 2. The Prosecuting Attorney had not established procedures to follow up on old outstanding checks.
- 3. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances.
- G. The Prosecuting Attorney's office failed to periodically back-up information maintained on the computerized bad check complaint log and information was lost. In addition, monthly reports of bad checks and court-ordered restitution payments received and processed had never been printed or retained.
- H. The Prosecuting Attorney did not document his approval of bad check fee waivers.
- I. The Prosecuting Attorney had made no attempts to identify or dispose of monies in an old bank account, which had no activity since 1997.

Recommendation:

The Prosecuting Attorney:

- A.1. Establish procedures to adequately follow-up on ten-day letters for bad checks received and file complaints with the Circuit Clerk in a timely manner.
- 2. Establish procedures to ensure court ordered restitution is disbursed to the victims in a timely manner.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.
- C. Issue pre-numbered receipt slips for all bad check fees and restitution received and account for the numerical sequence of receipt slips. In addition, the receipt slips should be reconciled to bank deposits.
- D. Deposit all monies intact daily or when accumulated receipts exceed \$100.

- E. Restrictively endorse cashiers checks and money orders immediately upon receipt.
- F.1. Maintain an accurate balance in the checkbook register, and prepare monthly bank reconciliations. In addition, identify the difference between the reconciled bank balance and the checkbook register balance.
 - 2. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
 - 3. Prepare monthly listings of open items and reconcile the listing to the cash balance.
- G. Periodically prepare a backup disk and store it at an off-site location. In addition, monthly reports of bad checks and court-ordered restitution payments received and processed should be printed and retained.
- H. Approve and document all waivers of bad check fees.
- I. Attempt to identify the monies held in the old bank account and obtain written authorization from the court to dispose of the monies and close the account.

Status:

A-D,

F&I. Not implemented. See MAR finding number 13.

E,G

&H. Implemented.

9. Public Administrator Procedures

- A. Annual settlements were not filed in a timely manner, and while the probate court had a tracking system in place to notify the Public Administrator when an annual settlement was due, follow-up procedures had not been established.
- B. The Public Administrator had not established procedures to monitor collateral securities pledged by a client's depository bank and funds were under secured.
- C. Forms 1099 were not prepared for an unincorporated attorney who was paid in excess of \$600 from each of a number of estates for legal services.
- D. While the Public Administrator often collected her portion of fees assessed to the estates, she failed to collect the county's portion of the court-ordered fees.

- E. Real property (not under the control of the Public Administrator) was inaccurately included as an asset on the Public Administrator's annual settlements.

Recommendation:

The Public Administrator and the Associate Circuit Judge:

- A. Ensure annual settlements are filed on a timely basis.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- C. Ensure 1099 forms are prepared in accordance with IRS guidelines.
- D. Ensure fees are paid to the county in a timely manner.
- E. Ensure only assets under the control of the Public Administrator are reported on the annual settlement.

Status:

A&C. Implemented.

- B. Not implemented. See MAR finding number 15.
- D. Partially implemented. The Public Administrator currently receives payment from the county for her salary; however, the Public Administrator is not paying fees ordered to the county in a timely manner. See MAR finding number 15.
- E. Implemented. No similar instances were noted.

10. County Clerk's Records and Procedures

- A. The method of payment received was not always indicated on the receipt slips, receipt slips were not always issued in sequential order, and the original copies of voided receipt slips were not always maintained.
- B. Receipts were not always transmitted to the County Treasurer on a timely basis.
- C. Checks and money orders were not restrictively endorsed immediately upon receipt.
- D. Accounting duties were not adequately segregated.

Recommendation:

The County Clerk:

- A. Ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer. In addition, ensure receipt slips are issued in sequential order, and maintain original copies of all voided receipt slips.
- B. Transmit receipts to the County Treasurer monthly or when accumulated receipts exceed \$100.
- C. Restrictively endorse checks and money orders immediately upon receipt.
- D. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

- A. Partially implemented. The method of payment is indicated on receipt slips, the composition of receipts is reconciled to amounts transmitted, and receipt slips are issued in sequential order; however, the original copy of one voided receipt slip was not retained. Although not repeated in the current MAR, our recommendation remains as stated above.

B&D. Implemented.

- C. Not implemented. During a cash count, we noted two checks were not restrictively endorsed. The County Clerk indicated her normal procedure is to endorse checks immediately upon receipt, and the checks noted in the cash count were errors. Although not repeated in the current MAR, our recommendation remains as stated above.

11. Sheriff's Records and Procedures

- A. The Sheriff's office had no formal follow-up procedures for unpaid board bills.
- B.1. The petty cash fund used for travel advances to deputies when transporting prisoners and for investigations was not maintained at a set amount. Invoices or purchase receipts were not always submitted to the county to support or document the amount being requested to replenish the fund. In addition, the Sheriff did not provide any documentation to determine the cash on hand.
- 2. The Sheriff did not maintain a ledger to account for receipts, disbursements, and cash balances. In addition, deputies were not required to document the use of monies obtained.

Recommendation:

The Sheriff:

- A. Compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.
- B. Maintain the petty cash fund at a constant amount, and maintain documentation of all petty cash receipts and disbursements. In addition, ledgers should be maintained to account for all petty cash receipts and disbursements. Individuals should sign for monies received and documentation should be retained and reconciled to records of change returned and purchase invoices submitted (when applicable).

Status:

- A. Implemented.
- B. Partially implemented. Supporting documentation is maintained; however, the petty cash fund is not maintained at a constant amount and the petty cash ledger does not include all activity. See MAR finding number 12.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CEDAR COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Cedar County is a county-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Stockton.

Cedar County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 13,733 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 104,853,512
Personal property	42,506,327
Railroad and utilities	<u>5,587,700</u>
Total	<u>\$ 152,947,539</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Cedar County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
<hr/> County-Paid Officials:		
Kenneth Whitesell Jr., Presiding Commissioner \$		25,760
Byron L. Hamilton, Associate Commissioner		22,572
John A. Fox, Associate Commissioner		22,572
Carole Wilkerson, Recorder of Deeds		36,000
Peggy Kenney, County Clerk		36,000
Michael L. Ash, Prosecuting Attorney		101,090
Aaron Spillman, Sheriff		37,800
Joe Lee Levi, County Treasurer		36,000
C.W. (Bill) Neale, County Coroner		9,900
Janice Cagle, Public Administrator		34,200
Joan Haines, County Collector,	36,000	
year ended February 28 (29),		
Paul E. (Eddie) Johnson, County Assessor (1),		34,888
year ended August 31,		
Chad Pyle, County Surveyor (2)		

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Melinda Gumm, Circuit Clerk	51,197
Joseph B. Phillips, Associate Circuit Judge	101,090

APPENDIX

CEDAR COUNTY
APPENDIX

Date Received	Received From		Amount Received	Amount Disbursed	Difference
<u>Officer Number 1</u>					
12/22/2005	Task Force	\$	500.00	0.00	500.00 (1)
1/13/2006	Task Force		356.72	356.72	0.00
2/28/2006	Task Force		420.05	420.05	0.00
6/1/2006	Task Force		455.65	445.65	10.00 (2)
6/5/2006	Task Force		420.00	420.00	0.00
6/9/2006	Task Force		460.00	460.00	0.00
6/17/2006	Task Force		344.40	344.40	0.00
6/21/2006	Task Force		544.40	544.40	0.00
7/5/2006	Task Force		590.00	590.00	0.00
7/11/2006	Task Force		498.89	498.89	0.00
7/17/2006	County		500.00	0.00	500.00 (1)
9/5/2006	Task Force		202.19	202.19	0.00
9/5/2006	County		120.00	110.00	10.00 (3)
10/6/2006	Task Force		295.52	295.52	0.00
10/16/2006	County		240.00	240.00	0.00
N/A	N/A	*	0.00	52.28	-52.28
12/11/2006	County		140.00	140.00	0.00
N/A	N/A	*	0.00	60.00	-60.00 (4)
N/A	N/A	*	0.00	120.00	-120.00 (5)
N/A	N/A	*	0.00	90.00	-90.00 (6)
N/A	N/A	*	0.00	25.00	-25.00
5/21/2007	County		350.00	200.00	150.00 (7)
<u>Officer Number 2</u>					
2/28/2006	Task Force		500.00	0.00	500.00 (1)
6/1/2006	Task Force		143.61	143.61	0.00
7/17/2006	County		500.00	0.00	500.00 (1)
10/2/2006	County		450.00	450.00	0.00
10/2/2006	County		1,960.00	1,960.00	0.00 (8)
10/11/2006	Task Force		324.28	824.28	-500.00
	Barton County				
N/A	Sheriff		510.00	600.00	-90.00 (9)

CEDAR COUNTY
APPENDIX

Date Received	Received From	Amount Received	Amount Disbursed	Difference
<u>Officer Number 3</u>				
2/28/2006	Task Force	500.00	0.00	500.00 (1)
9/5/2006	Task Force	526.50	526.50	0.00
12/11/2006	County	55.00	55.00	0.00 (10)
<u>Officer Number 4</u>				
2/5/2007	Task Force	800.00	800.00	0.00
N/A	N/A	0.00	225.00	-225.00 (11)
<u>Officer Number 5</u>				
7/17/2006	County	500.00	0.00	500.00 (1)
9/5/2006	Task Force	130.50	130.50	0.00
9/5/2006	County	220.00	220.00	0.00
11/6/2006	County	1,800.00	1,800.00	0.00
12/18/2006	County	900.00	900.00	0.00
Total		\$ 16,257.71	14,249.99	2,007.72

* Monies were disbursed, but not claimed for reimbursement.

- (1) Represents start up monies.
- (2) County overpaid reimbursement by \$10 in error.
- (3) Informant returned \$10 to the undercover officer and he placed the monies back into his drug buy funds, but the officer requested and received reimbursement also.
- (4) Reimbursement request indicated \$90 was spent; however, the officer's activity report indicated only \$60 was spent.
- (5) Reimbursement request indicated \$180 was spent; however, \$60 of the \$180 was reimbursed on May 21, 2007.
- (6) Reimbursement request and receipts signed by informants indicates \$90 was spent; however, officer's activity report indicates \$105 was spent.
- (7) \$150 was recovered and placed back into the officer's drug buy funds when the suspect was subsequently arrested.
- (8) \$1,960 was received by Cedar County on date noted above, and \$1,960 collectively was received from the Barton County Sheriff on August 28, and September 4, 10, 11, 12, 13, 14, and 19, 2006. The Barton County Sheriff indicated the officer reimbursed him and these monies are on hand in Barton County.
- (9) \$510 was received from Barton County Sheriff on October 4 and 6, 2006.
- (10) Balance of \$500 was transferred to Officer Number 4.
- (11) Officer indicated he left cash in drug task force vehicle for Officer Number 1 to pick up.

Source: Drug Task Force Reimbursement Request Forms and Officer Activity Reports